

issue was purchased by La Villa Housing Finance Corporation and before H.B. 21 become effective on May 28, 2025. La Villa HFC – a housing corporation located in and created by a small, rural city that is approximately 500 miles away from the location of the property in question – seeks to remove ad valorem tax value from the Parker County tax rolls. In exchange for selling a tax shelter to a private developer, La Villa HFC receives a monetary kickback, all at the detriment of the local tax base.

2. La Villa HFC's scheme, which is in direct contravention of the Act in effect at the time, consists of the following machinations: a private developer acquires land for a new multifamily development (or acquires an already-existing multifamily development as in this case) in a local government other than the sponsoring jurisdiction of La Villa, Texas; the private developer then conveys that property to La Villa HFC; La Villa HFC, as the new owner, then applies for and receives a 100% tax exemption, and the ad valorem taxes for that property are removed from the tax rolls. La Villa HFC then leases that now-exempt property to a private landlord (oftentimes the same developer who originally purchased the property), who then shares the profits with La Villa HFC. The upshot of this unethical and unlawful scheme is that the developer and landlord get a massive tax exemption, La Villa HFC gets to collect fees and a portion of the development's profits, and the other local government (in this case, the City of Weatherford) bears 100% of the downside, to include bearing the cost of providing services to the property while its budget is decimated by the loss of often large amounts of ad valorem tax revenue.

3. While the City supports the creation of affordable housing opportunities for its residents, which is a worthy mission, La Villa HFC improperly seeks to deprive the elected officials of the City of Weatherford – where this residential development is located – from engaging in the critical cost-benefit analysis necessary to determine whether the public benefits of

these multi-unit residential developments are worth the elimination of tax revenues that are otherwise due to the local community. Further, the City is also deprived of any oversight over these residential developments to include whether affordable housing is actually being provided to low-income tenants as required under the Act.

4. In short, a tiny housing finance corporation, located 500 miles away in a city with residents who will not benefit under the Act, will single-handedly reduce the City of Weatherford's annual tax revenue while it rakes in undeserved fees and profits from a multifamily rental property located in the City. Further, the City bears all costs for providing services to the property at issue while La Villa HFC obtains the financial windfall. Accordingly, the City now brings this lawsuit to enforce its statutory rights under Chapter 394 of the Texas Local Government Code. The City also seeks injunctive relief to stop the unlawful behavior of La Villa HFC and its Board members before they do any further irreparable harm to the City of Weatherford's tax base, and to stop the Parker County Appraisal District (hereinafter referred to as "PCAD") from granting tax exemptions requested by La Villa HFC regarding properties located in the City of Weatherford, Texas.

II. PARTIES

5. Plaintiff City of Weatherford, Texas, is a home-rule municipality located in Parker County, Texas.

6. Defendant La Villa Housing Finance Corporation is a Texas nonprofit corporation doing business in the State of Texas. Defendant La Villa Housing Finance Corporation may be served with civil process through its registered agent, Rosa Perez, at 916 South Mike Chapa Drive, La Villa, Texas 78562, or wherever else she may be located. **Service is requested at this time.**

7. Defendant Parker County Appraisal District may be served with civil process through its Chief Appraiser, Troy Hanson, at 1108 Sant Fe Drive, Weatherford, Texas 76086.

Service is requested at this time.

8. Defendant Rosa Perez is a Board Member for Defendant La Villa HFC. She is being sued in her official capacity only and may be served with civil process at 916 South Mike Chapa Drive, La Villa, Texas 78562, or wherever else she may be located. **Service is requested at this time.**

9. Defendant Criselda Munoz is a Board Member for Defendant La Villa HFC. She is being sued in her official capacity only and may be served with civil process at 916 South Mike Chapa Drive, La Villa, Texas 78562, or wherever else she may be located. **Service is requested at this time.**

10. Defendant Beth Joe Rodriguez is a Board Member for Defendant La Villa HFC. She is being sued in his official capacity only and may be served with civil process at 916 South Mike Chapa Drive, La Villa, Texas 78562, or wherever else he may be located. **Service is requested at this time.**

11. Defendant Lupita Suarez is a Board Member for Defendant La Villa HFC. She is being sued in her official capacity only and may be served with civil process at 916 South Mike Chapa Drive, La Villa, Texas 78562, or wherever else she may be located. **Service is requested at this time.**

III.

JURISDICTION, VENUE, AND DISCOVERY CONTROL PLAN

12. This Court has jurisdiction over this matter because the City seeks relief within the jurisdictional limits of this Court. *See* Tex. Civ. Prac. & Rem. Code §§ 65.001 *et seq.*; Tex. R. Civ.

P. 680. This Court also has subject matter jurisdiction over this matter pursuant to Tex. Civ. Prac. & Rem. Code § 37.003 and Texas Tax Code § 43.01.

