



BOARD OF DIRECTORS REGULAR MEETING

October 12, 2023

Table of Contents

Agenda	Page 3
September 14, 2023, Meeting Minutes	Page 6
Financial Report	Page 18
President's Report	Page 21
<u>Item VII a:</u>	Page 31
Consideration and Possible Action to Authorize the CEO/President to Execute an Expanded Contract Amount with Community Lattice.	
<u>Item VII b:</u>	Page 34
Consideration and Possible Action for Houston Land Bank to apply for an EPA Clean-up grant.	
<u>Item VII c:</u>	Page 35
Consideration and Possible Action for Houston Land Bank to apply for an EPA Community-Wide Assessment grant.	
<u>Item VII d:</u>	Page 36
Consideration and Possible Action for Authorize the CEO/President of Houston Land Bank to execute a Land Banking Agreement with the City of Houston for the transfer of ownership of the Velasco Incinerator Site for environmental remediation and redevelopment.	
<u>Item VII e:</u>	Page 37
Consideration and Possible Action for Authorize the CEO/President of Houston Land Bank to execute an option purchase agreement with the Trinity East Village CDC and the NHP Foundation.	
<u>Item VII f:</u>	Page 63
Consideration and Possible Action to Adopt Updates to Houston	

Land Bank Board Policies.

Item VII g:

Page 108

Consideration and Possible Action for Authorization to Approve the 2023-2025 Houston Land Bank Recommended Rehab/Reconstructions Service Builders. Approval of this action item would officially induct these builders into the standing Houston Land Bank Approved Builder List: Fifth Ward CRC, Jimmy Nathan Zarate LLC, New Community Construction, and Titanium Group.

Item VII h:

Page 109

Consideration and Possible Action to Adopt the Houston Land Bank FY2023 Financial External Audit.



BOARD OF DIRECTORS REGULAR MEETING
AGENDA

Thursday, October 12, 2023 – Noon Central Time

United Way of Greater Houston

50 Waugh Drive, Houston, Texas 77007

The meeting will be in person and open to the public but restrictions regarding masks, allowable room capacity, and seating arrangements may be in place.

The public meeting location will be at the United Way Greater Houston 50 Waugh Drive, Houston, Texas 77007. The Board Chair, as presiding officer of the Board, will be physically present; Board members will also be physically present.

Please contact info@houstonlandbank.org or call us at 281-655-4600 with any questions.

AGENDA

- I. Call to Order and Roll Call
- II. Public Speakers & Registered Attendees
 - a. Neal Rackleff, Rackleff LLP
 - b. Herbert Green

Speakers must be registered by 5 p.m. on Wednesday, October 11, 2023. To register, please use the online form at www.houstonlandbank.org/resources, e-mail info@houstonlandbank.org or call 281-655-4600. The Chair will call on speakers and allow three minutes per speaker.
- III. Consideration and Adoption of Meeting Minutes
 - a. September 14, 2023 Board Meeting
- IV. Chairman's Greeting: Matt Zeis
- V. Committee Reports:
 - a. Executive Committee: Matt Zeis, Chair
 - b. Finance Committee: Laurie Vignaud, Chair
 - c. Partnership and Program Development: Commissioner Janae Ladet, Chair
 - d. Real Estate Acquisition and Disposition: Victor Mondragón, Chair
 - e. Procurement and Oversight: Jesus DeAnda, Chair
- VI. President's Report: Christa Stoneham, CEO/President
- VII. Board Action Items
 - a. Consideration and Possible Action to Authorize the CEO/President to Execute an Expanded Contract Amount with Community Lattice.

- b. Consideration and Possible Action for Houston Land Bank to apply for an EPA Clean-up grant.
- c. Consideration and Possible Action for Houston Land Bank to apply for an EPA Community-Wide Assessment grant.
- d. Consideration and Possible Action for Authorize the CEO/President of Houston Land Bank to execute a Land Banking Agreement with the City of Houston for the transfer of ownership of the Velasco Incinerator Site for environmental remediation and redevelopment.
- e. Consideration and Possible Action for Authorize the CEO/President of Houston Land Bank to execute an option purchase agreement with the Trinity East Village CDC and the NHP Foundation.
- f. Consideration and Possible Action to Adopt Updates to Houston Land Bank Board Policies.
- g. Consideration and Possible Action for Authorization to Approve the 2023-2025 Houston Land Bank Recommended Rehab/Reconstructions Service Builders. Approval of this action item would officially induct these builders into the standing Houston Land Bank Approved Builder List: Fifth Ward CRC, Jimmy Nathan Zarate LLC, New Community Construction, and Titanium Group.
- h. Consideration and Possible Action to Adopt the Houston Land Bank FY2023 Financial External Audit.

VIII. Executive Session

NOTE: The Houston Land Bank Board may go into executive session, if necessary, pursuant to Chapter 551 of the Texas Government Code, for one or more of the following reasons: (1) consultation with its legal counsel to seek or receive legal advice or consultation regarding pending or contemplated litigation; (2) discussion about the value or transfer of real property; (3) discussion about a prospective gift or donation; (4) consideration of specific personnel matters; (5) discussion about security personnel or devices; or (6) discussion of certain economic development matters. The Board may announce that it will go into executive session on any item listed on this agenda if the subject matter is permitted for a closed session by provisions of Chapter 551 of the Texas Government Code.

Discussion may occur in executive session as provided by State law, but all Board actions will be taken in public.

IX. Board Member Comments

P.O. Box 131106, Houston, Texas 77219
281.655.4600

houstonlandbank.org

X. Adjournment

**HOUSTON LAND BANK
MINUTES OF THE BOARD OF DIRECTORS REGULAR MEETING
HOUSTON, TEXAS**

September 14, 2023

A regular meeting of the Board of Directors ("Board") of the Houston Land Bank ("HLB"), a Texas non-profit corporation created and organized by the City of Houston as a local government corporation pursuant to the Texas Transportation Code Annotated, Section 431.101, *et seq.*, and the Texas Local Government Code Annotated, Section 394.001 *et seq.*, was held at 50 Waugh Drive, Houston, Texas, on Thursday, September 14, 2023 at 12:00 p.m. Written notice of the regular meeting, which included the date, hour, place and agenda for the regular meeting, was posted in accordance with the Texas Open Meetings Act.

Board members in attendance were:

Elaine Morales	Jesus DeAnda
David Collins	Danielle Keys Bess
Tonzaino Bailey	Marilyn Muguerra
Matt Zeis	Victor A. Mondragón
	Dwantrina Russell

Board directors absent were: Janae Ladet, Antoinette Jackson, Chrishelle Palay, and Laurie Vignaud. Others in attendance included: Christa Stoneham, Chief Executive Officer/President of the HLB; Donald Hughes, Acquisition and Development Director for the HLB; LaTosha Okoiron, In-house Legal Counsel and Compliance Director for the HLB; Isai Mendez, Finance Director for the HLB; Mark Glanowski (Paralegal) of Winstead PC, outside legal counsel for the HLB; Lindsey Williams, Director of Community Development for the HLB; Donesha Albrow, Administrative Manager for the HLB; Jen Allison, Chief Operations Officer for the HLB; Gracie Saenz, outside legal counsel for the HLB; Charles Keys, Asset and Disposition Manager for the HLB; and Yvonne Smith, Cedrick LaSane and Cassandra Thomas of the City of Houston.

I. Call to Order and Roll Call

Chairman Zeis called this regular meeting to order at 12:04 p.m. A roll call of the Board members attending in person immediately followed. Chairman Zeis then announced that an in-person quorum of the Board was present for this meeting.

II. Public Speakers

Nothing to report.

III. Consideration and Adoption of Meeting Minutes

a. August 17, 2023 Board Meeting

Chairman Zeis then announced that the minutes for the August 17, 2023 regular meeting of the Board were previously circulated for review and comment. He asked if there were any comments for discussion to such minutes. Hearing none he asked for a motion on the minutes.

Director Morales made a motion to approve the minutes of the Board meeting held on August 17, 2023, as written, which motion was then duly seconded by Director Russell and passed with the unanimous vote of the Board.

IV. Chairman's Greeting: Matt Zeis

Chairman Zeis stated that Houston City Council adopted Ordinance No. 2023-720 last week, therefore the HLB will amend its bylaws to adopt this new ordinance. He thanked David Collins, Courtney Johnson Rose, and Mario Castillo for their work in securing the passing of this legislation to benefit land banks.

V. Committee Reports:

a. Executive Committee: Matt Zeis, Chair

Chairman Zeis reported that the Executive Committee met last week to discuss the adoption of Texas Senate Bill 1679 by Houston City Council, the update on the status of builder non-compliance under the construction contracts for affordable houses, and acquisition of land for new houses from private real estate owners in the Trinity/Houston Gardens and Acres Homes neighborhoods.

b. Finance Committee: Laurie Vignaud, Chair

Mr. Mendez reported that the Finance Committee did not meet this month, however the current financial statement is in the packet provided to the Board last week.

c. Partnership and Program Development Committee: Janae Ladet, Chair

Ms. Williams reported that the Partnership Committee met to discuss the brownfields projects, and noted that the Community Purpose Lots Program is progressing. She then informed the Board that the next Juice and Justice meeting will be held on Friday, September 15, 2023 in the 5th Ward to discuss brownfields projects.

d. Real Estate Acquisition and Disposition Committee: Victor Mondragón, Chair

Director Mondragón reported that the READ Committee met on September 5, 2023 to discuss the status of the development with regard to the Settegast Project, lot buy backs, and potential land acquisitions. Director Mondragón then asked Mr. Hughes to discuss the scenarios for land acquisition.

Chairman Zeis then informed the Board that a workshop meeting of the Board members and The Goodman Corporation to discuss the status of the Settegast Forest project is scheduled for September 28, 2023.

e. **Procurement and Oversight Committee: Jesus DeAnda, Chair**

Director DeAnda reported that the Procurement and Oversight Committee met on September 7, 2023 to discuss the results of the RFQ for builders, and the amended contract with Community Lattice for additional funding needed to continue working on the brownfields program.

VI. President's Report: Christa Stoneham, CEO/President

Ms. Stoneham stated she was pleased to see the response of the builders and developers to the RFQ including scattered site models for entry level builders, 5 master community builders which have a capacity for 25+ lots, and rehab service providers. She then announced that HLB has 68 lots which are in various stages of development, however, 42 home builders remain out of compliance with regard to their construction contracts. She then mentioned the donations from Veritex Community Bank and CenterPoint.

Chairman Zeis requested Ms. Stoneham to provide a list of the names of the homebuilders who are out of compliance including the number of lots each has. He stated that the HLB may begin placing this information on its website.

Ms. Stoneham informed the Board that there will be a brownfields conference scheduled with Community Lattice, and that the HLB will be submitting an application to SXSU regarding housing affordability and models to address such topic.

VII. Board Action Items

a. **Consideration and Possible Action to Approve the Successful Bidders under the Request for Qualifications for Professional and Technical Real Estate Development Services**

Ms. Stoneham announced that approval of this Agenda item will authorize HLB to create a resource pool of professional and technical real estate developers as described in the Houston Land Bank Request for Qualifications for Professional and Technical Real Estate Development Services issued on March 31, 2023 which closed on April 27, 2023. She noted that each of the successful vendors will qualify for one 2-year term.

As a result of the RFQ, 53 total submissions were received among the various categories, with 38 of those being successful vendors as determined by the evaluation process by HLB staff. Each submission category had an HLB procurement panel of four staff members reviewing and evaluating the submissions based on criteria posted in the RFQ.

The HLB conducted its search for consultants for the following areas of expertise: market analysis and feasibility services, urban programming and community engagement services, master urban planning services, architectural design services, engineering services, historic preservation

services, environmental and brownfield consultants, construction estimation services, tactical urbanism services, real estate brokerage services, and fundraising services.

After review and evaluation of the submissions, the scoring results contain the points assessed for each submission based on the highest possible points of 100 (see below). Submissions receiving a combined average score of 80 points or more were considered successful and be included in the contractor pool upon Board approval.

Due to business conflicts with a number of the consultants, Director Collins excused himself from this portion of the meeting and exited the room.

Historic Preservation Consultants

Post Oak Preservation Solutions, LLC	Combined Score: 98.75
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Director Mugerza made a motion to approve Post Oak Preservation Solutions, LLC as the Historic Preservation consultant which motion was duly seconded by Director Bess and approved by the majority vote of the Board, as Director Collins exited this portion of the meeting due to business conflicts on this Agenda item.

Urban Planning and Programming

Architangent	Combined Score: 89.5
Asakura Robinson	Combined Score: 98
UH – Community Design Resource Center	Combined Score: 74.25
Hines Architecture + Design	Combined Score: 63
Opticos Design, Inc	Combined Score: 86.50
Realinc, LLC	Combined Score: 71.25
Street Plans	Combined Score: 68.75
SWA Group	Combined Score: 95.50
TBG Partners	Combined Score: 93.37
The Goodman Corporation	Combined Score: 94.75
UltraBarrio	Combined Score: 93.75

Director Mondragón made a motion to approve the successful qualified consultants, which motion was duly seconded by Director Russell and passed with the majority vote of the Board, as Director Collins and Director Morales exited this portion of the meeting due to business conflicts on this Agenda item.

Director Bailey then noted that the list of urban planning consultants in the Agenda is different than the list in the package provided to the Board for the meeting. Chairman Zeis

requested that the motion and vote for the urban planning and programming consultants be cancelled. Director Bess made a motion to cancel the motion and vote with regard to approval of the urban planning consultants, which was duly seconded by Director Muguerza and passed with the majority vote of the Board.

Director Bailey then made a motion to approve the successful qualified consultants as shown in the Board package, which motion was duly seconded by Director Muguerza and passed with the majority vote of the Board, as Director Collins and Director Morales exited this portion of the meeting due to business conflicts on this Agenda item.

Engineering Services

Doucet & Associates, Inc.	Combined Score: 100
The Goodman Corporation	Combined Score: 100

Director Mondragón made a motion to approve Doucet & Associates, Inc. and The Goodman Corporation as engineering consultants, which motion was duly seconded by Director Muguerza and approved by the majority vote of the Board, as Director Collins exited the meeting due to business conflicts with regard to this Agenda item.

Architectural Design Services

3 rd Business Solutions	Combined Score: 70
Architangent	Combined Score: 97.50
Asakura Robinson	Combined Score: 99.50
Element Architects	Combined Score: 98.75
GSMA	Combined Score: 100
HarrisonKornberg Architects	Combined Score: 94
Hines Architecture and Design	Combined Score: 82.75
Mirador Group	Combined Score: 96.75
Opticos Design, Inc.	Combined Score: 96
TBG Partners	Combined Score: 94.75
UltraBarrio	Combined Score: 98.75

Director Bess made a motion to approve the successful qualified consultants, which motion was duly seconded by Director DeAnda and passed with the majority vote of the Board,

as Director Collins and Director Morales exited this portion of the meeting due to business conflicts with regard to this Agenda item.

Director Bailey noted that the list of architectural design consultants in the Agenda is different than the list in the package provided to the Board for the meeting. Chairman Zeis requested that the motion and vote for the architectural design service consultants be canceled. Director Bess made a motion to cancel the motion and vote approving the architectural design consultants, which was duly seconded by Director Muguerza and passed with the majority vote of the Board.

Director Bess then made a motion to approve the successful qualified architectural design consultants as shown on the list in the Board package, which motion was duly seconded by Director Russell and passed with the majority vote of the Board, as Director Collins and Director Morales exited this portion of the meeting due to business conflicts with regard to this Agenda item.

Construction Estimation Services

Urbangreen Spaces	Combined Score: 81 .25
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Director Bess made a motion to approve Urbangreen Spaces as the construction estimation consultant, which motion was duly seconded by Director Mondragón and passed with the majority vote of the Board, as Director Collins exited this portion of the meeting due to business conflicts with regard to this Agenda item.

Urban Tactical Services

Asakura Robinson	Combined Score: 94.75
UH-Community Design Resource Center	Combined Score: 82.50
Community Lattice	Combined Score: 53.25
Realinc, LLC	Combined Score: 60
Street Plans	Combined Score: 97.50
UltraBarrio	Combined Score: 98.25

Director DeAnda made a motion to approve the successful qualified consultants, which motion was duly seconded by Director Russell and passed with the majority vote of the Board, as Director Collins and Director Morales exited this portion of the meeting due to business conflicts with regard to this Agenda item.

Director Bailey noted that the list of consultants in the Agenda is different than the list in the Board package provided to the Board for the meeting. Chairman Zeis requested that the motion and vote for the urban tactical services consultants be cancelled. Director Bess made a

motion to cancel the motion and vote approving all of the urban tactical service consultants which was duly seconded by Director Mugerza and passed with the majority vote of the Board.

Director DeAnda made a motion to approve the successful qualified urban tactical service consultants as shown in the package provided to the Board, which motion was duly seconded by Director Mugerza and passed with the majority vote of the Board, as Director Collins and Director Morales exited this portion of the meeting due to business conflicts with regard to this Agenda item.

Realty Brokerage Services

Berkshire Hathaway Premier Properties	Combined Score: 85.37
CCD Ventures LLC	Combined Score: 92.50
Cortney Johnson	Combined Score: 0.00 (incomplete)
Equinox Realty Group	Combined Score: 70.75
ERA Legacy Living	Combined Score: 83
George E. Johnson Properties LLC	Combined Score: 98.75
KLPTX Group, LLC	Combined Score: 91.87
Realinc, LLC	Combined Score: 87.37
Transwestern	Combined Score: 77
Yves Ozoude	Combined Score: 82.25

Director Bess made a motion to approve the successful qualified realty brokerage service consultants, which motion was duly seconded by Director Morales and passed with the majority vote of the Board, as Director Collins and Director Mugerza exited this portion of the meeting due to business conflicts with regard to this Agenda item.

Environmental and Brownfield Consultant

Community Lattice	Combined Score: 100
Ensafe	Combined Score: 100
The Goodman Corporation	Combined Score: 89.5

Director Morales made a motion to approve each of the above named environmental and brownfield consultants, which motion was duly seconded by Director DeAnda and passed with the majority vote of the Board, as Director Collins exited this portion of the meeting due to business conflicts.

Market Analysis and Feasibility

3 rd Business Solutions	Combined Score: 67.50
Community Lattice	Combined Score: 78.50
Hines Architecture + Design	Combined Score: 64.50
Realinc, LLC	Combined Score: 72.00
The Goodman Corporation	Combined Score: 95.25

Director Russell made a motion to approve Community Lattice and The Goodman Corporation as the market analysis and feasibility consultants, which motion was then duly seconded by Director Muguera and passed with the majority vote of the Board, as Director Collins exited this portion of the meeting due to business conflicts with regard to this Agenda item.

Fundraising Services

Amny Consulting Group, LLC	Combined Score: 95
Citrine Solutions Group	Combined Score: 72
Community Lattice	Combined Score: 98.75

Director DeAnda made a motion to approve Amny Consulting Group, LLC and Community Lattice as the fundraising consultants, which motion was then duly seconded by Director Morales and passed with the majority vote of the Board, as Director Collins exited this portion of the meeting due to business conflicts with regard to this Agenda item.

b. Consideration and Possible Action to Approve the Market Purchase of Land from Private Owners in Trinity/Houston Gardens and Acres Homes Neighborhoods.

Mr. Hughes stated that approval of this Agenda item will authorize the HLB to pursue the acquisition of 2 large parcels of land from private real estate owners in Trinity/Houston Gardens and Acres Homes neighborhoods. The purpose of acquiring larger properties is to replat or subdivide as necessary to maintain affordability in these neighborhoods experiencing significant increases in the per square-foot cost for residential lots.

As part of HLB's ongoing efforts to address affordable housing needs, HLB staff identified an urgent need to acquire land in Trinity/Houston Gardens and Acres Homes neighborhoods due to the substantial increase in the per-square-foot cost for residential lots in core areas of the City.

HLB staff will negotiate the purchase prices for the specific properties with their respective owners and brokers. In addition, HLB staff will exercise fiscal responsibility throughout the

process to ensure that the acquisitions are based at fair market value and align with HLB's budgetary constraints.

HLB staff requested that the Board authorize HLB staff to pursue the acquisition of land from private real estate owners in Trinity/Houston Gardens and Acres Homes neighborhoods, with final approval to close on these properties at the end of the contingency or due diligence period after assessing the necessary environmental, market valuation, replating, subdivision, or other feasibility costs.

Director Mondragón made a motion to approve the market purchase of 2 tracts of land from private real estate owners in an amount not to exceed \$650,000.00 including closing costs, in the Trinity/Houston Gardens and Acres Homes neighborhoods, which motion was duly seconded by Director Muguerza and passed with the majority vote of the Board, as Director Collins exited the meeting at 12:48 p.m.

- c. **Consideration and Possible Action to Approve the Successful Bidders under the Request for Qualifications for Builders/Developers issued August 18, 2023 as listed below:**
 - 1. Master Community Builder
 - i. DSW Homes
 - ii. Houston Habitat for Humanity
 - iii. JWT Construction
 - iv. MHL
 - v. Burghli Group
 - 2. Established Builder
 - i. Fifth Ward CRC
 - ii. JLSC Inc.
 - iii. MH Builder
 - iv. MHL
 - v. Burghli Group
 - 3. Startup Builder
 - i. JLSC, Inc.
 - ii. New Community Construction

- iii. Titanium Group
- 4. Non-Traditional Builder
 - i. Key HTX
- 5. Rehab/Reconstruction Services
 - i. Fifth Ward CRC
 - ii. Jimmy Nathan Zarate LLC
 - iii. New Community Construction
 - iv. Titanium Group
- 6. Neighborhood Commercial or Community Facility Builder
 - i. Fifth Ward CRC
 - ii. JLSC, Inc.
 - iii. Burghli Group

Ms. Stoneham stated that passage of this item will approve the READ Committee's recommended selection of the 2023-2025 approved builders and induct each of these builders onto the HLB Approved Builders List which will allow them to apply to purchase lots for construction of affordable homes under the HLB Traditional Homebuyers Program.

The HLB Traditional Home Buyer Program currently has a total of 17 approved builders. HLB posted its request for qualifications for new builders and developers on July 3, 2023. From that posting, HLB received 28 responses for the 2023-2025 RFQ for Builders/Developers requesting applications from new builders and from current builders renewing applications from 2021. Twenty-six responses were received from new builders, and two responses were from current HLB Approved Builders wishing to renew their status as required every two years. HLB staff reviewed all statements of qualifications and recommends renewing the two current builder submissions and 12 of the 26 new applicants who scored high enough in the evaluation process. HLB staff proposed a builder list as submitted to the READ Committee for review, recommending the listed builders to participate in the HLB Traditional Homebuyer Program through the end of 2025. The approved builders will be eligible to apply to purchase lots for the construction of affordable houses.

Director DeAnda made a motion to approve the successful builders under the RFQ, which motion was seconded by Director Bess and passed with the majority vote of the Board. It was then noted that JLSC Inc. is listed both an established builder and as a start up builder. Director DeAnda then amended his motion to remove the name of JLSC Inc. as an established builder, which amended motion was then duly seconded by Director Bess and passed with the majority vote of the Board.

Director DeAnda then further amended his motion further to delete Section 5 of the list of builders which amended motion was duly seconded by Director Bess. The further amended motion was then passed with the majority vote of the Board.

d. Consideration and Possible Action to Approve and Authorize the CEO/President to Execute Expanded Contract Amount with Community Lattice.

Ms. Stoneham informed the Board that Community Lattice has been assisting HLB with its brownfields inventory, Phase II ESAs, RAPs, Reuse Planning, and Community Outreach. The current contract was set at an amount not to exceed the amount of \$49,566.00, however, such funds have been expended due to the recent increase of Brownfield activities, including community engagement, project management, and grant administration. With HLB Board approval, the contract will be increased not to exceed the amount of \$120,000.00 to establish and authorize specific scopes of work to complete projects and ongoing program support for the HLB's EPA brownfields grant. Ms. Stoneham noted that the amount in the Board's package is incorrect, and should be \$120,000.00 rather than 127,766.50.

Under the current project plan, Community Lattice is focused on target neighborhoods identified in the EPA grant; however, several projects have been identified where Community Lattice is subcontracting for more partnership opportunities to ensure quality control and cost efficiency. Community Lattice is requesting authorization for a Quality Assurance Project Plan/Field Sampling Plan. Upon approval from EPA, HLB will finalize the budget for field sampling activities. Community Lattice also supports HLB with brownfields cleanup planning of the city-owned Velasco incinerator as the land bank acquires ownership and positions the property for cleanup funding. Brownfields' redevelopment planning helps HLB and communities make informed decisions about where to direct scarce resources to benefit the existing community. The services include:

- Community Lattice will complete GIS-based brownfields inventory work, including finalizing the Hidden Gems program, brownfields inventory dashboard, and brownfields inventory story map.
- Community Lattice will continue to provide HLB with programmatic support services, including quarterly reporting, weekly program meetings, budget recommendations, updates to Work Plans, grant closeout and other management tasks.
- Community Lattice will support HLB with brownfields cleanup planning of the city-owned Velasco incinerator as the land bank acquires ownership and positions the property for cleanup funding.
- Community Lattice will work with subcontractors to plan a Phase II Environmental Site Assessment/Site Investigation and prepare a QAPP for authorizing by the EPA. Upon review, scope negotiation, and approval from HLB and EPA, the budget for field sampling activities will be finalized.
- Community Lattice to provide support with coordinating community and stakeholder engagement for promoting the brownfield program; communicating the mission of the

HLB relative to brownfields acquisition, cleanup, reuse, and related environmental/climate justice initiatives; hosting engagement event.

Director DeAnda made a motion to approve the CEO/President of the HLB to execute the expanded contract amount with the Community Lattice in an amount not to exceed \$120,000.00, which motion was duly seconded by Director Bess and approved with the unanimous vote of the Board.

- e. **Consideration and Possible Action to Approve the update/revision and execution of Houston Land Bank (HLB) bylaws and organizational policies to reflect the governance of HLB under Texas S.B 1679.**

Ms. Stoneham announced that approval of this item will update and amend HLB policies and governing activities to reflect the expansion of the capacity and mission of the HLB via the City of Houston, Ordinance No. 2023-720. This update is necessary for the expanded land banking authority pursuant to the 87th Texas State Legislature, Texas Senate Bill 1679, Chapter 379H of the Texas Local Government Code to align with the scope of the HLB.

With the passage of Texas Senate Bill 1679, the Urban Land Bank Act was established and created expanded capacity and operational opportunities for land banks. To be in compliance with this new legislation, HLB needs to amend its governing documents to be in step with Texas Senate Bill 1679. The proposed updates and amendments to the HLB policies and bylaws are reflective of this new legislation and consist of the incorporation of the Interlocal Agreement between the City of Houston and the HLB, effective August 2023, establishing the tax recapture agreement between these two entities.

