

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

10:00 a.m.  
Thursday, October 20, 2011

2200 East Martin Luther King Boulevard  
Austin, Texas

MEMBERS PRESENT:

ROBERT "BOB" JONES, Chair  
JERAN AKERS  
WILLIAM DIETZ (not present)  
JO VAN HOVEL  
JERRY ROMERO

STAFF PRESENT:

DAVID LONG, President

AGENDA

ITEM	PAGE
CALL TO ORDER, ROLL CALL, CERTIFICATION OF QUORUM	3
PUBLIC COMMENT	3
PRESIDENT'S REPORT	3
1. Approval of minutes from prior meeting	12
2. Presentation, Discussion and Possible Approval of a Resolution Regarding the Submission of an Application for Allocation of Private Activity Bonds to the Texas Bond Review Board for Qualified Mortgage Bonds	
3. Presentation, Discussion and Possible Approval for Public Comment the Guidelines, Scoring Criteria and Targeted Housing Needs for the Allocation of Qualified Residential Rental Project Bond Funds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2012	29
4. Presentation, Discussion and Possible Approval of the Revised Fiscal Year 2012 Operating Budget	31
5. Presentation, Discussion and Possible Approval of Texas State Affordable Housing Corporation's Investment Policy	37
6. Presentation, Discussion and Possible Approval of Texas State Affordable Housing Corporation's Investment Broker Listing	44
CLOSED MEETING	
OPEN MEETING	
ADJOURN	53

PROCEEDINGS

MR. JONES: Okay. The Board of Directors of the Texas State Affordable Housing Corporation meeting is called to order. We will take the roll call here. Jo Van Hovel, Vice-Chair?

MS. VAN HOVEL: Here.

MR. JONES: Jeran Akers, member?

MR. AKERS: Here.

MR. JONES: William H. Dietz, member?

(No response.)

MR. JONES: Jerry Romero, member?

MR. ROMERO: Present.

MR. JONES: Okay. Is there anybody here for any public comment?

(No response.)

MR. JONES: Okay. At this time, we will just go right into our President's report. David Long.

MR. LONG: Thank you, Mr. Chairman, members. I want to just make sure that I introduce some people that are with us today. As you know, Pam Stein is going to be working with us, serving as our General Counsel, a representative from Greenberg, Traurig and she is here today. So if you have any questions, don't hesitate to ask for Pam.

Don Mikeska with Mikeska, Monahan and Peckham, our

recently hired third party auditor is here. They are going to start their audit in the very near future, and so they are in the office. But Don is here today.

And I also wanted to have Janie come up and make an introduction of Donna Emery, who is with Corcoran and Company, and that is the firm that we hired to help us with our -- developing our strategy and plan for our fund-raising. So Janie, do you want to do that?

MS. TAYLOR: Sure. I will just stand, since there is nothing else. Janie Taylor, manager of Marketing and Development. And I would like to introduce Donna Emery. And Donna is with Corcoran and Company. And I think I mentioned a little bit about this last month. But we decided to hire a development consultant to help Katie and I and TSAHC look at what kind of development fund raising we have been doing so far, how successful we have been, what areas of opportunity there are, and help us to develop a plan to grow our fund raising effort.

And as part of that, the first phase will be what we call a discovery phase, which includes interviewing all of our stakeholders, and our Board being part of the stakeholders. So you will be hearing from Donna in the next couple of weeks. And she will be calling you, and asking you your opinion of various either a program, or what you believe

are our strengths and our challenges, and they will kind of give us, provide us with feedback, based on everyone they speak to and their investigation on what they consider to be ways for us, kind of creating a road map for us, to be more successful. So we just wanted to have Donna introduce herself real quickly.

MR. AKERS: Question. Is it more of a plan or an evaluation?

MS. TAYLOR: Donna, do you want to -- you need to say your name.

VOICE: You need to say your name.

MS. EMERY: Donna Emery. I am with Corcoran and Company. First of all, I want to also include we will as part of our 360 review that we will be doing of TSAHC. We will also be speaking with funders and stakeholders.

And so we are looking at gathering a wide variety of information, including Board members that will help us really understand TSAHC and your programs, and identify opportunities, challenges and perceptions throughout the state and throughout the community, in terms of your programs, so that we can identify key areas for development.

In answer to your question about a plan or an evaluation, it is really going to be a little bit of both. Phase one is the evaluation. And then we will be working with

the staff, TSAHC staff to put together a plan.

And our deliverable is to bring to Janie and the development department a workable plan based on that evaluation, not just a spread sheet with a list of 30 odd items that need to be done in the first six months, but truly a workable plan that can be put into motion on day one.

And we look forward to making that presentation to you all in January. And so, we will come in with the results of that.

MR. JONES: You can do all of that evaluation and phone calls and coordinating through Thanksgiving and Christmas and New Years and have the report ready by January?

MS. EMERY: I am going to get -- yes. We may not necessarily have the plan available in January. I am not sure if that is our deliverable.

MR. JONES: It is just the period of time, when there is a lot of holidays, and they are long ones.

MS. EMERY: I am going to be busy. I am going to be starting personally tomorrow morning. So, yes, we will cover it. And we will be working and giving progress reports along the way.

It is very much a hands-on conversation with TSAHC staff, with updates of our progress and where things are going. And so you know, if we run into any complications with the

holidays, we will address those. But I don't see that as being a problem.

MS. VAN HOVEL: We appreciate you.

MS. EMERY: Thank you. We are very excited about it.

MR. JONES: We look forward to your report.

MS. EMERY: I am already overwhelmed by all of the wonderful things that you all are doing in the State and by this amazing staff, in just the short time that we have visiting. So thank you.

MS. VAN HOVEL: Thank you.

MR. JONES: Thank you.

MR. LONG: Thank you, Janie. I will tell you that Donna has already started her staff reviews. I met with her yesterday, and I know she has met with Janie and Katie as well. So they are under way, and I have every expectation that come January we have something that we can go back to the Board for, and back, so we look forward to working with them.