13. Texas Tax Code § 43.01 waives PCAD's sovereign or governmental immunity for purposes of this lawsuit. Further, jurisdiction is appropriate under this section as it states, in toto, "[a] taxing unit may sue the appraisal district that appraises property for the unit to compel the appraisal district to comply with provisions of this title, rules of the comptroller, *or other applicable law*," in this case the Texas Housing Corporations Act, Chapter 394 of the Texas Local Government Code. Tex. Tax Code § 43.01 (emphasis supplied).

14. La Villa HFC is not a governmental unit or a political subdivision and does not have governmental immunity from suit and/or damages. Unlike the Housing Authority Act that governs the creation of housing authorities, there is no statutory provision in the Texas Housing Finance Corporations Act establishing that housing finance corporations ("HFC"), such as La Villa HFC, are entitled to immunity, or even that a HFC is a unit of government. *Cf.* Tex. Loc. Gov't Code § 392.006 ("For all purposes, including application of the Texas Tort Claims Act (Chapter 101, Civil Practice and Remedies Code), a housing authority is a unit of government and the functions of a housing authority are essential governmental functions and not proprietary functions.") and Tex. Loc. Gov't Code § 394.002(c)(3) ("the [housing finance] corporation, as a public instrumentality and nonprofit corporation, performs an essential governmental function on behalf of and for the benefit of the general public, the local government, and this state.") Being a public instrumentality and nonprofit corporation does not bestow governmental immunity on an HFC. An entity claiming governmental immunity must ordinarily be a political subdivision. *Rosenberg Dev. Corp. v. Imperial Performing Arts, Inc.*, 571 S.W.3d 738, 748 (Tex. 2019) (holding that Type B economic development corporations, which are "public, nonprofit corporations" and are considered a "governmental unit" for purposes of the Tort Claims Act, are not entitled to governmental immunity.) The Housing Finance Corporations Act defines an HFC as a "public, nonprofit corporation," rather than a political subdivision or a unit of government subject to governmental immunity. Tex. Loc. Gov't Code ¶ 394.003(8) (in effect prior to May 28, 2025).

15. In the alternative, if this Court concludes that La Villa HFC is a governmental unit with governmental immunity to suit and/or damages, Plaintiffs also bring *ultra vires* claims against the La Villa HFC board members, in their official capacities.

16. Venue is proper in Parker County, Texas, pursuant to Texas Tax Code §43.02, because Defendant Parker County Appraisal District is an appraisal district established in Parker County, Texas.

17. Venue is further proper in Parker County, Texas, pursuant to Texas Civil Practice & Remedies Code § 15.005 because once Plaintiff has established proper venue against one Defendant, the Court also has venue of all the Defendants in all claims or actions arising out of the same transaction, occurrence, or series of transactions or occurrences.

18. Venue is also proper in Parker County because all (or at least a substantial part) of the events and actions giving rise to this case occurred in Parker County—and by conducting business in Parker County —Defendants have purposely availed themselves to this venue. *See* Tex. Civ. Prac. & Rem. Code § 15.002(a)(1). This suit, moreover, concerns real property located in Parker County, Texas, making Parker County the mandatory venue for this case. Tex. Civ. Prac. & Rem. Code § 15.011. Specifically, this suit involves recovery of interest in real property, i.e., the collection of tax revenue, which is located in Parker County, Texas.

19. The City intends to conduct discovery in this case under the Level 3 discovery control plan. *See* Tex. R. Civ. P. 190.4.

IV. TEXAS RULE OF CIVIL PROCEDURE 47(c)

20. For purposes of Rule 47(c) of the Texas Rules of Civil Procedure, the City seeks only non-monetary relief against PCAD in the form of declaratory and injunctive relief.

21. As to the La Villa HFC Defendants, the City seeks non-monetary relief in the form

of declaratory and injunctive relief and an award of attorneys’ fees and costs. The City also seeks the award of all applicable back-assessments for ad valorem taxes against La Villa HFC due to the City; the total of which is not quantifiable at this time but is anticipated to be more than \$250,000.00

V.
WAIVER OF BOND

22. Under Section 6.002 of the Texas Civil Practice & Remedies Code, the City is not required to post an injunction bond.

VI.
BACKGROUND FACTS & RELEVANT LAW

A. The Texas Housing Finance Corporations Act.

23. The Texas Housing Finance Corporations Act (“the Act”) found in Chapter 394 of the Texas Local Government Code was passed in 1979 to help facilitate the development of low-income housing. Tex. Local Gov’t Code §§ 394.001 *et seq.*; see also Tex. Local Gov’t Code § 394.002(a) (the Act’s purpose is to “provide a means to finance the cost of residential ownership and development that will provide decent, safe, and sanitary housing at affordable prices for residents of local governments”). A copy of the relevant sections of the Act in effect at the time of the purchase of the Property and prior to May 28, 2025, is attached as **Exhibit 1**.