Director Bess made a motion to approve the update/revision and execution of the HLB bylaws and organizational policies to reflect the governance of Texas Senate Bill 1679, which motion was duly seconded by Director Mondragón and passed with the majority vote of the Board.

VIII. Executive Session

Director Bess made a motion for the Board to enter into Executive Session to discuss the purchase of undeveloped land from private owners of the land which motion was duly seconded by Director Bailey and passed with the unanimous vote of the Board. The Board then entered into Executive Session at 12:47 p.m.

Director Collins left the meeting at 12:48 p.m.

At 1:07 p.m., Director Mondragón made a motion to adjourn the Executive Session and return to the regular meeting which motion was duly seconded by Director Murguerza and passed with the unanimous vote of the Board. The meeting returned to its regular session at 1:07 pm.

Director Russell then left the meeting at 1:07 p.m.

IX. Board Member Comments

Nothing to report.

X. Adjournment

Chairman Zeis asked if there were any additional matters to be discussed or considered by the Board. Hearing none, this regular Board meeting then adjourned at 1:20 p.m. with the motion of Director Mondragón which was duly seconded by Director Bess and passed with the unanimous vote of the Board.

Minutes Prepared By:

Mark Glanowski (Paralegal) of Winstead PC and
Graciela Saenz of Law Offices of Graciela Saenz, PLLC

Signed on the ____ day of _____, 2023.

Secretary

Houston Land Bank
Balance Sheet
As of August 31, 2023

	Total
ASSETS	
Current Assets	
Bank Accounts	
10100 Chase - Operating 8465	121,227
10200 UNB - Operating MM 4992	174,746
10300 Chase - Lot Acquisition MM 7058	670,643
10400 Chase - Unrestricted MM 7066	2,884,363
10500 Chase - Unrestricted Reserve 5577	18,217
10600 Susser Bank - MM 7878	250,531
10700 Susser Bank - Savings Sweep 78781	55,295
10800 Petty Cash	13
Total Bank Accounts	\$ 4,175,035
Accounts Receivable	
12100 Accts Receivable	1,213,390
Total Accounts Receivable	\$ 1,213,390
Other Current Assets	
Prepaid Expenses	
14100 Prepaid Acquisition Costs	5,500
14200 Prepaid Insurance	23,315
14300 Prepaid Rent	3,689
14400 Prepaid Security Deposit	5,064
14500 Prepaid Subscription Services	12,586
Total Prepaid Expenses	\$ 50,154
Total Other Current Assets	\$ 50,154
Total Current Assets	\$ 5,438,579
Fixed Assets	
15100 Equipment	14,665
15900 Accum. Depreciation	-10,562
Total Fixed Assets	\$ 4,103
Other Assets	
16100 Earnest Fee	125,100
16200 Lease Asset	67,042
Total 17100 Investments Held For Sale	9,708,488
Total Other Assets	\$ 9,900,630
TOTAL ASSETS	\$ 15,343,312
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20100 Accounts Payable	52,444
Total Accounts Payable	\$ 52,444

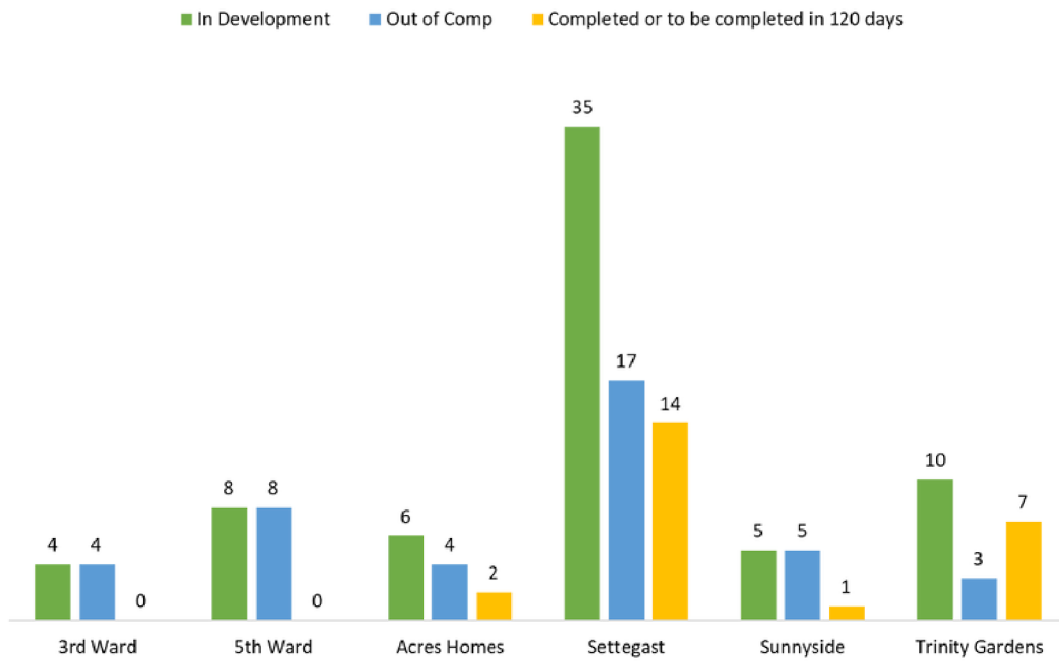
Other Current Liabilities	
21100 Liabilities Due to HCDD	667,941
21400 Liabilities Due to HLB Fund	3,000
21600 Lease Liability - Current	44,171
Total Other Current Liabilities	\$ 715,112
Total Current Liabilities	\$ 767,556
Long-Term Liabilities	
22600 Lease Liability - Noncurrent	22,871
Total Long-Term Liabilities	\$ 22,871
Total Liabilities	\$ 790,427
Equity	
30100 Unrestrict (retained earnings)	14,565,343
Net Income	-12,458
Total Equity	\$ 14,552,885
TOTAL LIABILITIES AND EQUITY	\$ 15,343,312

Houston Land Bank
Profit and Loss
July - August, 2023

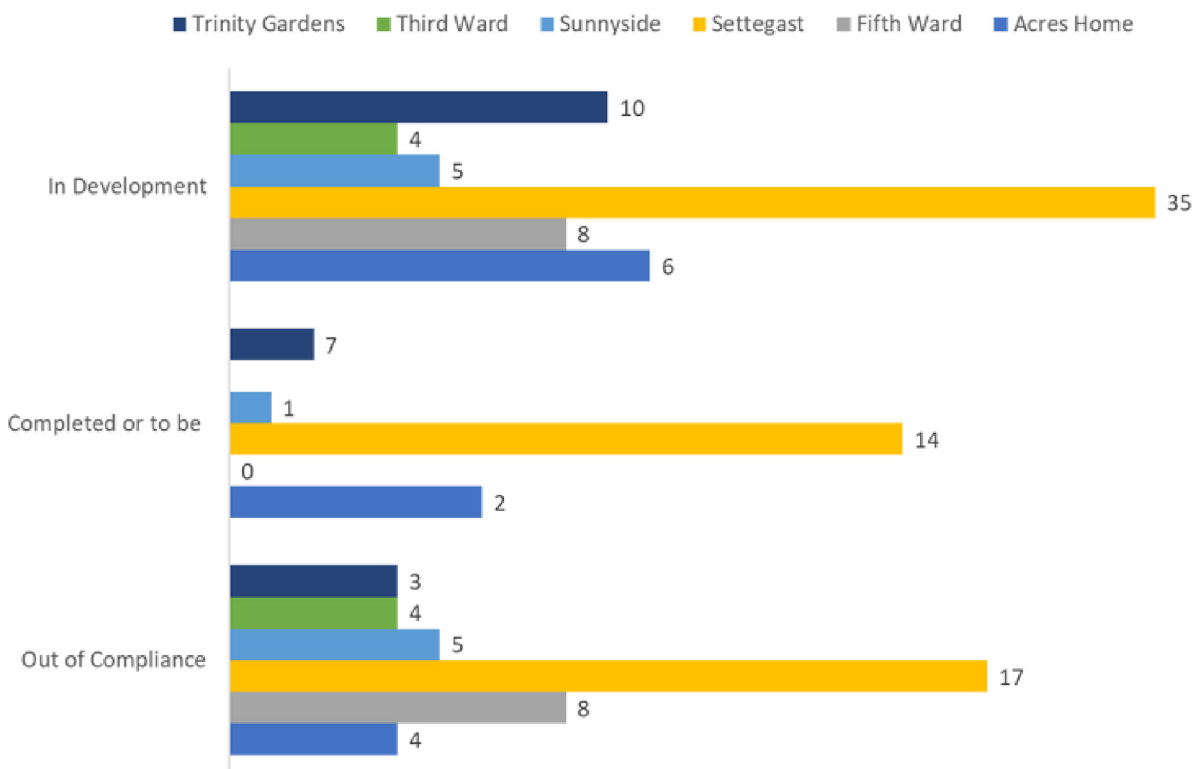
	Total
Income	
40100 Acquisition and Development Agreement	31,081
40200 Administrative Fees	3,750
40300 HLB Program Revenue	
40400 Operations Agreement	261,853
40500 Outside Sources Contributions	59,886
Total Income	\$ 356,570
Gross Profit	\$ 356,570
Expenses	
60100 Salaries and Fringe	134,751
60200 Legal Fees	23,218
60300 Professional Services	99,332
60400 Property Cost - Lot Maintenance	41,578
60500 Software and Subscriptions	7,394
60600 Rent Expense	8,342
60700 Advertising and Marketing	
60800 Bank Fees	2,189
60900 Conference and Meetings	265
61000 Depreciation Expense	489
61100 Filing Fees	
61200 Insurance	5,658
61300 Membership and Dues	
61400 Office Expense	1,050
61500 Phone and Internet	975
61600 Training and Development	580
61700 Travel Expense	5,629
62100 Acquisition Costs - HLB Traditional	
62200 Property Cost Disposition - HLB Traditional	33,343
63100 Acquisition Cost - NHDP	
63200 Property Cost Disposition - NHDP	15,288
Total Expenses	\$ 380,082
Net Operating Income	-\$ 23,512
Other Income	
70100 Interest Income	11,053
Total Other Income	\$ 11,053
Net Other Income	\$ 11,053
Net Income	-\$ 12,458

HLB DEVELOPMENT

Development by Neighborhood



There are 68 properties in development and 42 properties out of compliance.





Programs & Partnerships

COMMUNITY PARTNERS

A Land Bank can act as a consultant for construction projects by providing expertise in various areas related to the development and construction process. HLB has relationships and a procured pool of various entities, including architects, engineers, contractors, and real estate brokers. As a result, HLB provides guidance and support to governmental entities, developers, and builders, including feasibility studies, site assessments, project design, and other technical assistance. By serving as a consultant, HLB adds capacity and is a valuable partner in the development and construction process, helping to attract investment, facilitating projects, and contributing to neighborhood revitalization by empowering local businesses.

Our community partners supplement our community-focused approach, which requires empathy and understanding of disinvested neighborhoods' unique challenges and opportunities. Additionally, HLBs align with the goals and objectives of the City of Houston's Complete Communities Plans, which center around a healthy, economically thriving, equitable, and sustainable Houston for everyone. HLB welcomes respondents certified as HUBs or MWBEs (Minority Women, Business Enterprise) by the City of Houston or comparable public entities.

We are happy to welcome our newly procured community partners



Programs & Partnerships

PROCURED COMMUNITY PARTNERS

Historic Preservation Consultants

- Post Oak Preservation Solutions, LLC

Urban Planning & Programming

- Architangent
- Asakura Robinson
- Opticos Design, Inc
- SWA Group
- TBG Partners
- The Goodman Corporation
- UltraBarrio

Engineering Services

- Doucet & Associates, Inc
- The Goodman Corporation

Architectural Design Services

- Architangent
- Asakura Robinson
- Element Architects
- GSMA
- HarrisonKornberg Architects
- Hines Architecture & Design
- Mirador Group
- Opticos Design, Inc
- TBG
- UltraBarrio

Construction Estimation Services

- Urbangreen Spaces

Realty Brokerage Services

- Berkshire Hathaway Premier Properties
- CCD Ventures LLC
- ERA Legacy Living
- George E. Johnson Properties LLC
- KLPTX Group, LLC
- Realinc, LLC
- Yves Ozoude

Environmental and Brownfield Consultant

- Community Lattice
- Ensafe
- The Goodman Corporation

Market Analysis & Feasibility Consultant

- The Goodman Corporation

Fundraising Services

- Amny Consulting Group LLC
- Community Lattice

Urban Tactical Services

- Asakura Robinson
- UH-Community Design Resource Center
- Street Plans
- UltraBarrio

**LEARN MORE ABOUT HOW YOU
PARTNER WITH US AT:**

www.Houstonlandbank.org

Programs & Partnerships

HLB BROWNFIELDS PROGRAM

"A brownfield is a property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant."

~U.S. EPA



Project

Former Yellow Cab Site
Near Northside

Environmental Concerns

Petroleum storage tank removal and
cleanup of soil contamination

Brownfields are often difficult to redevelop because of the cost associated with investigating and cleaning up environmental impacts, like asbestos, petroleum storage tanks, or releases of industrial chemicals. Because of this risk, brownfields can remain abandoned for years, even decades, and contribute to neighborhood decay, blight and adverse public health outcomes. In 2021, Houston Land Bank was awarded a \$600,000 Brownfields Community-wide assessment grant from the U.S. Environmental Protection Agency (EPA), which launched the land bank's ambitious Brownfields Redevelopment Program. Goals of the program are presented to the right.

Brownfields Goals

- #1 Advance Community Revitalization
- #2 Drive Environmental & Climate Justice
- #3 Leverage Additional Resources for Success



HLB BROWNFIELDS PROGRAM

ADVANCE COMMUNITY REVITALIZATION

B

rownfields redevelopment is an opportunity to advance community revitalization efforts by identifying underutilized properties and restoring them to meet the needs of the community. Brownfields redevelopment can be catalytic, by spurring other investments surrounding transformative projects. Examples of catalytic brownfields redevelopment include Minute Maid Stadium and the Houston Aquarium.

Brownfields redevelopment also has the potential to transform communities in ways that displace current residents, contradicting the intended outcomes of reuse projects. Houston Land Bank works closely with community members, community leaders, and public officials to align design, redevelopment decisions, and project outcomes with the community's vision and needs. Many of these needs have been identified in recent city-wide or community-level studies, including Complete Communities, Resilient Houston, Neighborhood Resilience Plans, GO Neighborhoods Quality of Life Agreements, and Livable Studies. Based on

Target Areas: East End, Near Northside, Kashmere Gardens, Gulfton, and Settegast



Liked by houstonclt and 49 others

htxlandbank 🏡🚗 A few photos from our Near Northside Visioning Session. Thank you to everyone that joined us! #HoustonLandBank #YellowCabHouston #HoustonAffordableHousing

Drive Environmental & Climate Justice

Environmental and climate justice is perhaps the most pressing issue of our time. Houston Land Bank understands its position and responsibility to be an agent of change for communities suffering from decades of environmental racism, systemic neglect, and rapidly increasing climate vulnerability. Through the Brownfields Program, the land bank affirms Environmental Justice Principles and commits to advancing the environmental justice movement through policy and practice.

Principle #7: Environmental Justice demands the right to participate as equal partners at every decision-making level, including needs assessment, planning, implementation, enforcement, and evaluation.

Principle #12: Environmental Justice affirms the need for urban and rural ecological policies to clean up and rebuild our cities and rural areas in balance with nature, honoring the cultural integrity of all our communities and providing fair access for all to the full range of resources.

Target Areas: All disadvantaged communities as defined by the White House's Climate and Economic Justice Screening Tool



Get Updates & Learn More about HLB Brownfields Program

www.Houstonlandbank.org

HLB BROWNFIELDS PROGRAM

With EPA funding HLB Can...



Identify Brownfields in your community!

Inventory properties to plan revitalization



Perform Phase I Environmental Site Assessment

Inventory properties to plan revitalization



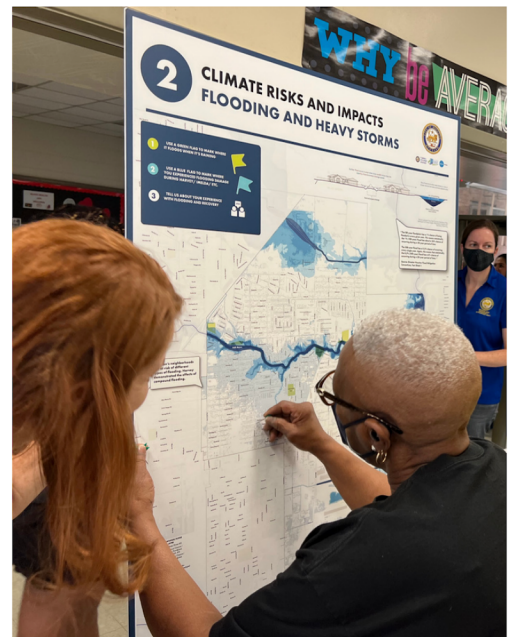
Conduct Phase II Environmental Assessment

To Collect samples to find evidence of contamination



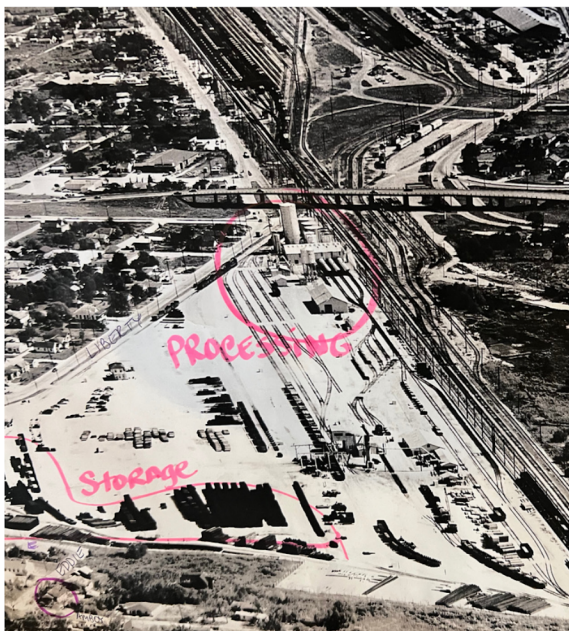
Facilitate Reuse Planning

To understand reuse options based on cleanup goals



How you can help!

Help us find Houston's Hidden Gems



Houston Land Bank's brownfields program aims to advance revitalization projects and build healthy communities by addressing environmental issues through the assessment, cleanup, and redevelopment of brownfields, especially in Houston's underserved communities. Brownfields can cause many issues in a community and are often difficult to redevelop because of the cost and liability associated with environmental contamination. HLB refers to these properties as **Hidden Gems** and asks you to help us identify them. If you know of a site with suspected environmental contamination or see a potential brownfield property, please report it via our Hidden Gems Finder. <https://bit.ly/houstonhiddengems>

HLB IN THE COMMUNITY

HLB holds quarterly Juice & Justice Meeting

We're thrilled to share some exciting news and updates from our recent Juice and Justice Meeting on September 15, where we gathered to discuss our experiences at the National Brownfields Conference held in Detroit, Michigan.

Our post-conference conversation aimed to bring back the knowledge, insights, and inspirations we gained during the National Brownfields Conference. We understood the importance of sharing these experiences with Houston community leaders who could not attend the event but are equally vested in redeveloping our brownfields.

Our discussion centered around the Houston Land Bank Brownfield program, emphasizing how the conference's mission and core values were well represented. We delved deep into the strategies, techniques, and best practices highlighted during the event, aiming to adapt and implement them in our local context.

Moreover, the Juice and Justice Meeting was an excellent opportunity to connect with fellow community leaders, local businesses, and organizations, sharing our vision for a revitalized Houston. We could exchange resources, thoughts, and stories, forging solid alliances and collaborations. We were also able to launch our Hidden Gems Finder.

<https://bit.ly/houstonhiddengems>

As one of Houston's foremost advocates for brownfield redevelopment, we must continuously learn, explore, and strive for excellence in our field.



if you are interested in attending future Juice and Justice Meetings and joining the BAC please email

brownfields@houstonlandbank.org

HLB IN THE COMMUNITY

HLB speaks at HBREA Lunch & Learn



We are proud to highlight that our esteemed Administrative Manager, Donesha Albrow, was invited to speak at the Houston Black Real Estate Association's Lunch and Learn focused on "Mastering Affordable Housing." The session aimed to educate participants about Houston Land Bank's (HLB) affordable homeownership programs and equip real estate agents with actionable strategies to connect interested buyers with these remarkable properties.

During the event, Donesha Albrow shed light on the inner workings of HLB's affordable homeownership programs. She highlighted these programs' positive impact on the local community, empowering individuals and families to achieve their dreams of homeownership while minimizing financial burdens. Drawing from her extensive experience in the field, Albrow shared valuable insights on navigating the intricate process of securing affordable housing, making it accessible for agents and prospective buyers.

Furthermore, Albrow was joined by our accomplished Asset Manager, Charles Keys, who provided invaluable support throughout the presentation.

The Lunch and Learn event organized by the Houston Black Real Estate Association presented an excellent opportunity for our talented professionals to engage with industry peers and actively contribute to the discussion surrounding affordable housing in the region. Donesha Albrow's outstanding contribution exemplifies HLB's dedication to fostering transparency, education, and community empowerment.

**Learn More about
homeownership through
HLB by visiting:**

www.Houstonlandbank.org



Save the Dates



HLB LOT SALES

FALL 2023



Thank You

HLB collaborates and convenes cross agencies and partners working together to maximize land use and impact. Thank you to all of the vendors, consultants and HLB Team for continued service to accelerate our impact.

Acres Home Town Center Project Site Visit



Phone Number:
281-655-4600
Email Address:
info@houstonlandbank.org
Website:
www.houstonlandbank.org

CONTACT US





REQUEST FOR BOARD ACTION

Meeting Date: October 12, 2023

Agenda Item VII. a: Consideration and Possible Action to Authorize the CEO/President to Execute Expanded Contract Amount with Community Lattice.

ACTION SUMMARY

Community Lattice is assisting HLB with Brownfields Inventory, Phase II ESAs, RAPs, Reuse Planning, and Community Outreach. The current contract has a not-to-exceed threshold amount of \$127,000; however, the funds have been expended due to the recent increase in Brownfield activities, including community engagement, project management, and grant administration. With HLB Board approval, the contract will be increased not to exceed the amount of \$147,724.60 to authorize specific scopes of work to complete projects and ongoing program support for the HLB's EPA brownfields grant to conclude October 2023.

BACKGROUND/OVERVIEW

Under the current work plan, Community Lattice is focused on target neighborhoods identified in the EPA grant; however, several projects have been identified where Community Lattice is subcontracting for more partnership opportunities to ensure quality control and cost efficiency. Community Lattice is requesting authorization for a Quality Assurance Project Plan/Field Sampling Plan. Upon approval from EPA, we will finalize the budget for field sampling activities. Community Lattice is also supporting Houston Land Bank with brownfields cleanup planning of the city-owned Velasco incinerator as the land bank acquires ownership and positions the property for cleanup funding. Brownfields redevelopment planning helps HLB and communities make informed decisions about where to direct scarce resources to benefit the existing community. Area-wide planning also helps implement locally driven initiatives, such as housing, parks, environmental improvement, community wealth building, and equitable and environmentally- just economic development. The services include

- Community Lattice will complete GIS-based brownfields inventory work, including finalizing the Hidden Gems program, brownfields inventory dashboard, and brownfields inventory storymap.
- Community Lattice will continue to provide HLB with programmatic support services, including quarterly reporting, weekly program meetings, budget recommendations, updates to Work Plans, grant closeout and other management tasks.
- Community Lattice will support Houston Land Bank with brownfields cleanup planning of the city-owned Velasco incinerator as the land bank acquires ownership and positions the property for cleanup funding.
- Community Lattice will work with subcontractors to plan a Phase II Environmental Site Assessment/Site Investigation and prepare a QAPP for authorizing by the EPA. Upon review, scope negotiation, and approval from HLB and EPA, we will finalize the budget for field sampling activities.
- Community Lattice to provide support with coordinating community and stakeholder engagement for promoting the brownfield program; communicating the mission of the Houston Land Bank relative to brownfields acquisition, cleanup, reuse, and related environmental/climate justice initiatives; hosting engagement events.

P.O. Box 131106, Houston, Texas 77219
281.655.4600

houstonlandbank.org



3302 Canal Street, #32
Houston, Texas 77003
info@communitylattice.com

September 26, 2023

Ms. Christa Stoneham
President & CEO
Houston Land Bank
PO Box 131106
Houston, Texas 77219
Christa.Stoneham@houstonlandbank.org

Re: Proposal for Brownfields Program Services, Amended

Dear Ms. Stoneham:

We appreciate the opportunity to assist the Houston Land Bank (HLB) with the implementation of your U.S. Environmental Protection Agency (EPA) Brownfields Assessment Coalition Grant. Community Lattice has been assisting the HLB under the "On-Call Environmental Planning & Analysis Service" scope of work authorized by HLB on December 15, 2021, which has been expended as of August 31, 2023.

The purpose of this new proposal is to establish and authorize a not-to-exceed budget of \$147,724.60 to complete projects and ongoing program support for the HLB's EPA brownfields grant. Tasks estimates are outlined below with an anticipated schedule of completion by end of October 2023.

EPA Work Plan Task	Community Lattice Task ID	Estimated Cost
Task 1: Brownfields Inventory	Task 1: Brownfields Inventory	\$6,434.50
Task 3: Phase II ESAs, RAPs, and Reuse Planning	Task 3a: Program Management	\$13,300.00
	Task 3b: Velasco Cleanup	\$10,030.00
	Task 3c: 0 Navigation Blvd Phase II Planning	\$86,915.10
	Task 3d: 0 N. Charles St Phase II	\$6,140.00
Task 4: Community Outreach	Task 4 – Community Engagement	\$24,905.00
TOTAL		\$147,724.60



Services furnished by Community Lattice shall be subject to the terms and conditions set forth by the most recently executed Consultant Agreement between Community Lattice and Houston Land Bank.

We appreciate the opportunity to provide the HLB with these services. If additional information is needed, please contact me directly at 401-339-3997.

Sincerely,



Danielle Getsinger, PG
Cofounder & CEO

Proposal Acceptance Statement

Community Lattice's proposal to Houston Land Bank for Brownfields Program Services, dated September 26, 2023, is hereby accepted on behalf of Houston Land Bank, except as follows (insert exceptions, if any, or state "none").

