

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

TSAHC Offices
2200 East Martin Luther King Jr. Blvd.
Austin, Texas 78702

Thursday,
September 13, 2012
10:13 a.m.

BOARD MEMBERS:

WILLIAM H. DIETZ, JR., Acting Chair
JO VAN HOVEL
GERRY EVENWEL
JERRY ROMERO

ON THE RECORD REPORTING
(512) 450-0342

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PROCEEDINGS

MR. DIETZ: Okay. We will call the meeting to order in our meeting of the Texas State Affordable Housing Corporation. It is September 13, 2012 at 13 minutes after 10:00 a.m. And we are at the offices of the Texas State Affordable Housing Corporation, located at 2200 East Martin Luther King, Jr. Boulevard in Austin, Texas.

Let's have a roll call. Bob Jones is absent. Jo Van Hovel.

MS. VAN HOVEL: Here.

MR. DIETZ: Bill Dietz, I am here. Gerry Evenwel.

MR. EVENWEL: Present.

MR. DIETZ: Jerry Romero.

MR. ROMERO: Here.

MR. DIETZ: And in Mr. Jones's absence, I will be serving as the interim chair for this meeting. Okay. We have a quorum, and we will start with the Audit Committee report. We just had an Audit Committee meeting immediately prior to this meeting, and Jo Van Hovel was the Chair of the Audit Committee meeting.

So, Jo, I will turn it over to you.

MS. VAN HOVEL: Thank you, Mr. Dietz. Melinda Smith is going to report for me.

MS. SMITH: Thank you. My name is Melinda Smith. We did have an Audit Committee meeting this morning. We had three agenda items. We approved the minutes from the previous Audit Committee meeting. We went over the proposed fiscal year 2013 operating budget in detail. And the

Audit Committee voted to recommend the budget to the full Board for approval. And then our auditor was here. And we had a short presentation that he gave to the Audit Committee on the responsibilities of the auditor and management regarding our upcoming financial audit. That concludes my report. Thank you.

MS. VAN HOVEL: Thank you. That is it, Mr. Chair.

MR. DIETZ: Great. Any comments or questions?

MR. ROMERO: Yes. Melinda, were there any significant items on the budget that had a significant change?

MS. SMITH: I am sorry.

MR. ROMERO: Any line items that had a significant change on the budget?

MS. SMITH: From?

MR. ROMERO: From last year.

MS. SMITH: Nothing. Nothing other than if you look at the very last line item, single-family program expenditures. It is because of the bond program. But we are going to go over that in the agenda item later in the meeting.

MR. DIETZ: We'll review this data later in the Board meeting.

MR. LONG: Correct. Mr. Romero, if you will, the Audit Committee voted to approve recommending the budget as presented to the full Board. And so that is one of the agenda items we will be addressing at that time. We can more happily go over any of the questions you might have on any individual line items or support documentation related to it.

MR. DIETZ: At that time. Great. Thank you, Melinda.

MS. SMITH: Thank you.

MR. DIETZ: Let's move on to the President's report. Mr. Long.

MR. LONG: Thank you, Mr. Chairman. David Long, President. Quickly, make some introductions.

As Melinda just mentioned, that Don Mikeska, our auditor is here, with Mikeska, Monahan and Peckham. Chris Spelbring is also here with Raymond James Morgan Keegan, as their underwriting firm. And Pam Stein is here, as General Counsel with Greenberg Traurig.

You are going to be having some staff presentations later in the meeting, by David Danenfelzer, Tim Almquist, Janie Taylor, and Liz Bayless. So that was something we had decided we would do, kind of on a monthly basis, to get the Board some updates on some of the programs and just kind of provide some overview of those programs.

A couple of updates on some things that have been going on this week. Janie Taylor and Paige Omohundro and myself attended the Texas Association of Realtors conference in San Antonio. We had a booth down there, and I attended some of the meetings that were going on.

Paige continues to participate in the Texas Association of Realtors United Texas. It is a training program whereby we present as a course that is used for training realtors about programs that we offer for affordable housing. And that is done in conjunction with several other issuers. But it is done under the guise of the Texas Association of Realtors.

There will be some additional travel that will be going on. Mindy and myself will be attending the Texas Homeless Network Conference in Houston later this month.