24. To help create more low-income housing, the Act empowers local governments to create Housing Finance Corporations (“HFCs”)—nonprofit organizations, comprised of local officials, that help coordinate and facilitate affordable-housing residential developments. *See* Tex. Local Gov’t Code §§ 394.002, 394.011(a), 394.032. And because HFCs are (at least in theory) furthering a public purpose, the Act provides that HFC-owned properties and the income derived from those properties are tax-exempt. Tex. Local Gov’t Code § 394.905 (in effect prior to May 28,

2025) (“The housing finance corporation, all property owned by it, the income from the property, all bonds issued by it, the income from the bonds, and the transfer of the bonds are exempt, as public property used for public purposes, from license fees, recording fees, and all other taxes imposed by this state or any political subdivision of this state.”).

25. HFCs are commonly a part of public/private real estate partnerships, in which a private developer acquires land for a new development or acquires an existing multi-unit apartment complex and then conveys it to an HFC, which then acquires tax-exempt status for the property and leases the property to a private landlord who, in turn, pays fees to the HFC and shares the profits generated by the property with the HFC. Because the Act allows for such an enormous tax benefit, it provides two specific restrictions on what residential developments an HFC can tax-exempt: (1) a residential development can receive tax exemption from an HFC only if at least 90% of the development “is for use by or is intended to be occupied by persons of low- and moderate-income,” as defined by the statute, Tex. Local Gov’t Code § 394.004; and (2) the residential development “must be *located within the local government.*” Tex. Local Gov’t Code § 394.903 (emphasis added).

26. Additionally, pursuant to the plain language of Section 394.005 of the Act, which was in effect at the time La Villa HFC purchased the Property, the governing body of a municipality *must approve* the application of the Act to property located within the municipality, if the municipality, such as the City of Weatherford, has more than 20,000 inhabitants. Tex. Loc. Gov’t Code § 394.005 (in effect prior to May 28, 2025) (emphasis added). As set forth in the attached affidavits, La Villa HFC did not seek, nor obtain approval from the City prior to acquiring the residential development or seeking a tax exemption for same. [Exhibit 3, ¶ 2].

27. An HFC, in other words, can obtain tax-exempt status for a residential development only if: (1) the development is located within the HFC's local sponsoring jurisdiction; (2) the residential development is actually used to house low- and moderate-income individuals; and (3) La Villa HFC received written approval from the City of Weatherford's City Council prior to acquiring the residential development. Tex. Local Gov't Code §§ 394.004, 394.903, 394.005 (in effect prior to May 28, 2025). Here, La Villa HFC has not complied with these mandatory requirement for tax exemption.

B. The Formation of La Villa HFC.

28. La Villa HFC is a governmental entity formed under the authority of the Act for the purposes of financing and promoting affordable housing. According to La Villa HFC's Certificate of Formation filed with the Texas Secretary of State, a copy of which is attached herein as **Exhibit 2**, La Villa HFC was incorporated by the City of La Villa, Texas on September 11, 2024. [Exhibit 2, p. 5].

29. La Villa HFC is governed by a Board of Directors, in which all the powers of the HFC are vested. Tex. Loc. Gov't Code § 394.021. A majority of the directors constitutes a quorum. *Id.* The directors may take action by a majority vote when a quorum is present. *Id.* As set forth in the Articles of Incorporation, the Board of La Villa HFC is comprised of the members of the Board of Directors. [Exhibit 2, Art. VI, p. 3]. The current board members are Rosa Perez, Criselda Munoz, Beth Joe Rodriguez and Lupita Suarez,. The Articles of Incorporation also state that La Villa HFC was organized "solely to carry out the purposes of the Act and specifically for the purposes of and on behalf of the city of La Villa, by owning and/or financing the cost of residential ownership and development that will provide decent, safe and sanitary housing *for residents of the City at prices they can afford.* [Exhibit 2, Art. IV, p. 2 (emphasis added)].

C. La Villa HFC purchased a multi-family residential development in the City of Weatherford and seeks tax exemption for this property in violation of the Texas Housing Financial Corporations Act in effect at the time.

30. As set forth in the affidavit of City Chief Financial Officer Dawn Brooks, a copy of which is attached herein as **Exhibit 3**, La Villa HFC recently acquired the Lone Oak apartment complex (hereinafter referred to as “the Property”) – an already-built, multi-family apartment complex located at 1801 Fort Worth Highway, Weatherford, Texas 76086. [Exhibit 3, ¶ 3]. An unofficial copy of the recorded deed for the Property is attached as **Exhibit 4**. A copy of the PCAD records for the Property is attached as **Exhibit 5**. The legal description of the Property is as follows:

PCAD PROPERTY ID: R000111805 / GEO ID: 14652.001.001.00

Lot 1, Block 1, Lone Oaks Apartments Addition, an Addition to Parker County, Texas, according to the Plat thereof recorded in Cabinet E, Slide 460, Plat Records, Parker County, Texas and recorded in Instrument No. 202003462, Deed Records, Parker County, Texas.