Exceptions or comments, if any: _____

Accepted By: _____
signature

Date: _____

Name: _____

Title: _____



REQUEST FOR BOARD ACTION

Meeting Date: October 12, 2023

Agenda Item VII b: Consideration and Possible Action for Houston Land Bank to apply for the EPA Clean-up grant.

ACTION SUMMARY

HLB is seeking to apply for a Clean-up grant for \$2-5 million to fund the remediation of the Velasco Incinerator Site.

BACKGROUND/OVERVIEW (Background of the Agreement and Summary)

The Velasco Incinerator Site consists of approximately 4.56 acres of vacant land situated near the terminus of North Velasco Street and Buffalo Bayou. From the 1920s through 1940s, the City of Houston municipal waste incinerator operated on the northern portion of the property. A second City of Houston incinerator operated on the southern portion of the property from 1950s to the 1960s. Incinerator ash was deposited on the property for approximately 40 years, resulting today in the presence of four to 35 feet of incinerator ash located below the ground surface across the property.

Due to the environmental complexities of the property and the lack of funding, the City of Houston has been unable to remediate the property or redevelop the land for community benefit. However, in partnership with various brownfields redevelopment programs at the City, Houston Land Bank, Texas Commission on Environmental Quality (TCEQ), and U.S. Environmental Protection Agency (EPA), the City has transferred ownership of the property to the Houston Land Bank, which has voluntarily committed to championing the property back into productive reuse for the 2nd Ward and greater East End community.

The Velasco Incinerator property represents an important opportunity to not only address environmental contamination but also transform it into a valuable community asset. A recent feasibility analysis has provided crucial insights, indicating that the total cost of remediating this property is estimated to be between \$4-5 million. The contamination from the former incinerator operation is extensive, with approximately 4-35 feet of incinerator ash on the property. This ash contains elevated levels of heavy metals, petroleum hydrocarbons, dioxins, and PCBs, posing significant risks to both the environment and public health.

HLB will apply for EPA funds to transform of the Velasco Incinerator property into a vibrant public park, closely aligned with the East Sector Master Plan. Revitalizing this space is creating a sustainable and inclusive community asset. By leveraging this grant, we aim to enhance the quality of life for the residents of the surrounding communities.



REQUEST FOR BOARD ACTION

Meeting Date: October 12, 2023

Agenda Item VII c: Consideration and Possible Action for Houston Land Bank to apply for the EPA Community-Wide Assessment grant.

ACTION SUMMARY

HLB is seeking to apply for a Community-Wide Assessment grant for \$500,000 targeting Settegast/East Houston, East End, Kashmere Gardens, and possibly one additional neighborhood, like Acres Homes. Funding will be used to support projects similar to Yellow Cab with environmental site assessment and reuse planning activities. This is the same grant we received in 2021.

BACKGROUND/OVERVIEW (Background of the Agreement and Summary)

The proposed utilization of the \$500,000 grant is two-fold. Firstly, we intend to allocate a substantial portion of the funding towards environmental site assessment activities in the specified communities. These assessments will serve as crucial tools in identifying and evaluating environmental hazards, contaminated sites, and potential health risks. Our goal is to ensure that these communities have access to accurate information regarding their environmental conditions, empowering them to make informed decisions about their well-being.

Secondly, a significant portion of the grant will be directed toward reuse planning activities. This phase of the project is essential for envisioning and implementing sustainable land reuse strategies that align with the aspirations and needs of the communities involved. It is our belief that land reuse planning should be a collaborative effort, engaging the residents and stakeholders of these neighborhoods to ensure that the land serves their best interests and contributes to their long-term prosperity.



REQUEST FOR BOARD ACTION

Meeting Date: October 12, 2023

Agenda Item: VII. d: Consideration and Possible Action to Authorize the CEO/President of HLB to execute a Land Banking Agreement with the City of Houston for the transfer of ownership of the Velasco Incinerator Site for environmental remediation and redevelopment and apply to the Texas Commission on Environmental Quality's (TCEQ) Voluntary Cleanup Program (VCP).

ACTION SUMMARY

This Land Banking Agreement is a collaborative effort between the City of Houston and the Houston Land Bank, with the primary objective of facilitating the transfer of Velasco Incinerator Site for environmental remediation and redevelopment through the Texas Commission on Environmental Quality's (TCEQ) Voluntary Cleanup Program (VCP).

BACKGROUND/OVERVIEW

The Velasco Incinerator Site has long been a symbol of environmental degradation and neglect in our city for over 50 years. It is incumbent upon us, as stewards of our community's well-being, to address the environmental concerns associated with this site while simultaneously creating opportunities for economic development and community improvement.

Houston Land Bank will be granted a period of five years to actively pursue grant funding for the cleanup and remediation of the Velasco Incinerator Site under a Land Banking Agreement with the City of Houston. This timeline reflects our commitment to responsible land stewardship, environmental sustainability, and due diligence in securing the necessary resources for this transformative project. The City of Houston, in turn, will shoulder the crucial responsibilities of providing for the maintaining and insuring of this site throughout this period. Additionally, HLB will be applying to the TCEQ's VCP program. The State of Texas's VCP is described as follows:

"The Texas VCP provides administrative, technical, and legal incentives to encourage the cleanup of contaminated sites in Texas. The VCP is a brownfields program designed to address sites that are burdened by real or reasonably perceived environmental issues that may hamper real estate transactions or redevelopment. Since all non-responsible parties, including future lenders and landowners, receive protection from liability to the state of Texas for the cleanup of sites under the VCP, most of the constraints for completing real estate transactions at those sites are eliminated once a VCP certificate of completion is issued. As a result, many unused or underused properties may be restored to economically productive or community-beneficial use. "

While the Land Banking Agreement is a significant step toward realizing our mission for activating vacant and dilapidated sites into productive uses, a separate agreement detailing the terms of redevelopment will be meticulously arranged and subsequently presented to the board for thorough review and approval once HLB has gained acceptance into the VCP program.

P.O. Box 131106, Houston, Texas 77219
281.655.4600

houstonlandbank.org



REQUEST FOR BOARD ACTION

Meeting Date: October 12, 2023

Agenda Item VII e: Consideration and Possible Action to Authorize the CEO/President of Houston Land Bank to execute an option purchase agreement with the Trinity East Village CDC/NHP Foundation.

ACTION SUMMARY

Approval of this agenda item will authorize HLB to renew a previous option to purchase agreement made between the Trinity East Village CDC/ NHP Foundation and the Houston Land bank. The previous agreement expired December 2021, and the parties wish to renew and execute the agreement.

BACKGROUND/OVERVIEW (Background of the Agreement and Summary)

Trinity East Village CDC and the NHP Foundation have been working together since 2019 to build apartment homes for seniors and families on land owned by Trinity East United Methodist Church at Live Oak and McGowen Streets. These homes will help Third Ward residents facing displacement due to gentrification and the redevelopment of Cuney Homes remain in their neighborhood. The partners obtained site control for 7 lots controlled by the Houston Land Bank (Exhibit A), and lots controlled by the Midtown Redevelopment Authority in 2019 when we worked to complete a 9% LIHTC application for the project.

As part of that work, Trinity East Village CDC had discussions with the leadership of the City's Housing and Community Development Department and Houston Land Bank at that time about earmarking these lots for affordable rental development and transferring the lots. With renewed interest in the project by Harris County, the Houston Housing Authority, and Rice Management Company, the development team is ready to make this project a reality in 2024. From the outset, the proposed development has received widespread support among Third Ward community groups and residents. Organizations from the Third Ward Super Neighborhood to the Emancipation Economic Development Council have submitted letters of support for the development. In addition to the community support, The City of Houston Housing and Community Development has voiced no objection to this request.

The terms of the agreement are attached as follows in Exhibit A. Should the HLB Board of Directors approve this board action, the option purchase agreement will be renewed and executed.

Exhibit A

OPTION AGREEMENT

THIS OPTION AGREEMENT (this "**Agreement**"), is made and entered into as of the ____ day of _____, 2023 (the "**Effective Date**"), by and between HOUSTON LAND BANK (formerly known as LAND ASSEMBLAGE REDEVELOPMENT AUTHORITY), a Texas non-profit local government corporation ("**HLB**"), and THE NHP FOUNDATION, a District of Columbia nonprofit corporation, and/or its designated affiliate, subsidiary, or assigns ("**NHP**"). HLB and NHP are collectively referred to herein as the "**Parties**" and individually as a "**Party**".

RECITALS

A. NHP plans to develop an affordable housing project located in Houston, Harris County, Texas (the "**Project**").

B. HLB owns seven (7) unimproved real property lots described on **Exhibit A** attached hereto and incorporated herein by reference (the "**Option Property**") which is located in Houston, Harris County, Texas.

C. NHP proposes that HLB sell the Option Property to NHP at the Purchase Price (defined below) for the Project, and HLB upon determining that the Project is consistent with its affordable housing strategy agrees to sell to NHP an option to acquire the Option Property for the Purchase Price subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the Purchase Price, the foregoing premises, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. **Grant of Option.** HLB hereby agrees to grant to NHP the exclusive option to acquire the Option Property for the Purchase Price and upon and subject to the terms and conditions set forth herein (the "**Option**") in exchange for a \$100 option fee (the "Option Fee") to be paid at the execution of this Agreement.

2. **Purchase Price.** The purchase price ("**Purchase Price**") for the Option Property shall be (i) the fair market value of the Option Property as determined by *Appraisal or property investment cost, whichever is higher*. Option Property plus (ii) HLB's costs of holding the Option Property through the date of sale to NHP (the "**Holding Costs**"). A statement of the Purchase Price ("**Purchase Price Statement**") shall be prepared by HLB and submitted to NHP within thirty (30) days prior to the Closing Date (as hereinafter defined). The Purchase Price Statement shall include the Holding Costs itemized in reasonable detail and supported by reasonable substantiating data.

3. **Exercise of Option.** The right of NHP to exercise the Option to acquire the Option Property is conditioned on NHP having first obtained and submitted to HLB written evidence of the following in connection with the development of the Project (and such related information as

HLB may reasonably request in connection with the development of the Project): (i) binding commitment(s) for funding in an aggregate amount sufficient to pay the total costs of developing the Project as evidenced by substantiating data satisfactory to HLB in its reasonable business judgment; and (ii) approval from the Texas Department of Housing and Community Affairs of housing tax credits for the Project (or in its place binding commitments of funding from other sources which will substitute for the tax credits) (items (i) and (ii) collectively, the "**Financing Commitments**"). Upon NHP'S satisfaction of the Financing Commitments, NHP shall have the right to exercise the Option to acquire the Option Property by delivering written notice ("**Option Notice**") to HLB no later than March 1, __, 2025 ("**Outside Option Exercise Date**"); provided however, the Outside Option Exercise Date may be extended one year if NHP delivers to HLB on or before February 1, 2025 a written Project status report of its efforts to obtain Financing Commitments and evidence satisfactory to HLB in its good faith business judgment that funding sufficient to pay the costs of developing the Project is likely obtainable on or before the end of such extension. The actual date on which the Option Notice is delivered to HLB is hereafter referred to as the "**Option Exercise Date.**" If NHP fails to exercise the Option on or before the Outside Option Exercise Date, then this Option shall lapse and HLB shall have the right to terminate this Agreement and shall have the additional purchase right set forth in **Exhibit D**, attached hereto.

4. **Term of Option.** The Option shall remain in full force and effect from and including the Effective Date until the earlier to occur of (and including) the (i) the Outside Option Exercise Date, and (ii) the Closing Date (hereinafter, the "**Option Term**"). NHP shall not be entitled to exercise the Option after the expiration of the Option Term, except as approved in writing by HLB in its sole and absolute discretion.

5. **Terms of Acquisition.** In the event NHP delivers an Option Notice to HLB in accordance with Section 2 hereof, the Parties agree to consummate the conveyance of the Option Property from HLB to NHP on and subject to the following terms and conditions:

(a) **Consideration.** HLB will deed the Option Property to NHP and NHP shall pay the Purchase Price to HLB, subject to and in accordance with the terms and conditions of this Agreement. The Deed (as hereinafter defined) shall contain the affordable housing use restrictions set forth in **Exhibit B**, attached hereto ("**Affordable Housing Use Restrictions**").

(b) **Title Commitment.** During the term of this Agreement, NHP shall have the right to obtain at NHP's cost: (a) a title commitment issued by a national title insurance company, or its agent or affiliate, which is licensed to do business in the State of Texas, as NHP selects subject to HLB's reasonable approval thereof [PUT IN STEWART TITLE?] (the "**Title Company**") setting forth the basis upon which the Title Company is willing to insure title to all parcels of the Option Property (the "**Title Commitment**"), together with all of the documents listed or referenced in the Title Commitment (the "**Exception Documents**"), and (b) a current survey of the Option Property prepared in accordance with the then current Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys as adopted by American Land Title Association and National Society of Professional Surveyors (the "**Survey**"). Copies of the Title Commitment, Exception Documents and Survey shall be provided to HLB promptly upon receipt by NHP, and HLB

shall be included as a certified party in the Survey. If the Title Commitment or the Survey, or updates thereof disclose defects or other matters objected to by NHP, NHP shall advise HLB of the same in writing no later than thirty (30) days after the Option Exercise Date. The Affordable Housing Use Restrictions and any other title exceptions and survey matters not objected to by NHP within said period or waived by NHP in accordance with clause (x) in the following sentence shall collectively constitute the "**Permitted Encumbrances**." If HLB is unable or unwilling to correct such title matters as to which NHP objects, then NHP shall have the right, at its option, either to (x) waive such objections and accept such title as HLB is able to convey, in which event this Agreement shall continue in full force and effect without change in or to the terms hereof; or (y) terminate this Agreement in writing and the parties hereto shall be thereafter be released from any further obligations hereunder.

(c) **Title Policy**. At Closing, NHP shall obtain, at NHP'S expense, an TLTA Owner's Policy of Title Insurance (or pro forma thereof) (the "**Title Policy**"), issued by the Title Company, insuring fee simple title to NHP as of the date and time of the recording of the Deed, subject only to the Permitted Encumbrances.

(d) **NHP's Due Diligence**. NHP, or its representative, will have the right to enter the Option Property at any time after the Effective Date, and will have the right to conduct tests and inspections, including Phase I environmental studies (and if recommended by the Phase I, a Phase II environmental study), surveys, preliminary engineering, site planning, soil boring tests and other appropriate inspections and tests as NHP deems necessary provided that NHP (i) provides HLB with prior notice of the proposed time and nature of any such studies, tests and inspections and furnishes HLB the certificate of insurance required below; (ii) conducts such studies, tests and inspections during normal business hours at times reasonably approved by HLB; (iii) if reasonably requested by HLB, conducts such studies, tests and inspections in the presence of a representative of HLB (provided that the presence of such a representative shall not be a condition precedent to conducting such tests and inspections if NHP otherwise complies with clauses (i) and (ii) above); and (iv) promptly provides HLB with copies of written reports received from its contractors arising out of such studies, tests and inspections. In the event either Party rightfully terminates this Agreement prior to Closing or the Option Term expires without a Closing, NHP shall promptly repair any damage to the Option Property caused by NHP's inspections or testing of the Option Property, restore the Option Property to the substantially the same or better condition than existed prior to such inspections or testing and indemnify and hold HLB harmless for any and all actual claims and damages arising in connection with such inspections or testing; provided, however, that in no event shall the scope of the foregoing indemnification obligations include (x) claims or damages arising out of the acts or omissions of HLB or its agents, employees, contractors or other representatives, (y) any diminution in value to the Option Property unless such diminution in value results from acts or omissions of NHP or its agents, employees, contractors or other representatives, nor (z) the mere discovery of existing conditions in, on or under the Option Property. Prior to any entry upon the Option Property, NHP shall procure and continue in force and effect from and after the date NHP first desires to enter on the Option Property, and continuing throughout the term of this Agreement, the following insurance coverages placed with a responsible insurance company licensed to do

business in Texas: commercial general liability insurance with (i) a combined single limit of not less than \$2,000,000.00 per occurrence and \$2,000,000.00 in the aggregate limit, insuring, without limitation, coverage for bodily injury, property damage, contractual liability, and personal injury liability with respect to the improvements on the Option Property or arising out of any of NHP's or the parties acting by, under or for the benefit of NHP's use, inspection or occupancy of the Option Property, conduct of its due diligence, or arising out of any of the indemnified claims. NHP shall deliver a copy of a certificate of insurance evidencing such insurance coverage to the HLB upon written request (but in all events prior to any contractors or consultants of NHP entering upon the Option Property).

(e) **Covenants Regarding the Option Property.** From and after the Effective Date until the earlier of the Closing or the expiration or termination of this Agreement (i) neither HLB nor its agents or representatives will make or enter into any lease for the Option Property or any portion thereof or make or enter into any other contract, or other agreement affecting the Option Property, any part thereof or any interest therein other than contracts related to the improvement and maintenance of and security for the Option Property and contracts or leases which will terminate or expire on or before conveyance of the Option Property to NHP; (ii) HLB will take no action which will materially or adversely affect the condition of the Option Property or any portion thereof; and (iii) HLB will not enter into any mortgage, deed of trust, lien, covenant, condition, restriction, easement or right-of-way which would encumber the Option Property after Closing without the prior written consent of NHP.

(f) **Condition of the Option Property at Closing.** At Closing, HLB will deliver the Option Property to NHP "as is, where is and with all faults."

(g) **Form of Deed.** At Closing, HLB will convey by special warranty deed to NHP indefeasible fee simple title to the Option Property, subject only to the Permitted Encumbrances, including the Affordable Housing Use Restrictions, and to the general encumbrances and "as is" provisions set forth in the Special Warranty Deed, substantially in the form of **Exhibit C** attached hereto and incorporated herein for all purposes (the "**Deed**"). The legal description of the Option Property set forth in the Title Commitment and Survey shall be incorporated into the Deed on approval of the same by HLB and the Title Company.

(h) **Governmental Authorizations.** Prior to the Closing, NHP, and its agents, representatives, and designees shall have the right to pursue all necessary authorizations, including, without limitation, permits, registrations, licenses, and any other approvals necessary for the intended use of the Option Property, from all applicable governmental authorities on such terms and conditions, as NHP deems acceptable and at NHP's expense (collectively, "**Governmental Authorizations**"); and to the extent necessary in connection therewith, HLB will reasonably cooperate with NHP in NHP's efforts to obtain any necessary Governmental Authorizations, including without limitation by executing any applications, agreements, affidavits, or other documentation that requires HLB's signature or acknowledgment and by providing any information necessary for the processing of any Governmental Authorizations provided that HLB shall not be required to incur any expense

in connection with such matters. The foregoing notwithstanding, NHP shall not file or record any documents in the public records of Harris County, Texas in connection with the Governmental Authorizations or the Option Property until after Closing, except as described in Section 13 below.

(i) **Taxes and Assessments and Other Adjustments.** HLB shall pay in full all taxes, general and special, against the Option Property, if any, which are due or have accrued up to the Closing Date, and NHP shall pay all such taxes and assessments and installments of unpaid special assessments becoming due or accruing from and after the Closing Date. In the event that the amount of any such tax or assessment for the year in which the Closing Date occurs cannot be determined, then as soon as taxes on the Option Property for the year of Closing are known HLB and NHP shall upon demand by either Party readjust the amount to be paid by each Party with the result that NHP pays only for taxes attributable to the period of time commencing with the Closing Date and HLB receives any adjustment for overpayment of taxes previously paid by HLB. Except as otherwise expressly set forth herein, any other items of revenue or expense shall be adjusted and prorated in the manner typically adjusted or prorated in connection with the conveyance of unimproved real property in Texas. This provision shall survive Closing.

(j) **Closing.** The closing of the conveyance of the Option Property (the "**Closing**") will take place in the offices of Title Company on a mutually agreeable date and time no later than sixty (60) days after Option Exercise Date. The date on which Closing actually occurs shall be referred to herein as the "**Closing Date**".

At Closing, HLB shall deliver to NHP and Title Company the following (collectively, the "**Seller's Closing Documents**"):

- (i) The Deed conveying the Option Property to NHP;
- (ii) An Affidavit of Non-Foreign Status of HLB;
- (iii) Such statutory notices, authorizing resolutions and other documents (such as commercially reasonable affidavits) as may be required by the Title Company in order for the Title Company to issue the Title Policy; and
- (iv) Such other documents as are typically provided in connection with the conveyance of unimproved real property in Texas or as may be reasonably required to consummate the transaction contemplated hereby.

At Closing, NHP shall deliver to HLB and Title Company the following:

- (i) Purchase Price;
- (ii) Original executed counterpart of the Deed;
- (iii) Such statutory notices, authorizing resolutions and other documents as are typically provided in connection with the conveyance of unimproved real property in Texas or as may be reasonably required to consummate the

transaction contemplated hereby or as may be required by the Title Company in order for the Title Company to issue the Title Policy.

At Closing, (x) HLB shall pay the cost of its attorneys' fees (if any), and (y) NHP shall pay the cost of its attorneys' fees (if any) and all other costs of Closing including, without limitation, the escrow fees of Title Company, the premiums for the Title Policy and all endorsements thereto, the recording fees for the Deed and the costs of its inspections and the Survey.

(k) **Funding Commitment.** As a condition precedent to each party's obligation to close under this Agreement, NHP shall have received approval from either (i) the Texas Department of Housing and Community Affairs of housing tax credits for the Project or (ii) a funding commitment from another governmental agency; and in either case provided HLB with written evidence of such approval or commitment; provided however, HLB in its sole discretion may waive this requirement.

(l) **Funding.** As a further condition precedent to each party's obligation to close under this Agreement, NHP shall have received and provided HLB with written evidence of the Financing Commitments sufficient to pay the costs of developing the Project.

6. **Representations and Warranties of HLB.**

(a) HLB represents and warrants to NHP the accuracy of the following statements as of the Effective Date hereof and the date of Closing.

- (i) HLB is a non-profit local government corporation that is duly organized and validly existing and in good standing under the laws of the State of Texas.
- (ii) HLB has all requisite power and authority to execute, deliver, and perform this Agreement and to consummate the conveyance of the Option Property in the event that NHP exercises the Option hereunder.
- (iii) HLB is not a "foreign person" within the meaning of Section 1445 of the Internal Revenue Code.
- (iv) This Agreement is, and (when executed and delivered to NHP at the Closing) the Deed will be, a valid and binding obligation of HLB, enforceable against HLB by NHP in accordance with its terms, except in each case to the extent limited by application of general principles of equity and by bankruptcy, insolvency, debtor relief, and similar laws of general application affecting the enforcement of contractual rights and obligations and such laws as are applicable to governmental entities.
- (v) To the actual current knowledge of the President of HLB without any independent investigation (and without any personal liability on the part of such individual) of HLB without the duty of investigation or inquiry, there is no pending or threatened claim, cause of action, proceeding, or other

litigation involving the Option Property (including but not limited to eminent domain, takings or condemnation of any portion of the Option Property or violations of applicable law) or HLB to the extent that same, if decided adversely to HLB would result in a lien against, or be binding upon the owner of, the Option Property from and after the Closing Date.

(b) NHP represents and warrants to HLB the accuracy of the following statements as of the Effective Date hereof and the date of Closing.

- (i) NHP is a non-profit corporation that is duly organized and validly existing and in good standing under the laws of the State of Delaware.
- (ii) NHP has all requisite power and authority to execute, deliver, and perform this Agreement and to consummate the closing of the Option Property in the event that HLB exercises the Option hereunder.
- (iii) NHP is not a "foreign person" within the meaning of Section 1445 of the Internal Revenue Code.
- (iv) This Agreement is a valid and binding obligation of NHP, enforceable against NHP by HLB in accordance with its terms, except in each case to the extent limited by application of general principles of equity and by bankruptcy, insolvency, debtor relief, and similar laws of general application affecting the enforcement of contractual rights and obligations and such laws as are applicable to governmental entities.

(c) The representations and warranties set forth in this Section 5 shall survive Closing for a period of one (1) year.

7. **LIMITED WARRANTY.** EXCEPT WITH RESPECT TO THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS AGREEMENT OR THE SELLER'S CLOSING DOCUMENTS:

(a) THE OPTION PROPERTY IS BEING ACQUIRED "AS IS, WHERE IS, AND WITH ALL FAULTS;" AND

(b) HLB MAKES NO REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE CONDITION, VALUE OR QUALITY OF ANY OF THE OPTION PROPERTY, OR THE USE OR SUITABILITY THEREOF FOR ANY INTENDED PURPOSE, OR THE ABSENCE OF ANY LATENT OR PATENT DEFECTS THEREIN, OR THE WORKMANSHIP THEREOF, OR THE EXISTENCE, COMPLIANCE WITH OR SUFFICIENCY OF ANY LICENSES HELD OR REQUIRED IN CONNECTION WITH THE OWNERSHIP, USE OR OPERATION THEREOF, OR WITH RESPECT TO THE STATUS, ASSIGNABILITY OR RIGHTS UNDER ANY CONTRACT, LICENSE OR ANY OTHER MATTERS, OR THE RISKS THAT MIGHT BE ENCOUNTERED IN THE OPERATION THEREOF.

THE PROVISIONS OF THIS SECTION HAVE BEEN NEGOTIATED BY THE PARTIES HERETO AFTER DUE CONSIDERATION AND, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS AGREEMENT, OR THE DEED ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED OR STATUTORY, WITH RESPECT TO THE OPTION PROPERTY AND RIGHTS THAT MAY ARISE PURSUANT TO ANY LAW NOW OR HEREAFTER IN EFFECT, OR OTHERWISE. NHP HAS BEEN, OR WILL BE GIVEN UNDER THIS AGREEMENT THE OPPORTUNITY TO PERFORM THE DUE DILIGENCE IT DEEMS NECESSARY IN ORDER TO MAKE AN INFORMED DECISION AS TO WHETHER TO CONSUMMATE THE TRANSACTIONS DESCRIBED HEREIN. THE TERMS AND PROVISIONS OF THIS SECTION 6 SHALL SURVIVE THE CLOSING OF THIS AGREEMENT.