A couple of other quick things -- just updates. Under the Texas Foundation Fund, we can do our check presentations. We did one on September 19th, with AHA here in Austin.

We did one on October 5th with Green Doors. This, and Jamie did a really good job on that. They had a quite a

bit of publicity. They were in the Daily Texan and on Fox News.

So we were pretty pleased with that. It is good that they had their face on the paper instead of mine. Coastal Bend Center for Independent Living will be due on the 26th, while we are at the conference next week, Mr. Chair, for the Foundation Fund's Board there.

A quick update on conferences -- we have been going quite a bit. NCSHA was in San Diego and myself and Liz and Jerry attended that.

TALHFA next week. Myself, Liz, David and Paige will be at that. And obviously, it is in Bob's home town. And Jerry will be there representing a different organization that he serves on the board of.

The Texas Homeless Network conference, Mindy and I attended that, which was in Dallas last week. TACDC conference, our good friends next door, they had a conference here in town, and several of the staff attended that. It was here in Austin.

And then I had a chance to speak at the Texas Municipal Bond conference in the 26th of October at the request of First Southwest. I attended that conference and spoke about our programs that we offered there. And that was in Dallas as well.

A couple of other things. The staff had a volunteer day. All of the staff attended and participated in a staff day where we worked on a Habitat build here in Austin. I think everybody learned just how hard it is to build a home. It was about 112 outside while we were doing it.

We also had a meeting yesterday, excuse me, earlier this week with the Texas Association of Realtors, with us and TDHCA to talk about how we could continue to coordinate marketing efforts as well as get the word out about our programs and work with the realtors who we view as very strong advocates, and kind of foot soldiers for getting our single-family programs out the door.

We also had a chance to, myself, Janie, Mindy, and David Danenfelzer had a chance to visit a homeless project in Dallas called The Bridge. And had a very interesting opportunity to tour that whole thing, including a full service facility that they offered.

And it was quite a neat model to look at, and see what they offered. And I was quite impressed; we have been coordinating with.

And as far as update on my items regarding the master servicer, I will tell you that as you know, we told you the Bank of America is stepping out of the master servicing business. We are coordinating with our legal counsel to

ensure that that wind down continues through the end of this year.

U.S. Bank is an organization that we have determined that we are going to move forward with, and we're working with them. Legal counsel is working with us on the documentation necessary to ensure that we have a smooth transition, and that our single-family programs continue under that.

And we will give you an update once all that is finalized. But right now, we are still working through the mechanics to make sure that Legal has all of the documentation necessary to ensure that we have a smooth transition.

The last thing I would tell you, in terms of updates would be that Janie has, under Marketing and Communications, we have hired a new intern. His name is Bill Ellinor. And he is a grad student at the LBJ School of UT. And he is -- I think he started this week.

And he has been coming and going. He is going to have some different hours. But he is going to be working with Janie specifically. Janie and Katie specifically to again, assist us in our Marketing and Communications Division. So we are real excited to have him on board.

And with that, members, I would tell you that you have reports for single family lending, development finance,

monthly budget and investment reports are also in your book.

And if you have any questions on any of those, I would be more than happy to have either myself answer, or staff come up and discuss with you any questions you might have. Absent any questions, I would go ahead and conclude my report, Mr. Chairman.

MR. JONES: Thank you. We will go into Item Number 1, the presentation, discussion and possible approval of the minutes, held on September 14th. That is last week, chaired by, ably chaired by the Vice-Chair Jo Van Hovel. Thank you very much. The Chair will entertain the motion.

MR. ROMERO: So moved.

MR. JONES: So moved.

MR. AKERS: I will make the second.

MR. JONES: Moved and seconded. Any other discussion?

(No response.)

MR. JONES: We don't have to have public discussion on the minutes, do we?

VOICE: I would offer it up.

MR. JONES: Okay. Is there any members of the public that want to discuss -- have public comment at this time?

(No response.)

MR. JONES: Hearing none, all in favor of approval of the minutes, signify by saying aye.

(A chorus of ayes.)

MR. JONES: Okay. The ayes have it. The minutes pass. Thank you again, Jo. Turn to Item Number 2, presentation, discussion and possible approval of the resolution regarding the submission of an application for allocation of the private activity bond to the Texas Bond Review Board for qualified mortgage bonds and containing other matters. Paige.

MS. MCGILLOWAY: Yes. Good morning. Paige McGilloway, manager of single-family programs. As you are well aware, issuers are allocated a certain amount of bonding authority every year, that renews every year on the first of January. But there are periods of time within the calendar year in which some of the allocation that hasn't been used by issuers can be applied for by issuers that are in need of additional bonding authority.

And so that is what the resolution before you allows us to do. It allows us to go before the Bond Review Board and apply for an additional \$100 million for us to use in our single-family programs. And we have some deadlines that are approaching with the Bond Review Board. And that is why this resolution is before you.

MR. JONES: This is in addition to something we just didn't cover months ago, right? This is --

MS. MCGILLOWAY: Well, the resolutions that we passed a few months ago allowed us to move forward with particular bond closings, of authority that we had already captured as a corporation.

MR. JONES: Okay.

MS. MCGILLOWAY: The money requested that is before you is for us to go before the Bond Review Board and to ask for additional bonding authority.

MR. JONES: The 100 million, you could have asked for more or less but that is the right number for TSAHC?

MR. LONG: We feel like it is an appropriate number that we would utilize without having too much excess. We currently have some, but going into next year, we are trying to just hedge our bet on what we might or might not use.

This does come with a term. It doesn't have to all be used next year. We can have up to three years to use it. Assuming that we go forward with this, and it is an amount up to 100 million. We may elect not to take 100 million.

We have had conversations with the Bond Review Board. Paige and I have been on the phone with them. And as we move forward with that, along with bond counsel Fulbright and Jaworski, we continue to talk with them and make sure what

exactly we want to do. I would tell you in our conversation as of yesterday, they have \$2,065,000,000 currently of unused cap.