Together with

Non-Exclusive Easement Estate created by that certain Easement for Sewer Line dated October 12, 2018, executed by G.F. No.: 5141005580 Weatherford Apartments, LLC, a Texas limited liability company to FWH Apartments LLC, a Nevada limited liability company, filed of record November 16, 2018, recorded under Clerk's File No(s). 201829215, Real Property Records, Parker County, Texas.

[Exhibit 3, ¶ 3; Exhibit 4, p. 4]. Upon information and belief, La Villa HFC has applied, or will apply for a full tax exemption for the Property, which will be processed by PCAD. [Exhibit 3, ¶ 3]. Upon information and belief, after receiving that exemption, La Villa HFC will lease the apartment complex to a private developer and collect a share of that complex’s profits.

31. As set forth in more detail in Section VII, *infra*, La Villa HFC purchased this residential development in violation of the Act, which was in effect at the time it purchased this property prior to May 28, 2025. La Villa HFC neglected to contact any City elected officials or

staff before seeking to acquire the Property, engaging in residential development in the City, and/or requesting a full tax exemption for the Property. [Exhibit 3, ¶ 2]. La Villa HFC's silence is unsurprising, however, as there can be no justification for its tax-shelter scheme.

32. Additionally, the Property is not likely entitled to tax exemption. In order to meet the requirements of the Act, any multi-use family residential development will be required to lease 90% of its available units to persons of low- and moderate-income. Yet, the Property advertises itself as “sophisticated living” and its website omits any information regarding available rental assistance provided to low- or moderate-income residents.¹ With fees and rent, a two-bedroom apartment in this complex starts at \$1,510 per month.² Accordingly, upon information and belief, this complex does not meet the 90%-income-housing threshold needed to receive an exemption under the Act. See Tex. Local Gov't Code § 394.004 (providing that a residential development can receive tax exemption from an HFC only if at least 90% of the development “is for use by or is intended to be occupied by persons of low- and moderate-income”).

33. The City will be irreparably damaged as a result of the actions of La Villa HFC and its board members and their attempts to seek a full tax exemption for the property. Specifically, La Villa HFC's illegal tax exemption scheme will remove ad valorem tax revenue from the Parker County taxing units' tax rolls; if injunctive relief is not granted, the taxing units will collectively lose millions of ad valorem tax revenue once fully tax-exempt. The 2024 and 2025 appraisal values of the Property are \$63,000,000. [Exhibit 3, ¶ 4; Exhibit 5, p. 1]. The estimated ad valorem tax loss to the City once the Property is tax-exempt will be approximately \$251,004.60 based upon

¹ <https://www.rentloneoak.com/>

² <https://www.rentloneoak.com/weatherford/lone-oak-apartments/conventional/>

the 2024 appraisal value and the City's FY2025 adopted tax rate of \$.39842/\$100. [Exhibit 3, ¶ 4]. The anticipated loss of ad valorem tax revenue to the City for 2025, once the full tax exemption is granted, will equal an estimated 1.5% of the City's annual ad valorem tax revenue. [Exhibit 3, ¶ 4]. Yet the City continues to incur the cost of providing public services to the Property, to include police, fire, emergency medical services ("EMS"), sanitation, utilities, street maintenance, building permits and inspections, and code enforcement services, while La Villa HFC, an absent landlord, reaps all financial benefits. [Exhibit 3, ¶ 4].

34. The impact of this loss of ad valorem tax revenue on the City's budget is devastating. For example, the City will either have to cut city services and/or lay off employees, or in the alternative, increase taxes on the City's residents. [Exhibit 3, ¶ 6]. Further, the City will also be irreparably injured by the unquantifiable cost of interrupted city services, such as delayed preventative maintenance of its city streets. [Exhibit 3, ¶ 6]. There is no clear path for the City (or other affected local entities) to recoup that loss, which will not be compensated by any back assessment of taxes or any forfeiture action for delinquent taxes. [Exhibit 3, ¶ 6].

35. Based upon 2024 tax rates and 2025 appraisal value, the other taxing units where the Property is located, to include Weatherford College, Weatherford I.S.D., Parker County, Parker County Lateral Road, and Parker County Hospital District, will lose an additional \$963,297.72 in ad valorem tax value in 2025. [Exhibit 3, ¶ 5]. Weatherford ISD alone will lose approximately \$651,546.00 in annual tax revenue should La Villa HFC be allowed to proceed with its illegal tax-shelter scheme. [Exhibit 3, ¶ 5]. The combined loss of ad valorem tax value to all taxing units is \$1,214,302.32, in a single year, should La Villa HFC (and the private developer) receive a full tax exemption for the property. [Exhibit 3, ¶ 5].