They -- we continue to have related meetings at the Legislature as we prepare for session. Charlie Leal, our Government Relations specialist is working at setting up meetings. We continue to have those.

We will also have Charlie and Janie will be attending the CLEAT or the Combined Law Enforcement Agencies of Texas conference. Again, they are eligible to participate in our single-family programs. So we go down and we will have a booth down at that conference.

Paige attended the -- made a presentation in Dallas as the National Association of Hispanic Real Estate Professionals. So she was recognized at that.

And then we also, Paige and Janie will be attending a financial fitness workshop in Houston that is going to be hosted by Representative Carol Alvarado. We actually had an opportunity to go down and meet with her, myself, Charlie and Janie.

I went down and met with Representative Alvarado. And during that meeting, she mentioned to us that we would be having this in coordination with Wells Fargo. We have been invited to participate. So we are looking forward to having that opportunity.

Obviously, we will continue to keep you up to date on other projects that we are doing. And any other changes that we move towards, as we move closer to the legislative session.

One last thing I would mention is that as we get to the end of the meeting, I will make reference to the next Board meeting that we have scheduled. So with that, I will answer any questions, or allow you to move on to the presentations of staff.

MR. DIETZ: Any questions for the Board members?

(No response.)

MR. DIETZ: Okay. Well, why don't we go on to the next item on our agenda, which is the staff presentations. Dave, you are first.

MR. DANENFELZER: Good morning. David Danenfelzer, manager of development finance. This morning, I am presenting some information in summary about the Affordable Communities of Texas Program.

As many of you know, this is the Corporation's land bank and land trust initiative, which began back in 2008. And since then over the last several years, we have grown the program rapidly, especially with the assistance of federal NSP funding, through the State of Texas. And now have more than 400 homes that we have pushed through the program either through donations, acquisitions, by using NSP monies, or direct donations from banks and financial institutions.

My summary kind of covers most of the key details of the program. But if there is anything in particular you would like to ask about, I can also give you an update on our land trust program up in Plano, which was approved by the Board back in March of this year, and as a planned conversion of an older PHA property, or public housing authority property.

And we have now got some good solid plans on that. And the

local partner is pushing the development plans through permitting and the review with the City of Plano. And we do hope to have a groundbreaking, actually, in early November for that project. But I will open it up to questions if there are any.

MS. VAN HOVEL: Mr. Chair, I have a question. Tell us a little more about the donated properties that we are acquiring.

MR. DANENFELZER: Yes. Well, and as part of the ACT program, and really as a direct result of our relationship with the National Community Stabilization Trust, we were able to -- we have been able to develop very strong relationships with a number of financial institutions and mortgage companies with foreclosed properties.

Our primary relationship originally was buying those properties from banks. But along the way, what we have discovered and what we have found out is that a number of the banks have very low value properties throughout the state. Many in local -- in areas where we have local partners.

But these low value properties often either have minor title issues that they can be cleaned up really just by time or are of so low value that the banks really realize that holding on to a 5- or \$6,000 property and trying to market it themselves is not really worth --

MS. VAN HOVEL: Is that what they are?

MR. DANENFELZER: Yes. In many cases, they are very low value properties, around 5- or \$6,000. And in essence, the banks have said it's not worth trying to market these and trying to sell them because they're so low value. The costs of doing that.

They can get a lot more benefit from tax deductions by literally donating them to us. So what we have done is picked up a number of these properties around the state, where we have local partners who have been able to put those properties into active use with our local partners.

In a couple of cases, they have redeveloped those homes, or built homes on those sites and been able to sell them to low income families. In other cases, we have received properties that are not ideal for affordable housing.

For example, we have received a couple of properties in the community of Rosharon, which is southwest of the Houston area, down in Montgomery County. Or not Montgomery County, but Brazoria County. And these are very large lots; they're actually five-acre parcels of land. The subdivision has an HOA fee with very high costs to it, and so they are not ideal for affordable housing.

But we have been able to take those, remarket them ourselves. And then the earnings from the sales of those properties would be put back into the ACT program, and then used to buy other properties that we will be able to provide affordable housing on.

MS. VAN HOVEL: So are these going to be costly to us? Do we have to have insurance, or what do we have to do?

