



REAL ESTATE
PARTNERS

PRIVATE AND CONFIDENTIAL

May 31, 2023

City of Manor and Manor PFC
105 E Eggleston St
Manor, TX 78653
ATTN: Scott Moore

Thank you for the opportunity to submit this Letter of Intent (“LOI”) regarding a proposal for a joint venture between the Manor Public Facilities Corporation (“MANOR PFC”) and W2 Real Estate Partners, Inc., (“W2”). Our intention with this preliminary LOI is for both parties to efficiently determine if agreement on the most fundamental elements of an agreement can be made. Under this proposal, an affiliate of W2 would partner with MANOR PFC to develop affordable apartments on a premium site on Gregg Manor Rd. just off the Manor Express 290 Tollway and immediately adjacent to the 1MM+ sf Las Entradas Master Planned Development District. W2 believes this opportunity would align very well with MANOR PFC's objectives.

A summary of the proposed joint venture is as follows:

Development:

W2 will build a 264-unit 3-story Garden Style apartment complex that is site plan approved with building permits in process on a prominent land parcel W2 currently owns (11.01 - acres) in Manor, TX visible from the 290 Express Tollway.

Affordability:

W2 will set aside 50% of the units (132 units) to tenants whose income is 80% or less of the Area Median Income for low and moderate-income households, the "Affordable Units". Inclusive of the 50% at 80% AMI will be 10% (13 units) intended for tenants with household income at 60% AMI. The Affordable Units shall include one-bedroom, two-bedroom, and three-bedroom apartment units in the same proportion as the market rate units. W2 will endeavor to lease such Affordable Units at a rate of 30% rent to income, but in no event shall such Affordable Units be rented at a rate that is greater than 35% rent to income.

**Sourced by Novogradac Rent & Income Limit Estimator for Affordable Housing Program, Travis County, Austin-Round Rock MSA*

Deal Structure:

W2 will convey the Site to MANOR PFC for \$1 for the project to benefit from MANOR PFC's tax exempt status and capture 100% ad valorem tax savings. These savings will be shared between W2 and MANOR PFC as outlined below.



REAL ESTATE
PARTNERS

Ground Lease:	MANOR PFC will ground lease the land back to W2 under a 75-year term with rent equal to \$1 per year plus a share of ad valorem tax savings (per below). The Ground Lease will be collapsible in so much as the property tax exemption discontinues to provide the project tax benefits.
Structuring Fee	W2 will remit to MANOR PFC \$200,000 to account for any structuring costs associated with the partnership.
Development / Issuance Fee:	W2 will remit to MANOR PFC \$1,500 per unit as a Development / Issuance Fee associated with the partnership.
MANOR PFC Sales Tax Savings Participation	MANOR PFC will participate in 20% of any and all sales tax savings that are achieved from the purchase of materials and supplies by the nonprofit JV Contractor entity. This amount is estimated to be \$260,000 based on currently projected project cost and not to exceed \$260,000 if the project is delayed.
MANOR PFC Annual Payments	MANOR PFC would share in the annual real estate tax savings proportionate to the City of Manor mill rate as a proportion of total taxable mill rate. For 2023, this equates to 27.5%.
MANOR PFC Payment on Sale	MANOR PFC will receive the greater of a) 1% of net sales proceeds or b) \$1.25MM from the initial sale of the leasehold interest.
MANOR PFC Operating Profits:	Through the combination of the 1) upfront structuring and development fees, 2) share of the ongoing ad valorem tax savings, and 3) the share of sale proceeds, MANOR PFC can expect to receive revenues from the project of totaling almost \$5MM over the first 10 years.
Capital:	W2 will provide 100% of all funds, construction management and oversight necessary to perform and pay for proposed improvements, including project financing in the form of equity, arranged debt, and debt guarantees.
Indemnity:	W2 agrees to indemnify and hold harmless MANOR PFC and its related parties against any and all claims arising from the project.



REAL ESTATE
PARTNERS

Due to time sensitivities of this project, this proposal is automatically retracted and withdrawn if not accepted by May 31st, 2023.

W2 appreciates the consideration and welcomes further discussion.

Sincerely,

A handwritten signature in blue ink, appearing to read 'MB', positioned above a horizontal line.

Mike Braeuer
Vice President | W2 Real Estate Partners
1717 W. 6th St. Ste. #108
Austin, Texas 78703
512-680-9610

A handwritten signature in blue ink, appearing to read 'SM', positioned above a horizontal line.

Scott Moore
City Manager
City of Manor
105 E Eggleston St
Manor, TX 78653

DRAFT