So they have a little bit of cap that they can afford to allocate out, and they anticipate there being a quite a bit cap available. So we figured that we would just take advantage of the opportunity to take down some additional cap and use it, and have it available, should we need it going forward.

MR. AKERS: Is it designated, as to where this exact amount would come from, or is it just an amalgamation of different --

MR. LONG: Well, because we are asking for it for the single-family programs, it always comes under that sub-ceiling of single-family programs, given the collapse. But the bonding authority -- the Bond Review Board has sub-ceilings that they work under.

And then they have subcategories within that, whether it be traditional or non-traditional, or unencumbered bond cap that is available. And they will make that determination. We basically are looking for it under the unencumbered at this point in time.

MR. AKERS: Now, this is really similar to an action that we have taken in the past a couple of times, as

I recall.

MR. LONG: Yes. We have done this before. This is just another request to do it again.

MR. AKERS: Yes. Did we do it for single? I can't remember --

MR. LONG: Single-family almost every time.

MR. AKERS: Yes. Okay.

MR. LONG: But that is what we are asking for, and we will move forward with this. Given -- we are asking for your approval of this resolution for us to go and at least seek from the Bond Review Board an amount up to \$100 million in available cap.

MR. AKERS: Just a question before we -- how much do we have in-house now, of authority that has not been --

MR. LONG: Currently, what do we have.

MS. MCGILLOWAY: We have --

MR. AKERS: Available. Thank you.

MS. MCGILLOWAY: We have currently available to us, around \$145 million. But we do have a program that is ongoing, in which we will use portions of that. So moving forward, this is a reasonable request.

MR. AKERS: Yes.

MR. ROMERO: It makes a lot of sense. We don't know what the market is going to do, going into the future.

And better to go ahead and have this available to us now, instead of trying to fight for it later.

MR. LONG: That is correct. And because we have three years to use it, it would give us more than enough flexibility.

MS. MCGILLOWAY: Right.

MR. JONES: Any other discussion?

(No response.)

MR. JONES: I will entertain a motion.

MR. AKERS: Mr. Chairman, I move approval of this. I make a motion that we approve this request as outlined by staff.

MR. JONES: Is there a second.

MS. VAN HOVEL: I will second, Mr. Chair.

MR. JONES: It has been moved and seconded. Any public comment, as to Tab Item Number 2?

(No response.)

MR. JONES: Hearing none, and no further discussion, all in favor, signify by saying aye.

(A chorus of ayes.)

MR. JONES: Okay. It is unanimous. Thank you very much, Paige. Okay. Item 3, presentation, discussion and possible approval for public comment the guidelines, scoring criteria and targeted housing needs for the allocation

to qualified residential rental project for the bonding in multi-family housing private activity bond program, with request for proposals, and the 501(c)(3) bond program policies for calendar year 2012. Mr. Danenfelzer.

MR. DANENFELZER: Good morning. David Danenfelzer, manager of Development Finance. Today, we are just going to be looking at posting these guidelines, and the proposed updates to the guidelines for public comment for the 30 days.

Essentially, this is something we do annually. We do it every -- usually every October, so that we can get these passed, give them a full 30 days and get them passed sometime either in November or December Board meetings.

As far as the substantive changes that we have made, I have outlined those in the bullet points, in the report section. We are looking at adding some changes to our targeted housing needs, which include combining rural and smaller urban markets, as a combined targeted housing need.

We are also including supportive housing under the -- it will be a combined supportive housing and housing for persons who are elderly target area. Along those lines, we are also adding additional points or set-aside for the small urban markets, along with rural markets under Section 3 of the RFP for the private activity bonds.

We are aligning our energy efficiency standards with the U.S. Department of Energy's green or Energy Star program. And the primary reason for that is, that we have traditionally used the State's, the Energy Conservation Office for Texas standards.

And what we have basically discovered over the last couple of years, they have slowly moved over to essentially adopting Energy Star standards. They don't outright say it in some of their documents. But they essentially tie everything back into the Energy Star standard.

And with federal programs now moving in that similar line, as well as housing tax credit programs requiring Energy Star construction in the future, we just felt that it would be easier for our developers and everyone involved to have the same exact standard as what other programs that will be using these funds.

The only other real considerable point that I wanted to point out was that under bullet number six there, we are reducing our minimum denomination for our publicly offered bonds that are rated A minus or below. This is a step that we took, as you will remember back in April, with the HDSA bond transaction. We really feel that this is not really a big step for us, primarily because all of our publicly offered bonds are required to only be held by either accredited

institutional investors, or qualified institutional buyers.

And so the only real entities that can purchase these publicly offered bonds are very large commercial firms, investment banks, investment management companies. So we really had originally set the higher mark of \$100,000 to limit the access of those bonds -- to limit the ability of bonds going into just small time investors accounts.

But what we realized is that we were able to under some of the updates to SEC rules and other investment rules, we were able to limit who can actually get this through those rule procedures, rather than putting the minimum denomination requirement on there. And this does help, as we saw in HDSA deal, considerably with the marketing and pricing on bonds, when we can go down to a \$25,000 denomination. So --

MR. JONES: Excuse me. What is the total dollar amount that is --

MR. DANENFELZER: Well, there is no total dollar amount at this time. I mean, essentially, this rule just takes and --

MR. JONES: No. I mean, for the program.

MR. DANENFELZER: Oh, how much for the total program?

MR. JONES: Because my second is, how much of the whole is available for rural and smaller urban markets?