36. This is a widespread problem across the state. The City of Euless, for example, has seen at least a 2% drop in its overall annual revenue after a *single* apartment complex received tax-exempt status from the Cameron County HFC.³ Dallas, Fort Worth, McKinney, Irving, Lewisville, and other north Texas cities have reported millions of dollars in total lost tax revenue.⁴ Typically, these out-of-jurisdiction HFCs are often bestowing tax-exempt status to already-built structures (not new projects), and many of the exempted properties are not even affordable housing projects; they are typical for-profit apartments and condos, usually located in upmarket neighborhoods, that do not offer reduced rent, housing vouchers, or other benefits to low-income applicants.⁵

VII. CAUSES OF ACTION

Cause of Action No. 1: Declaratory Judgment as to Defendant La Villa Housing Finance Corporation and the Individual La Villa Housing Finance Corporation Board Members.

37. The City incorporates the allegations in the preceding paragraphs as if fully set forth herein.

38. Texas’s Uniform Declaratory Judgments Act (UDJA) allows trial courts to “declare rights, status, and other legal relations whether or not further relief is or could be claimed.” Tex. Civ. Prac. & Rem. Code § 37.003. The UDJA further provides that “[a] person . . . whose rights, status, or other legal relations are affected by a statute . . . may have determined any question of

³ Andrea Lucia, *Euless Loses 2 Percent of Revenue to Controversial Tax Break Approved in Faraway County*, CBS News (Feb. 21, 2024) available at <https://www.cbsnews.com/texas/news/euless-loses-2-percent-of-revenue-to-controversial-tax-break-approved-in-faraway-county/>.

⁴ Andrea Lucia, *Housing Group Made Millions Getting Tax Breaks for Developers, Costing Cities and Schools Even More*, CBS News (Dec. 22, 2023) available at <https://www.cbsnews.com/texas/news/housing-group-made-millions-getting-tax-breaks-for-developers-costing-cities-and-schools-even-more/>.

⁵ *Id.* (documenting that an out-of-town HFC purchased an apartment complex in a “luxurious community” in Irving and that the tenants’ rents went *up* significantly under the HFC’s ownership).

construction or validity arising under the . . . statute . . . and obtain a declaration of rights, status, or other legal relations thereunder.” Tex. Civ. Prac. & Rem. Code § 37.004(a). The Legislature intended the UDJA to be “remedial” and “liberally construed,” and “its purpose is to settle and afford relief from uncertainty and insecurity with respect to rights, status, and other legal relations.” Tex. Civ. Prac. & Rem. Code § 37.002(b).

39. Section 394.903(a) of the Act, in effect at the time La Villa HFC purchased the Property, states “[a] residential development covered by this chapter *must be located within the local government*,” (which would be the City of La Villa). *Id.* (emphasis added). The Act in effect at the time further defines a residential development as “the acquisition, construction, reconstruction, rehabilitation, repair, alteration, improvement, or extension” of property. Tex. Local Gov’t Code § 394.003(13). Texas courts “interpret statutes by looking to their plain language and construing the text in light of the statute as a whole.” *City of Austin v. Quinlan*, 669 S.W.3d 813, 821 (Tex. 2023). In order to give effect to the Legislature’s intent, Courts “enforce the plain meaning of statutory text, informed by its context.” *Hegar v Health Care Serv. Corp.*, 652 S.W. 3d 39, 43 (Tex. 2022).

40. In the context of Chapter 394 as a whole, “local government” in this case means the local government sponsor of the HFC, i.e. the city of La Villa, Texas. For example, Sections 394.055(c) and 394.055(d) both use the phrase “the state, the local government, or any other municipality, county, or other municipal or political corporation or subdivision of the state.” To replace the words “the local government” with “any municipality or county” in these clauses renders the phrase redundant. Section 394.902 uses the phrase “the governing body *of the local government that authorizes, sponsors, or otherwise participates in the creation of the housing finance corporation* shall cooperate....” (emphasis added). The plain reading of the use of “local

government” throughout Chapter 394 further emphasizes the point that the Legislature meant the local government sponsor of the HFC when it used the phrase “the local government.” Accordingly, Chapter 394 is limited by its plain language to residential developments located within the jurisdiction of the sponsoring local government. As such, La Villa HFC cannot legally purchase, develop, and grant tax exemptions for residential developments, such as the Property, because such residential development is outside its jurisdictional boundaries. Further, the sunset provision provided for in H.B. 21 for claiming tax exemptions, which was effective May 28, 2025, is immaterial to whether or not La Villa HFC violated the version of the Act in effect at the time it purchased the Property in violation of Sections 394.903(a) and 394.005 of the Act, rendering their purchase of the Property void *ab initio*

41. The case of *Walker v. U.S. Dep’t of Housing & Urban Dev.*, 326 F.Supp. 2d 773, 777 (N.D. Tex. 2004) is instructive. There, the United States District Court for the Northern District of Texas held that:

§ 394.903(a), which applies to residential development by public facility corporations via § 394.004, restricts residential development to locations within the local government. “Local government” refers to any municipality or county, and in the context of a public facility corporation created by a housing authority, the housing authority's jurisdiction serves as an appropriate proxy for the limitation.