8. **Notices.** Any notices, requests or other communications required or permitted to be given hereunder shall be in writing and shall be deemed given (except as otherwise provided herein) when received if (i) delivered by hand, (ii) deposited with a widely recognized national overnight courier service, or (iii) transmitted by electronic mail (provided that a copy of such notice is subsequently delivered within one (1) business day by one of the methods described in clauses (i) or (ii) above), and in each case addressed to each Party at its address set forth below:

If to HLB: Houston Land Bank,
P.O. Box 131106
Houston, Texas 77219
Attn: Christa Stoneham
Email: cstoneham@houstonlandbank.org

With copy to: Barry Putterman
Winstead PC
600 Travis Street, Suite 5200
Houston, Texas 77002
Email: bputterman@winstead.com

If to NHP: The NHP Foundation, Inc.
122 East 42nd Street, Ste. 3500
New York, New York 10168
Attn: Neal Drobenare
Email: ndrobenare@nhpfoundation.org

With copy to: T. Deon Warner
Warner & Associates PLLC
5850 San Felipe Street, Suite 500
Houston, Texas 77057
Email: deon@warnerandassociates.com

Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice, request or other communication. Either Party may from time to time change its notice address hereunder, upon

written notice to the other Party. Notice tendered by counsel to one of the Parties hereto shall be deemed notice from the applicable Party itself.

9. **NHP's Remedies.** In the event of any material breach of or default under this Agreement or any of the terms and provisions hereof by HLB, NHP'S sole remedies shall be to: (i) demand specific performance of HLB'S obligation to close under this Agreement, provided that (A) NHP delivered the Option Notice (B) NHP is not in breach or default of its obligations under this Agreement, and (C) all conditions precedent to HLB's obligation to close under this Agreement have been satisfied or waived in writing; or (ii) terminate this Agreement. The foregoing shall not limit HLB's liability for breaches under Section 6 of this Agreement, which shall be limited to NHP's actual damages for any breach thereof.

10. **HLB's Remedies.** In the event of any material breach of or default under the this Agreement or any of the terms or provisions hereof by NHP, HLB'S sole remedies shall be to: (i) demand specific performance of NHP's obligation to close under this Agreement, provided that (A) NHP has delivered the Option Notice, (B) HLB is not in breach or default of its obligations under this Agreement, and (C) all conditions precedent to NHP's obligation to close under this Agreement have been satisfied or waived in writing; or (ii) terminate this Agreement. The foregoing shall not limit NHP's liability for breaches under Section 6 of this Agreement, which shall be limited to HLB's actual damages for any breach thereof.

11. **Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon HLB and NHP and their respective representatives, successors and assigns, and shall run with the land.

12. **Assignments.** NHP shall not be entitled to assign this Agreement or any rights hereunder without the prior written consent of HLB; provided that without HLB's consent, NHP shall have the right to assign this Agreement to an Affiliate of NHP formed for the purpose of taking title to the Option Property, and upon such assignment, the assignee shall assume in writing all of NHP's rights and obligations under this Agreement. NHP shall be released and discharged from its obligations under this Agreement only after (i) a fully-executed copy of any such assignment and assumption is provided to HLB, and (ii) evidence reasonably satisfactory to HLB that such assignee is in fact an Affiliate of NHP and that the Financing Commitments inure to the benefit of such assignee. As used in this Section 11, the term "Affiliate" shall mean an entity that controls, is controlled by or is under common control with NHP.

13. **Governing Law.** This Agreement shall be construed in accordance with the laws of the State of Texas.

14. **Recording.** The Parties agree that this Agreement will not be recorded in the public records of Harris County, Texas; provided, however, that the parties agree to (a) execute and deliver a memorandum of this Agreement and a termination of memorandum of this Agreement on the Effective Date, each in recordable form and otherwise in form reasonably acceptable to the parties hereto, (b) have the memorandum of this Agreement recorded at NHP's sole cost and expense on or promptly after the Effective Date, and (c) deposit the termination of memorandum of this Agreement with Title Company to hold in escrow until the earlier to occur of (i) either (A) the Outside Option Exercise Date if NHP has not delivered the Option Notice prior to such

date, or (B) any early termination of this Agreement, in either of which cases the termination shall be recorded, or (ii) the Closing Date, in which case the termination shall be destroyed by Title Company and be of no further force or effect.

15. **Attorneys' Fees.** In the event either Party brings suit to construe or enforce the terms hereof, or raises this Agreement as a defense in a suit brought by another party, the prevailing party as determined by the court is entitled to recover its attorneys' fees and expenses.

16. **Counterparts.** The Parties acknowledge and agree that this Agreement may be executed by original or scanned signatures in any number of counterpart original instruments, all of which taken together shall constitute one fully executed Agreement.

17. **Timing.** Time is of the essence. If any day on which an event is scheduled to occur under this Agreement falls on a Saturday or Sunday or legal holiday, the time period for such event shall be automatically extended until the next business day.

18. **Severability.** All of the terms, covenants or conditions contained in this Agreement shall be construed together, but if it shall at any time be held that any one of said terms, covenants or conditions or any part thereof, is invalid or for any reason becomes unenforceable, no other terms, covenants, or conditions or any part thereof shall be thereby affected or impaired.

19. **Brokers.** HLB and NHP each represent and warrant to the other that, no real estate brokerage commission is payable to any person or entity in connection with the transaction contemplated hereby, and each agrees, to the extent allowed by law, to hold the other harmless against the payment of any commission to any other person or entity claiming by, through or under such party.

20. **Statutory Notices.** HLB hereby gives and NHP hereby acknowledges the following notices and disclosures regarding the Option Property and agrees to execute related documents on or before Closing at the request of HLB or Title Company:

(1) **Statutory District Notice:** If the Option Property is situated in a utility or other statutorily created district providing water, sewer, drainage, or flood control facilities and services, Chapter 49, Texas Water Code, requires HLB to deliver and NHP to sign the statutory notice relating to the tax rate, bonded indebtedness, or standby fee of the district. The Option Property is situated in the Third Ward, Houston, Harris County, Texas.

(2) **Tide Water:** If the Option Property abuts the tidally influenced waters of the state, §33.135, Texas Natural Resources Code, requires a notice regarding coastal area property to be included in this Agreement.

(3) **Public Improvement Districts:** If the Option Property is in a public improvement district, §5.014, Property Code, requires HLB to notify NHP as follows: As a purchaser of this parcel of real property you are obligated to pay an assessment to a municipality or county for an improvement project undertaken by a public improvement district under Chapter 372, Local Government Code. The assessment may be due annually or in periodic installments. More information concerning the amount of the assessment and the due dates of that assessment may be obtained from the municipality or county levying the assessment. The amount of the

assessments is subject to change. Failure to pay the assessments could result in a lien on and the foreclosure of the Option Property.

(4) **Additional Taxes**: The following disclosure is made for the purpose of complying with the provisions of Section 5.010(d) of the Texas Property Code:

NOTICE REGARDING POSSIBLE LIABILITY FOR ADDITIONAL TAXES

If for the current ad valorem tax year the taxable value of the land that is the subject of this Agreement is determined by a special appraisal method that allows for the appraisal of the land at less than its market value, the person to whom the land is transferred may not be allowed to qualify the land for that special appraisal in a subsequent tax year and the land may then be appraised at its full market value. In addition, the transfer of the land or a subsequent change in the use of the land may result in the imposition of an additional tax plus interest as a penalty for the transfer or the change in use of the land. The taxable value of the land and the applicable method of appraisal for current tax year is public information and may be obtained from the tax appraisal district established for the county in which the land is located

[Remainder of page intentionally left blank; signature pages follow]

HLB and NHP have executed this Agreement as of the Effective Date.

HLB:

HOUSTON LAND BANK (formerly known as LAND ASSEMBLAGE REDEVELOPMENT AUTHORITY),
a Texas non-profit local government corporation

By: _____
Name: _____
Title: _____

NHP:

THE NHP FOUNDATION, INC.,
a District of Columbia nonprofit corporation

By: _____
Name: _____
Title: _____

EXHIBIT A

Option Property

Map ID	Address	Parcel number	Legal Description	Property Owner
1	0 SAINT CHARLES ST. Houston TX 77004	1382230010001	LT 1 BLK 1, LINCOLN CENTURY	LAND ASSEMBLAGE REDEVELOPMENT AUTHORITY
2	0 SAINT CHARLES ST. Houston TX 77004	1382230010002	LT 2 BLK1 LINCOLN CENTURY	LAND ASSEMBLAGE REDEVELOPMENT AUTHORITY
3	0 SAINT CHARLES ST. Houston TX 77004	1382230010003	LT 3 BLK1 LINCOLN CENTURY	LAND ASSEMBLAGE REDEVELOPMENT AUTHORITY
4		1367970010003	LT 3 BLK 1 LIVE OAK ESTATES	LAND ASSEMBLAGE REDEVELOPMENT AUTHORITY
5	0 LIVE OAK ST HOUSTON TX 77004	1367970010002	LT 2 BLK 1 LIVE OAK ESTATES	LAND ASSEMBLAGE REDEVELOPMENT AUTHORITY
6	0 LIVE OAK ST HOUSTON TX 77004	1367970010001	LT 1 BLK 1 LIVE OAK ESTATES	Land ASSEMBLAGE REDEVELOPMENT
7	2806 Live Oak St HOUSTON TX 77004	0190540010038	Lt 24 BLK 2 BINZ & SETTEGAST	LAND ASSEMBLAGE REDEVELOPMENT

EXHIBIT B

Affordable Housing Restrictions

Restriction of Affordable Housing Use:

"***Affordable Housing***" means that at least 51% of the Units are leased to lessees whose annual income at initial occupancy does not exceed 80% of the Area Median Income ("***Median Income***"). For purposes of clarification, in the event a resident of a Unit meets the applicable Median Income thresholds of Affordable Housing definition set forth above at the time of Grantee's underwriting thereof, it shall not be a violation of the terms of these Restrictions if such resident's Median Income thereafter exceeds the applicable Median Income thresholds during the term of such resident's lease and occupancy of the Unit (as such lease may be amended, extended or renewed from time to time).

"***Affordability Period***" means the minimum period of time during which the Restrictions apply to the occupied residential units to be built on the Property ("***Units***"), which period shall be forty (40) years after the date this Deed is recorded, unless the Zone is no longer in existence, in which case, the period shall end the first day that the Zone is no longer in existence.

EXHIBIT C

Form of Special Warranty Deed

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER

SPECIAL WARRANTY DEED

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

THAT **LAND ASSEMBLAGE REDEVELOPMENT AUTHORITY**, a Texas non-profit local government corporation ("**Grantor**"), whose address is Houston Land Bank, P.O. Box 131106, Houston, Texas 77219 for and in consideration of the sum of TEN AND NO/100THS DOLLARS (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has GRANTED, BARGAINED, SOLD, and CONVEYED and by these presents does GRANT, BARGAIN, SELL, AND CONVEY unto **THE NHP FOUNDATION**, a District of Columbia nonprofit corporation ("**Grantee**"), whose address is 122 East 42nd Street, Suite 3500, New York, New York 10168, that certain tract or parcel of land in Harris County, Texas more particularly described in **Exhibit A** attached hereto and incorporated herein by this reference (the "**Land**"), together with all improvements thereon and all rights and interests appurtenant thereto (such land, improvements, rights and interests are hereinafter collectively referred to as the "**Property**").

This Special Warranty Deed (the "**Deed**") and the conveyance hereinabove set forth is executed by Grantor and accepted by Grantee subject to the following matters (hereinafter referred to collectively as the "**Permitted Encumbrances**"):

- a. All easements, restrictions, reservations, covenants, conditions, oil and gas leases, mineral severances and other matters of record (excluding prior conveyances of the surface estate) in the Official Public Records of Harris County, Texas which are applicable to and enforceable against the Property including, without limitation, those matters of record described in **Exhibit B** attached hereto and incorporated herein by this reference;
- b. Any discrepancies, conflicts or shortages in area or boundary lines or any encroachments or any overlapping of improvements which a current survey of the Property would show;
- c. Visible or apparent easements which encumber or affect the Property and do not appear of record in the Official Public Records of Harris County, Texas; and

- d. Ad valorem taxes and assessments applicable to the Property for the current year, if any.

This Deed is additionally executed by Grantor and accepted by Grantee subject to the use restrictions set forth below which shall encumber the Property and constitute covenants running with the land (the "**Restrictions**").

RESTRICTION TO AFFORDABLE HOUSING USE

1. **Definitions.** Unless a particular word or phrase is otherwise defined or the context otherwise requires, capitalized words and phrases used in this Deed shall have the following meanings:

"**Affordable Housing**" means that 51% of the Units are leased to lessees whose annual income at initial occupancy does not exceed 80% of the Median Income. For purposes of clarification, in the event a resident of a Unit meets the applicable Median Income thresholds of Affordable Housing definition set forth above at the time of Grantee's underwriting thereof, it shall not be a violation of the terms of these Restrictions if such resident's Median Income thereafter exceeds the applicable Median Income thresholds during the term of such resident's lease and occupancy of the Unit (as such lease may be amended, extended or renewed from time to time).

"**Affordability Period**" means the minimum period of time during which the Restrictions apply to the occupied residential units to be built on the Property ("**Units**"), which period shall be forty (40) years after the date this Deed is recorded, unless the Zone is no longer in existence, in which case, the period shall end the first day that the Zone is no longer in existence.

"**HUD**" means the United States Department of Housing and Urban Development.

"**Median Income**" means the median income for the area in which the Zone is located, as determined by the Secretary of HUD, with adjustments for smaller and larger families, as of the date this Deed is recorded and thereafter as updated annually by the Secretary of HUD.

"**Zone**" means Reinvestment Zone Number Two, City of Houston, Texas, a tax increment reinvestment zone created by the City of Houston, Texas in accordance with Chapter 311, Texas Tax Code.

2. **Restrictions.** As a material portion of the consideration for this Deed and the conveyance hereinabove set forth, this Deed is executed by Grantor and accepted by Grantee subject to the following Restrictions which are hereby adopted and established for, imposed upon and made applicable to the Property:

The Property, and any improvements constructed on the Property, shall be used to provide Affordable Housing for a period of not less than the Affordability Period as defined in this Deed. The Restrictions shall run with the Property, shall be binding on Grantee, its successors and assigns for the Affordability Period, and shall inure to the benefit of Grantor, its successors and assigns for the Affordability Period. Notwithstanding any provision of this Deed or applicable law to the contrary, these Restrictions shall automatically terminate without the requirement of further action of any party upon the expiration of the Affordability Period.

3. Covenants Running with the Land. All of the agreements, conditions, and restrictions contained in this Deed shall be deemed covenants running with the land and shall inure to the benefit of Grantee as the owner of the Property and each successor owner of any of the Property and the Grantor.

4. Reconveyance Right. If during the Affordability Period the Reconveyance Right Trigger Event occurs, Grantor reserves and shall have the right (the "**Reconveyance Right**"), but not the obligation, to require Grantee to reconvey the Property (together with all improvements thereon and appurtenances thereto) to Grantor in accordance with the terms and conditions of this Section 4.

(a) For purposes hereof, "**Reconveyance Right Trigger Event**" shall mean the failure of Grantee to commence construction of the Units within two years after the date hereof (the "**Commencement Date**"). For purposes of this Deed, commencement of construction of the Units shall mean foundations for the project have been poured.

(b) Upon the occurrence of a Reconveyance Right Trigger Event, Grantor may elect to exercise the Reconveyance Right by giving written notice to Grantee (to be delivered by hand or by national overnight carrier to the address set forth in the introductory paragraph of this Deed). Closing under the valid exercise of the Reconveyance Right shall be completed within thirty (30) days from the date of Grantor's notice to Grantee of its election to exercise its Reconveyance Right. Such closing shall occur at Grantor's option, at the offices of the Grantor's legal counsel or at a title company selected by Grantor, and at closing, the Property shall be reconveyed by Grantee to Grantor by special warranty deed, subject only to the Permitted Encumbrances and the Restrictions, but otherwise free and clear of any and all monetary liens and encumbrances incurred or permitted by Grantee. In the event Grantee fails to comply with the terms of this subparagraph (b) upon the valid exercise of the Reconveyance Right, Grantor shall have the right to pursue an action for specific performance of Grantee's obligation to close in accordance with this Section 4 (b).

(c) If any indebtedness is secured by any deed of trust or mortgage encumbering all of the Land ("**Mortgage**") the beneficiary of such Mortgage ("**Mortgage**") or Grantee may give Grantor written notice thereof, and upon receipt of such notice, Grantor agrees to the following: (i) deliver any notices given by Grantor to Grantee hereunder simultaneously to such Mortgagee, (ii) afford any such Mortgagee an additional sixty (60) days beyond the notice and cure periods set forth herein to cure any default by Grantee under the Restrictions, (iii) accept performance by any such Mortgagee of any of Grantee's cure rights hereunder as performance by Grantee, and (iv) enter into an estoppel certificate or subordination agreement, in form acceptable to HLB, within thirty (30) days after written request by Grantee or such Mortgagee (which notice shall be accompanied by such Mortgagee's proposed reasonable form thereof).

(d) The Reconveyance Right (i) is personal to Grantor, (ii) shall not be assignable by Grantor except to the City of Houston, and (iii) shall automatically terminate upon the completion of construction of the Units without further action of the parties burdened or benefited thereby. Without limiting the foregoing, upon the request of either party hereto after the commencement of construction of the Units, the other shall promptly

execute and deliver (and have notarized) an acknowledgement of the commencement of construction of the Units and the termination of the Reconveyance Right in recordable form.

(e) Grantor agrees not to exercise the Reconveyance Right if the construction of the Units is not commenced by the Commencement Date due to the occurrence of a Force Majeure Event (hereafter defined) provided that Grantee resumes and diligently pursues the completion of the construction of the Units after the Force Majeure Event has abated. "*Force Majeure Event*" shall mean any period or periods of delay caused by strikes, lockouts or other labor disputes; fire or other casualty; storms, floods or other inclement weather; terrorism, riots, insurrection or demonstrations; or any other causes (other than financial) beyond the reasonable control of the Grantee.

5. Attorney's Fees. In the event any Party or Parties shall institute any action or proceeding, excluding any arbitration proceeding, against the other Party or Parties relating to the provisions of these Restrictions, then, and in that event, the non-prevailing Party or Parties in such action or proceeding shall reimburse the prevailing Party or Parties for the reasonable expenses of attorney's fees and disbursements incurred in connection with such action or proceeding.

6. Governing Law. The Restrictions shall be governed by and construed in accordance with the laws of the State of Texas.

7. Remedies. After completion of construction of the Units and during the Affordability Period, in the event the Property fails to be used or operated to provide Affordable Housing for a period of greater than 180 days after written notice by Grantor to Grantee (and any Mortgagee, if applicable), Grantor shall have the right to seek (a) an injunction to enjoin the future leasing of the Units to residents who do not meet the Median Income thresholds of Affordable Housing definition set forth above, or (b) any and all other remedies at law or in equity to which Grantor is entitled. Notwithstanding any provision hereof to the contrary, (x) in no event shall Grantor be entitled to seek damages or other legal or equitable remedies for a violation of the Restrictions, unless Grantee violates the Restrictions for a period of greater than 180 days after written notice by Grantor to Grantee (and any Mortgagee, if applicable); (y) any claim for damages arising from a violation of the Restrictions shall be limited to actual damages, and (z) in no event shall any party to this Deed be subject to a claim for punitive, special or consequential damages.

8. Waiver of Default. No waiver of any violation of the Restrictions shall be implied from any omission by any benefited party to take any action in respect of such violation if such violation continues or is repeated. No express waiver of any violation shall affect any violation or cover any period of time other than the violation and period of time specified in such express waiver. One or more waivers of any violation of any term contained in this shall not be deemed to be a waiver of any subsequent violation of the same term contained in the Restrictions. The consent or approval by any party to or of any act or request by any other party requiring consent or approval shall not be deemed to waive or render unnecessary the consent to or approval of any subsequent similar acts or requests. The rights and remedies given to any party by the Restrictions shall be deemed to be cumulative and no one of such rights and remedies shall be exclusive of any of the others, or of any other right or remedy at law or in equity, which any such party might otherwise have by virtue of a violation under the Restrictions, and the exercise of one such right

or remedy by any such party shall not impair such party's standing to exercise any other right or remedy.

9. Amendments. The Restrictions may be amended or modified only by a written instrument executed by all of the then owners of the Land, their respective Mortgagees, if any, and the Grantor or its successors and assigns. Any early termination of the Restrictions (as opposed to termination upon expiration of the Affordability Period) will require the prior written consent of all owners of the Land, their respective Mortgagees, if any, and the Grantor or its successors and assigns. Each of such owners will provide the name and address of applicable Mortgagees upon receipt of a written request therefor from any owner seeking to amend the Restrictions or from Grantor or its successors and assigns.

TO HAVE AND TO HOLD the Property, together with all and singular the rights and appurtenances thereunto in anywise **belonging**, unto Grantee, its successors and assigns forever, and Grantor does hereby bind itself, and its successors and assigns, to WARRANT AND FOREVER DEFEND all and singular the title to the Property unto the said Grantee, its successors and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof, BY, THROUGH, OR UNDER GRANTOR, BUT NOT OTHERWISE subject to the Permitted Encumbrances, the Restrictions and the matters herein stated.

EXCEPT WITH RESPECT TO THE OBLIGATIONS OF GRANTOR EXPRESSLY SET FORTH IN THAT CERTAIN OPTION AGREEMENT DATED MARCH [XXX], 2019 BETWEEN GRANTOR AND GRANTEE (THE "AGREEMENT") WHICH EXPRESSLY SURVIVE THE CLOSING OF THE TRANSACTION PURSUANT TO THE AGREEMENT OR CONTEMPLATE PERFORMANCE AFTER THE DATE OF THIS DEED, THE REPRESENTATIONS AND WARRANTIES OF SELLER EXPRESSLY SET FORTH IN THE AGREEMENT AND THE WARRANTY OF TITLE IN THIS SPECIAL WARRANTY DEED (THE "SURVIVING OBLIGATIONS"):

(a) **THE PROPERTY IS BEING ACQUIRED "AS IS, WHERE IS, AND WITH ALL FAULTS;" AND**

(b) **GRANTOR MAKES NO REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE CONDITION, VALUE OR QUALITY OF ANY OF THE PROPERTY, OR THE USE OR SUITABILITY THEREOF FOR ANY INTENDED PURPOSE, OR THE ABSENCE OF ANY LATENT OR PATENT DEFECTS THEREIN, OR THE WORKMANSHIP THEREOF, OR THE EXISTENCE, COMPLIANCE WITH OR SUFFICIENCY OF ANY LICENSES HELD OR REQUIRED IN CONNECTION WITH THE OWNERSHIP, USE OR OPERATION THEREOF, OR WITH RESPECT TO THE STATUS, ASSIGNABILITY OR RIGHTS UNDER ANY CONTRACT, LICENSE OR ANY OTHER MATTERS, OR THE RISKS THAT MIGHT BE ENCOUNTERED IN THE OPERATION THEREOF.**

THE PROVISIONS OF THIS SECTION HAVE BEEN NEGOTIATED BY THE PARTIES HERETO AFTER DUE CONSIDERATION AND, EXCEPT FOR THE SURVIVING OBLIGATIONS, ARE INTENDED TO BE A COMPLETE EXCLUSION AND

NEGATION OF ANY REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED OR STATUTORY, WITH RESPECT TO THE PROPERTY AND RIGHTS THAT MAY ARISE PURSUANT TO ANY LAW NOW OR HEREAFTER IN EFFECT, OR OTHERWISE. GRANTEE HAS BEEN GIVEN THE OPPORTUNITY TO PERFORM THE DUE DILIGENCE IT DEEMS NECESSARY IN ORDER TO MAKE AN INFORMED DECISION AS TO WHETHER TO ACQUIRE THE PROPERTY. NOTWITHSTANDING ANY PROVISION OF THIS DEED TO THE CONTRARY, THE AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES THERETO ARE PERSONAL TO GRANTOR AND GRANTEE, AND THE REFERENCE TO THE AGREEMENT IN THIS DEED IS NOT INTENDED TO CAUSE THE AGREEMENT TO BE A LIEN OR ENCUMBRANCE ON TITLE TO THE PROPERTY, TO RUN WITH TITLE TO THE LAND OR TO BE BINDING UPON GRANTEE'S SUCCESSORS AND ASSIGNS.

Ad valorem taxes on the Property, if any, for the year in which this Deed is recorded ("*Current-Year Taxes*") have been prorated as of the date hereof, with Grantor giving a credit to Grantee of its proportionate share of any such Current-Year Taxes. Grantee, by its acceptance of this Special Warranty Deed assumes the payment of any Current-Year Taxes, taxes for subsequent years, and, solely to the extent the same are due to Grantee's change in usage of the Property, any ad valorem taxes on the Property for years prior to the Current-Year Taxes; provided, however, Grantee by its acceptance of this Special Warranty Deed does not assume payment of any ad valorem taxes on the Property for prior years due to changes in land usage of the Property by Grantor or denial of a special use valuation on the Property claimed by Grantor, nor delinquent taxes for any year prior to Current-Year Taxes, each of which shall remain the obligation of Grantor.

[Execution Page to Follow]

EXECUTED this the _____ day of _____, 20_____

GRANTOR

HOUSTON LAND BANK (formerly known as LAND ASSEMBLAGE REDEVELOPMENT AUTHORITY), a Texas non-profit local government corporation

By: _____

Name: _____

Title: _____

THE STATE OF TEXAS §

§

COUNTY OF HARRIS §

This instrument was acknowledged before me on this ____ day of _____, 20_____, by _____, _____ of HOUSTON LAND BANK (formerly known as LAND ASSEMBLAGE REDEVELOPMENT AUTHORITY), a Texas non-profit local government corporation, on behalf of said entity.

Notary Public in and for the State of Texas

My commission expires: _____

[SEAL]

GRANTEE:

THE NHP FOUNDATION,
a District of Columbia nonprofit corporation

By: _____
Name: _____
Title: _____

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on this ____ day of _____,
20____, by _____, _____ of THE NHP FOUNDATION, INC., a
District of Columbia nonprofit corporation.

Notary Public in and for the State of Texas

My commission expires: _____

[SEAL]

EXHIBIT A

PROPERTY DESCRIPTIONS

[To be inserted from title commitment.]

EXHIBIT B

PERMITTED ENCUMBRANCES OF RECORD

[To be inserted from title commitment.]

EXHIBIT D

ADDITIONAL PURCHASE OPTION

NHP grants to HLB an additional purchase option ("Additional Option") to acquire the lot located at 2620 Live Oak Street, Houston, Texas 77004 ("Live Oak Property") for a Purchase Price equal to the Purchase Price and holding costs spent by NHP to purchase and hold the Live Oak Property as evidenced by reasonable supporting data as provided in connection with the Purchase Price Statement; provided that, this Additional Option may only be exercised after the Option lapses unexercised and must be exercised within one hundred and twenty (120) days after termination of the Option and closed within thirty (30) days after the Additional Option is exercised. If HLB exercises the Additional Option, the Live Oak Property shall be conveyed by NHP to HLB upon the same terms and conditions as provided in Sections 4(b), (c), (d), (e), (f), (g), (h), (i) and (j).