MR. DANENFELZER: Right. Well, for rural and urban, smaller urban markets, we estimate right now we will get about \$53 million this coming year. We had about \$52 million and some change that was allocated. That is in our 10 percent of the set-aside for private activity bonds in multi-family. We assume that will go up slightly, simply because of the per capita, the calculation that the feds will do. So we assume we will probably get somewhere north of \$53 million this year. And that will, we will actually separate 10 percent of that off into the rural and smaller urban markets. So it is --

MR. JONES: And you are talking about the real, real small one. But you have underlined here, that a city less than 100,000, but not within adjacent to a place with 500,000 per -- so in miles, how far does that small urban place have to be from --

MR. DANENFELZER: We try not to use a mileage thing, because there is -- it is tricky to get through a mileage buffer. But --

MR. JONES: But it is trickier to just say, but not within, or adjacent to.

MR. DANENFELZER: Right. Well, the benefit is, that the U.S. Commerce Department actually does create metropolitan statistical maps, area maps. And so we can use

those maps to determine whether a community is in or outside of a primary metropolitan area, or just a metropolitan statistical area.

The benefit to that is that -- the reason we kind of chose those numbers is, we do have communities like -- I want to try to say it, like here in Austin, actually. You have a small community called Sunset Valley, which is only about 12,000 people. But it is completely surrounded by Austin.

It is obviously not a rural community, because it is completely absorbed and surrounded by Austin. But by just using a population definition, it would be hard to say --

MR. JONES: Is it within or is it adjacent --

MR. DANENFELZER: Well, it is within and adjacent to -- I mean, it is literally surrounded. The entire community is surrounded by the City of Austin.

MR. JONES: So why does it say, but not within or adjacent to?

MR. DANENFELZER: Right. So we would not allow the city of -- that type of city to happen. But you could take a community like Bastrop, which is only about 8,000 people. And they are not adjacent to.

There is a buffer between the metropolitan statistical mapping and Bastrop. It is only about a five mile difference in where that boundary hits. But it is outside,

and so Bastrop would be considered a small urban or rural market.

The same thing with communities like Victoria. Victoria is actually its own metropolitan statistical area now. But its overall population is lower than the 100,000 for the City. So we can actually include that.

Corpus Christi actually falls into right on the buffer zone. It is right around 400,000 for its metropolitan area. Once it goes over 400,000, we would actually consider it no longer a small urban market, and the areas that adjoin it.

So we tried to play with a number that we thought was reasonable. We looked at the sizes of all the metropolitan statistical areas in Texas. And I think we really only cut out about the top eight. But there is a difference between those top eight.

MR. AKERS: Well, but you get to a community or a city, an urban area like Houston or Dallas. I mean, you have got a lot of small -- still may fall in the SMA. So I am trying to get my arms around that in an area that I understand. Because I mean, I know on a map where these that you have mentioned are.

MR. DANENFELZER: Yes.

MR. AKERS: But in terms of living and having an

influence and sphere with each other --

MR. DANENFELZER: Yes.

MR. AKERS: I am not sure I really understand what your -- I can't get my hand around my area.

MR. DANENFELZER: Well, it is not necessarily city limits for the MSAs. There is a different mapping structure that the Commerce Department uses. It is actually population density.

So they look at census tract information and the population density in those census tracts to determine the boundaries of the MSA. So as soon as you start getting a buffer of lower density census tracts, or low density neighborhoods, is when they start cutting off their mapping.

It is really -- the easiest way for us to also comply, and kind of follow along with what other state agencies and federal agencies use, which is why we have used the MSA. The only difference in this, is that we are kind of trying to find a buffer zone between the definition of rural, which unfortunately right now, there is several federal definitions of rural, and even several state definitions of rural.

We have adopted the most commonly used one for tax credit programs. But we also felt that there was a need to hit those smaller urban areas like Victoria, which don't meet the definition of a rural community, but still have a very high

demand and high need for bond projects, and typically don't see them because generally, the investors are looking for the biggest areas.

And right now, in traditional East Texas, gives over 90 percent of its bond cap for multi-family in Houston, Dallas, Austin and San Antonio. So that --

MR. AKERS: Not even El Paso?

MR. DANENFELZER: Not even El Paso.

MR. AKERS: Why?

MR. JONES: Because it is by itself.

MR. DANENFELZER: I mean, 93 percent was used in those four metros. El Paso gets a deal every couple of years. Maybe every third year, they get one small deal. But that other 10 percent of properties --

MR. AKERS: So it is hard for us to get money for places other than those. Is that what you are saying?

MR. DANENFELZER: Well, it's not that it's harder. It's just that the investors prefer those areas.

MR. AKERS: Because they perceive it as safer, or what?

MR. DANENFELZER: They perceive it as a much safer investment. And so we are trying to --

MR. AKERS: And so yes, okay.

MR. DANENFELZER: Push investors into other areas

that don't get as much.

MR. AKERS: I have got it now.

MR. JONES: Jo.

MS. VAN HOVEL: Are you looking at tax codes, too, when you are doing this? Or is that incentive to different places?

MR. DANENFELZER: The Tax Code can fall into play. But at this point right now, it is not a major issue. Not from our perspective, on how we target these. I mean, the bigger issue for tax codes right now is whether or not county and local taxing entities are accepting any of the property exemptions that are --

MS. VAN HOVEL: Some of these taxes can be very steep.

MR. DANENFELZER: They can be. Yes. And that is one thing that is important. But typically in Texas, the tax rates are pretty level across the board.

Urban areas generally do have a higher tax rate, because there is more taxing entities, like community college districts or health board districts, water districts. But even given the higher tax burden in urban areas, we still find that the developers and the investors are pushing deals in those areas rather than into rural areas which would typically have a lower tax burden.

MS. VAN HOVEL: And assessments, are they -- do you know anything about that?

MR. DANENFELZER: Tax assessments? Again, those are -- the tax assessment process is, as I think most appraisers will tell you, is a science and an art. The art part, I don't understand.

MR. LONG: Mr. Romero, did you have a question?

MR. ROMERO: I did. Let's use El Paso as an example for this program. We have Santa Rosario, which is a city in itself, within the MSA.

MR. DANENFELZER: Right.

MR. ROMERO: Adjacent to the -- adjacent to El Paso, I mean. It is all within the same MSA. El Paso is an MSA within the county, the city, and all of these other smaller communities.

