

Partnership Roadmap: Where We've Been and Where We're Heading

TALHFA Conference
September 2025



Our Panel



Jeff Drennan is a senior partner at Winthrop & Weinstine, located in Minneapolis, Minnesota. Jeff has been the head of the firm's recruiting practice, is currently on the firm's compensation committee, and is the practice group leader of the firm's Real Estate Group, which encompasses more than 60 attorneys, most of which are dedicated to representing real estate developers and investors throughout the country with respect to tax credits, including Federal LIHTC, State LIHTC, Historic, Solar and New Markets. Jeff's specific role is with respect to representing real estate developers with structuring, acquisition, financing, and construction of LIHTC projects throughout the country. Jeff represents some of the largest real estate developers in this space, as well as some of the smallest. Jeff's ability to represent real estate developers through many different states and through many different financing structures, including tax exempt bonds, makes him a unique source for understanding not only individual markets, but the industry as a whole.

Our Panel



Richard Mudd, Sr. is the Executive Director for the Houston Housing Finance Corporation. He is a real estate professional with nearly three decades of real estate experience in both the public and private sectors, and responsible for bringing more than 14,000 units online. Prior to joining the Houston Housing Finance Corporation, Richard served as owner/operator for KL68 Consulting, an owner's representative firm, assisting developers in affordable housing. He currently serves on the Board of Directors and Advisory Committee for TALHFA.

Our Panel



Megan Rahmes is a Vice President for Hilltop Securities Inc. within the Affordable Housing group located in Austin, TX. Hilltop's Affordable Housing group serves as Financial Advisor to approximately 40 HFCs across the State of Texas and provides expertise on LIHTC, PAB, public-private partnerships, and overall deal management. Megan joined Hilltop in December 2021 and has participated in over 200 successful multifamily financing closings during her time at Hilltop. She is also a member of various organizations such as NALHFA, TALHFA, TAAHP, and Women in Public Finance. Prior to joining Hilltop, Megan was with Merrill Lynch working in Retail Wealth Management.



Our Panel

Rachael Jensen is an Associate in the National Public Finance group at Chapman and Cutler LLP, a law firm focused on finance. Rachael's primary practice involves taxable and tax-exempt financings for multifamily housing developments, and in this role, she has served as partnership counsel in connection with multifamily financings involving the use of bonds, tax credits and other tax subsidies. She also advises the boards of governmental nonprofit entities in connection with housing finance and other governance matters. Prior to joining Chapman, Rachael was Executive Agency Counsel and the Director of Intergovernmental Affairs for a New York City agency serving children and families.



Partnership Roadmap: Today's Stops

- ▶ Overview and Success Story
- ▶ Setting up for a Smooth Ride: Best Practices
- ▶ Navigating Twists and Turns: New and Existing Challenges in the Legal Landscape and Market
- ▶ Are We There Yet? Post-Closing and Beyond



Partnership Roadmap: Overview and Success Story

Pre-Closing

Reputation Management

- Developer's background and track record
- Site visits to developers completed projects

Affordability Levels

- Ensure goals align with your organization's mission
- Alignment with current laws and regulations

Approval and Buy-In

- Proactively engage with local leaders
- Ensure community is aware of development plans

Underwriting

- Compare to industry thresholds
- Stress test the developers underwriting model

Memorandum of Understanding (MOU)

- Create a clear MOU to serve as the foundation for relevant legal documents and agreements

Post-Closing

Construction Oversight

- Make regular site visits during construction
- Request to be included in construction report distributions

Post-Construction Engagement

- Maintain ongoing communication with ownership and management team
- Schedule periodic site visits to monitor long-term project outcomes

RINSE AND REPEAT

What Success Looks Like

Decreased Crime

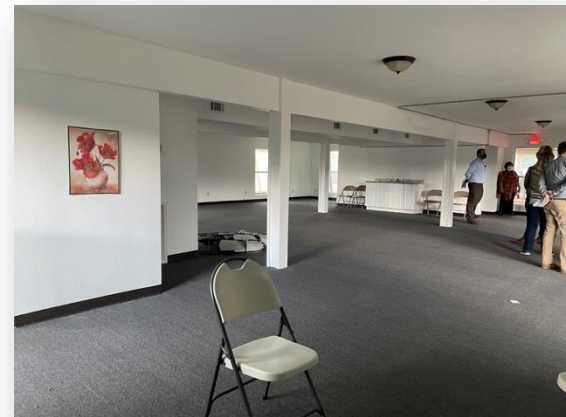
- 2021 acquired property
- 2020, 162 reported crimes at the property
- 2024, 34 reported crimes at the property
- State-of-the-art camera system, 24/7 active monitoring
- Commissioned armed security officer assigned to the property during peak crime hours