REQUEST FOR BOARD ACTION

Meeting Date: October 12, 2023

Agenda Item VII.f.: Consideration and Possible Action to Adopt Updates to Houston Land Bank Policies

ACTION SUMMARY

Approval of this item will update and amend Houston Land Bank policies governing activities, including property acquisition and disposition, more specifically land banking, enabling authority and financial management, more specifically budget policies.

BACKGROUND/OVERVIEW

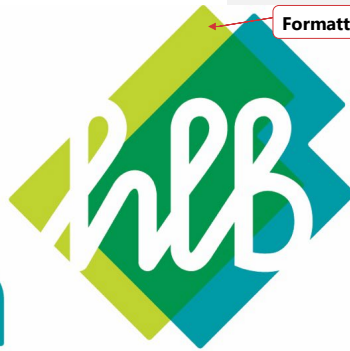
HLB's current policies were adopted on February 10, 2022 and are to be reviewed at least annually by the Board and Staff. Proposed updates were presented for information purposes in the HLB Board Retreat/Workshop held May 2023 and discussed in various committee meetings throughout the year. Additionally, HLB staff meet with HLB Director Christa Stoneham to discuss any needed or suggested updates.

The updated proposed HLB policies follow this Request for Board Action as summarized as the updated enabling authority as approved by the Board of Directors on September 14, 2023, the inclusion of private mission-aligned for-profit entities for land banking, and updated budget policies for the City of Houston. The red-lined version of the HLB Board Policies is included to reflect the requested changes.

P.O. Box 131106, Houston, Texas 77219
281.655.4600

houstonlandbank.org

houston land bank



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Houston Land Bank
Board Policies
Reviewed/Updated Fall 2023⁴
Approved ~~October~~ February 12¹⁰, 2023²
By HLB Board of Directors

Policies - Table of Contents

1. <u>General</u>	3
2. <u>Definitions</u>	8
3. <u>Administration of the Organization</u>	13
4. <u>Property and Lot Maintenance</u>	19
5. <u>Policies Governing the Acquisition of Properties</u>	20
6. <u>Policies Governing the Disposition of Properties</u>	25
7. <u>Transfers to LMI Purchasers</u>	34
8. <u>Transfer of Rehabilitated Properties</u>	36
9. <u>Land Banking for Third Parties</u>	37
10. <u>Conflicts of Interest</u>	40

SECTION 1: GENERAL

- 1) The name of the corporation is the Houston Land Bank (HLB), formerly known as the Land Assemblage Redevelopment Authority (LARA) 1999-2018.
- 2) Overview.
 - a) These policies serve to guide the general operations and the real estate acquisition and disposition activities of the Houston Land Bank (HLB). These Policies are intended to work in conjunction with other HLB governing documents, including the Bylaws, Articles of Incorporation, and enabling ordinances and statutes.
 - b) The HLB's Chief Executive Officer shall be responsible for developing and deploying written procedures that ensure these Policies are implemented in compliance with all applicable laws and the Board's intent, and in a manner that makes efficient, effective, ethical and equitable use of HLB funds and other resources.
 - c) The terms and conditions of these Policies may be implemented through such contracts, memoranda, restrictive covenants, declarations, deeds, or other instruments as shall have the force and intent of these Policies.
 - d) In the case of a conflict between these Policies and the laws of the City of Houston, Harris County, State of Texas, or the United States, these Policies will be subordinate to the law in question.
 - e) HLB's purpose is acquiring, managing, and disposing of vacant, abandoned, deteriorated, non-revenue generating, and non-tax producing properties and converting those properties to productive uses. Productive uses of a property include development of housing that serves a wide range of local needs including affordable housing, long-term affordable housing, workforce housing, public service housing, and mixed-income housing. Other productive uses include community-based economic development, food desert solutions, parks and recreation, flood reduction and storm resiliency, and other uses necessary and appropriate to return properties to the tax rolls, stabilize communities, improve living conditions, and protect against the displacement of residents of the municipality served by the land bank.
 - f) **HLB's mission is to strategically acquire, dispose and steward vacant, abandoned, and damaged property into productive use to**

catalyze transformative community and economic development for the City of Houston.

3) General Obligations

a) The HLB shall:

- 1) Maintain adequate controls and accountability systems for all property and resources under its care and control.
- 2) Assess the value of its inventory at least annually, and report such value to the City Controller along with the results of the annual audit after presentation to the Board.
- 3) Ensure that property in its inventory is returned to productive use in a strategic, timely way that promotes fulfillment of the HLB purpose and mission.
- 4) Produce regular written reports on the HLB's operations, inventory, and finances.
- 5) Demonstrate a high degree of transparency, integrity, and accountability to the public and in constructive collaboration with stakeholders.
- 6) Establish adequate staff, whether employees, contractors, or others to maintain all properties under its care and control in clean, safe, secure and attractive condition, so as to increase the value of surrounding property, and the quality of life of residents and businesses located near HLB properties.

4) Enabling Authority

- a) The HLB is organized and is to be operated for the purposes set forth in the Articles of Incorporation of the Land Assemblage Redevelopment Authority dated October 27, 1999, filed with the Secretary of State of Texas on November 1, 1999, As Amended by the Articles of Amendment dated March 8, 2004, filed with the Secretary of State of Texas on March 8, 2004, as the same may hereafter be amended from time to time (the "Certificate of Formation") [and City of Houston, Texas ordinance No 2023-720](#).
- b) The Amended and Restated Certificate of Formation, as well as the Texas Non-Profit Corporation Act and provisions of Subchapter D of Chapter 431, Texas Transportation Code, as amended ("the Act"), and Chapter 394 of the Texas Local Government Code ("the Local Government Code", authorizes creation of the HLB and vests the responsibility to operate the HLB with its appointed Board of Directors [and Texas Senate Bill 1679](#).

Chapter 379H of the Texas Local Government Code pursuant to the 87th Texas State Legislature.

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- c) The Certificate of Formation, as well as the Act and provisions of the Transportation Code and Local Government Code, authorize the creation of the HLB and vests the responsibility to operate the HLB with its appointed Board of Directors.
 - d) The HLB Board of Directors may appoint a CEO to execute the work of the HLB and may empower the CEO with such powers, duties, and authority as are necessary to perform their responsibilities, provided such extension of authority does not violate applicable laws or other requirements of the City, County, or HISD or the bylaws of the HLB.
- 5) Funding and Resources
- a) HLB shall be funded by the City of Houston generally, proceeds generated from transactions of the HLB, fees collected for services rendered by the HLB, grants from public or private parties, loans received by the HLB, or from other such sources or funds as the HLB is authorized to accept, provided such acceptance does not violate the laws, regulations, or ordinances of the City of Houston, Harris County, the HISD, the State of Texas, or the United States, and the various departments, agencies, or commissions thereof.
 - b) HLB may not accept any grant funds not authorized in advance by the Board of Directors, notwithstanding authority that is otherwise expressly granted in Board Policy.
 - c) HLB may not enter into any loan or financial obligation that is not authorized in advance by the Board of Directors and Houston City Council.
- 6) Standards for Acquisition and Disposition of Property
- a) The HLB may acquire and/or dispose of any property if the transaction is likely to advance the mission of the HLB, complies with applicable law, and aligns with the standards, requirements and priorities established in Board Policy.
 - b) HLB may sell or lease any property in its inventory to another party is likely to advance the mission of the HLB, complies with applicable law, and aligns with the standards, requirements and priorities established in Board Policy.
 - c) Except for easements and other small acquisitions necessary to further an HLB initiative, all property acquisitions and dispositions (including sale or lease of HLB property) must be authorized in advance of closing by the

Board of Directors, unless otherwise identified in the related sections of this document.

d) In evaluating third parties with whom it may conduct property transactions, the HLB shall exercise sound business judgment in selecting transferees to include, but not limited to:

- 1) Government entities
- 2) Not-for-profits engaged in affordable housing development
- 3) Other non-profits
- 4) Public/private partnerships engaged in the community and economic development

5) For-profit firms engaged in the development and construction of new homes affordable for purchase by low- or moderate-income buyers

5) 6. HLB mission-aligned for-profit entities

7) Good Neighbor Policy

- a) The HLB will maintain the properties in its inventory in compliance with City ordinances and in a manner conducive to public health, safety, and quality of life in the surrounding area.
- b) The organization will respond promptly and effectively to public concerns, as well as observations/intelligence about observed conditions from related City agencies and neighborhood organizations.
- c) Where the HLB owns properties or seeks to acquire property, the HLB will work closely with neighborhood groups and stakeholders to build lines of communication regarding community priorities, and will incorporate those priorities into HLB decision-making.
- d) To the extent possible, the real estate acquisition and disposition activities of the HLB shall align with, anticipate, and not conflict with neighborhood plans adopted or promulgated by neighborhood organizations and recognized by the City of Houston or another public entity.

8) Inventory List for Public Review

- a) HLB shall maintain a list of all properties owned by or under the care of the HLB. The list shall, to the extent practical, provide the following information:
 - Standard property characteristics such as property type, neighborhood location, street address, parcel size, and

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- Other information that HLB may choose to provide to encourage the timely and expeditious transacting of HLB property.
- b) The HLB Inventory List for Public Review will be updated at least quarterly and made available and accessible to the general public in electronic format via the HLB website.
- 9) Ethics
- a) The Board and staff of the Houston Land Bank will demonstrate a commitment to ethical behavior by:
- 1) Acting honestly, truthfully, transparently and with integrity in all our transactions and dealings;
 - 2) Avoiding conflicts of interest;
 - 3) Appropriately handling actual or apparent conflicts of interest in our relationships;
 - 4) Treating community members, vendors, and others who transact with our organization fairly;
 - 5) Treating every individual with dignity and respect;
 - 6) Treating HLB employees with respect, fairness and good faith and providing conditions of employment that safeguard their rights and welfare;
 - 7) Being a good corporate citizen and complying with both the spirit and the letter of the law;
 - 8) Acting responsibly toward the communities in which we work and for the benefit of the communities that we serve; and
 - 9) Being responsible, transparent and accountable for all of our actions.
- 10) Amendment: These Policies and Procedures are subject to modification and amendment at the discretion of the HLB Board of Directors.
- 11) Posting: The most current Board-approved version of these Policies shall be posted to the HLB website with their adoption date clearly identified.
- 12) Annual Review: These Policies shall be reviewed annually by the Procurement and Oversight Committee of the HLB Board of Directors; the Committee shall initiate such review by October 1 of each year. Any recommendations for amendments or modifications to the Policies shall be brought to the Board for consideration and possible adoption.

SECTION 2: DEFINITIONS

- 1) **General:** Capitalized terms using in these Policies shall have, unless the context clearly requires otherwise, the meanings specified in this Section 2. Certain additional terms may be defined elsewhere in these Policies.
- 2) **Generic Terms:** Unless the context clearly indicates otherwise, where appropriate the singular term shall include the plural and the masculine shall include the feminine or neuter, and vice/versa, to the extent necessary to give the terms defined in this Section 2 and/or the terms otherwise used in these Policies their proper meanings.

“Acquire” shall mean the transfer to the HLB of title or any beneficial interest in Real Property in accordance with these policies and the laws of the state of Texas.

“Acquisition” shall refer to Real Property acquired by the HLB.

“Affordable Housing” shall be defined by the Director and unless otherwise defined, shall conform to the definition used by the US Department of Housing and Urban Development to describe housing that is affordable to an owner or renter occupant whose household income is 120% or less of the Area Median Income for the Houston Metropolitan Statistical Area.

“Affordability Compliance Period” means the period of time from the date a residential 1-4 unit property is transferred to a LMI Purchaser from HLB or from an Approved Builder who had acquired the property from HLB for the purposes of providing said residential property.

“Best Business Practice” means that in procuring products or services, the staff will review and research the best option for the organization at the best value which will support the activity for which the product or service is necessary. Every

attempt will be to review and research multiple bids, quotes or prices except where vendor selection based on price is prohibited by state law.

“Board of Directors or Board” shall mean the individuals appointed by the City of Houston, Harris County, and the Houston Independent School Board, who collectively comprise the directors of the HLB.

“Approved Builder” means a qualified builder, real estate developer, construction company or other entity that has applied and been qualified to receive land from the HLB for the purposes of developing affordable housing.

“Certifying Entity” means an individual or corporate entity that has been designated by the City and/or the HLB to assist HLB with processing applications from entities wishing to obtain property from the HLB.

“Chief Executive Officer of the Land Bank” shall be the person who is authorized by the Board of Directors to execute the day-to-day operations of the HLB.

“City Investment” means the amount of total cash value declared by the City of Houston to represent the cash value of the City’s investment in a single property for redevelopment by HLB.

“Commercial Property” shall mean property under current use as commercial, industrial or mixed-use and residential property with five or more residential units.

“Compliance Officer” shall mean an individual or entity designated by the HLB to monitor the satisfaction of all commitments made to the HLB by a transferee, purchaser, or successor title holder to property subject to a Declaration of the HLB up to and through the end date of an assigned compliance period.

“Compliance Period” shall mean the period of time, as described hereunder, by which a transferee agrees to maintain a property obtained through the HLB according to the terms and conditions stipulated in the Declaration governing that property.

“Conveyance Agreement” shall mean a formal agreement governing the acquisition of a specific property or properties by HLB on behalf of another entity, in which the Conveyance Agreement describes the rights and obligations of both parties.

“Consideration” shall mean the payment of cash or other value, in whatever form, that shall be provided by a party to the HLB in exchange for the transfer of title to property from the HLB to such party. Consideration may be provided as cash, deferred financing, the performance of contractual obligations to achieve a public benefit, imposition of restrictive covenants, and/or other obligations and responsibilities of the buyer, or a combination thereof.

“Development Agreement” shall mean a written agreement between the HLB and a Transferee that describes how the Transferee will redevelop property received from the HLB. Such agreement shall also define the rights and recourse of both

parties, including penalties, should either party fail to uphold their respective part(s) of the agreement.

“Director” shall mean the Director (or the chief executive officer, if otherwise designated) of the City of Houston Department of Housing and Community Development, or of such Department’s successor entity.

“Dispose” shall mean to transfer of title or other beneficial interest in Real Property from the HLB to a third party by sale, transfer, donation, or any other means of conveyance that is allowed by these Policies and Procedures and not otherwise prohibited by the laws of Harris County, the State of Texas, and/or the United States of America.

“Donation” shall mean the transfer of property to the HLB from a third party, in which the third party has no expectation of receiving any consideration other than a donation tax credit, such as may be allowed by the tax laws of the United States, State of Texas, and/or Harris County.

“Government Entity” shall mean a unit of federal, state, county or local government; an authority or administration created by Public Act, statute or ordinance; or a public body as defined by applicable state or federal law.

“Holding Period” shall mean the period of time from the date upon which the HLB acquires title to a Property and the date upon which title to said property is conveyed to a third party.

“HUD” shall mean the U.S. Department of Housing and Urban Development, or any duly constituted successor designee thereof.

“Land Bank or HLB” shall mean the Houston Land Bank, a local government corporation formed as Land Assemblage and Redevelopment Authority or LARA, and updated to the Houston Land Bank in 2018.

“Listing Broker” shall be the vendor selected through a competitive procurement to list and facilitate the sale of houses on behalf of HLB

“LMI Purchaser” means a Low-or-Moderate Income Household who has applied and been approved to purchase property through an HLB Home Ownership Program and agrees to abide by any and all conditions established in the Declaration governing that property.

“Low- or Moderate-Income Household” shall mean households whose annual incomes do not exceed 120% of the Houston MSA Area Median Income, as determined by HUD.

“Low- or Moderate-Income Community or Neighborhood” means a census tract where the median household income is not greater than 80% of the Houston MSA median household income. To determine if a subject property is located in a

LMI tract, HLB shall reference

<https://geomap.ffiec.gov/FFIECGeocMap/GeocodeMap1.aspx>.

“Neighborhood Association” shall be an organization incorporated with the State of Texas and formed for the purposes of improving one or more recognized neighborhoods in the City of Houston. A Neighborhood Association shall be registered with the City of Houston Department of Neighborhoods prior to receiving title to or approved use of any real property from or by the HLB.

“Neighborhood Plan” shall mean a written plan promulgated and approved by a government or quasi-government entity or a recognized nonprofit, community organization or neighborhood association, provided such a plan shall be available and/or recognized from the City of Houston Planning and Development Department.

“Not-for-Profit Organization” shall mean a corporation incorporated under the Texas NonProfit Corporation Act and in good standing.

“Policies” shall mean these Policies governing the HLB’s operations, which shall be implemented and followed by means of procedures to be developed by the HLB Chief Executive Officer.

“Principal Residence” shall mean a residence that the owner maintains as his or her primary residence for not less than 180 days of any 365-day period. A primary residence may include a single-family home or a 2-4 unit residential development, provided that the owner maintains and occupies one of the units as his or her principal residence.

“Public Funds” shall mean any funds provided, whether in the form of a grant or other consideration, where such funds comprise revenues collected from the public.

“Purchase” shall mean payment of consideration by or to the HLB by or to a third party to effect the transfer of title to Real Property.

“Purchaser” refers generally to a public agency, nonprofit organization, or an individual, corporation, partnership, or other entity, which is approved by the HLB as a purchaser of HLB property.

“Real Property” shall mean lands, lands under water, structures and any and all easements, air rights, franchises, and incorporeal hereditaments and every estate and right therein, legal and equitable, including terms for years and liens by way of judgment, mortgage or otherwise, and any and all fixtures and improvements located thereon.

“Related Entity” means, with respect to any party which has been an Owner hereunder: (i) any spouse, parent, child, grandchild, sibling of such Owner; or (ii) any person or entity (A) that directly or indirectly controls or is controlled by or is

under common control with such Owner, (B) that is an officer of, partner in or trustee of, or serves in a similar capacity with respect to, such Owner or of which such Owner is an officer, partner or trustee, or with respect to which such Owner serves in a similar capacity, or (C) that is the beneficial owner, directly or indirectly, of 10% or more of any class of equity securities of such Owner, or of which such Owner is directly or indirectly the owner of 10% or more of any class of equity securities.

“Side Yard” refers to land, vacant or improved, that will be used and maintained by the owner of an adjacent property, where such adjacent property shares a common boundary comprised of not less than 2/3 the total linear dimension of the common property line.

“Total Property Costs” shall mean the total costs incurred by the HLB to acquire, maintain, and convey a piece of real property, inclusive of purchase costs, legal and insurance costs, listing and transaction fees, transfer fees, and any closing costs stemming from the original transfer to HLB or subsequent transfer from HLB to the transferee.

“Transferee” shall mean the party who is acquiring or who has acquired Real Property from HLB, no matter the process by which conveyance occurs.

“Vacant Land” is unimproved property.

SECTION 3: ADMINISTRATION OF THE ORGANIZATION

1) Document Organization

- a) The organization shall maintain paper and digital files to reflect the day to day business of the organization according to State law and Municipal ordinances.
- b) Core foundational documents to the organization, such as any major grants, procurements, and other legal filings shall be kept in a visible and accessible location for the Board of Directors' review and reference.

2) Document Retention

- a) At a minimum, the organization shall follow State of Texas and City of Houston requirements for document retention, including but not limited to guidance put forward by the Texas State Library and Archives Commission.
- b) The above notwithstanding, all property records shall be maintained in perpetuity for any properties purchased and/or held by the Houston Land Bank.
- c) For digital files required to be maintained by this policy or by federal, state or City of Houston mandates, HLB shall maintain a digital backup in a secure environment and shall update those files regularly.

3) Personnel & Hiring

- a) The organization will abide by all relevant local ordinances and state and federal employment law.
- b) The CEO is responsible for recruiting, selecting, leading, evaluating and retaining quality staff for HLB, including decisions to promote staff and create and fill new positions or hire temporary staff within the approved annual budget.
- c) The organization will maintain an Employee Handbook that will outline various policies and procedures related to employees, including hiring, paid time off, a benefit package including insurances, conduct, confidentiality and non-compete, termination, and conflict of interest.
- d) The organization may secure staff support from the City of Houston or other third parties via written agreements approved in accordance with state law.

- e) The organization will provide employees with a competitive benefits package.
- f) At least annually, performance evaluations will be provided to employees according to standard company procedures, and/or any specialized contract language.
- g) A staffing plan is to be included for Board review as part of each year's proposed annual budget; the staffing plan shall include the total number of positions proposed, total full-time equivalents proposed, and an organization chart showing all HLB positions and their respective incumbents.

4) Finance

a) General Policy

With respect to the interpretation and application of these policies, the Houston Land Bank shall comply with all applicable federal and state laws; the City of Houston's City Charter and Code of City Ordinances; Financial Accounting Standards Board (FASB) and Governmental Accounting Standards Board (GASB) standards; and all bond covenants, whether existing or hereafter provided, and associated ordinances relating to all budget, accounting, reporting, disclosure, and finance activities; and the City of Houston's financial policies, executive orders and administrative procedures as they are relevant to the Houston Land Bank. In any conflict between these policies and such governing law, standards or documents, such governing law, standards or documents shall prevail.

b) Fund Balance Reserve Policy

Houston Land Bank will maintain an adequate fund balance as insurance against emergencies and/or economic instability. The desired minimum fund balance is 25 percent of prior year operating expenditures. Any proposal that would reduce fund balance below the desired minimum must be accompanied by a plan to restore fund balance to the desired minimum by the end of the fiscal year after the fiscal year in which the fund balance drawdown occurs.

Excess fund balance may be budgeted for operational expenditures with Board approval.

c) Budget Policies

Before the end of each fiscal year, HLB will adopt a Balanced Budget for the next fiscal year in accordance with state law and local ordinances.

In addition to the staffing plan required above, the proposed budget shall be accompanied by a business plan with an overview of proposed lot disposition programs for Board approval. The business plan must determine projections of program sales, distribution of potential sales, and related pricing. ~~Preliminary budget will be sent to City of Houston Controller's office on March 1 for the following fiscal year. Per the City of Houston Administrative Procedures (AP 2-10) requirements, a board-approved preliminary budget will be sent to the City of Houston Finance Director by March 1st, and a final board-approved budget by June 30.~~

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Budget amendments require Board approval. Budgeted funds may be transferred between budget accounts and lines by the HLB CEO or designee so long as the transferred amount does not exceed \$50,000; transfers of \$50,000 or more will require approval by the Executive Committee. All budget transfers shall be reported to the Board at the next regular meeting.

d) Accounting, Auditing and Financial Reporting Policies

Annual Financial statements will be prepared in accordance with Generally Accepted Accounting Principles (GAAP).

An annual audit will be performed by an independent public accounting firm in accordance with Generally Accepted Government Auditing Standards and the opinion will be included in the final audit report.

To the extent applicable, Houston Land Bank, as a component unit of the City of Houston, will follow all accounting, audit, and financial reporting policies.

The annual audit and the accompanying auditor's letter to management shall be released to the Board and published on HLB's website within 30 days of receipt of the report.

Audit report is due to City Controller no later than October 1. ~~Per the City of Houston Administrative Procedures (AP 2-10) requirements, the audit report will be sent to the City of Houston Finance Director, no later than 2 days after the audited financials are completed.~~

In the event Houston Land Bank receives federal or state funding, a Single Audit Report or other audits of Federal and State grant funds will be performed in compliance with applicable provisions of the Single Audit Act, and other relevant federal, state, and local rules and regulations.

e) Internal Controls

Segregation of Duties will involve a minimum of two individuals in which one is the preparer and the other is reviewer for all Accounting functions.

Access to the accounting software will be requested through the Board Treasurer from the CEO. This includes both internal staff members and external parties rendering professional services.

A monthly review and analysis of interim financial statements will be conducted by the CEO, any staff designated by the CEO, and the Board Treasurer; interim financial statements shall be provided to the Board monthly. The interim financial statements will include:

- Balance Sheet
- Statement of Net Position variance analysis and trends
- P&L Comparison versus Budget
- P&L Comparison versus Prior Month
- P&L Comparison versus Prior Year

Monthly balance sheet reconciliations will be prepared by staff and reviewed by the external accountant as part of the month end close process.

- Invoicing to HCDD for Reimbursement
- Bank Reconciliations
- Credit Card Reconciliation

Cash disbursements will require all invoices to be approved before processing, and checks will require signatures as follows:

Checks less than \$1,000 will only require a single signature from the CEO, or designee, Board Chair, or Board Treasurer.

Checks greater than or equal to \$1,000 will require minimum of two signatures which must include one staff member and one

Board Member, or two Board Members, all of whom must be authorized signers.

The above signature requirements notwithstanding, any authorized signer may sign earnest money checks up to \$5,000 for purposes of expediting proposed property acquisitions.

5) Procurement

It shall be the policy of Houston Land Bank to procure goods and services in an efficient and effective manner, exercising integrity and transparency, obtaining the best value based on a competitive process and creating opportunities for participation, and most importantly to uphold the strategic goals of the organization. The types of procurements will align with the basic functions of the organization: operations/management for office functions (design to bookkeeping contractors), asset management (lot maintenance and security), pre-development (feasibility and due diligence, and property sales costs) property acquisition (purchase and sale contracts). All procurements shall be carried out in accordance with the approved budget, except in emergency situations as defined by state and local law. To fully pursue these goals and functions, it is the policy of Houston Land Bank to adhere to the following policy mandates:

- a) Houston Land Bank may utilize any and all procurement methods recognized by state and federal law and permitted for governmental entities, including, but not limited to Chapter 431 of the Texas Transportation Code, and the Texas Non-profit Corporation Law, Chapters 20 and 22 of the Texas Business Organization Code, and the Uniform Grant Guidance. Additionally, the Houston Land Bank will also follow any procurement methods as outlined in the corporation Bylaws and other organizational charters.
- b) The Board of Directors of the Houston Land Bank delegates authority for purchases of \$50,000 or less to the Chief Executive Officer of the Houston Land Bank.
- c) In utilizing any procurement method, Houston Land Bank will seek the best value that results from an open and impartial process. Houston Land Bank may utilize procurement methods that advance other policy goals of the corporation, including, but not limited to, small business participation, diversity in participation, and local preference considerations, so long as these policy goals and their implementation are in accordance with state and federal law.

- d) Houston Land Bank staff engaged in procurements will, at all times during any procurement process, act in a manner to prohibit discrimination based on race, sex, religion, national or ethnic origin, sexual orientation, gender identity, age or disability.
- e) Procurements by Houston Land Bank will be in adherence to Houston Land Bank, City of Houston and State of Texas conflict of interest rules and laws (including Texas Local Government Code, Chapters 171 and 176) and the corporation's staff is affirmatively charged with the responsibility to be aware of potential conflicts of interest related to Board members, staff or public officials.
- f) Houston Land Bank staff will monitor and ensure compliance with procurement rules and contractual mandates.
- g) Nothing in this procurement policy creates, gives or recognizes a property interest or right of any kind for the bidder or proposer prior to the award of the contract by the Board and compliance with all statutory and legal requirements.