Id. at 477. Thus, the Court concluded that Section 394.903(a) restricts residential development to locations within the housing authority’s jurisdiction. *Cf. Collin Cent. Appraisal Dist. v. Garland Hou. Fin. Corp.*, No. 05-19-01417-CV, 2021 WL 711478 (Tex.App.—Dallas Feb. 22, 2021, pet. den’d) (concluding that Tex. Local Gov’t Code § 394.005 did not preclude granting of tax exemption for property located outside of the geographical boundaries of the local government that formed it).

42. It would be absurd for the Act to allow an HFC created by one municipality to own and lease property in another municipality. Such a perverse scheme would allow a small city like La Villa, Texas to make decisions regarding real property located in another municipality, which results in the other municipality (the City of Weatherford, Texas) losing 100% of the ad valorem tax value from the property. La Villa HFC has no ability to weigh that significant financial loss against the potential benefits of the residential development to the community, *which directly affects the residents of the City of Weatherford, Texas in a detrimental way*. Meanwhile, the traveling, out-of-jurisdiction HFC reaps a purely monetary windfall without any incentive for oversight by its sponsoring municipality, whose own tax revenues remain unaffected.

43. Additionally, as in effect at the time La Villa HFC purchased the Property prior to May 28, 2025, Chapter 394 grants Texas cities with more than 20,000 inhabitants, such as the City of Weatherford, the right to control whether Chapter 394 applies to property within the municipality. Tex. Loc. Gov't Code § 394.005. *See* Exhibit 1. Here, La Villa HFC purchased the properties at issue, which are located within the city limits of the City of Weatherford, without first obtaining the City of Weatherford City Council's written approval as required by Section 394.005. *Id.* The City of Weatherford has more than 20,000 inhabitants. [Exhibit 3, ¶ 2].

44. Accordingly, the City asks for a declaratory judgment from this Court declaring the Act does not allow La Villa HFC, or its board members, to purchase, develop, or to request, obtain, or bestow tax exemptions on real property located in the City of Weatherford.

Cause of Action No. 2: Declaratory Judgment as to Defendant Parker County Appraisal District.

45. The City incorporates the allegations in the preceding paragraphs as if fully set forth herein.

46. The Texas Tax Code allows a taxing unit to sue an appraisal district that appraises

property for the unit to compel the appraisal district to comply with the provisions of [the Property Tax Code], rules of the comptroller, or other applicable law. *See* Texas Tax Code § 43.01. The City is a taxing unit for the property at issue, which was appraised by Parker County Appraisal District, an entity established by Parker County, Texas. This explicit authorization for a taxing unit, such as the City of Weatherford, to sue an appraisal district to compel compliance with applicable laws constitutes a clear and unmistakable waiver of PCAD's sovereign or governmental immunity for purposes of this lawsuit.

47. The City asks for a declaratory judgment from this Court declaring the Act does not allow La Villa HFC to purchase, develop, or to request, obtain, or bestow tax exemptions on real property located in the City of Weatherford, Texas. Accordingly, PCAD cannot grant a full tax exemption to Lone Oak Apartments, or any other real property owned by La Villa HFC that is located in the City of Weatherford, Texas.

Cause of Action No. 3: *Ultra Vires* Claim as to Defendants Rosa Perez, Criselda Munoz, Beth Joe Rodriguez and Lupita Suarez.

48. The City incorporates the allegations in the preceding paragraphs as if fully set forth herein.

49. In the alternative, should this Court determine that La Villa HFC is a governmental entity entitled to governmental immunity, the City also brings an *ultra vires* claim against the La Villa HFC board members.

50. The Directors of La Villa HFC, namely Defendants Rosa Perez, Criselda Munoz, Beth Joe Rodriguez and Lupita Suarez, are acting *ultra vires* in approving the illegal purchase and development of properties located in the City of Weatherford and the application for tax-exempt status for same. "The *ultra vires* doctrine applies when a government official's conduct is without legal or statutory authority." *Klumb v. Hous. Mun. Emps. Pension Sys.*, 458 S.W.3d 1, 9 (Tex.

2015). Parties may obtain prospective declaratory and injunctive relief when an official: a) fails to perform a ministerial act; or b) acts without legal authority. *See City of El Paso v. Heinrich*, 284 S.W.3d 366, 373 (Tex. 2009).

51. Residential development by La Villa HFC is limited to the jurisdictional boundaries of the City of La Villa, Texas pursuant to Section 394.903(a), as in effect prior to May 28, 2025. *See* Exhibit 1. Further, Section 394.005, which was in effect at the time La Villa HFC purchased the Property, required that it obtain the approval of the governing body of the municipality for any municipality with more than 20,000 inhabitants, such as the City of Weatherford, but did not do so. [Exhibit 3]. Because La Villa HFC acts through its Board of Directors, the City requests relief to prevent the *ultra vires* acts of the Board of Directors in acting without authority under Chapter 394 by applying it to the property at issue, to include declaratory and injunctive relief set forth herein.