MR. DANENFELZER: We do carry insurance. One advantage that we have is that we are a 100 percent property tax exempt entity. So we don't have any carrying costs on taxes. On insurance generally, it is pretty affordable, because we have a blanket general liability policy. And we

are not accepting that many properties that we know we are not going to be able to turn very quickly, or that we can get to a local partner that have homes on them. So we are accepting a lot of these donations that are blank parcels of land.

MS. VAN HOVEL: So you are limiting how many you are going to take. Right?

MR. DANENFELZER: We are limiting how many we are going to take. And we look at that every day. Or at least, every month. We kind of look at the number of properties we have in portfolio. We have not reached our cap right now. We still have funding available to cover those properties. And we have already begun realizing sales. So we are generating income from properties already. And that money will be pushed back into the program and allow us then, like I said before, to buy properties that are very desirable for affordable housing. And then we can get into active service.

MS. VAN HOVEL: So some of these houses that are not very good, do we have to pay for the repairs and things like that for them?

MR. DANENFELZER: No. In general, if there is a house on one of the donated properties -- if it's not in a location where we have a local partner ready to tackle it and lease the property, or at least buy it from us, then we are not really accepting those properties. Because structures are something that does add a lot of costs of insurance. And we try not to get into those.

But we have accepted a few, because, for example, we did look at one last week which we have asked our local partner in the Galveston area to

look at, because it is a small duplex. It does need quite a bit of repair. But they target female veterans and their families, and we would really like to help them get a house down in that area.

For them, it is right now, the property tax value of that property is about \$46,000. And we feel that if we can transfer that equity on to them, and allow them to use that home and fix it up for another 20- or \$30,000, and then rent it out to low income female veterans, we think that is a great deal for us. It is a real success story.

MS. VAN HOVEL: Okay.

MR. DIETZ: Great.

MR. DANENFELZER: Thank you.

MR. DIETZ: Any other questions for Dave?

(No response.)

MR. DIETZ: Okay. Thank you, Dave.

MS. VAN HOVEL: Thank you, David.

MR. DANENFELZER: Thank you.

MR. DIETZ: It looks like Tim is next on the agenda.

MR. ALMQUIST: Good morning. I am Tim Almquist, single-family compliance manager. It is good to see you guys today. In just a minute, I am going to tell you about an exciting new program we plan to launch in November of this year. It is a brand new program.

I am new to the Agency. I came on in May of this year. But first, I think as the Board to let you know a little bit about the history of why we think it is necessary to go down this path. Ever since single-family housing

agencies have been developing these programs, they have relied on the private sector to administer them on their behalf, because of capacity issues, expertise issues. We need these large national banks to come in and actually perform loan review, loan purchase, securitization, servicing and that kind of thing that HFAs typically don't have the resources to do.

In the beginning, I have been in the business for about 22 years. In the beginning, we had three national banks that really served our little niche of the industry. They were CitiMortgage or CitiBank, Bank of America and U.S. Banco Mortgage.

Everything went along swimmingly until about 2007, when the housing market really took a turn for the worse. And as a result of that, there were many regulations that were implemented that really made this a business model that didn't fit with a lot of the large banks.

There were some accounting rules that came into place; Basel III. There were some legislation that didn't really work out too well. Dodd-Frank was not very friendly to the big banks. And the uncertainty just made it not a very good business model for them to be in. So the bottom line is, we are down to one provider. One private entity that provides service to our entire little niche of the industry.

With that said, I think it is important to know that the successful housing agencies two years, five years, ten years from now would be those that become a little more self-sufficient and less reliant on the private sector. So that leads me into what we are doing today.

In November, we plan to launch our loan reservation and

compliance system process. And what that means is, instead of relying on a third party to accept loan reservations from our 50 or 60 lenders out there participating in our programs, we have implemented a system where the lenders will register loans on a new software system that we just purchased from Emphasis Software.

We went out with a competitive bid. We got three bids back from the guys we expect to get bids from. We chose the best package. And we had that implemented for about a month now. We are putting that together. We plan to be able to launch it again in November of this year.