6) Board Meetings & Committee Meetings

- a) The organization will follow all state law regarding open meetings and public records.
- b) The Agenda for Board Meetings will be prepared by the CEO and reviewed by the Chair of the Board, Executive Committee, and Board Counsel before noticing a meeting.
- c) There shall be standing monthly meetings of the Executive Committee.
- d) All Committees will set a schedule and agenda as directed by Committee Chairs, who are appointed by the Chair of the Board. Staff will be assigned to each committee to support activity.
- e) Committees that maintain a quorum of the Board and/or are provided with delegated authority for decision-making, will have the meetings noticed and recorded according to state open meetings and public records law.

7) Reporting

- a) The organization will comply with all applicable City of Houston requirements regarding operational and financial reporting by local government corporations, including ordinances adopted by

City Council and administrative policies and procedures established by the Mayor.

- b) The reporting required at each board meeting shall be determined by the Board relative to the work plan adopted with the fiscal year budget, but at a minimum includes:
 - i. Financial status
 - ii. Status of inventory
 - iii. Status of pending contracts for acquisition/auction report
 - iv. Status of pending contracts for lot sales
 - v. Any issues that might generate risk or negative impact for the organization's reputation and activities.

SECTION 4: PROPERTY AND LOT MAINTENANCE

- 1) In keeping with HLB's "Good Neighbor" policy, the organization will maintain properties in its inventory in compliance with City ordinance and in a manner conducive to public health and safety and to a standard at least generally consistent with neighboring lots.
- 2) HLB will respond promptly to citizen concerns, as well as any requests for lot maintenance put forward by neighborhood groups and/or City of Houston representatives.
- 3) As part of its lot maintenance activities, HLB will develop and implement procedures for ensuring proper maintenance (including perimeter maintenance on inaccessible lots) and for preventing unauthorized third-party use of HLB properties, including activities such as trespassing, squatting and illegal dumping.

SECTION 5: POLICIES GOVERNING THE ACQUISITION OF PROPERTIES

In keeping with HLB's mission and not intending to be the long-term holder of property without end-use, the adequate maintenance of the HLB's existing portfolio of property shall take priority over new acquisition in any given budget year. Upon ensuring the adequate maintenance of its existing portfolio, the HLB may elect to acquire new properties per its annual strategic priorities with its remaining budgetary resources.

- 1) Acquisition of property by the HLB may be through the following methods:
 - a) Tax foreclosure,
 - b) Mortgage foreclosure,
 - c) Donation,
 - d) Deed-in-lieu of foreclosure,
 - e) Purchase at market value,
 - f) Purchase at less than market value as part of a conditional sale,
 - g) Transfer from another government, ~~or~~ quasi-government entity, non-profit entity, or mission-aligned for-profit entity
 - h) On behalf of another government, ~~or~~ quasi-government agency, ~~and~~ non-profit development corporation, or mission-aligned for-profit entity with corresponding agreements to do so, or
 - i) Any other means of acquisition which the Board of Directors shall authorize.
- 2) Board of Directors approval is required for all property acquisitions.
- 3) The Chair of the Board will appoint a Real Estate Acquisition and Disposition Committee, which may be an existing committee, to review all acquisitions of real property, and related analysis as performed by staff and outlined in acquisition procedures.
 - a) The Real Estate Acquisition and Disposition Committee will review proposed acquisitions of real estate and make recommendations to the Board regarding approval with or without conditions.
 - b) If acquisitions are performed for a third party under the auspices of a Board-approved grant contract, the Real Estate Acquisition and Disposition Committee will review ongoing progress and compliance with the contract.

- 4) Property Acquisition Conditions: In evaluating properties for acquisition, the HLB shall prioritize properties that meet one or more of the following standards:
- a) Acquisition of properties that support the mission of the HLB.
 - b) Acquisitions requested by governmental, nonprofit and for-profit entities that identify specific properties for ultimate acquisition and redevelopment, which:
 - i) Catalyze further community and economic development,
 - ii) Are part of a comprehensive development plan,
 - iii) Reduce blight in the community,
 - iv) Assist in the development of affordable housing,
 - v) Contribute to commercial and industrial development and the jobs base from which the affordable housing residents benefit
 - vi) Enhance community infrastructure, public space and/or which comprise green infrastructure projects, including community gardens.
 - vii) Promote affordable homeownership,
 - viii) Reduce the risk of homelessness for LMI households,
 - ix) Mitigate long-term risks from flooding or other natural disasters, or
 - x) Address the environmental remediation of property or land that is contaminated.
 - c) Acquisitions where HLB participation is necessary to complete the redevelopment and tax reactivation of the property.
 - d) Properties that are available for immediate development, without need for substantial rehabilitation and whose transfer will generate operating resources for the functions of the HLB.
 - e) Properties located in reinvestment areas whose acquisition aligns with and advances strategic neighborhood stabilization and revitalization plans.
 - f) Properties that meet the criteria for demolition, where such demolition will support blight elimination and neighborhood revitalization plans.
 - g) Properties that are part of a land assemblage development plan by either the HLB or its partnering entities.
 - h) Vacant, non-conforming, or undevelopable properties that could support planned development.

- i) Properties that will generate operating support for the functions of the HLB and which otherwise conform with and do not conflict with the stated objectives and policies of the HLB.
- 5) For acquisitions made at the request and on behalf of a third-party entity (“requestor”), which may include, but not be limited to governmental, nonprofit and for-profit entities, HLB may require a Conveyance Agreement that includes, but is not limited to:
- i) A description of the purpose for which an acquisition is intended, including any third party related to the transaction. Such purpose must conform to the accepted conditions and uses specified above and elsewhere in these policies.
 - ii) Terms and conditions governing the redevelopment of the property that may have been agreed to by the requestor and any third party provided that HLB shall not reveal any confidential or privileged information contained therein to any other party without the express written approval of the requestor and any third parties involved in the redevelopment.
 - iii) The date by which any subsequent conveyance to the third party for redevelopment is to commence, and a timetable for commencing redevelopment by said date, which shall be not more than 36 months from the date the property is conveyed to HLB unless an exception is granted by the Board of Directors.
 - iv) Requestor’s agreement that it shall:
 - (1) Reimburse HLB all or a portion of the cost incurred by HLB to complete the acquisition of a property at the request of the third party, such reimbursement being at the discretion of the HLB and the percentage to be reimbursed specified in the Conveyance Agreement.
 - (2) Commence or cause to commence conveyance to a third party for the redevelopment of the property for such purposes as were described, substantially or expressly, in the Conveyance Agreement not later than the date specified in the Conveyance Agreement.
 - b) Should a Requestor fail to convey to the third party, as described in the Conveyance Agreement, it may request an extension of the Conveyance Agreement to be granted by the Board of Directors. HLB may grant not more than three one-year extensions.
 - c) If at the end of the Conveyance Agreement term, the Requestor and/or the third parties to the redevelopment plan described in the Conveyance Agreement have not accepted transfer of the property from the HLB, the

parties automatically forfeit any rights to the property and HLB may put the property up for sale and retain any and all proceeds from the sale.

- 6) HLB may consider and acquire:
 - a) Properties that involve pre-existing financial obligations, such as tax liens or a mortgage, provided that any and all financial liabilities and encumbrances are disclosed to the HLB ahead of transfer to the HLB, and funding sources are identified.
 - b) Properties that are environmentally contaminated, where funds have been identified for the clean-up and reuse of the property, provided that:
 - i) The HLB is made aware of any environmental conditions to its satisfaction and with evidence satisfactory to the HLB provided to as to the status of any obligations that the HLB may assume on the part of the conveying party with respect to local, state, or federal regulations.
 - ii) If any adverse conditions are determined, a remediation plan satisfactory to the HLB must be in place prior to transfer to the HLB.
- 7) In determining the nature and extent of the properties to be acquired, the HLB shall also consider:
 - a) The condition, marketability, potential holding, tax, utility, legal, environmental and maintenance costs, and possible end uses of every property prior to acquisition.
 - b) The likelihood that a property can be resold for adequate consideration to reimburse HLB for its Total Project Costs;
 - c) The financial resources available for acquisitions and/or ongoing management of property by HLB; and
 - d) The projected holding time before HLB might transfer such properties to the ultimate transferee(s), provided such time does not exceed 36 months from the date of conveyance to the HLB.
 - e) The potential neighborhood impact, and availability and opportunity of other complementary development activities.
 - f) The organization shall develop and maintain detailed procedures for potential lot acquisition.
- 8) Where applicable, the HLB may request the Harris County Treasurer to combine tax-foreclosed properties from one or more of the previous statutorily-required auctions of tax foreclosed properties, and may acquire any such properties prior to auctions, at such auctions, or subsequent to auctions, as authorized by law.

9) If public funds will support redevelopment and/or ongoing maintenance of a property, HLB shall determine that its acquisition of such property is approved as an eligible activity by the funds provider.

10) Acquisition Agreements between HLB and the Conveying Party

- a) HLB will execute written agreements describing the terms and conditions of all acquisitions in a form that is acceptable to the HLB and the conveying party.
- b) Such agreements shall specify all rights and obligations, if any, of all parties involved in the acquisition.
- c) A standard agreement document may be used, with appropriate attachments and addenda as may be necessitated to complete the acquisition in question.

11) Title Insurance for Acquisitions by the HLB

- a) HLB generally requires that any property accepted by the HLB have a policy of title insurance insuring HLB, subject to such title exceptions that are acceptable to the HLB in its sole discretion.
- b) In those circumstances when the title is not insurable, HLB may elect to acquire the property with the intention of initiating a quiet title action.

12) Donated or Gifted Property

- a) HLB may choose to accept, at its own discretion, property offered by a private, non-governmental entity, as a donation or gift for which no monetary or other material compensation is anticipated by the donor party.
- b) Properties with immediate maintenance requirements may be accepted, subject to the donor providing a cash contribution to cover the costs HLB will bear to remedy outstanding maintenance issues.
- c) Donated Property Procedures: HLB shall establish procedures governing the acquisition of properties by donation, which shall include, but not be limited to the following:
 - i) The HLB will complete an analysis of the property to be donated according to its customary procedures.
 - ii) The CEO will present the Board of Directors with the results of the required analysis for Board review prior to acceptance of any donated property.
 - iii) The Board of Directors shall approve or decline donation of property in all cases.

- iv) HLB will not determine donation value for purposes of tax benefits to the Donor but will provide a letter describing the property donated as a contemporaneous written acknowledgment under section 170(f)(8) and/or other applicable section(s) of the Internal Revenue Code.

SECTION 6: POLICIES GOVERNING THE DISPOSITION OF PROPERTIES

1) General

- a) Except for sale of properties to low- and moderate-income purchasers as discussed in Section 7, Board of Directors approval is required for all property sales or conveyances.
 - i) The Real Estate Acquisition and Disposition Committee shall review all potential transfers of real property and related analysis as performed by staff and outlined in acquisition procedures and shall make recommendations for board approval with or without conditions.
 - ii) The Partnership and Program Development Committee will develop and propose relevant programs for lot disposition. It will also review all templates for legal and contract documents, including but not limited to base property sale contract templates.
 - iii) The Board of Directors will review and consider all programs for property disposition and relevant contracts as recommended by the Partnership and Program Development Committee.
 - iv) The Chief Executive Officer may sign sale or other conveyance contracts on behalf of the Board of Directors, once approved by the Board of Directors.
 - v) The Partnership and Program Development Committee will review any proposed changes to sale or other conveyance agreements that may be proposed by a prospective transferee and may make recommendations to the Board of Directors regarding approval.
 - vi) The Chief Executive Officer, or designated party by the Board of Directors, is responsible for reviewing compliance with Board Approved Contracts, enforcing the contract rights afforded to HLB, and reporting activity to the Partnership and Program Development Committee, Real Estate Acquisition and Disposition Committee, Executive Committee, and the Board of Directors.
 - vii) The Chief Executive Officer or designee may release a builder from the contract reverter/repurchase rights afforded to HLB at the time of transfer of property to a LMI Qualified Homebuyer.
 - viii) The Chief Executive Officer or designee will have delegated authority to temporarily release a builder from the contract reverter/repurchase rights afforded to HLB at the time of property development if the lending institution provides oversight of property compliance and completion, as demonstrated in writing, and according to any waiver

template that has been approved by the Partnership and Program Development Committee.

b) In order for HLB to convey property to another party, the future use of the property must promote a public purpose or bestow a benefit on the community. All proposals for and subsequent transfer of property must stipulate the following:

i) The transfer of the property to another party is intended to achieve a public purpose or bestow a community benefit, which includes one or more of the following:

- (1) Blight remediation
- (2) Creation of affordable housing
- (3) Creation of employment opportunities or employment training opportunities
- (4) Neighborhood stabilization and/or revitalization
- (5) Historic preservation
- (6) Community improvement or beautification
- (7) Increase tax revenues
- (8) Storm water management and flood mitigation
- (9) Other public purpose or community benefit allowed by state law

2) Property Disposition Conditions

a) In determining the requirements for property disposition by the HLB to a transferee, the following considerations shall be made:

i) The transferee must certify in writing that they, whether directly or through a related entity, do not own any real property in Harris County that:

- (1) has any un-remediated citation or violation of the state and local codes and ordinances. Property for which a remediation plan is in effect shall not disqualify transferee from accepting property from the HLB, provided notice of such plan is provided in writing to the HLB; OR
- (2) is tax delinquent
- (3) presents any potential conflict of interest to the organization and/or the City

- ii) The transferee must certify in writing that they, whether directly or through a related entity, have not been the owner of any real property in Harris County that was transferred from their ownership to the Harris County Treasurer as a result of tax delinquency in the five years prior to the proposed transfer of property from HLB.
 - iii) All tax incentives, funding, and financing necessary for the proposed redevelopment of a property must be committed prior to transfer from the HLB.
 - (1) Proof of such commitment must be provided to HLB prior to conveyance.
 - (2) HLB may enter into a contingent disposition agreement prior to transferee receiving commitment of funds given an adequate demonstration of effort towards receiving commitment.
 - iv) HLB may, at its discretion, choose to encumber a property with a forgivable mortgage equal to the Total Property Costs to satisfy its demand for compensation. The terms by which the mortgage obligation may be forgiven must be described in a development agreement between the HLB and the acquiring party and governed by a declaration recorded against the Property at closing.
 - v) The HLB may consider 'Land Leasing' as a method of disposition in any transactions.
 - vi) Option Agreement:
 - (1) HLB may offer Purchasers the option to purchase real estate for a percentage of the purchase price, provided the Purchaser exercises the option by a mutually agreeable date.
 - (2) An option fee shall be collected to bind an Option Agreement.
 - (3) Any option fee collected by the HLB shall be credited to the Purchaser at closing.
 - (4) If closing does not occur by the appointed option date, the option fee is forfeited to HLB.
- b) Development Agreements.
- i) All development projects not otherwise addressed in these Policies shall require a 'development agreement' governing the terms and conditions by which a proposed redevelopment of a property will be completed.

- ii) Where rehabilitation of a property by the transferee is a condition of the transfer, the requirement for such rehabilitation shall be in accordance with rehabilitation standards as established by the City of Houston and adequate completion of such rehabilitation shall be a condition to the release of restrictions or lien securing such performance.
- iii) A precise narrative description of future use of the property is required prior to the approval of a development plan or transfer of a property by the HLB.
- iv) The future use must align with adopted/recognized local neighborhood planning goals.
- v) The development agreement shall apply to stated use.
- c) If code or ordinance violations exist with respect to the property at the time of the transfer, the development agreement shall specify a maximum period of time for elimination or correction of such violations, with the period of time be established as appropriate to the nature of the violation of the anticipated redevelopment or reuse of the property.
- d) The proposed use must be consistent with current land use requirements or the applicant developer must secure any necessary waivers or variances prior to the transfer.
- e) The transferee must agree to pay future property taxes from the time of transfer.

3) Factors in Determining Consideration Due Upon Transfers

Parcels of property transferred shall be transferred for consideration in an amount not less than Total Project Costs or fair market value, whichever is greater. Consideration may include satisfying a public purpose or conveying a benefit upon the public in lieu of money. The following factors shall constitute general guidelines for determination of the Consideration to be received by the HLB from the transferee for the transfer of properties, if there are not set prices associated with an HLB property.

- a) In each and every transfer of real property, the HLB shall require good and valuable Consideration in an amount determined by the HLB in its sole discretion.
- b) The HLB will consider both the fair market value of the property and the Total Property Costs, as well as the goal of assuring affordable housing, in making its determination of Consideration for each property.
- c) Fair market value shall be determined by a written appraisal or brokers price opinion received by the HLB that is not older than 60 days from date of the property request.

4) Priorities Concerning the Disposition of Properties

- a) HLB will seek to convey properties to be reactivated as productive parcels that can generate property taxes, stimulate community and economic investment or improvement, or meet a stated public purpose.
- b) The disposition of properties shall be based upon:
 - i) The intended or planned use of the property.
 - ii) The nature and identity of the transferee of the property.
 - iii) The transferee's financial capacity to complete any required work or development within a timeframe deemed appropriate by HLB.
- c) The disposition of any given parcel will be based upon an assessment of the most efficient and effective way to maximize the aggregate priorities listed below for each factor.
- d) The Board and Staff of the HLB shall, at all times, retain flexibility in evaluating the appropriate balancing of the priorities for development or use of the property and the consideration for the conveyance of those properties.
- e) Priorities for use of property shall align with neighborhood priorities and plans in the community where the property is located; intended property use shall address at least one of the following (order does not imply priority ranking):
 - i) Promote affordable homeownership
 - ii) Promote single and multi-family affordable rental housing
 - iii) Mixed-use development
 - iv) Neighborhood revitalization
 - v) Market rate housing development that is part of a larger community development plan
 - vi) Community gardens
 - vii) Development of public green space (parks and gardens)
 - viii) Public infrastructure
 - ix) Long term "banking" of properties for future strategic uses
 - x) Return of the property to productive taxpaying status
 - xi) Retail and commercial development

- xii) Industrial and manufacturing uses related to job training and development and in line with neighborhood character
 - xiii) Demolition to remove blighted properties
 - xiv) For purposes of environmental clean-up
 - xv) Historic preservation
 - xvi) Storm water management/flood mitigation
- f) Priorities as to the nature of the transferee (order does not imply priority ranking)
- i) Qualified nonprofit or for-profit corporations that will hold title to the property on a long-term basis as affordable rental housing.
 - ii) Qualified non-profit or for-profit corporations that will hold title to the property for purposes of subsequent redevelopment and re-conveyance to private third parties for homeownership, market-rate or affordable rental housing.
 - iii) LMI Purchasers who will own and occupy the property as their primary residence.
 - iv) Developers completing commercial or mixed-use projects that help revitalize a low or moderate-income community or neighborhood
 - v) Businesses that will own and occupy commercial property providing economic opportunity in a low- or moderate-income community or neighborhood
 - vi) Entities that are a partnership, limited liability corporation, or joint venture comprised of a private nonprofit corporation and a private for-profit entity. In the case of a joint venture, the nonprofit corporation must maintain substantial participation in the venture.
 - vii) Nonprofit or tax-exempt institutions such as academic, social service and religious institutions
- g) Individuals and entities that were the prior owners of the property at the time of the tax foreclosure which transferred title to the County Treasurer shall be ineligible to be the transferee of such property from the HLB.
- h) HLB may disqualify applicants to receive property for reasons including but not limited to:
- i) Applicant having settled a suit or legal action in which the applicant was a defendant in landlord-tenant dispute;
 - ii) Applicant being a defendant in a chronic nuisance violation complaint;

- iii) Applicant being convicted previously in a criminal case involving a felony; fraud complaint; violation of one or more state or federal laws concerning nonpayment of taxes; case involving a serious environmental complaint; or other legal dispute that is a matter of public record and which the HLB finds sufficient reason to disallow a transfer.
 - iv) Applicant has failed to perform in prior instances of lot disposition to that applicant.
 - v) Applicant has a conflict of interest with the organization as determined by HLB's ethics policy and/or by state or local law.
- 5) Methods of Disposition: HLB shall select a method of disposition most likely to yield the best aggregate return on the investment of public resources, whether that return is cash, community benefit, or a combination thereof. HLB may use any of the methods of disposition outlined below.
- a) Negotiated Sale.
 - i) Competitive Listing. Open market competition shall be used to establish the fair market value of Land Bank property. Staff shall list property for sale with a licensed real estate broker and/or on the Land Bank's website to solicit such competition.
 - ii) Listing Price. The listing price shall be determined by staff based on one or more of the following:
 - (1) Comparative market analysis;
 - (2) Brokers price opinion;
 - (3) Appraisal;
 - (4) Consideration of the extent of renovations or infrastructure needed and, as needed, and/or
 - (5) Consultation with a licensed real estate broker or agent.
 - iii) The Board of Directors, in its sole discretion, may sell property to an applicant who has not submitted the highest purchase offer for reasons consistent with the HLB's mission and purpose including, by way of example and not limitation, the submission of a redevelopment plan which provides for:
 - (1) Timeline to completion
 - (2) A more comprehensive renovation of the property,
 - (3) A valuable community service, or

- (4) Other community benefits.
 - (5) The Board of Directors will also take into consideration the applicant's qualifications and experience, financial capacity, the quality and extent of their redevelopment plan, and the planned use for the property when selecting to which applicant a sales contract will be awarded.
- b) Requests for Qualifications. At least once each fiscal year, the organization will use a Request for Qualifications (RFQ) process to review and determine the eligibility of builders and developers to participate in HLB programs related to construction of affordable homes..
 - c) Requests for Proposals. A Request for Proposals (RFP) may be used for the disposition and redevelopment of certain properties identified by HLB to solicit from a specific pool of potential eligible buyers, to allow a greater length of time for interested buyers to develop an offer and development plan, or to solicit development proposals that meet certain criteria set forth by tHLB.
 - d) Auction. A public auction may be used to sell certain properties identified by HLB when:
 - i) Minimum criteria for renovation/redevelopment of the property have been established and included in the terms of sale to be enforced by a Development Agreement, Declaration, or similar mechanism.
 - ii) Eligible bidders will be pre-screened to ensure they are qualified Applicants.
 - iii) Winning bidders must demonstrate proof of funds sufficient to purchase and renovate the property in accordance with the predetermined minimum criteria for renovation/redevelopment of the property.
 - iv) Staff will set starting bid and reserve prices based on comparable market analysis and the extent of renovations needed.
 - e) Noncompetitive Sale. The Board of Directors may authorize the sale of property to a buyer without first undertaking the other methods of disposition set forth herein when it determines that a benefit to the community will be had by authorizing such sale without competitive procedures for reasons consistent with the Land Bank's mission and purpose and upon a demonstration that the buyer is uniquely qualified to own, develop or otherwise return the property to productive use.

- f) Option Agreement: The Board of Directors may authorize an option agreement for sale of property as referenced in 2) (“Property Disposition Conditions”) earlier in this section.
- 6) Compliance Remedies
- a) HLB may include in any property conveyance contract requirements for performance bonds, completion incentives, and/or liquidated damages clauses including repurchase or reverting of ownership, to provide assurance that properties will be developed in a timely fashion.
 - b) The Chief Executive Officer will develop procedures for compliance oversight and will notify the Board Chair for any potential remedial action recommendation by the Board of Directors. If determined to be administrative in nature, and not incur a policy or program change, nor material financial liability greater than \$5,000 to the organization, the staff will be able to proceed. Compliance issues should also be reported to the chairs of the Partnership and Program Development and Real Estate Acquisition and Disposition committees, and to the Board of Directors no later than the next regular Board meeting.
 - c) The Board of Directors must approve property recovery actions for non-compliance that will incur liabilities greater than \$5,000.
 - d) In any case of repurchase, reverter, or recapture, the organization will provide notice to the builder/purchaser/transferee by at least 10 business days of anticipated remedy to provide an option for builder/purchaser/transferee to communicate with the organization and cure any defaults to the disposition contract that has transpired.

SECTION 7: TRANSFERS TO LMI PURCHASERS

These policies apply specifically to transfers to support the development of affordable homeownership to LMI Purchasers, and are to be applied in addition to or in place of the policies above when applicable.

- 1) Primary Residence Required: The property may not be used as an income-generating rental property unless the property consists of a 2-4 unit building and the owner occupies one unit as his or her primary residence.
- 2) Homebuyer Education: HLB may require that any LMI buyer (as defined in item 5 below) attend, complete, and provide proof of completion of a comprehensive homebuyer education course delivered by a certified HUD-approved housing counseling agency, provided that the date of completion is not more than 180 days previous from the date the property is to be conveyed to the LMI Buyer.
- 3) Properties needing Rehabilitation:
 - a) An LMI buyer may receive a transfer of a home requiring minor final renovations, provided the owners agree to complete renovations according to a minor renovations and rehabilitation plan submitted in advance and approved by the HLB, and
 - b) Such a plan shall allow the LMI buyer to occupy the property as his or her primary residence within a time frame acceptable to the HLB.
 - c) Minor renovations and rehabilitation includes cosmetic repairs, final coat of interior paint, decorative landscaping, or similar repairs and shall not include any major repairs, replacement, or installation of essential systems or structural elements, including roof, foundation, or supporting walls of the residential structure.
- 4) Compliance Period for Affordability: To any extent this section conflicts with any land use restrictions imposed by HLB as part of a property sale to an LMI Purchaser, the land use restrictions associated with the sale contract shall control.. The period of affordability shall be understood as:
 - a) The goal of the organization is to provide additional opportunities for affordable housing, and any contract for sale of property to an LMI Purchaser will include land use restrictions specifying the time period and conditions for affordability as determined by program, or source of funding.
 - b) The Board of Directors will approve standard land use restrictions for attachment to contracts for sale of property to LMI Purchasers.
 - c) The land use restrictions attached to contracts for sale of property to LMI Purchasers shall provide at minimum conditions of homebuyer staying in the purchased home for a period not less than five years, and provide for

what processes and potential penalties result when the homebuyer chooses to sell the property in advance of the end of the contract term.