MR. DANENFELZER: Right.

MR. ROMERO: So they would be ineligible for the program?

MR. DANENFELZER: They would be eligible as a small urban market. But I would have to look at whether or not they qualified under the definition of rural.

MR. ROMERO: You were out there in Santa Rosario. That is pretty rural, isn't it?

MR. DANENFELZER: And that is one of the tricky

parts, is there are areas. And Santa Rosario has historically been considered a rural community, and continues to get US support through USDA programs.

I believe they would actually qualify under this program as a rural community that is interior to an MSA. But because the population is small enough, and that there is actually somewhat of a buffer between the City of El Paso limits and their city limits, that they qualify as a rural community.

MR. LONG: And I might add that this is a great discussion and a good topic for review and consideration. But I would add also that we are hoping to get feedback from the public on this as well. Which is why what we are asking you to do, is approve the guidelines as David has drafted them, to go out for public comment.

And then we will have a chance to see what public comment we get, and see if we get any further comments from the public in response to this as well. And that will add to the discussion that we are having today. So we greatly appreciate your feedback.

MR. ROMERO: I have one final comment. Is there any ability to put a waiver mechanism in here? Where you all would be able to grant a waiver, if it doesn't fall within the definitions of what you have posted here?

MR. DANENFELZER: We can always bring a waiver request to the Board for approval. And in either case, we would -- I mean, we would generally want the Board's approval.

It is probably best for us to do it through a Board approval process, so that staff also has the ability to bring that, and to educate the Board about why we are doing a waiver of these particular policies, before we just generally have a right to waive any rules. I would prefer to keep it the Board's decision on policy matters like that.

MR. JONES: But the bottom line is, once you establish areas that you can do it, you still have to find out if the developer is interested in going into those areas.

MR. DANENFELZER: Exactly. And then, generally, developers are like I said, less interested in the non-urban areas. But we are hopeful that -- you know. We have had feedback recently, that there is a number of developers who are interested in the Victoria MSA particularly, as well as Eagle Pass, because of the Eagle Ford Shale.

MR. JONES: This Board is interested in seeing these programs spread to more areas. But then again, you can't make a development go do it.

MR. DANENFELZER: Right.

MR. JONES: All we can do is set the stage, so that if they want to, they can. The question is, do they -- and

they have other considerations, like density and everything else.

MR. AKERS: And there have been some, like that you have mentioned, that wanted to, but they couldn't necessarily, because of the -- okay. So, I think we have got one in Collin County that is right on the edge of, is it -- where does it fall in? So that is what I was trying to get at.

MR. JONES: Okay. I am ready to receive a motion in regard to Tab number 3.

MR. ROMERO: I will move to approve the proposed guidelines out for public comment on the multi-family housing private activity bond program.

MR. AKERS: I second.

(Simultaneous discussion.)

MR. JONES: Is there any public comment on this item?

(No response.)

MR. JONES: Hearing none, any further discussion by the Board?

(No response.)

MR. JONES: All in favor of approval, signify by saying aye.

(A chorus of ayes.)

MR. JONES: Okay. It is unanimous. Aye. I had

to say aye. Okay. Thank you, David.

MR. DANENFELZER: Thank you very much, sir.

MR. JONES: It is always good to have somebody that can answer any and all questions about a specific item. That is the staff of TSAHC, though. Right?

MS. VAN HOVEL: Right.

MR. JONES: It makes sitting up here a whole lot easier.

MS. VAN HOVEL: That is right.

MR. JONES: Okay. Melinda. Presentation, discussion and possible approval of the revised fiscal year 2012 operating budget.

MS. SMITH: Good morning. My name is Melinda Smith. The Board had asked us at the last meeting to work with Marketing and Development to amend their budget. And we did that.

We have increased the marketing line item \$26,000 to \$50,000. And we have also increased professional services \$15,000. The net effect on the bottom line was \$41,000.

And on the second page of your handout is a detail of what makes up the marketing budget. And no other items are changed.

MR. AKERS: I have a question in terms. What does website maintenance mean?

MS. SMITH: It is just working with our website. We have an individual who helps us with the website, make changes to us, and updates.

MR. AKERS: It is not updating it in terms of the data entry?

MS. SMITH: No.

MR. AKERS: Okay.

MR. JONES: Does our website ever get attacked?

MS. SMITH: Pardon?

MR. LONG: We have not had any that I am aware of.

MR. JONES: There will be people that attack stuff just to do it. What makes that thing, do we build it, do this, and it crashed --

MR. LONG: Help us make changes to it, and whatever. But we have a webmaster that we work with specifically to help us do that. Staff have access to the website as well, and can update data.

MR. AKERS: And out of curiosity, does staff enter all of the data, and keep that up?

MR. LONG: We have staff to do that. Obviously, if we are working with a web master, and we want to make specific changes, we can coordinate with them as well.

But we have staff that have access to and update data on programs, or like if we go out to our web site, and

we want to -- like, we were asked to post transcripts of the Board meetings. We go out there and makes sure that gets posted.

MR. ROMERO: Melinda, you made a note on here that we did receive some grants that covered some of the costs on these different line items?

MS. SMITH: Right.

MR. ROMERO: We also received some grants for the mortgage calculator, did we not?

MS. SMITH: Yes.

MR. JONES: Actually, the one from Bank of America that is very specific to the website.

MR. ROMERO: But there was also something -- I guess my point here is that while we are looking at specific number in the budget, we are getting some additional funds from outside of our generation of revenues.

MR. LONG: That is correct.

MR. ROMERO: To support these functions.

MR. LONG: Yes. And it is true. And then all of those monies get rolled into our total income budget, which we use then to cover costs.

MR. JONES: Jo?

MS. VAN HOVEL: I have just got a question. Melinda, you probably answered this for me many times. Where

did this website maintenance other years, where did I see that?

MS. SMITH: It was also in the marketing line item.