VIII. REQUEST FOR ATTORNEY'S FEES AND COSTS

52. The City also seeks an award of its attorneys' fees and costs against Defendant La Villa HFC and Defendant La Villa HFC Board Members Rosa Perez, Criselda Munoz, Beth Joe Rodriguez and Lupita Suarez. In a declaratory action, like this one, "the court may award costs and reasonable and necessary attorney's fees as are equitable and just." Tex. Civ. Prac. & Rem. Code § 37.009.

IX. APPLICATION FOR TEMPORARY RESTRAINING ORDER AND INJUNCTION

53. The City incorporates the allegations in the preceding paragraphs as if fully set forth herein.

54. The City asks this Court for a temporary restraining order (“TRO”) that prohibits La Villa HFC, and its board members, from (a) closing on the purchase of any properties located in the City of Weatherford and (b) requesting and/or receiving any tax exemptions on City properties. The City further requests a TRO that prohibits PCAD from granting tax exemptions requested by La Villa HFC regarding any properties located in the City of Weatherford, Texas.

55. To obtain injunctive relief, an applicant must show it has a cause of action, that it has a probable right to relief, and that it is faced with imminent irreparable harm. *Butnaru v. Ford Motor Co.*, 84 S.W.3d 198, 204 (Tex. 2002). An applicant has a probable right to relief if it has a cause of action for which relief may be granted. *Universal Health Services, Inc. v. Thompson*, 24 S.W.3d 570, 577-78 (Tex. App.-Austin 2008, no pet.). Among other grounds, “[a] trial court may . . . grant injunctive relief . . . when a dispute involves real property.” *Shor v. Pelican Oil & Gas Mgmt., LLC*, 405 S.W.3d 737, 750 (Tex. App.—Houston [1st Dist.] 2013, no pet.). As detailed above, the City has well-supported causes of action against La Villa HFC to establish and protect its rights in accordance with the Act and the Texas Constitution.

56. The City requests that this Court issue this TRO without notice to Defendants. This Court may issue a TRO without notice if it “clearly appears from specific facts shown by affidavit or by the verified complaint that immediate and irreparable injury, loss, or damage will result to the applicant before notice can be served and a hearing had thereon.” Tex. R. Civ. P. 680. Upon information and belief, La Villa HFC has applied or will apply to PCAD for tax exemption on the Property. A TRO will prevent this unlawful behavior from occurring, maintain the status quo, and will not unduly prejudice Defendants in the short-term. Further, a TRO is necessary to prevent PCAD from granting tax exemptions requested by La Villa HFC regarding any real property located in the City of Weatherford, Texas.

57. In the absence of such relief, the City will suffer irreparable injury for which no remedy at law exists without the protections of a temporary restraining order and injunctive relief. To establish irreparable injury, a party must demonstrate either: (1) that damages are difficult to quantify or would not provide adequate compensation or (2) that the defendant is insolvent. *See Fischer v. Rider*, No. 02-10-00294-CV, 2011 WL 167226, at *5; 2011 Tex.App.LEXIS 385, at *14 (Tex.App.—Fort Worth, Jan. 13, 2011, no pet.) (mem. op.). Texas courts have clarified that while insolvency is sufficient to establish the inadequacy of legal remedies, it is not a necessary condition. *RWI Constr., Inc. v. Comerica Bank*, 583 S.W.3d 269, 277-78 (Tex.App.—Dallas 2019, no pet.). The entry of a TRO is necessary to retain the status quo and to prevent additional irreparable harm as to the City's ad valorem tax revenue for properties and residential developments located within the City of Weatherford.

58. If its tactics are permitted with respect to the Property, the City, along with Weatherford ISD and other local governmental taxing units, will face the dire consequence of losing over a million dollars in ad valorem tax revenue in 2025 alone. The removal of this ad valorem tax value from the tax rolls would immediately affect the City's budgeting, thereby necessarily preventing the City from allocating that lost revenue to be used for public services. [Exhibit 3, ¶ 6]. The City will lose over a quarter of a million dollars in estimated tax revenue in 2025 alone, which totals an estimated 1.5% of its total annual tax revenue. [Exhibit 3, ¶ 4]. The impact upon its city budget, to include disruption of public services, delayed preventative maintenance of critical infrastructure, and the likely result of city personnel layoffs, cannot be quantified. [Exhibit 3, ¶ 6]. Such harm constitutes irreparable harm, necessitating a TRO and injunctive relief.

59. Accordingly, to avoid irreparable injury to the City, to include disruption of city services, layoffs of city personnel, and the delayed preventive maintenance to city infrastructure, La Villa HFC and its board members should be prohibited from closing on the purchase of any real property in the City of Weatherford and from requesting or obtaining tax-exempt status for any properties, or residential developments that it owns in the City. Out of an abundance of caution, the City also respectfully requests that this Court also issue a TRO against PCAD that prevents it from granting tax exemptions requested by La Villa HFC regarding any properties owned by La Villa HFC and located in the City of Weatherford, Texas.