- 5) Qualifications: A Qualified LMI buyer is one who meets the following qualifications:
 - a) Has a household income at the time of application and up to the conveyance of a property from the HLB does not exceed 120 percent of the Houston area median income for their household size, as determined by the City of Houston's published income scales, and as approved by the City of Houston's Homebuyer Assistance Program which provides income certification, unless specific funding sources or program design dictate different affordability requirements.
 - b) Has completed an application to purchase from the HLB as a Qualified LMI buyer
 - c) Is not otherwise disqualified as a Transferee by these Policies and Procedures.
 - d) Is not subject to any tax liens for unpaid or past due taxes on property located in Harris County.
 - e) Is not subject to collection for any unpaid or past due taxes, bills, fines, or fees to the City of Houston, Harris County, or another government unit.
- 6) HLB shall define in its contracts for sale, and accompanying land use restrictions, as well as in customary procedures, the compliance required for any LMI Purchaser during the Affordability Compliance Term with regard to sale such that the property remains affordable.
- 7) Compliance Review
 - a) Income Certification, at time of purchase, must be provided to HLB as provided by the City Housing and Community Development Department, Homebuyer Assistance Program Office. HLB will accept buyers whose income is certified by the City of Houston through the Housing and Community Development Department and/or by other entities agreed upon by the City and HLB.
 - b) HLB will provide the City of Houston's Housing and Community Development Department with notification of property sales within 60 days of closing.
- 8) HLB will issue releases from all protective covenants, such as waivers of reverter and repurchase rights, when a qualified LMI Purchaser is identified for any property.

SECTION 8: TRANSFER OF REHABILITATED PROPERTIES

- 1) HLB may undertake rehabilitation of properties prior to transfer to third parties. Acquisition of properties to be rehabilitated and disposition of properties that have been rehabilitated shall follow HLB acquisition and disposition policies.
- 2) The proposed HLB budget for each fiscal year shall identify any programs that may include the rehabilitation of properties and/or acquisition of properties for which rehabilitation is anticipated.
- 3) In presenting a proposed acquisition of a property planned for rehabilitation for Board approval, staff shall identify anticipated rehabilitation work with a budget and timeline for completion.
- 4) Properties being rehabilitated by HLB shall be clearly identified with signage indicating that the property is owned and being rehabilitated by HLB.

SECTION 9: LAND BANKING FOR THIRD PARTIES

- 1) The HLB may receive title to properties from community development corporations, non-profit entities, mission-aligned private entities, government agencies, quasi—governmental agencies and all other public entities including tax increment reinvestment zones, municipal utility districts and municipal improvement districts, and hold title to such properties pending future use by the HLB, the transferor of the property or a third party selected by the HLB or specified in a Land Banking Agreement.
- 2) Land Banking Agreements require the approval of the Board of Directors.
- 3) The receipt by HLB of any and all conveyances of real property shall at all times be solely within the discretion of HLB. Nothing in this policy shall be deemed to require HLB to take title to any properties nor to limit the discretion of HLB in negotiating the terms of its acquisition of any property for land banking purposes.
- 4) Goals of land banking conducted by HLB shall include, but are not limited to, the acquisition of real property for or on behalf of a governmental entity or a not-for-profit corporation to:
 - a) Permit advance acquisition of potential development sites in anticipation of rapidly rising land prices;
 - b) Facilitate pre-development planning, financing and structuring;
 - c) Minimize or eliminate violations of state or local law on properties to be developed for affordable homes or a related purpose; and
 - d) Hold parcels of land for future strategic governmental purposes including, but not limited to, community development, affordable housing, flood prevention, and open spaces and greenways.
- 5) If the transfer is approved by the HLB Board, HLB shall hold the subject property and may use or convey the subject property or any interest in the subject property, subject to the the terms of the Land Banking Agreement.
- 6) Following the transfer of any properties to HLB in accordance with this policy, HLB shall have the right, but not the obligation, to maintain, repair, demolish, clean, and grade the subject property and perform any and all other tasks and services with respect to the subject property as the HLB may deem necessary and appropriate in its sole discretion.
- 7) Requirements for conveyances to the HLB in its Land Banking Capacity
 - a) Property that is intended to be conveyed to HLB and to be held by the HLB for land banking purposes shall be clearly designated as such in the proposal for the transfer, and in the records of HLB.

- b) No property shall be transferred to HLB for land banking unless the transferor is either a private nonprofit entity, mission-aligned for-profit entity, quasi-governmental entity or a governmental entity.
 - c) The subject property must not be occupied by any party or parties as of the date of transfer to HLB.
 - d) The subject property must, as of the date of the transfer to HLB, be free or released of any and all liens for ad valorem taxes, special assessments, and other liens or encumbrances in favor of local, state or federal government entities.
 - e) The subject property must, as of the date of the transfer to HLB, be free or released of all outstanding liens, claims, mortgages and security instruments.
 - f) If the property that is to be conveyed by HLB has benefitted from public funding, then all such property will be required to comply with any related funding program requirements.
 - g) Unless agreed to by both parties and the HLB Board of Directors, a Land Banking Agreement may allow for a maximum land banking term of 36 months for transactions in which the transferring party is a not-for-profit entity, or for-profit mission-aligned entity and 60 months for transactions in which the transferring party is a governmental entity or quasi-governmental entity.
- 8) Right of Repurchase by the Transferor
- a) The transferor shall have a right to repurchase the subject property from the HLB as stipulated in any Land Banking Agreement.
 - b) The right of repurchase may be exercised by the transferor upon payment to the HLB of the Purchase Price. The Purchase Price shall be an amount equal to:
 - i. all expenditures of the HLB (whether made directly by the HLB or through payments to a third-party contractor) in connection with the subject property incurred subsequent to the date of conveyance and
 - ii. an amount determined by the HLB as its average indirect costs, on a per parcel basis, of holding its portfolio of properties.
 - c) The HLB shall have the right, at any time within a period designated by the Land Banking Agreement, following the date of the original transfer, to require the transferor to exercise its right of repurchase by giving written notice to the transferor that it exercises its right of repurchase and the amount of the purchase price.

- d) The transferor must exercise its right of repurchase, and close the re-conveyance of the property within a time period designated by such notice. Failure of the transferor to exercise and close upon its right of repurchase within such time period shall result in a termination of all rights of repurchase with respect to the subject property.
- 9) All Property held by HLB and transferred by HLB pursuant to a Land Banking Agreement shall be subject to covenants and conditions providing that the Property is to be used for the following goals:
- a) the production or rehabilitation of housing for persons with low or moderate incomes,
 - b) supportive economic development projects that complete the community needs,
 - c) community improvements, or
 - d) other public purposes specified in these policies as priorities for acquisition or disposition of properties.
- 10) Each Land Banking Agreement will specify the range of permissible uses and the manner in which such use restriction is secured. Such restrictions and conditions may be imposed either in the form of contractual obligations, deed covenants, rights of reacquisition, or any combination thereof.
- 11) The CEO shall report to the Board of Directors on a regular basis the nature and number of Land Banking Agreements, the aggregate Holding Costs, and all transfers to and from HLB pursuant to Land Banking Agreements.

SECTION 10: CONFLICTS OF INTEREST

- 1) The reputation and credibility of the Houston Land Bank (hereinafter referred to as the HLB) rests on its ability to make fair, objective and impartial real estate and other decisions in accordance with relevant laws and carefully defined criteria. Consequently, it is essential to avoid situations where a conflict of interest may influence, or appear to influence, that decision-making process. Officers and employees of the Land Bank shall hold their positions to serve and benefit the public and not for personal gain or advantage. The Board of Directors recognizes that in order to implement this fundamental principle there is a need for clear and reasonable standards of proper conduct. This Conflict of Interest Policy establishes such standards and augments the requirements of the HLB Bylaws by defining and prohibiting acts incompatible with the public interest.
- 2) Definitions. When used in this code/policy, the following words and phrases shall have the following meanings:
 - a) FAMILY — The parent, sibling, spouse or child of a person or any members of a person's immediate household.
 - b) OFFICER or EMPLOYEE — Any person appointed or hired to serve HLB in any capacity, whether paid or unpaid, or for a term fixed or not fixed, including, without limit, persons serving on a temporary, part-time or seasonal basis. Officer includes the CEO, any other designated officer, and any member of the Board of Directors.
 - c) AN INTEREST — A benefit or advantage of an economic or tangible nature that a person or a member of his or her family would gain or lose as a result of any decision or action, or omission to decide or act, on the part of the HLB Board of Directors or any of HLB's officers and employees.
- 3) Ethical standards.
 - a) No HLB officer or employee shall have any employment, or engage in any business or commercial transaction, or engage in any professional activity, or incur any obligation, as a result of which, directly or indirectly, he or she would have an interest that would impair his or her independence of judgment or action in the performance of his or her official duties or that would be in conflict with the performance of his or her official duties.
 - b) No officer or employee of HLB shall acquire any interest, direct or indirect, in real property of HLB, in any real property to be acquired by HLB, or in any real property to be acquired from HLB.

- c) No HLB officer or employee shall have any interest, direct or indirect, in any contract or proposed contract for materials or services to be furnished or used by a HLB.
- d) No HLB officer or employee shall have or enter into any contract with a third party who has or enters into a contract with HLB unless:
 - i. The third-party contract to which HLB is a party is with the City of Houston, Houston Independent School District, or Harris County.
 - ii. The third-party contract is awarded via a competitive procurement conducted in compliance with state law and HLB policies; or
 - iii. The third-party contract is one with respect to which the Land Bank officer or employee:
 - a) Has no interest;
 - b) Has no duties or responsibilities, or, if the contract with the person is one which the HLB officer or employee entered into prior to becoming an HLB officer or employee, he or she abstains from any performance of duties or responsibilities; and
 - c) Exercises or attempts to exercise no influence.
- e) No prohibited conflict of interest shall be found involving a contract with a person, firm, corporation or association in which an HLB officer or employee has an interest which is prohibited solely by reason of employment as an officer or employee thereof, if the remuneration of such employment will not be directly affected as a result of such contract and the duties of such employment do not directly involve the procurement, preparation or performance of any part of such contract.
- f) No HLB officer or employee shall discuss, vote on, decide or take part in, formally or informally, any matter proposed or pending in which he or she has an interest. This provision shall not apply to any HLB officer or employee whose interest in the proposed or pending matter is *de minimis*, provided that these procedures are followed strictly:
 - i. The HLB officer or employee shall identify his or her interest, i.e., the benefit or advantage that would be gained or lost if HLB acted on the matter in various ways, and the underlying basis of such interest, such as ownership, investment, contract, claim, employment, or relationship.

- ii. The HLB officer or employee shall completely and specifically describe and disclose his or her interest and its underlying basis, if any, in writing, to the Board of Directors in advance of his or her participation in the matter.
 - iii. If either the HLB officer or employee, or the CEO, or the Chair of the Board of Directors believes that the disclosure reasonably raises a question whether the interest is de minimis, such question shall be submitted to HLB's General Counsel for an opinion, prior to which the officer or employee shall not participate in the matter. Failure to disclose properly or abide by the opinion of the Board shall make any participation of the officer or employee in the matter null and void.
- g) No HLB officer or employee should accept employment or engage in any business or professional activity which will require him or her to disclose confidential information which he or she has gained by reason of his or her official position or authority.
 - h) No HLB officer or employee should disclose confidential information acquired by him or her in the course of his or her official duties nor use such information to further his or her personal interests.
 - i) No HLB officer or employee should use or attempt to use his or her official position to secure unwarranted privileges or exemptions for himself or herself or others, including but not limited to, the misappropriation to himself, herself or to others of the property, services or other resources of the HLB for private business purposes.
 - j) No HLB officer or employee should engage in any transaction as representative or agent of the HLB with any business entity in which he or she has a direct or indirect interest that might reasonably tend to conflict with the proper discharge of his or her official duties.
 - k) A HLB officer or employee should not by his or her conduct give reasonable basis for the impression that any person can improperly influence him or unduly enjoy his favor in the performance of his official duties, or that he is affected by the kinship, rank, position or influence of any party or person.
 - l) A HLB officer or employee should abstain from making personal investments in enterprises which he or she has reason to believe may be directly involved in decisions to be made by him or her or which will otherwise create substantial conflict between his or her private interest and duty to the public interest.

- m) A HLB officer or employee should endeavor to pursue a course of conduct which will not raise suspicion among the public that he is likely to be engaged in acts that are in violation of his or her trust.
 - n) No HLB officer or employee shall use or permit the use of HLB owned vehicles, equipment, materials or property for the convenience or profit of himself or herself or any family member.
 - o) No HLB officer or employee shall solicit any gift, nor shall any HLB officer or employee accept or receive any gift having a value of \$25 or more, regardless of the form of the gift, from any person who has an interest in any matter proposed or pending before HLB. The provisions of this subsection shall not apply to contributions solicited or received in accordance with the election laws of the State of Texas.
 - p) A HLB contract with a corporation in which a HLB officer or employee has an interest shall not be deemed to create a prohibited conflict of interest under this code/policy based solely on such officer or employee's ownership or control, direct or indirect, of less than five (5) percent of the corporation's outstanding shares of stock.
 - q) While disclosure and recusal shall be required, the interest of an HLB officer or employee who is a member of the board of a not-for-profit corporation or association which has a contract with HLB shall not be prohibited where the remuneration of such HLB officer or employee will not be directly affected as a result of such contract.
4. Discipline and Removal. The doing of any act prohibited or the failure to do any act required by this Conflict of Interest Policy shall constitute grounds for disciplinary action, including removal, and any HLB officer or employee who violates a provision of this Conflict of Interest Policy may be subject to removal, in the discretion of the Board of Directors, in the manner provided by law.
5. Annual Disclosure Statements. All Board members and officers, as well as all employees who hold policy-making positions, of HLB shall file annual financial disclosure statements and conflict of interest forms as required by state law or City of Houston ordinances.

-- END OF POLICIES --



REQUEST FOR BOARD ACTION

Meeting Date: October 12, 2023

Agenda Item VII. g: Consideration and Possible Action to Approve the 2023-2025 Houston Land Bank Recommended Rehab/Reconstruction Service Builders. Approval of this action item would officially induct these builders into the standing Houston Land Bank Approved Builder List: Fifth Ward CRC, Jimmy Nathan Zarate LLC, New Community Construction, and Titanium Group.

ACTION SUMMARY

Approval of this item will accept the READ Committee's recommended selection of Rehab/Reconstruction Service Builders for the 2023-2025 Approved Builders List. Approval of this item will officially induct each of these builders into the Houston Land Bank Approved Builders List.

BACKGROUND/OVERVIEW

HLB posted its request for qualifications for new builders and developers on July 03, 2023. From that posting, HLB received twenty-eight responses for the 2023-2025 RFQ for Builders/Developers requesting applications from new builders and from current builders renewing applications from 2021. Twenty-six responses came from new applicants, and two responses were from current HLB Approved Builders wishing to renew their status as required every two years. Staff reviewed all statements of qualifications and recommends approval of four rehab/reconstruction service builders as follows: Fifth Ward CRC, Jimmy Nathan Zarate LLC, New Community Construction, and Titanium Group.

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281.655.4600

houstonlandbank.org



REQUEST FOR BOARD ACTION

Meeting Date: October 12th, 2023

Agenda Item VII: Consideration and Possible Action to Approve and Adopt the FY 2023 financial external audit conducted by A BRICKS COGGIN CPA, PLLC.

ACTION SUMMARY

Approval of this agenda item will authorize HLB Board of Director Chair or Chief Executive Officer to approve and adopt the FY2023 financial external audit as of year-end June 30, 2023.

BACKGROUND/OVERVIEW (Background of the Agreement and Summary)

Per HLB organizational documents, the annual FY 2023 Financial Audit was conducted at the fiscal year end (June 30, 2023) by A BRICKS COGGIN CPA, PLLC, and the subsequent financial report was submitted on September 29, 2023, and dated August 31, 2023. In Summary, below are the respective findings of the report:

1. Independent Auditor's Report, Opinion –
 - The financial statements referred to above present fairly, in all material respects, the financial position of Houston Land Bank as of June 30, 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.
2. Management Letter, Financial Statements
 - The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
 - Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
3. Management Letter, Government Specific
 - Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

- Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
 - Provisions for uncollectible receivables have been properly identified and recorded.
 - Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
 - Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
 - Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
 - Special and extraordinary items are appropriately classified and reported.
 - Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
 - Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated, or amortized.
4. Professional standards were adhered to regarding the audit's communication, scope, and timing.
 5. HLB did designate a staff member with the requisite skill, knowledge, and experience to oversee and review the financial statements and reports in connection with this audit.
 6. There were no significant difficulties in dealing with management related to audit performance.
 7. There were no material misstatements identified that required corrective action.
 8. No disagreements arose because of the audit with Management and A Bricks Coggin CPA, PLLC.
 9. There were no other significant matters, findings or issues.

Should the Board of Directors approve this item, HLB will adopt the FY2023 financial external audit as of year-end June 30, 2023.

**Houston Land Bank
Houston, TX**

August 31, 2023

A Bricks Coggin, CPA PLLC
Bellaire, TX

This representation letter is provided in connection with your audit of the financial statements of the Houston Land Bank, which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of August 31, 2023, the following representations made to you (The "Firm") during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 12, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria. In addition:

Loans to and from all employees and council members have been properly accounted for and disclosed

All Bad Debts written off the financial records have been reviewed and approved

All Credit Memos adjusting accounts receivable have been reviewed and approved

- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

- 8) The effects of uncorrected misstatements, if any, are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements, if any, is attached to the representation letter. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts. All entries have been recorded.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which Houston Land Bank is contingently liable, if any, have been properly recorded or disclosed. In addition, we represent that, all covenants on loans, both affirmative and negative, are in compliance per the loan/grant documents.

Information Provided

11) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters. Houston Land Bank represents that all officer, council or employee receivables are recorded on the financial statements and agree to hold The Firm harmless should non recorded receivables be found.
- b) Additional information that you have requested from us for the purpose of the audit.
- c) Unrestricted access to persons within Houston Land Bank from whom you determined it necessary to obtain audit evidence.
- d) Minutes of the meetings of Houston Land Bank or summaries of actions of recent meetings for which minutes have not yet been prepared.
Completeness and availability of all minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes were not yet prepared.
- e) Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements. We agree to hold The Firm harmless should material transactions not be reflected in the financial records.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. Also, due to the inherent limitations of an audit, combined with the inherent limitations of internal control, and because The Firm will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected even though the audit was properly planned and performed in accordance with U.S. generally accepted auditing standards and that management and the council are responsible for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities.
- 14) We have no knowledge of any fraud or suspected fraud that affects Houston Land Bank and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Houston Land Bank's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

- 18) We have disclosed to you the identity of Houston Land Bank's related parties and all the related party relationships and transactions of which we are aware.
- 19) Houston Land Bank has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 20) We acknowledge our responsibility for presenting the footnote disclosures in accordance with U.S. GAAP, and we believe the footnotes as presented, including its form and content, are fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the footnotes have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the footnotes.
- 21) Internal Controls are in place for processing payments to vendors, checks issued are reviewed by independent management, any stamps used for check processing are approved by independent management, Accounting Staff are required and do take all vacation earned, bank statements and credit card statements are reviewed by independent management and accounts receivable credit memos are approved by independent management. The Federal Forms W-3 and 1096, representing payroll changes and worker classification, are approved by Management.

Government-specific

- 22) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 23) We have taken timely and appropriate steps to remedy the Schedule of Findings that you have reported to us.
- 24) We have a process to track the status of audit findings and recommendations.
- 25) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 26) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 27) Houston Land Bank has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 28) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 29) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 30) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 31) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 32) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 33) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all

management responsibilities; oversee the services by designating an individual, within senior management, outside contractor/bookkeeper, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

- 34) Houston Land Bank has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 35) Houston Land Bank has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 36) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 37) The financial statements properly classify all funds and activities in accordance with [GASBS No. 34](#) , as amended, and [GASBS No. 84](#) .
- 38) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 39) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 40) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 41) Provisions for uncollectible receivables have been properly identified and recorded.
- 42) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 43) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 44) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 45) Special and extraordinary items are appropriately classified and reported.
- 46) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 47) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated, or amortized.
- 48) We have appropriately disclosed Houston Land Bank's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 49) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 50) Representations have been confirmed relating to transactions for which there is no written supporting documentation (Director's Report Adjustments), Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value, Capital assets, including intangible assets, have been evaluated for impairment as a result of significant and unexpected decline in service utility as well as Impairment loss and insurance recoveries have been properly recorded.

- 51) No provision has been made for any material loss that is probable from environmental remediation liabilities associated with the Houston Land Bank. We believe that such estimate is reasonable based on available information and that there are no liabilities nor related loss contingencies and accordingly there is no expected outcome of uncertainties which need to disclose and described in the financial statements.
- 52) Tax abatement agreements have been properly disclosed in the notes to the financial statements, including the names of all governments involved, the gross amount and specific taxes abated, and additional commitments.
- 53) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 54) We have appropriately disclosed the Houston Land Bank's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 55) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

Signature (Board of Directors): _____

Signature (Management): _____

Title: _____

Title: _____

Houston Land Bank

Report on Audit of Financial Statements
and Supplementary Information
For the Year Ended June 30, 2023



A. Bricks Coggin CPA, PLLC

Table of Contents

	Page
Independent Auditor's Report.....	1 – 3
Management's Discussion and Analysis	4 – 7
Report on Management Responsibility.....	8
Financial Statements	
Governmental Fund Balance Sheet and Statement of Net Position	9
Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balance and Statement of Activities	10
Notes to Financial Statements	11 – 22



A. Bricks Coggin CPA, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Houston Land Bank
Houston, TX

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Houston Land Bank (“HLB”), a component unit of the City of Houston, Texas, which comprise the statement of financial position as of June 30, 2023, the related statements of activities and changes in net position, cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Houston Land Bank as of June 30, 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Houston Land Bank and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The Financial Statements of Houston Land Bank as of June 30, 2022, were audited by other auditors whose report dated October 25, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Houston Land Bank’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we are:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Houston Land Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Houston Land Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial

statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2023, on our consideration of Houston Land Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Houston Land Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Houston Land Bank's internal control over financial reporting and compliance.

A Bricks Coggin CPA, PLLC

Bellaire, Texas
August 31, 2023

Houston Land Bank
(A Component Unit of the City of Houston, Texas)
Management’s Discussion and Analysis
For the Year Ended June 30, 2023

This section of Houston Land Bank (HLB) financial report presents background information and management's analysis of HLB financial results for the year ended June 30, 2023. This section should be read in conjunction with the HLB’s financial statements, which begin on page 9.

Financial and Statistical Highlights

- Total cash available was \$3,618,827 with operating payables being \$690,947.
- In the year ended June 30, 2023, HLB experienced an increase in net position (revenues over expenditures) of \$337,723.
- At 6/30/2023, HLB had \$1,035,694 in grant receivables and \$174,398 in acquisition and development cost reimbursement receivable.
- At 6/30/2023, HLB had a liability to HCDD of \$483,519 following the sale of three homes.
- During fiscal year 2023, HLB implemented FASB ASC 842 the new accounting lease standards. At 6/30/2023 the right-of-use assets and lease liability increased the assets and liabilities by \$67,042.

Financial Statements

This annual report consists of two parts: management’s discussion and analysis (this section) and the basic financial statements. The basic financial statements include a series of financial statements.

The Governmental Fund Balance Sheet and Statement of Net Position, and the Governmental Fund Statement of Revenue, Expenditures and Changes in Funds Balance and Statement of Activities (on pages 5,6 and 7) provide information about the activities of HLB as a whole and present a longer-term view of HLB’s finances.

The Governmental Fund Balance Sheet and Statement of Net Position, and the Governmental Fund Statement of Revenue, Expenditures and Changes in Funds Balance and Statement of Activities

The audit analysis of HLB as a whole begins on page 4. One of the most important questions asked about HLB’s finances is, “Is HLB as a whole better or worse off as a result of the year’s activities?” The Governmental Fund Balance Sheet and Statement of Net Position, and the Statement of Revenue, Expenses and Changes in Net Position report information about HLB as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report HLB’s net position and changes in it. You can think of HLB’s net position – the difference between assets and liabilities as one way to measure HLB’s financial health, or financial position. Over time, increases or decreases in HLB’s net position are one indicator of whether its financial health is improving or deteriorating.

In the Governmental Fund Balance Sheet and Statement of Net Position, and the Statement of Revenue, Expenses and Changes in Net Position, HLB presents Governmental Activities. Programs from the City of Houston finance the majority of the day-to-day activities.

Reporting HLB's General Components

Component Financial Statements

Our analysis of HLB's general component begins on page 5. The component and fund financial statements begin on page 5 and provide detailed information about HLB as a whole. HLB presents only general operating accounts. All of HLB's basic services are reported in the general operating accounts, which focuses on how money flows into and out of the components and the balances left at year-end that are available for spending. The statements provide a detailed short-term view of HLB's operations and the basic programs it provides.

Houston Land Bank as a whole

HLB's net position was \$14,565,339. The analysis looks at the net position and net expenses of business-type activities separately. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of HLB's business-type activities.

Table 1
Net position

	<u>Governmental Activities</u>		<u>Amount Changes</u>	<u>% Change</u>
	FY2023	FY 2022		
Assets				
Current assets and other assets	15,279,160	14,698,707	580,453	4%
Total Assets	15,279,160	14,698,707	(580,453)	4%
Liabilities				
Current liabilities	690,947	465,091	225,856	33%
Long-term liabilities	22,871	-	22,871	100%
Total Liabilities	713,818	465,091	713,818	35%
Net Position				
Unrestricted	14,565,339	14,227,616	337,723	2%
Total Net Position (unrestricted)	14,565,339	14,227,616	337,723	2%

Net Position Highlights

- The net position of HLB increased by \$337,723.
- Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements changed from \$14,227,616 at June 30, 2022, to \$14,565,339 at June 30, 2023.

This surplus in unrestricted net position arose primarily because of the following factors below.

Table 2
Changes in Net Position

	Governmental Activities		Amount Change	% Change
	FY2023	FY2022		
Revenues:				
Grants - Acquisition and development funds (NHDP)	272,491	1,422,006	(1,149,515)	-422%
Grants - Operations funds	1,623,139	1,767,913	(144,774)	-9%
Grants - Non-governmental funds	50,000	9,948	40,052	80%
Grants - EPA	159,324	-	159,324	100%
Revenue from traditional program	177,952	480,624	(302,672)	-170%
Total revenues	2,282,906	3,680,491	(1,397,585)	-61%
Expenditures:				
General Government	1,988,995	2,136,293	147,298	-7%
Total expenditures	1,988,995	2,136,293	147,298	-7%
Other Income:				
Interest	43,812	2,755	(41,057)	94%
Total other income	43,812	2,755	(41,057)	94%
Increase in net position	337,723	1,546,953	1,209,230	-358%
Change in net position	337,723	1,546,953	1,209,230	-358%
Beginning net position	14,227,616	12,680,663	(1,546,953)	11%
Ending net position (unrestricted)	14,565,339	14,227,616	(337,723)	2%

Revenue

During the year ended June 30, 2023, and 2022 total revenues were \$2,282,906 and \$3,680,491, respectively.