What that does for us, and I think the benefits of bringing this in house is, number one, we get complete control over our program. We don't have to rely on these third parties to start implementing rules that we don't agree with, or doing things that we don't really think are important to the program.

Another thing is we can do it more cheaply. E-housing right now charges \$225 to do their compliance review on these loans. We plan to open it up at \$200. And as we get along, as we pay for our initial investment with the software, I think we can look at it again, and maybe make it even more cheaper for the homebuyer to get into this type of program.

Also, we will be generating a revenue stream. You know, \$200 for every loan that we do. We have done about -- it will be about 850 loans before we pay off our initial investment. But that should be done within about six or seven months.

So after that, we will be having a nice little tidy revenue stream coming in, on top of everything else. And we will be able to focus more solely

on our individual program. We don't have to worry about an entity that is serving 30 or 40 housing agencies. We just have to worry about our pipeline of loans, our lenders, and our production.

So I think it is a win-win for everybody. It is an exciting program. The software is great. I personally think that the software package that we purchased will drive lenders to our program over other programs. Because it is that streamlined.

It is electronic documents. There is no paper file. And we can have the fee for the service come out of the lenders' wire when the loan is purchased by U.S. Bank. So it is going to be very much more streamlined for the lenders. Easier for us to handle.

And I think good all the way around. And that is it in a nutshell. In case you guys, or unless you guys have any questions.

MR. EVENWEL: It sounds like, as the new guy on the block, you are having fun here.

MR. ALMQUIST: I am having a great time here. It's a great place to work. It's a little different coming from a 300,000-person organization to a 16-person organization. But, you know, I couldn't be in a better place. Everybody is great here, for the most part.

MR. LONG: You're still on probation.

(General laughter.)

MR. EVENWEL: So in your last statement there, about driving the business our way, is there lots of competition out there that we are fighting against?

MR. ALMQUIST: Funny you bring that up, Mr. Evenwel. We are -- you know, there are two state agencies that we like to call in Texas. TDHCA is one, and we are the other statewide provider.

There is a new kid on the block; Southeast Texas that plans to launch a program statewide. We are still trying to get our head around how they plan to do that. But we have seen the documentation. And they plan to come in and give us some competition, too.

I think by showing our lenders great customer service, and showing them through our systems that ours is the easiest program, and the best to do, I think lenders that participate in our program and other programs will see that ours is the one that they really want to commit to. And we are hopeful that it will drive more volume our way.

MS. VAN HOVEL: Are they a non-profit, too?

MR. ALMQUIST: Yes, they are. I believe. Or are they just local?

MR. LONG: I think they are a local housing finance authority. I don't know if by definition that makes it a non-profit or not.

MR. DIETZ: Great. Thank you.

MR. ALMQUIST: Sure.

MR. DIETZ: I think we have got Janie on tap next. Correct?

MS. TAYLOR: Thank you.

MR. DIETZ: Thank you. And welcome again.

MR. ALMQUIST: Thank you.

MS. VAN HOVEL: Hi, Janie.

MS. TAYLOR: Hi. Good morning. Janie Taylor, manager of Development and Strategic Communication. And I am going to give you a presentation on our marketing and communications activities. And the document that you have, I put together for this presentation.

And what I did is, I tried to categorize our activities by different types of marketing or communications. And just to kind of give you an idea of the things that we do. So we do some traditional, what we call traditional print advertising for our -- mostly for our homebuyer program.

And these are in magazines that target the professional educators and our heroes. Those work really well and for a couple of reasons. One is because their audience are those groups of people that are eligible for the program. And that is really hard to find in terms of a medium out there, where you can directly target the population you are trying to reach.

But they tend to be generally pretty -- not inexpensive, but just in terms of what we get for this, it is a pretty good buy. I know that Paige makes -- will tell me, like we must have just had a new ad out. Because I am getting lots of calls from people that have seen our ad.

Then I did bring an example of one of them, if you did want to take a look at it. I do have a -- and these are ads that we design ourselves. But anyway, they are mostly -- most of them are quarterly. Some of them are monthly. They are like an e-newsletter that they are sending out.

The other type of advertising that we just started doing is web advertising. And we just started doing this a couple of months ago. And this is GoogleX. And I don't know if you are familiar with what that is.