60. Once that TRO has expired, the City asks for a temporary injunction. “To obtain a temporary injunction, [an] applicant must plead and prove three specific elements: (1) a cause of action against the defendant; (2) a probable right to the relief sought; and (3) probable, imminent, and irreparable injury in the interim.” *Butnaru v. Ford Motor Co.*, 84 S.W.3d 198, 204 (Tex. 2002). “Whether to grant or deny a temporary injunction is within the trial court’s sound discretion,” and an order granting injunctive relief will be reversed on appeal only if “the trial court’s action was so arbitrary that it exceeded the bounds of reasonable discretion.” *Id.*

61. All these elements are present. The City has pled a cause of action against Defendants: namely a declaratory action under the UDJA and the Tax Code and an *ultra vires* claim against La Villa HFC board members. The City has shown it will likely be successful in this declaratory action, as the Act’s plain language prohibits La Villa HFC’s complained-of conduct. And, in the absence of injunctive relief, PCAD will grant La Villa HFC’s application for tax exemption on the Property. These actions will result in irreparable harm to the City, to include the devastating impact this illegal tax scheme has on the City’s respective budgets and the layoffs of city personnel, delayed preventive maintenance on critical infrastructure, and disruption of city

services that cannot be quantified. Simply put, this is precisely the sort of case in which injunctive relief is warranted.

X.
PRAYER FOR RELIEF

Based on the foregoing, Plaintiff City of Weatherford, Texas respectfully asks this Court for the following relief:

- (A) To issue a TRO against Defendants that:
 - (i) Prohibits La Villa Housing Finance Corporation and Defendant Board Members Rosa Perez, Criselda Munoz, Beth Joe Rodriguez and Lupita Suarez from purchasing or approving the purchase of real property located in the City of Weatherford, Texas;
 - (ii) Prohibits La Villa Housing Finance Corporation and Defendant Board Members Rosa Perez, Criselda Munoz, Beth Joe Rodriguez and Lupita Suarez from requesting, approving, or obtaining tax exemptions for any real property located in the City of Weatherford, Texas; and
 - (iii) Prohibits the Parker County Appraisal District from granting tax exemptions requested by La Villa HFC regarding any real property located in the City of Weatherford, Texas.

A proposed TRO was filed contemporaneously herewith.

- (B) Prior to the expiration of this TRO, and after a hearing, to issue a temporary injunction against the same Defendants that enjoins the same unlawful conduct pending trial.
- (C) Prior to the expiration of this temporary injunction, and after a final trial on the merits, to issue:
 - (i) A declaratory judgment declaring that the Texas Housing Finance Corporation Act, Tex. Local Gov't Code §§ 394.001 *et seq.*, does not allow Defendant La Villa Housing Finance Corporation to engage in residential development outside the jurisdiction of its sponsoring local government, i.e., Hidalgo County, Texas;
 - (ii) A declaratory judgment declaring that the Texas Housing Finance Corporation Act, Tex. Local Gov't Code §§ 394.001 *et seq.* does not allow Defendant La Villa Housing Finance Corporation to bestow tax-exempt status to properties located outside the jurisdiction of its sponsoring local government, i.e., Hidalgo County, Texas;

- (iii) A declaratory judgment declaring that to the extent Defendant La Villa Housing Finance Corporation has acquired or does acquire property in the City of Weatherford, Texas (in contravention of the Act), such transactions are void *ab initio* and such properties located in the City of Weatherford, Texas are not exempt from ad valorem taxation under the Act.
 - (iv) A permanent injunction that prevents Defendant La Villa Housing Finance Corporation and Defendant Board Members Rosa Perez, Criselda Munoz, Beth Joe Rodriguez and Lupita Suarez from purchasing or approving the purchase of real property or engaging in residential development in the City of Weatherford, Texas;
 - (v) A permanent injunction that prevents Defendant La Villa Housing Finance Corporation and Defendant Board Members Rosa Perez, Criselda Munoz, Beth Joe Rodriguez and Lupita Suarez from requesting or obtaining tax exemptions for real property located in the City of Weatherford, Texas; and
 - (vi) A permanent injunction that prevents Defendant Parker County Appraisal District from granting tax exemptions to property owned by Defendant La Villa Housing Finance Corporation and located in the City of Weatherford, Texas.
- (D) To order Defendant La Villa Finance Corporation to pay all lawfully assessed taxes on properties owned by La Villa Housing Finance Corporation within the City of Weatherford.
- (E) To award Plaintiff the City of Weatherford, Texas its attorneys' fees and costs against Defendant La Villa HFC and Defendant La Villa HFC Board Members Rosa Perez, Criselda Munoz, Beth Joe Rodriguez and Lupita Suarez.
- (F) To award any other relief this Court deems appropriate at law and in equity.

Respectfully submitted,

/s/ Tammy Ardolf

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