MS. VAN HOVEL: Was it always separated like this, website maintenance?

MS. SMITH: In our detailed schedules, it was. Yes. In the backup.

MS. VAN HOVEL: Okay. Thank you.

MR. JONES: So basically, website development and maintenance, the two corporate grants for fiscal year 2011, 50,500 restricted to expanding the Corporation's website, that would be part of the money in the two, top two items.

MS. SMITH: Actually, that money was received last fiscal year, so it was recognized as revenue last year. And then the actual work will be done this year. But we still have the money. It was restricted specifically for that purpose.

MR. JONES: But I am saying, is that the 12,000 and the 2,000?

MS. SMITH: Yes. I am sorry. Yes. I am sorry.

MR. JONES: Well, why doesn't it show the whole 15, the whole 20? Are you saving it for a reserve to use for another year? Okay.

MS. SMITH: Yes.

MR. LONG: Janie come on up here, please.

MS. TAYLOR: Janie Taylor, manager of Marketing and Development. So that total is \$20,000. And those two grants were specific for this project, that we are doing, which our new intern Ben is helping. We are developing a website that will be part of TSAHC's as well.

MR. JONES: Okay. So some of that goes to pay for the intern, also.

MS. TAYLOR: No. No, it does not. But what it does, it is going to pay for the development of this website, which will have information on homebuyer education for the State of Texas, financial education, foreclosure prevention counseling. It is a one stop source for --

MR. JONES: To the aggregation.

MS. TAYLOR: Yes. For anyone in Texas. And then also, when are being, are available, from all of those that provide those type of resources across the state. Part of that funding was to develop, the grants was to develop the website, which is what Melinda has budgeted.

And the rest of it is to promote and advertise that resource. So the rest of it is probably within corporate marketing.

MR. JONES: Okay.

MS. TAYLOR: Okay.

MR. JONES: Thank you. Which is all part of the

deal in getting the website developed, and then getting the information out there to people so that they will really use it. Okay. I figured you all had a plan.

MS. VAN HOVEL: Jerry, some of asked Melinda to separate all of that. So we know where all of the money is. That is why we have these --

MR. ROMERO: I understand.

MS. VAN HOVEL: Okay.

MR. JONES: Okay. All right. Any further or more discussion on this item?

(No response.)

MR. JONES: Any public comment regarding this item?

(No response.)

MR. JONES: Yes. We will have a motion first.

MS. VAN HOVEL: I will make a motion.

MR. JONES: To be approved?

MS. VAN HOVEL: Yes.

MR. JONES: Okay.

MR. AKERS: Second.

MR. JONES: And it has been seconded. Now any public out there?

(No response.)

MR. JONES: Does any public want to comment out

there on this?

(No response.)

MR. JONES: Speak now, or forever hold your peace.  
You don't say that though, right?

MS. TAYLOR: Not necessarily.

MR. JONES: Okay. All right.

(Simultaneous discussion.)

MR. JONES: No further Board discussion. All in favor of approval, say aye.

(A chorus of ayes.)

MR. JONES: It is unanimous again on this item. I appreciate it. Thank you again. Tab Item 5, presentation, discussion and possible approval of the Texas State Affordable Housing Corporation investment policy. Once again, Melinda.

MS. SMITH: The Public Funds Investment Act requires that the Board approve the investment policy annually. So that is why we are bringing it to you today. We just have a couple of changes to the policy. On page 8, we have added brokered certificates of deposit as an authorized investment. A brokered CD is different from a regular CD in that it can be sold between individuals or entities.

And then on page 11, they have added some monitoring requirements, both specifically for brokered CDs, should an entity purchase them, and just for investments

overall, in terms of their rating.

MR. JONES: Just -- I am not the banker guy that deals with this every day like Mr. Romero, but and what does the brokered certificate of deposited securities -- explain that to me.

MS. SMITH: I am sorry. Say that again?

MR. LONG: Are you asking what it is, or --

MR. JONES: How does it work

MR. ROMERO: It is the ability of the organization to go out and purchase CDs and still be insured under the FDIC insurance. And what they are doing is, brokering it from different financial institutions.

MR. JONES: So you spread it around.

MR. ROMERO: Yes. So in other words, normally, as an organization, you would only be authorized up to \$500,000 on FDIC insurance on one particular account. You can't go to that same bank and get another account, and get that coverage as well.

MR. AKERS: So you spread it out.

MR. ROMERO: You spread it out. Right.

MR. AKERS: Is that these brokerage lists that --

MR. ROMERO: Right.

MR. AKERS: Okay. I have got you.

MR. ROMERO: Right. You can go to different

institutions that do those things.

MR. AKERS: I have got you.

MR. JONES: And you say this was added?

MS. SMITH: Yes. This part, the Legislature added it this past session.

MR. JONES: Okay.

MS. SMITH: As an authorized investment. And so then, we have added it to our policy.

MR. JONES: You felt the need to add this because?

MS. SMITH: Our investment advisor suggested that we do it, just simply because there are so few investments that are available to us, as a public entity.

MR. JONES: Right.

MS. SMITH: That offer any kind of interest rate at all. She is not particularly excited about our investing in a brokered CD, but she wanted to add it, just in case.

MR. ROMERO: And actually brokered CDs right now are probably paying a much higher interest rate than any other kind of investment.

MS. VAN HOVEL: And who is she?

MS. SMITH: Linda Patterson.

MS. VAN HOVEL: Okay.

MR. AKERS: Does that spread the risk for us, so that it is a more --

MR. JONES: I think she said, excuse me a minute --

MS. SMITH: Actually, I believe Linda felt like it was a higher risk for us.

MR. AKERS: A higher risk.

MR. JONES: You said a higher risk. But Jerry said --

MR. ROMERO: You are still insured. The risk that you are going to get when you buy a brokered CD is that it is a term instrument. Once that term is up, you are not guaranteed that you are going to get that rate again. So there is risk --

MR. AKERS: You are basically trying to average out your weighted average.