But when you -- you know, when you search for something for a term on Google, you will get your, the return on the search for that term you looked up. But in addition to at the top, it you will see some ads.

And that is what we started doing. And I have another example. I am sorry. I should have asked you to --

MR. DIETZ: You stand up the whole time.

MS. TAYLOR: I do stand up the whole time. Yes. But they -- so how those work is, we have words that we tell Google, when somebody in Texas searches this particular word, we want our ad to show up. And there is a whole background in when your ad shows up, versus somebody else's ad.

And it just has to do with the bidding process, and things like that. But you don't get charged for that ad, unless somebody actually clicks on it. And then it takes it to your website. We have had really great success with that ad so far.

We can go and look at any given period of time, on our website this thing called Google Analytics in terms of people that are coming to our website. How are they getting to our website. What pages are they visiting. Where are they visiting the most. Where are they staying the most.

Since we started these ads, our -- the third highest way of how people go to our website is through these ads. So we are getting a huge volume to our website from those ads. So I think they are working really well.

We are also doing them for our new website, at Texas Financial Toolbox, which is a consumer site we have, that we launched this summer.

That helps consumers find either homebuyer programs, or accounts that are for foreclosure prevention, homebuyer education. Financial education. So -- I am sorry. Go ahead.

MS. VAN HOVEL: Yes. I just want to ask. Is it helping, some of these ads and things. Are you getting more response from realtors?

MS. TAYLOR: Yes. Most definitely.

MS. VAN HOVEL: Are you targeting into their offices more?

MS. TAYLOR: Yes. And so it is -- so that brings us to the next area. So as Dave had mentioned, you know, one of the other things that we do is, we attend conferences.

MS. VAN HOVEL: Yes.

MS. TAYLOR: So like this Sunday, we were at the Texas Association of Realtors. And we have an exhibit booth there. And that is just realtors. And so they are coming by. And they are stopping. They are talking to us about our program. They are taking our information. They are leaving their card. Which we then in turn --

MS. VAN HOVEL: A down payment.

MS. TAYLOR: Yes. They are leaving their business card. And then we add them to our email mailing list. And we regularly email information out to the lenders.

MS. VAN HOVEL: So you see more activity?

MS. TAYLOR: Absolutely.

MS. VAN HOVEL: Great.

MS. TAYLOR: Absolutely. Yes. So and you can see all of

the different organizations where we attend those conferences and we exhibit at them.

MS. VAN HOVEL: Thank you, Janie.

MS. TAYLOR: Yes. And the other activities, because they were -- just different types of activities that we do. So I just put them in as other.

But as I mentioned, we do a lot of email marketing. Our contact list is about 7,000. And we have them segregated by different groups. So we have a realtor group. We have a lender group. We have a non-profit developer group. We have a legislative group.

We have lots of different types of segments. And so we pick and choose, depending on what we are marketing, what program we are marketing. We also do press releases several times a year. We use a service called PR News Wire, and we do those both in English and Spanish. And those work really well.

We do get a lot of calls from people that see the press releases. We also are in social media. So we do Twitter and Facebook. So almost -- in emails that we send out, we then you know, try to post it on Twitter and Facebook.

Our annual report is another way that we continue to market. You got that last month, a copy of our 2011 annual report. We use that to attend different meetings with lenders. It is also on our website.

We also do, we have brochures and flyers for all of our programs. We are going to be updating all of those this year. We did plan in

the budget to hire a graphic artist.

Also, you know I mentioned that this, the ad that you just went around. That was produced internally. We are going to try to get a graphic artist to produce some more material for us, that we can start using this year to look just a little bit different.

One of the biggest ways I think, that we reach our different audiences is through speaking opportunities. Dave does a lot of presentations and conferences. He gets asked to speak a lot about his programs. And that is really important. The same goes for Paige. She teaches a class that is part of the Texas Association of Realtors.

She attends different conferences or luncheons put on by lenders or realtors. And that is really important. Because they get to see someone face to face and they can ask those questions. And the other thing that -- obviously our website is one of the biggest ways that we market our programs.

I did want to mention that we are, and we did start the process of completely -- we are going to redesign our website completely. We are hoping that will be done by the beginning of next year. And then, we'll do some direct mail. Which is an actual piece that goes and gets mailed out. We have done that, some of that to lenders and realtors.