What Success Looks Like

New Resident Services

- After-school programs for children
- Career training and placement programs
- Substance abuse support
- Annual health fair
- Weekly exercise classes
- Quarterly social events on-site
- Scholarships for residents pursuing a GED or higher education

What Success Looks Like





Setting up for a Smooth Ride: Best Practices



Navigating Twists and Turns: New and Existing Challenges in the Legal Landscape and Market



Texas House Bill 21/Senate Bill 867

- ▶ Effective May 28, 2025
- ▶ Amends Chapter 394 of the Texas Local Government Code with the aim of enhancing transparency and establishing clear public benefits for the use of the ad valorem tax exemption (the “*Exemption*”) by housing finance agencies (“*HFCs*”)
- ▶ Builds on 2023 reforms to public facility corporations
- ▶ Reforms impacting housing authorities are anticipated in a future session



Texas House Bill 21/Senate Bill 867

- ▶ **Area of operation:** No property ownership or bond issuance outside of the geographical boundary of the HFC's sponsoring local government, without approval from the local governing body and HFC
- ▶ **Public hearing for bond issuances:** must be conducted by the sponsoring local government of the HFC
- ▶ **Changes to the Exemption:** No automatic 100% exemption; properties acquired after May 28, 2025 will be subject to taxes imposed by conservation or reclamation districts and emergency services districts for the property location, or an equivalent PILOT



Texas House Bill 21/Senate Bill 867

Additional requirements for Non-LIHTC

► **New pre-approval requirements for the Exemption**

- ▷ Resolution adopted by the HFC Board of Directors;
- ▷ Good-faith determination of the development's public benefit based on an independent underwriting report;
- ▷ Underwriting report posted on the HFC's website

► **Affordability/50% Rent Reduction Test:***

- ▷ (i) 10% of the residential units are reserved for less than 60% area median income ("AMI") and at least 40% of the residential units are reserved for less than 80% AMI or (ii) 10% of the residential units are reserved for less than 50% AMI and at least 40% of the residential units are reserved for less than 100% AMI; and
- ▷ Developments must show a rent reduction of at least 50% of taxes abated.
- ▷ Chapter 394.004 requirement for 90% of units to be reserved at or below "moderate" income still applies

Texas House Bill 21/Senate Bill 867

Additional requirements for Non-LIHTC

- ▶ **Equal Quality:*** All income-restricted units have the same finishes, equipment, and amenity and service access as non-restricted units.
- ▶ **Proportional Affordability:*** Income-restricted units are proportional across bedroom size for the development (e.g., if a development has 1- and 2-bedroom units, it cannot concentrate all income restricted units to the 1-bedroom units).
- ▶ **Rent Cap:*** The monthly rent charged for income-restricted units does not exceed 30% of the income earned by a resident in the respective AMI band (e.g., a resident occupying a residential unit reserved for 50% AMI is not charged more than 30% of 50% AMI, adjusted for family size).

*The above requirements apply to newly-acquired, non- LIHTC developments. These requirements also apply to existing developments beginning on the earlier of:

(a) December 31, 2035, or

(b) when the development is refinanced, sold or if the development owner transfers a majority of any beneficial ownership interests.

- ▶ **Voucher Use and Tenant Lease Protections:** By January 1, 2026, all residential developments (regardless of the date acquired) must accept housing choice vouchers and incorporate certain tenant protections into lease agreements.



Are We There Yet? Post-Closing and Beyond



Questions and Contacts

Jeff Drennan

Winthrop & Weinstine
Shareholder
jdrennan@winthrop.com

Megan Rahmes

Hilltop Securities
Vice President
megan.rahmes@hilltopsecurities.com

Richard Mudd, Sr.

Houston Housing Finance Corporation
Executive Director
rmudd@houstonhfc.com

Rachael Jensen

Chapman and Cutler
Associate
rjensen@chapman.com



Disclaimer

This document has been prepared by Chapman and Cutler LLP attorneys for informational purposes only. It is general in nature and based on authorities that are subject to change. It is not intended as legal advice. Accordingly, readers should consult with, and seek the advice of, their own counsel with respect to any individual situation that involves the material contained in this document, the application of such material to their specific circumstances, or any questions relating to their own affairs that may be raised by such material.