(Simultaneous discussion.)

MR. AKERS: Yes. It is making your long term a little shorter. But, okay. I have got you.

(Simultaneous discussion.)

MR. AKERS: Maybe the word is not liquid that I want to use, but does it make it easy to move those funds around, and more manageable?

MR. ROMERO: It really comes down to how they manage it. I mean, if you get a lot of five year CDs, they are not liquid. But if you manage a portfolio where you have CDs that are maturing on a monthly basis, you have access to

those funds every month. You could be doing twelve month CDs --

MR. AKERS: And therefore, you are paying a cost through the --

MR. LONG: The return is shorter. It is less for the shorter term investment. That is correct. And I would tell you, we work with Linda Patterson of Patterson and Associates, there as investment officer. And she coordinates with us to insure that we have a weighted average maturity that allows us to have access to funds, and liquidity as we need it, given where we are at.

So and having said that, working with Melinda ensures that we have both, trying to achieve that threshold, the highest rate of return with the liquidity we need. And so you have to kind of margin that out.

MR. JONES: Right. But any words, like risky, we don't normally like them. But then as Jerry said, but they pay you a higher rate of return --

MR. ROMERO: Again, the risk. Let me explain. The risk itself, you are insured. In most cases, when we are dealing with an institution, it is a public funds investment. So they are not only -- you are not only insured with the FDIC, most of those are dollar for dollar collateralized. It is not hard. So when you go to a bank, and you get a \$500,000, they

are probably pledging \$525,000 as collateral against that CD.

MR. JONES: Well, it seems like if that is the better rate of return, and all, that we would be looking at that harder. But what I guess I am hearing is, but we don't really want to. We don't really like it.

MS. SMITH: Linda's only concern about that, you know, there is a higher monitoring involvement. Because you can buy a brokered CD from any state, according to the investment policy and the new legislation. And so we would have to monitor those banks, and make sure that their ratings stays where it is supposed to be. And that is where the risk is. It is not -- it is just --

MR. ROMERO: We're not at risk of losing our principal.

MS. SMITH: Right. Unless the bank were to go under. And there have been a few. And I think that was what --

(Simultaneous discussion.)

MR. ROMERO: Then you have your insurance. That is correct.

MR. JONES: Okay. Do I have a motion?

MR. ROMERO: Move to approve the new investment policy.

MR. JONES: Is there a second.

MS. VAN HOVEL: Mr. Chair, I will second.

MR. JONES: Moved and seconded. Is there any public comment on this item?

(No response.)

MR. JONES: Any further Board comment?

(No response.)

MR. JONES: All those in favor of approval, say aye.

(A chorus of ayes.)

MR. JONES: Okay. There it is. Thank you, Melinda. And one more time.

MS. SMITH: Yes.

MR. JONES: Okay.

MS. SMITH: The Public Funds Investment Act also requires that the Board approve our broker listing.

MR. JONES: Presentation, discussion and possible approval of the Texas State Affordable Housing Corporation investment broker listing. Just like in the World Series, where you have batted second, third and fourth. Right? Go ahead.

MS. SMITH: I am not sure I caught that.

MR. JONES: We need you. The Texas Rangers needs you.

MS. SMITH: Okay. But anyway, the Public Funds

Investment Act requires that the broker listing also be approved by the Board. These eight brokers are the same brokers that we had last year. There have been no changes in the broker listing. It is just a requirement that we reauthorize them.

MR. AKERS: Do you all, is it an ongoing process that you all do, to review these folks? Do you do it annually?

MR. LONG: Annually.

MR. AKERS: Or how does that work? You are attesting to that all of these are accurate.

MR. LONG: Right. That they meet certain criteria. And our investment officer, our investment broker that we work with, Linda Patterson and Associates maintains the compliance files on those organizations for us.

MR. AKERS: Yes. Okay.

MS. SMITH: And she monitors that for us.

MR. LONG: She monitors it for us.

MR. AKERS: Because you are asking me to approve it. I don't know anything about any of these people.

MS. SMITH: Right.

(Simultaneous discussion.)

MS. VAN HOVEL: Does she do that alone, or do you know?

MS. SMITH: She pretty much does that by herself.

She monitors all of these organizations for us. Yes. We pay her for that.

MS. VAN HOVEL: Is there a listing?

MS. SMITH: Yes.

MR. LONG: And we establish certain criteria for them to fall under. So she is not just basing it and telling us whatever. There is criteria that we establish, under the Public Funds Investment Act as well as internally.

MS. SMITH: And on occasion, she will remove one from the list.

MR. JONES: Can I do this in two motions?

MR. LONG: However you want to.

MR. JONES: I want to do for the five, seven and eight and then do number six separately. Would that be appropriate? Or are you going to vote on all of them, Jerry?

MR. ROMERO: I am going to abstain if you vote on all of them.

MR. JONES: No. That is why I am separating them out.

MR. ROMERO: Sure. That is fine.

MR. JONES: Okay. So --

MR. LONG: Just imagine what the motion reads.

MR. JONES: Again, well --

MR. AKERS: Mr. Chairman, I move that we approve

this list of brokers, with the exclusion of number six, Wells Fargo.

MR. JONES: Okay. Now that sounds like we are saying no to Wells Fargo. I want to make sure that is not what we are doing. I want Mr. Romero to be able to vote on this, even though he is going to abstain because Wells Fargo is included in the initial list. If I take Wells Fargo --

MR. AKERS: All right. Then I will rephrase it. For procedural purposes, I move approval brokers 1, 2, 3, 4, 5, 7, and 8.

MR. JONES: Okay. Is there a second?

MS. VAN HOVEL: Yes. I will second.

MR. JONES: There is a second. Is there any public comment?

(No response.)

MR. JONES: Hearing none, and no further discussion, all in favor, say aye.

(A chorus of ayes.)

MR. JONES: Okay.

MR. ROMERO: Mr. Chairman.

MR. JONES: Yes, sir.