HLB has the following concentrated source of revenue:

	FY2023		FY2022	
	Amount	Concentration %	Amount	Concentration %
Grants - Acquisition and development funds (NHDP)	272,491	12%	1,422,006	39%
Grants - Operations funds	1,623,139	71%	1,767,913	48%
Grants - Non-governmental funds	50,000	2%	9,948	0.27%
Grants - EPA	159,324	7%	-	-
Revenue from traditional program	177,952	8%	480,624	13%
	2,282,906	100%	3,680,491	100%

Revenue Highlights

- HLB did not acquire property resulting in a significant decrease in acquisition and development funds (NHDP).
- HLB disposed of 6 properties for the NHDP program in FY2023 vs 17 in FY2022.
- As of June 30, 2022, HLB has a \$50,000 receivable in non-governmental fund from Center Point Energy and LISC.
- HLB disposed of 14 properties for the traditional program in FY2023 vs 40 in FY2022.
- During FY2023, HLB had 7 buybacks.
- HLB started to utilize the \$600,000 EPA grant.

Operating Expenses

HLB’s 0expenditures consisted of the following:

	FY2023	
Salaries and wages	765,737	38%
Professional fees	246,646	12%
Other Expenses	• 459,570	23%
Lawn maintenance	432,547	22%
Health Insurance	84,495	4%
	<u>1,988,995</u>	<u>100%</u>

Operating Expenses Highlights

- Total operating expenses were \$1,988,99 and represented 87% of revenues.
- In general, HLB expanded less in professional services such as legal, accounting and consulting services.
- Travel expenses increased resulting from an increase in out-of-state conference events attended by staff.
- Repair and maintenance increased due to the NHDP program related cost.

Other Income

HLB started to utilize its money market accounts and opened an additional account. Interest income totaled \$43,812.

Economic Conditions and Plan for Fiscal 2023

In planning for fiscal 2023, the primary concerns are similar to other land banks – the uncertain status of the economy at both the federal and local funding levels and the uncertainty of the housing market.

Economic Factors and Next Year’s Budgets and Rates

HLB’s elected and appointed officials considered many factors when setting the fiscal year 2024 budget. and fees that will be charged for the business-type activities.

Contacting HLB’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of HLB’s finances and to show HLB’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Houston Land Bank Director of Finance, PO Box 2549, Houston, Texas 77252.

Houston Land Bank
(A Component Unit of the City of Houston, Texas)
Report of Management Responsibility

The management of Houston Land Bank (HLB) is responsible for the preparation and integrity of the financial information presented in this report. The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States as promulgated by the Governmental Accounting Standards Board, and include amounts based on judgments and estimates made by management. Management also prepares the management's discussion and analysis, discreetly presented component units, fund information, required supplementary information and other financial information included in the report and is responsible for its accuracy and consistency with the financial statements.

The basic financial statements have been audited by the independent accounting firm of A Bricks Coggin CPA, PLLC, who was given unrestricted access to all financial records and related data, including the minutes of all meetings of the Board of Directors. Pursuant to the Bylaws, the Board of Directors provides oversight by reviewing and approving annual budgets; fiscal policies and procedures; and monthly financial statements. The Board Committee reviews and recommends external auditors to the Board of Directors.

HLB maintains a system of internal control over financial reporting, which is designed to provide reasonable assurance that transactions are executed as authorized and accurately recorded, that assets are properly safeguarded, and also provides reasonable assurance to our management and the Board of Directors regarding the reliability of HLB's financial statements. The internal control system includes:

- A documented organizational structure and division of responsibility.
- Established policies and procedures which are routinely reviewed by management, regularly communicated to staff and that demand highly ethical conduct from all employees.

HLB board and consultants monitor the operation of the internal control system and reports findings and recommendations to the management and the Board of Director as appropriate. Corrective actions are taken to address control deficiencies and other opportunities for improvement as they are identified.

Isai Mendez
Director of Finance

Financial Statements

Houston Land Bank
(A Component Unit of the City of Houston, Texas)
Governmental Fund Balance Sheet and Statement of Net Position
June 30, 2023

<u>Assets</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Current assets			
Cash and cash equivalents	\$ 3,618,827	\$ -	\$ 3,618,827
Accounts receivable	1,035,694	-	1,035,694
Acquisition and development cost reimbursements (NHDP)	174,398	-	174,398
Prepaid expenses	51,960	-	51,960
Total current assets	4,880,879	-	4,880,879
Fixed assets, net			
Computer equipment, net	4,592	-	4,592
Total fixed assets, net	4,592	-	4,592
Other assets			
Cash subject to restrictions:			
NHDP home sales	483,519	-	483,519
Earnest fee	125,100	-	125,100
Right-of-use assets	67,042	-	67,042
Investment properties - held for sale	559,871	-	559,871
Investment properties - designated to the City of Houston	9,158,157	-	9,158,157
Total other assets	10,393,689	-	10,393,689
Total assets	15,279,160	-	15,279,160
<u>Liabilities and Fund Balance</u>			
Current liabilities			
Accounts payable	141,785	-	141,785
Accrued expense	18,475	-	18,475
Due to HCDD (NHDP)	483,519	-	483,519
Due to HLB fund	3,000	-	3,000
Lease liabilities - current portion	44,171	-	44,171
Total current liabilities	690,950	-	690,950
Long term liabilities			
Lease liabilities	22,871	-	22,871
Total long term liabilities	22,871	-	22,871
Total liabilities	713,821	-	713,821
Fund balances:			
Unreserved	14,565,339	(14,565,339)	-
Total fund balance	14,565,339	(14,565,339)	-
Total liabilities and fund balance	15,279,160	(14,565,339)	713,821
Net position:			
Unrestricted	-	14,565,339	14,565,339
Total net position	\$ -	\$ 14,565,339	\$ 14,565,339

The accompanying notes are an integral part of these financial statements.

Houston Land Bank
(A Component Unit of the City of Houston, Texas)
Governmental Fund Statement of Revenue, Expenditures and
Changes in Fund Balance and Statement of Activities
For the Year Ended June 30, 2023

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Grants - Acquisition and development funds (NHDP)	\$ 272,491	\$ -	\$ 272,491
Grants - Operations funds	1,623,139	-	1,623,139
Grants - Non-governmental funds	50,000	-	50,000
Grants - EPA	159,324	-	159,324
Revenue from traditional program	177,952	-	177,952
Total revenues	<u>2,282,906</u>	<u>-</u>	<u>2,282,906</u>
Expenditures:			
Acquisition cost	1,124	-	1,124
Advertising costs	2,155	-	2,155
Bank charges	8,807	-	8,807
Closing costs	15,312	-	15,312
Computer/ internet	46,169	-	46,169
Conference & meetings	4,877	-	4,877
Depreciation expense	2,545	-	2,545
Health insurance	84,495	-	84,495
Insurance	27,652	-	27,652
Lawn maintenance	432,547	-	432,547
Legal fees	54,669	-	54,669
Loss on disposition of investment properties held for sale	47,915	-	47,915
Meals and entertainment	4,237	-	4,237
Offices expense/supplies	18,652	-	18,652
Other miscellaneous expense	24,475	-	24,475
Payroll processing fees	1,933	-	1,933
Payroll taxes	57,213	-	57,213
Professional fees	246,646	-	246,646
Property taxes	10,669	-	10,669
Rental and leasing	51,306	-	51,306
Repair and maintenance	35,558	-	35,558
Retirement	13,207	-	13,207
Salaries and wages	765,737	-	765,737
Security and secure property	7,725	-	7,725
Training and development	1,205	-	1,205
Travel/lodging expense	16,377	-	16,377
Utilities	5,788	-	5,788
Total expenditures	<u>1,988,995</u>	<u>-</u>	<u>1,988,995</u>
Excess of revenue over expenditures	293,911	-	293,911
Other income (expense):			
Interest income	43,812	-	43,812
Excess of revenue and other income over expenditures	<u>337,723</u>	<u>-</u>	<u>337,723</u>
Change in net position	337,723	-	337,723
Fund balance/net position, beginning of year	14,227,616	-	14,227,616
Fund balance/net position, end of year	<u>14,565,339</u>	<u>-</u>	<u>14,565,339</u>
net change in fund balance of governmental fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,723</u>

The accompanying notes are an integral part of these financial statements.

Houston Land Bank
(A Component Unit of the City of Houston, Texas)
Notes to Financial Statements
June 30, 2023

NOTE 1. DESCRIPTION OF ORGANIZATION

Houston Land Bank (HLB) is a component unit of the City of Houston, Texas. HLB was originally created by the City of Houston in 1999 as the Land Assemblage and Redevelopment Authority. Through an interlocal agreement with Harris County and the Houston Independent School District, the organization acquired lots that either went unsold or were purchased at tax foreclosure auctions and sold them to builders for the development of affordable homes through 2017.

Rising home prices and Hurricane Harvey increased the need for affordable housing options and the impact of development in underserved communities increased the need for community development; as a result, the organization was renamed the Houston Land Bank in 2018 and its articles of incorporation and bylaws were revised to focus its mission on supporting comprehensive community development in line with the City's Complete Communities Initiative. The Houston Land Bank is governed by a thirteen-member board of directors (with a fourteenth ex-officio non-voting member). Board members are appointed by the Mayor of Houston (five appointees who must be confirmed by City Council), Houston City Council (two), Harris County Commissioners Court (three), and the Houston Independent School District Board of Trustees (three).

HLB provides an opportunity for non-profit and for-profit developers to utilize HLB lots to build affordable housing for qualified low and moderate-income households. Certain lots can also be utilized to support other community development activities deemed desirable for neighborhood revitalization purposes.

Under a City of Houston initiative called, "New Home Development Program" ("NHDP") created to provide newly constructed, affordable single-family homes for low and moderate-income homebuyers, the City and the Houston Housing and Community Development Department of the City of Houston ("HCDD") requested under the "Acquisition and Development Agreement" that HLB acquires certain properties at the City's expense and sets aside, at the City's request, certain properties previously acquired. HLB holds said properties for the development of new homes which are constructed by HCDD and sold to eligible homebuyers. HLB holds title for constructed homes and the City of Houston reimburses HLB for all reasonable costs associated with acquisition and maintenance of properties.

From time to time, HLB offers incentives to for-profit and non-profit, neighborhood-based, Community Development Corporations to collaborate with HLB to create affordable housing options under challenging markets. In 2022, HLB created HLB Fund, a 501c3 non-profit subsidiary of HLB, to expand its operations of strategically acquiring properties and stimulating affordable housing development.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements represent all of the funds of Houston Land Bank. HLB is a component unit of the City of Houston. Component units are legally separate entities for which the primary government is financially accountable. There are no separate legal entities that are a part of HLB's reporting entity.

Houston Land Bank
(A Component Unit of the City of Houston, Texas)
Notes to Financial Statements
June 30, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements include solely the accounts of HLB, which include all programs, activities and functions relating to the accumulation and investment of the assets and related income necessary to provide the service required under the terms of the Governing Statutes and amendments thereto.

Basis of Accounting

Basis of accounting is the method by which revenues and expenses are recognized in the accounts and are reported in the financial statements. The accrual basis of accounting is used for HLB. Under the accrual basis of accounting, revenues are recognized when they are earned, collection is reasonably assured, and expenses are recognized when the liability is incurred. Gains and losses on sales of investment properties are recognized on the date of sale.

Measurement Focus

Government-fund financial statements

The statement of net position and the statement of activities display information about the reporting government as a whole. The statement of net position and the statement of activities were prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

Government-fund statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues, and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds. HLB does not have any business-type activities.

Fund financial statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus and have been prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction that can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Houston Land Bank
(A Component Unit of the City of Houston, Texas)
Notes to Financial Statements
June 30, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

HLB considers all revenue available if it is collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred.

Fund accounting

In government, the basic accounting and reporting entity is a “fund.” A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording financial resources together with all related liabilities, obligations, reserves and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

HLB only has one governmental fund, the general fund, which accounts for all financial resources.

Fund Balances

Fund Balance Reporting and Governmental Fund Type Definitions establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered non-spendable, such as inventories. The Fund Balance Sheet and Statement of Net Position also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

In the fund financial statements, HLB reserves or designates all or portions of fund balance in the various governmental fund financial statements. The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The assigned fund balances for governmental funds represent amounts that have been legally identified for specified purposes as determined by HLB’s Board of Directors.

Cash and Cash Equivalents

HLB considers all highly liquid investments with maturity of three months or less at date of purchase to be cash equivalents.

Investment Properties Held for Sale

Investment properties held for resale are properties in certain targeted Houston neighborhoods, which are purchased at foreclosure auctions by HLB in order to manage, operate, develop and subsequently sell, lease or otherwise convey the properties solely to induce the development of affordable housing. Investment properties held for sale are valued at the lower of cost or net realizable value. Cost is determined using the specific identification method. During the year ended June 30, 2023, HLB evaluated these properties for impairment and no impairment was deemed necessary.

Houston Land Bank
(A Component Unit of the City of Houston, Texas)
Notes to Financial Statements
June 30, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investment Properties - Designated for the City of Houston

HLB is currently holding plots of land that are purchased through the New Home Development Program. The City and the Houston Housing and Community Development Department of the City of Houston (HCDD) requested under the “Acquisition and Development Agreement” that HLB acquires certain properties at the City’s expense and sets aside, at the City’s request, certain properties previously acquired. HLB holds said properties for the development of new homes which are constructed by HCDD and sold to eligible homebuyers. HLB holds title for constructed homes. During fiscal year 2023, HLB sold four homes under this agreement. No impairment was deemed necessary.

Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets. Individual items of equipment valued at less than \$500 are expensed. Any gain or loss on the retirement of assets is recognized currently.

Revenue Recognition

HLB records earned revenues on an accrual basis. Contributions are recorded as revenues when an unconditional promise to give is received. Contributions received with conditions are recognized as revenue when the conditions have been substantially met. HLB records the following types of contributions at fair value: cash and promises to give.

Revenue from traditional programs:

Revenue from conveyed struck-off property is recognized at foreclosure sales. If no one bids the opening bid then the designated properties are “struck off” to the HLB in trust for all the taxing entities that participated in the judgment of foreclosure.

Revenue from repossession of lots is earned and recognized when the lots are reverted to HLB by the builder for not meeting the building requirements. Grant revenue is earned and recognized when funds are spent as stipulated by the agreement.

Grants:

Acquisition and development funds are local grants that reimburse pre-development costs expended on lots designated for the City of Houston and owned by HLB. Revenue is earned and recognized as pre-development costs are incurred.

Operations funds are reimbursements related to the operation of the New Home Development Program, as well as operations costs that were from the new Operational Grant for the HLB through the City of Houston. This revenue is earned and recognized as operational costs are incurred.

Federal Grants represent cost-reimbursable contracts and grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when HLB has incurred expenditures in

Houston Land Bank
(A Component Unit of the City of Houston, Texas)
Notes to Financial Statements
June 30, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

compliance with specific contract or grant provisions. HLB has been awarded cost-reimbursable grants of \$600,000 by the U.S. Environmental Protection Agency (EPA). The budget period started from October 1, 2021 to September 30, 2024.

Federal Income Tax

HLB is exempt from Federal income taxes under section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code. Furthermore, the Internal Revenue Service has ruled that HLB is a publicly supported organization and is not a private foundation. Under the provisions of Internal Revenue Procedure 95-48, HLB is not required to file public information returns on Form 990.

Use of Estimates

The preparation of HLB's financial statements in conformity with accounting principles generally accepted in the United States of America requires HLB's management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

Impairment of Long-Lived Assets

HLB reviews the recoverability of its long-lived assets, such as property and equipment and investments held for sale, when events or changes in circumstances occur that indicate the carrying value of the asset or asset group may not be recoverable.

The assessment of possible impairment is based on HLB's ability to recover the carrying value of the asset or asset group from the expected future pre-tax cash flows (undiscounted) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. HLB concluded there were no indicators evident or other circumstances present that these assets were not recoverable and accordingly, no impairment losses have been recognized for the years ended June 30, 2023.

Net Position

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its grantors, as follows:

Net Assets without Grantor Restrictions

Net assets without grantor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Houston Land Bank
(A Component Unit of the City of Houston, Texas)
Notes to Financial Statements
June 30, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Assets with Grantor Restrictions

Net assets with grantor restrictions are resources that are restricted by a grantor for use for a particular purpose or in a particular future period. Some grantor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the grantor's instructions or when the stipulated time has passed. Other grantor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the grantor's instructions. HLB's unspent contributions are included in this class if the grantor limited their use.

When a grantor's restriction is satisfied, either by using the resources in the manner specified by the grantor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with grantor restrictions to net assets without grantor restrictions. Net assets restricted for the acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with grantor restrictions until the specified asset is placed in service by the organization, unless the grantor provides more specific directions about the period of its use.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without grantor restrictions in the statement of activities unless the grantor specifies the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without grantor restrictions.

Prepaid and Other Assets

Prepaid and other assets are primarily program costs that are not yet expensed and recorded at cost.

Contract Assets and Contract Liabilities Disclosures

Contract assets — Contract assets include unbilled amounts typically resulting from sales under contracts when revenue recognition is utilized, and revenue recognized exceeds the amount billed to the grantor. The amounts may not exceed their estimated net realizable value. Contract assets are classified as current based on our contract operating cycle.

Contract liabilities — Contract liabilities (formerly referred to as grantor advances and amounts in excess of costs incurred) include advance payments and billings in excess of revenue recognized. Contract liabilities are classified as current based on our contract operating cycle and reported on a contract-by-contract basis, net of revenue recognized, at the end of each reporting period.

Significant Judgments

Judgment is required to determine the Stand-alone Selling Prices (SSP) for each distinct performance obligation. HLB uses a single amount to estimate SSP for items that are not sold separately.

Houston Land Bank
(A Component Unit of the City of Houston, Texas)
Notes to Financial Statements
June 30, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In instances where SSP is not directly observable, such as when HLB does not sell the product or service separately, HLB determines the SSP using information that may include market conditions and other observable inputs.

The process for achieving the core revenue recognition principle can be broken down into five steps:

1. Identify the contract with a grantor.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies the performance obligation.

Expense Recognition and Allocation

The cost of providing HLB's programs and other activities is summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs were \$2,155 for the year ended June 30, 2023.

NOTE 3. CASH AND CASH EQUIVALENTS

Credit risk for deposits with financial institutions is the risk that in the event of a bank failure, HLB's deposits may not be returned to it. HLB has collateral for all bank balances in excess of Federal Deposit Insurance Corporation (FDIC) limits to the extent of the fair market value of the amount not insured. Deposits with financial institutions that are uninsured and uncollateralized are invested overnight in AAA rated U.S. treasury money market funds, which further mitigates the credit risk.

Included in other assets, restricted cash owed of \$483,519 to HCDD, which were received but not paid as of June 30, 2023, following the sale of three NHDP homes.

As of June 30, 2023, the cash and cash equivalents of HLB were held in demand deposits and money market accounts.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position:

Total cash and cash equivalents - Unrestricted	3,618,827
Total cash subject to restrictions - Restricted (NHDP)	483,519

Houston Land Bank
(A Component Unit of the City of Houston, Texas)
Notes to Financial Statements
June 30, 2023

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balance as of June 30, 2023, amounted to \$1,210,092 and consisted of the following:

Accounts receivable (HCDD)	896,100
Accounts receivable (EPA)	89,594
Accounts receivable (LISC & Center Point Energy)	50,000
Accounts receivable (NHDP)	174,398
Total	<u>\$ 1,210,092</u>

The reimbursements relate to administration program and operation costs of HLB as defined in the Acquisition and Development Agreement related to the operation of the New Home Development Program, as well as operations costs that were from the new Operational Grant for HLB. HLB will be reimbursed for all of these costs upon the sale of the property. As of June 30, 2023, the reimbursable cost receivable related to property sales amounted to \$174,398.

NOTE 5. DUE TO HCDD

As noted in the “Acquisition and Development Agreement”, once HLB is reimbursed for pre-development costs upon the sale of the property, the remaining proceeds are to be remitted to HCDD. As of June 30, 2023, the amount to be received and remitted to HCDD amounted to \$174,398 and \$483,519, respectively.

NOTE 6. COMPUTER EQUIPMENT

Computer equipment at June 30, 2023 had a useful life of 5 years and amounted to \$14,665. As of June 30, 2023, accumulated depreciation of \$10,073 was recorded for a net computer equipment balance of \$4,592.

Depreciation expense amounted to \$2,545 for the year ended June 30, 2023.

NOTE 7. FAIR VALUE MEASUREMENTS

HLB reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement.

The three levels of inputs used to measure fair value are as follows:

Level 1 inputs: Quoted prices for identical assets or liabilities in active markets to which the HLB has access at the measurement date.

Houston Land Bank
(A Component Unit of the City of Houston, Texas)
Notes to Financial Statements
June 30, 2023

NOTE 7. FAIR VALUE MEASUREMENTS, CONTINUED

Level 2 inputs: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets in markets that are not active;
- observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3 inputs: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, HLB measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the HLB is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in HLB’s financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of short-term investments.
- recurring measurement of endowment and long-term investments.
- recurring measurement of beneficial interests in trusts.

The following table presents HLB investment assets measured at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investment assets:				
Investment properties - held for sale	\$ 559,871	-	-	\$ 559,871
Investment properties - designated to the City of Houston	9,158,157	-	-	9,158,157
Total	<u>\$ 9,718,028</u>	<u>-</u>	<u>-</u>	<u>\$ 9,718,028</u>

Houston Land Bank
(A Component Unit of the City of Houston, Texas)
Notes to Financial Statements
June 30, 2023

NOTE 8. OPERATING LEASES COMMITMENTS

As of June 30, 2023, HLB has two rental leases with the following schedule of future minimum rental payment and terms:

	Type	Payments	Terms
	Office	\$3,689/month	12/20/2022 - 06/30/2024
	Printer	\$229/month	09/01/2019 - 11/01/2024

Total lease payments during the year ended June 30, 2023, was \$67,041.

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842). FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the statement of financial position for most leases and provide enhanced disclosures. HLB adopted FASB ASC 842, with a date of initial application of July 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, Leases (Topic 842): Targeted Improvements. HLB did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to retained earnings as of July 1, 2022, was necessary for the cumulative impact of the adoption of FASB ASC 842. No cumulative effect adjustment to retained earnings as of July 1, 2022, was necessary. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended June 30, 2023.

As part of the transition, the HLB implemented new internal controls and key system functionality to enable the preparation of financial information on adoption and elected to apply the following practical expedients:

Package of practical expedients:

- Election not to reassess whether any expired or existing contracts are or contain leases
- Election not to reassess the lease classification for any expired or existing leases
- Election not to reassess initial direct costs on any existing leases

Other practical expedients:

- Election whereby the lease and non-lease components will not be separated for leases of office space, warehouses, and vehicles.
- Election not to record ROU assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than 1 month. Leases of 1 month or less are not included in short-term lease costs.

HLB accounts for leases in accordance with FASB ASC 842. HLB is a lessee in two noncancellable operating leases for office space and equipment. Leases for other equipment are evaluated using the criteria outlined in FASB ASC 842 to determine whether they will be classified as operating leases or finance leases. HLB determines if an arrangement is a lease, or contains a lease, at the inception of a contract and when the terms of an existing contract are changed.

Houston Land Bank
(A Component Unit of the City of Houston, Texas)
Notes to Financial Statements
June 30, 2023

NOTE 8. OPERATING LEASES COMMITMENTS, CONTINUED

HLB determines if an arrangement conveys the right to use an identified asset and whether HLB obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. HLB recognizes lease liability and ROU assets at the commencement date of the lease.

Beginning July 1, 2022, operating lease ROU assets and related current and long-term portions of operating lease liabilities have been presented in the balance sheet. According to the new accounting lease standards, the following is reflected on the financial statements as of June 30, 2023:

Leases	Right-of-Use Assets	Short-Term Liability	Long-Term Liability
Operating	67,041	22,870	44,171

NOTE 9. RETIREMENT PLAN

HLB has a 401K plan for the employees and management. Under this plan, employees and management can make contributions from their salaries. Employer contributions totaled \$13,207 for the year ended June 30, 2023.

NOTE 10. REVENUE RECOGNITION

HLB adopted ASC 606 using the modified retrospective method applied to all contracts not completed for annual reporting periods beginning after December 15, 2019. Results for reporting periods beginning after December 15, 2019, are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy GAAP. The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded.

HLB elects not to provide specific disclosures related to the following:

- Quantitative disaggregation disclosures
- Contract balances
- Transaction price allocated to remaining performance obligations
- Information related to significant judgments
- Use of practical expedients
- Certain information related to costs incurred to obtain or fulfill a contract with a grantor

Also, performance obligations disclosures components are:

- When the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered, or upon completion of service)
- The significant payment terms
- The nature of the goods or services
- Obligations for returns, refunds, and
- Types of warranties and related obligations

Houston Land Bank
(A Component Unit of the City of Houston, Texas)
Notes to Financial Statements
June 30, 2023

NOTE 10. REVENUE RECOGNITION, CONTINUED

Concerning the disclosure of significant judgments, there have been no changes in judgments that significantly affect the determination of the amount and timing of revenue from contracts with grantors.

In addition, data used to determine revenue recognition includes:

- The timing of the satisfaction of performance obligations, and
- The transaction price and the amounts allocated to performance obligations.

HLB discloses the election to use the practical expedient regarding the following:

- The existence of a significant financing component.
- The incremental costs of obtaining a contract.

Revenue has not been impacted by economic factors and is consistently recognized as stated above. HLB applies a practical expedient to expense costs as incurred for costs to obtain a contract with a grantor when the amortization period would have been one year or less.

NOTE 11. CONCENTRATIONS OF RISK

A significant portion, approximately 92%, of HLB's annual funding comes from local and federal grants. The majority of HLB's funding is provided by the City of Houston. As such, HLB's ability to generate resources via grants is dependent upon the economic health of the City of Houston area.

NOTE 12. RELATED PARTY TRANSACTIONS

HLB is a component unit of the City of Houston, Texas, therefore there are currently related party transactions between HLB and the City of Houston. As described in Note 1, the programs from the City of Houston finance the majority of HLB's day-to-day activities.

NOTE 13. COMMITMENTS, CONTINGENCIES AND RISKS

HLB is subject to various litigation and other claims in the normal course of business. HLB establishes liabilities in connection with legal actions that management deems to be probable and estimable. HLB has no litigation pending as of June 30, 2023.

HLB's activities are subject to review by Federal, State and Local agencies and income taxing authorities.

NOTE 14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 31, 2023, the date which the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.