Municipal Advisor Disclosure Statement

This disclosure statement ("Conflict Disclosures") is provided by Hilltop Securities Inc. ("the Firm") to disclose information regarding conflicts of interest and legal or disciplinary events of the Firm that are required to be disclosed to potential clients pursuant to MSRB Rule G-42(b) and (c)(ii).

PART A – Disclosures of Conflicts of Interest

MSRB Rule G-42 requires that municipal advisors provide to their clients disclosures relating to any actual or potential material conflicts of interest, including certain categories of potential conflicts of interest identified in Rule G-42, if applicable.

Material Conflicts of Interest – The Firm makes the disclosures set forth below with respect to material conflicts of interest in connection with the Scope of Services under the Agreement with the Firm, together with explanations of how the Firm addresses or intends to manage or mitigate each conflict.

General Mitigations – As general mitigations of the Firm's conflicts, with respect to all of the conflicts disclosed below, the Firm mitigates such conflicts through its adherence to its fiduciary duty to clients, which includes a duty of loyalty to clients in performing all municipal advisory activities for clients. This duty of loyalty obligates the Firm to deal honestly and with the utmost good faith with client and to act in the client's best interests without regard to the Firm's financial or other interests. In addition, because the Firm is a broker-dealer with significant capital due to the nature of its overall business, the success and profitability of the Firm is not dependent on maximizing short-term revenue generated from individualized recommendations to its clients but instead is dependent on long-term profitability built on a foundation of integrity, quality of service and strict adherence to its fiduciary duty. Furthermore, the Firm's municipal advisory supervisory structure, leveraging our long-standing and comprehensive broker-dealer supervisory processes and practices, provides strong safeguards against individual representatives of the Firm potentially departing from their regulatory duties due to personal interests. The disclosures below describe, as applicable, any additional mitigations that may be relevant with respect to any specific conflict disclosed below.

I. **Affiliate Conflict.** The Firm, directly and through affiliated companies, provides or may provide services/advice/products to or on behalf of clients that are related to the Firm's advisory activities. Hilltop Securities Asset Management (HSAM), a SEC-registered affiliate of the Firm, provides post issuance services including arbitrage rebate and treasury management. The Firm's arbitrage team verifies rebate and yield restrictions on the investments of bond proceeds on behalf of clients in order to meet IRS restrictions. The treasury management division performs portfolio management/advisor services on behalf of public sector clients. The Firm, through affiliate Hilltop Securities Asset Management (HSAM), provides a multi-employer trust tailor-made for public entities which allows them to prefund Other Post-Employment Benefit liabilities. The Firm has a structured products desk that provides advice to help clients mitigate risk through investment management, debt management and commodity price risk management products. These products consist of but are not limited to swaps (interest rate, currency, commodity), options, repos, escrow structuring and other securities. Continuing Disclosure services provided by the Firm work with issuers to assist them in meeting disclosure requirements set forth in SEC rule 15c2-12. Services include but are not limited to ongoing maintenance of issuer compliance, automatic tracking of issuer's annual filings and public notification of material events. The Firm administers government investment pools. These programs offer governmental entities investment options for their cash management programs based on the entities specific needs. The Firm and the aforementioned affiliate's business with a client could create an incentive for the Firm to recommend to a client a course of action designed to increase the level of a client's business activities with the affiliates or to recommend against a course of action that would reduce or eliminate a client's business activities with the affiliates. This potential conflict is mitigated by the fact that the Firm and affiliates are subject to their own comprehensive regulatory regimes.

II. **PlainsCapital Bank Affiliate Conflict.** The Firm, directly and through affiliated companies, provides or may provide services/advice/products to or on behalf of clients that are related to the Firm's advisory activities. Affiliate, PlainsCapital Bank, provides banking services to municipalities including loans and custody. The Firm and the aforementioned affiliate's business with a client could create an incentive for the Firm to recommend to a client a course of action designed to increase the level of a client's business activities with the affiliates or to recommend against a course of action that would reduce or eliminate a client's business activities with the affiliates. This potential conflict is mitigated by the fact that the Firm and affiliates are subject to their own comprehensive regulatory regimes.

Municipal Advisor Disclosure Statement (cont.)