MR. ROMERO: I move approval of broker six, Wells Fargo.

MR. JONES: Is there a second?

MS. VAN HOVEL: Second.

MR. JONES: Is there any public comment regarding this motion?

(No response.)

MR. JONES: Hearing none, is there any further discussion by the Board?

(No response.)

MR. JONES: All in favor, signify by saying aye.

(A chorus of ayes.)

MR. JONES: Opposition?

(No response.)

MR. JONES: No. Any abstentions?

MR. ROMERO: No. I oppose. I mean, I am sorry. I abstain.

(Simultaneous discussion.)

MR. AKERS: You better not oppose. You might have to walk home.

MR. JONES: Let the record show that --

MR. ROMERO: I abstain from the vote.

MR. JONES: Okay. So there is three yes, no noes, and one abstention.

MR. ROMERO: Thank you

MR. JONES: On that vote. Okay. All right. That is all. There is nothing else.

MR. LONG: We don't have any need to go into closed session.

MR. JONES: Can't we pick out one of the other staff?

(Simultaneous discussion.)

MR. JONES: Ask them something? Nothing. Here comes Janie again.

MR. LONG: I have just been informed that we have new guests in the audience. Meredith Fowler is here, with the Speaker's Office. Hello, Meredith. I think she wasn't here when I started. So I didn't know until now. Right now, I see Meredith Fowler back there.

MR. LONG: I don't know if it is appropriate or not, but she has placed herself in the corner back there.

MR. JONES: Welcome. We appreciate you stopping by.

MR. LONG: Okay. With that, Mr. Chairman, we don't have any need to go into closed session. As always, I would like to at least let the Board know that our next scheduled Board meeting is November 10th, which is the second Thursday of the month.

As always, we would take any opportunity to revise that date, if the Board so wished to, based on their schedules. And also, as we work towards that time frame, we will determine

whether or not we have sufficient items that we need to bring before the Board as an issue. We tentatively put on the calendar for the 10th at 12:30.

MR. AKERS: I would like to comment on that, if I may.

MR. LONG: Certainly.

MR. AKERS: What is the likelihood of it being the 10th? I mean, is it strong? Is it dependent.

MR. LONG: It is whatever you all tell us.

MR. AKERS: No. I am talking about in terms of what staff will need most to act upon. And then I am going to get to our potential attendants next.

MR. JONES: Okay. Well, first of all, the 10th is what we said it would be every month. So that is why it is a starting point.

MR. AKERS: I understand. But my point is, is that when I buy a ticket in advance, and then have to change it, I have nullified any savings to the Corporation that I have --

MR. LONG: And we appreciate that consideration. And we certainly --

MR. AKERS: So that is my concern.

MR. LONG: I understand that.

VOICE: Talk to Nick. He will help you with that.

MR. AKERS: No, he is talking to me. That is why I am bringing it up.

(Simultaneous discussion.)

MR. ROMERO: I have had that conversation myself.

MR. LONG: I can't help that.

MR. AKERS: I swear, I thought I was stealing his money.

(Simultaneous discussion.)

MR. JONES: I thought that the problem with Thursday, since it might be tentative, the 17th would be a lot better.

MR. LONG: Well, let me -- I don't know what we'll have in terms of agenda items at this point in time so me telling you the 10th is just because that is our regularly scheduled date.

MR. ROMERO: It is the second Thursday of every month.

MR. LONG: The second Thursday of every month. And the staff meeting too.

MR. AKERS: Will all of us here be able to be here, that we know of?

MR. ROMERO: It is on my calendar, so yes, I can be here.

MR. AKERS: Okay. All right. So if we decide not

to do it, then I just say, that ticket becomes, I don't have to change it. So that will be done.

MR. LONG: Okay.

MR. AKERS: That is what I was really trying to determine.

MR. LONG: And all I was doing, was giving you the next scheduled date, as I do every time.

MR. AKERS: Because the changes can passive come up because one of us could not make it, or whatever. A couple of us.

MR. LONG: Certainly. Right.

MR. AKERS: So, I have got that.

MR. JONES: I just went through that. I was scheduled to be in Europe at a conference next week. And because of the --

MR. LONG: That TALHFA conference.

MR. JONES: The TALHFA conference. I had to move it from that weekend to this weekend, to go to France. But Janie, guess what? I won't be coming back until Wednesday, the 18th to the 26th.

MR. ROMERO: Your reservations are on Monday.

MR. AKERS: Did you see that book?

MR. JONES: It just dawned on me, sitting here. Because I had moved. I was supposed to be here, and then leave

from the conference and go. But because of the conference, I had to go to leave earlier. Because it was set. It is international. It is in Paris, and I have got to go.

(Simultaneous discussion.)

MR. LONG: We will make arrangements. We will do what we need to do.

MR. JONES: Able to move it over one day. Ask them, at least ask them. Just ask.

MR. ROMERO: Bob, I will be happy to stand in your place. I am going to be there anyhow.

MR. JONES: Okay. All right. You are not going out there? You are not going there?

MR. LONG: It is already scheduled.

MS. TAYLOR: That is not available.

MR. JONES: I know. Okay, thank you David.

MR. LONG: And with that, Mr. Chairman, I have no other additional business to bring before the Board, unless you all have something for us.

MR. JONES: Okay. Anything else? All right. Staff looks all nice. Can we have the next agenda, have Liz up? She hasn't been in the hot seat for a while.

MR. LONG: I can be absent if you want, and she can run the meeting. Are you giving me a day off? Is that what you are telling me, Mr. Chairman?

MR. JONES: We appreciate all of you all. Okay.  
The meeting is adjourned.

(Whereupon, the meeting was adjourned at 11:00  
a.m.)

CERTIFICATE

MEETING OF: TSAHC Board

LOCATION: Austin, Texas

DATE: October 17, 2011

I do hereby certify that the foregoing pages, numbers 1 through 53, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas State Affordable Housing Corporation.

10/25/2011  
(Transcriber) (Date)

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