And then we do, also do promotional items, that like, cups and mugs and things like that, that you take to either events that you are attending or conferences. And then the last thing that I put on there were, sometimes we are not necessarily speaking or exhibiting at an event, but we're sponsoring it.

And that gives us an ability to have an ad in the program, and logo recognition for that event. And some of those are just important because it is a developer event, or it is a Habitat for Humanity event, or something like that, that is important for us to have some little recognition with those individuals.

And so that is the information that I have. And I know I gave you a lot. And so if you have any questions, please feel free to ask.

MR. DIETZ: Great.

MS. TAYLOR: Okay.

MR. DIETZ: Thank you.

MS. TAYLOR: Thank you.

MR. EVENWEL: Do you have a day off, once in a while?

MS. TAYLOR: Well, I --

MS. VAN HOVEL: She is not supposed to.

MS. TAYLOR: Right.

MS. TAYLOR: You know. All of this doesn't get done by me only. It is a lot of -- you know, a lot of people. We all collaborate together. But yes. We do a lot. It is always amazing how much people do. So thank you.

MR. ROMERO: Do you do web based advertising. Is that just Google right now.

MS. TAYLOR: It is just Google right now. It really is probably just best way out there. We did look. And I will tell you that we did look at Bank Rate for example. A specific website, advertising just on that website.

And the costs analysis of that, it is pricey. And you are -- it's pretty wide open in terms of who you're going to get on that website. You're going to get anyone that is looking to probably purchase a home or refinance a home.

And with a Google ad, you can really, one, target what we call IP addresses which everyone, all of our website, all of our computers have an IP address. And so you can target IP addresses that are in Texas. And then you can -- then you can also, it would be people that are looking for down payment assistance, or homebuyer assistance.

That is when our ad will come up, is when people are actually searching for those words, and they have an IP address in Texas. So you are really focusing on those folks that probably have a high, probably being eligible for our program, versus something like bank rate, where, you know, it may be folks that don't qualify.

MR. ROMERO: I was thinking more along the lines of like a Yahoo site. You know, that search engine, those type of things. Not necessarily an individual website like a bank rate.

MS. TAYLOR: Yes. I think it is worth looking into. And as I look at how people are coming into our website, certainly Google is number one. And then Google is -- number two, it's just people that already kind of know our address, or they have it bookmarked.

Number three is a Google ad. But number four is Yahoo. So I mean, certainly, it doesn't hurt for us to take a look at that. Definitely, that is a good suggestion. Great.

MR. ROMERO: Thank you.

MS. TAYLOR: Thank you.

MS. VAN HOVEL: Thanks, Janie.

MR. DIETZ: Let's hear a little bit about the Texas Foundations Fund.

MS. BAYLESS: Liz Bayless, Executive Vice President. And I am here to tell you a little bit about Texas Foundations Fund. In 2008, TSAHC's board of directors passed a resolution creating the Texas Foundations Fund as a segregated fund of the Corporation.

The purpose of the fund is to provide grants that will be used to address the housing needs of very low income Texans. At the same time, the Board created an Advisory Council to provide guidance for the operation of the Texas Foundations Fund. So a little more about each of those points.

First, the fact that it is a segregated fund. The Texas Foundations Fund was started in 2008, with an initial deposit of \$500,000 from the Corporation's unrestricted funds. These funds are set aside in a separate bank account, and not commingled with the Corporation's other funds. \$250,000 of the initial deposit, was used to make grants that first year. And the remainder is invested in accordance with the Corporation's investment policy, and serves as the seed money, so to speak, for what we hope eventually will become an endowment.

Each year since 2008 the Board has designated an additional \$250,000 from the Corporation's fund to be used for Texas Foundations Fund grants. The Fund is also able to accept charitable donations. And in both

2011 and 2012, the Herron Foundation contributed \$50,000 each year. Which we added to our own contribution for a total of \$300,000 available for grants.

So, about the grant making. Grants of up to \$50,000 each may be awarded to non-profit organizations for local government entities that will use the money to carry out one of two types of projects.

First is the rehabilitation or critical repair of single-family homes, to remedy unsafe living conditions or to make accessibility modifications to accommodate an individual with a disability.