III. Other Municipal Advisor or Underwriting Relationships. The Firm serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of other clients. For example, the Firm serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to all its municipal advisory clients. These other clients may, from time to time and depending on the specific circumstances, have competing interests, such as accessing the new issue market with the most advantageous timing and with limited competition at the time of the offering. In acting in the interests of its various clients, the Firm could potentially face a conflict of interest arising from these competing client interests. In other cases, as a broker-dealer that engages in underwritings of new issuances of municipal securities by other municipal entities, the interests of the Firm to achieve a successful and profitable underwriting for its municipal entity underwriting clients could potentially constitute a conflict of interest if, as in the example above, the municipal entities that the Firm serves as underwriter or municipal advisor have competing interests in seeking to access the new issue market with the most advantageous timing and with limited competition at the time of the offering. None of these other engagements or relationships would impair the Firm's ability to fulfill its regulatory duties to any specific client.

IV. Secondary Market Transactions in Client's Securities. The Firm, in connection with its sales and trading activities, may take a principal position in securities, including securities of its clients, and therefore the Firm could have interests in conflict with a client with respect to the value of the client's securities while held in inventory and the levels of mark-up or mark-down that may be available in connection with purchases and sales thereof. In particular, the Firm or its affiliates may submit orders for and acquire a municipal advisory client's securities issued in an issue under a municipal advisory agreement from members of the underwriting syndicate, either for its own account or for the accounts of its customers. This activity may result in a conflict of interest with the client in that it could create the incentive for the Firm to make recommendations to the client that could result in more advantageous pricing of the client's bond in the marketplace. Any such conflict is mitigated by means of such activities being engaged in on customary terms through units of the Firm that operate independently from the Firm's municipal advisory business, thereby reducing the likelihood that such investment activities would have an impact on the services provided by the Firm to any client under a municipal advisory agreement.

V. Broker-Dealer and Investment Advisory Business. The Firm is dually registered as a broker-dealer and an investment advisor that engages in a broad range of securities-related activities to service its clients, in addition to serving as a municipal advisor or underwriter. Such securities-related activities, which may include but are not limited to the buying and selling of new issue and outstanding securities and investment advice in connection with such securities, including securities of the firm's municipal advisory clients, may be undertaken on behalf of, or as counterparty to, the client, personnel of the client, and current or potential investors in the securities of the client. These other clients may, from time to time and depending on the specific circumstances, have interests in conflict with those of the Firm's municipal advisory clients, such as when their buying or selling of the municipal advisory client's securities may have an adverse effect on the market for municipal advisory client's securities, and the interests of such other clients could create the incentive for the Firm to make recommendations to the municipal advisory client that could result in more advantageous pricing for the other clients. Furthermore, any potential conflict arising from the firm effecting or otherwise assisting such other clients in connection with such transactions is mitigated by means of such activities being engaged in on customary terms through units of the Firm that operate independently from the Firm's municipal advisory business, thereby reducing the likelihood that the interests of such other clients would have an impact on the services provided by the Firm to its municipal advisory clients.

VI. Compensation-Based Conflicts. Fees that are based on the size of the issue are contingent upon the delivery of the Issue. While this form of compensation is customary in the municipal securities market, this may present a conflict because it could create an incentive for the Firm to recommend unnecessary financings or financings that are disadvantageous to its clients, or to advise clients to increase the size of the issue. This conflict of interest is mitigated by the general mitigations described above.

Fees based on a fixed amount are usually based upon an analysis by the client and the Firm of, among other things, the expected duration and complexity of the transaction and the scope of municipal services to be performed by the Firm. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, the Firm may suffer a loss. Thus, the Firm may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. This conflict of interest is mitigated by the general mitigations described above.

Municipal Advisor Disclosure Statement (cont.)

Hourly fees are calculated with, the aggregate amount equaling the number of hours worked by Firm personnel times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest if the client and the Firm do not agree on a reasonable maximum amount at the outset of the engagement, because the Firm does not have a financial incentive to recommend alternatives that would result in fewer hours worked. This conflict of interest is mitigated by the general mitigations described above.

PART B – Disclosures of Information Regarding Legal Events and Disciplinary History

MSRB Rule G-42 requires that municipal advisors provide to their clients certain disclosures of legal or disciplinary events material to its client's evaluation of the municipal advisor or the integrity of the municipal advisor's management or advisory personnel.

Accordingly, the Firm sets out below required disclosures and related information in connection with such disclosures.

I. Material Legal or Disciplinary Event. The Firm discloses the following legal or disciplinary events that may be material to Client's evaluation of the Firm or the integrity of the Firm's management or advisory personnel:

- For related disciplinary actions please refer to the Firm's [BrokerCheck](#) webpage.
- From July 2011 to October 2015, Hilltop failed to submit required MSRB Rule G-32 information to EMMA in connection with 122 primary offerings of municipal securities for which the Firm served as placement agent. During the period January 2012 to September 2015, the Firm failed to provide MSRB Rule G-17 letters to issuers in connection with 119 of the 122 offerings referenced above. From October 2014 to September 2015, the Firm failed to report on Form MSRB G-37 that it had engaged in municipal securities business as placement agent for 45 of these 122 offerings. This failure was a result of a misunderstanding by one branch office of Southwest Securities. Hilltop discovered these failures during the merger of FirstSouthwest and Southwest Securities and voluntarily reported them to FINRA. The Firm paid a fine of \$100,000 for these self-reported violations.
- In connection with a settlement on July 9, 2021, the U.S. Securities and Exchange Commission found that, between January 2016 and April 2018, the Firm bought municipal bonds for its own account from another broker-dealer and that, on occasion during that time period, the other broker-dealer mischaracterized the Firm's orders when placing them with the lead underwriter. The SEC found that, among other things, the Firm lacked policies and procedures with respect to how stock orders were submitted for new issues bonds to third parties, including the broker-dealer that mischaracterized the Firm's orders. The SEC found violations of MSRB Rules G-27, G-17, and SEC rule 15B(c)(1) and a failure to reasonably supervise within the meaning of Section 15(b)(4)(E) of the Securities Exchange Act of 1934. The Firm was censured and ordered to pay disgorgement of \$206,606, prejudgment interest of \$48,587 and a penalty of \$85,000.
- On August 14, 2024, the Securities and Exchange Commission ("SEC") entered into a settlement order with Hilltop Securities Inc. ("Hilltop") to settle an administrative action finding that Hilltop failed to (1) maintain and preserve off-channel communications related to Hilltop's broker-dealer business, as well as related to recommendations made or proposed to be made and advice given or proposed to be given with respect to Hilltop's investment advisory business; and (2) reasonably supervise its personnel with a view to preventing or detecting certain of its personnel's aiding and abetting violations of certain provisions of the federal securities laws. Hilltop admitted to the facts in the settlement order, acknowledged its conduct violated the federal securities laws, and agreed to: (a) a cease-and-desist order, (b) a censure, (c) payment of a civil monetary penalty in the amount of \$1,600,000, and (d) certain undertakings related to the retention of electronic communications.

Municipal Advisor Disclosure Statement (cont.)

II. How to Access Form MA and Form MA-I Filings. The Firm's most recent Form MA and each most recent Form MA-I filed with the SEC are available on the SEC's EDGAR system at Forms MA and MA-I. The SEC permits certain items of information required on Form MA or MA-I to be provided by reference to such required information already filed by the Firms in its capacity as a broker-dealer on Form BD or Form U4 or as an investment adviser on Form ADV, as applicable. Information provided by the Firm on Form BD or Form U4 is publicly accessible through reports generated by BrokerCheck at <http://brokercheck.finra.org> and the Firm's most recent Form ADV is publicly accessible at the Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov>. For purposes of accessing such BrokerCheck reports or Form ADV, click previous hyperlinks.

PART C – MSRB Rule G-10 Disclosure

MSRB Rule G-10 covers Investor and Municipal Advisory Client education and protection. This rule requires that municipal advisors make certain disclosures to all municipal advisory clients. This communication is a disclosure only and does not require any action by the firm's municipal advisory clients. The disclosures are noted below.

Hilltop Securities Inc. is registered with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board as a Municipal Advisor.

You can access the website for the Municipal Securities Rulemaking Board at www.msrb.org

The Municipal Securities Rulemaking Board has posted a municipal advisory client brochure. A copy of the brochure is attached to the memo. This link will take you to the electronic version MA-Clients-Brochure.

PART D – Future Supplemental Disclosures

As required by MSRB Rule G-42, this Municipal Advisor Disclosure Statement may be supplemented or amended, from time to time as needed, to reflect changed circumstances resulting in new conflicts of interest or changes in the conflicts of interest described above, or to provide updated information with regard to any legal or disciplinary events of the Firm. The Firm will provide Client with any such supplement or amendment as it becomes available throughout the term of the Agreement.