Or the second allowable type of project is providing onsite supportive housing services for people at risk of homelessness. Example of supportive services are alcohol or drug counseling, job training, or educational classes.

Grant recipients are selected through a competitive application process. TSAHC publishes guidelines and evaluates and scores the applications firstly. The Advisory Council decides which applications should be recommended to the Board for awards. And the Board makes the final determination of awards.

Today, TSAHC has awarded a total of \$950,000 through four cycles of the Texas Foundations Fund. This equates to 19 awards, through which the grant recipients have served close to 3,000 very low income Texans. As you may recall, the Board approved our guidelines for the 2012 round of grant making at your July meeting.

We published the guidelines on July 20, and applications are actually due by tomorrow, September 14. Staff will then begin scoring the

application. And plans to consult with the Advisory Council in late October. It is our expectation that the Advisory Council will bring recommendations to you at your November meeting.

Speaking of the Advisory Council, the Board originally created a five-member Advisory Council to provide guidance for the operations of the Texas Foundations Fund. The current Chair of the Council is Edwina Carrington. And other members are Russell Vandenberg, Steve Carriker, and myself as ex-officio, the Secretary.

There is an agenda item on today's agenda to fill the remaining vacancy with Mr. Don Bethel. And I will tell you more about him when we get to that point on the agenda.

So a couple of points in conclusion. The TSAHC staff members who work on the Texas Foundations Fund invariably say that it is the most satisfying work that they do here. It gives us great joy to know that this organization is managed in such a way as to provide excess revenues that we can give away to other non-profits, to address some of the most challenging housing needs for those who are in greatest need of assistance.

And finally, I do want to let you know that we are making plans to make some changes to improve the Texas Foundations Fund, and the Advisory Council. And you will be hearing more details about those at your next Board meeting. For now, I will be happy to take any questions you might have.

MR. DIETZ: Questions?

MS. VAN HOVEL: No.

MS. BAYLESS: Okay. Thank you.

MR. DIETZ: Good. Thank you, Liz.

MS. VAN HOVEL: Thank you, Liz.

MR. DIETZ: Yes. I think Dave, Tim, Janie and Liz, that has been very informative. And David, I am glad that we are including that in our Board meetings. Because I think it really helps the Board understand some of the things that are going on, that maybe don't require a board vote. But that is very helpful. Thank you for including those presentations.

MR. ALMQUIST: You bet.

MR. DIETZ: Let's move on to the actual action items, the first of which, which is under Tab 1 in your Board packet, the presentation, discussion and possible approval of minutes of the Board meeting held on August 16, 2012.

First, any comments? I assume that you, the Board members have had a chance to review those minutes. You might want to look at them again quickly. If you want to glance through those. Are there any comments or changes applicable to those minutes?

(No response.)

MR. DIETZ: It sounds like there are not any. So at this time, the Chair would entertain a motion to approve those minutes.

MR. ROMERO: Move to approve the minutes as presented.

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

MR. DIETZ: There is a chair and a second. Is there any discussion or public comment?

(No response.)

MR. DIETZ: Hearing none, let's have a vote. All in favor of approving the minutes of the Board meeting held on August 16, 2012, please indicate so by saying aye. (A chorus of ayes.)

MR. DIETZ: All opposed?

(No response.)

MR. DIETZ: Okay. The ayes have it. Tab 1, the approval of the minutes of the Board meeting held August 16, 2012, has passed.

On to Tab 2, the presentation, discussion and possible approval of the fiscal year 2013 operating budget. I believe the first thing we will do is allow Melinda, our CFO, to address that particular item.

MS. SMITH: Thank you. And I would be happy to go over the budget in detail. The Audit Committee did recommend the budget to the full Board for approval.

To answer your question, Joe, you had asked earlier whether there were any particular items that had fluctuated specifically.

And the only ones that really jumped out at me that I wanted to point out were the salaries for one. We have gone up in the number of FTEs that we have; FTEs from 16 to 19, in the budget.

And also, the last line item under expenditures, the single-family program, we have a lot less budgeted in expenditures simply because the NIBP program, the last bond program that we did with the Treasury, we will be wrapping up. And we are not expecting to do another bond program this year. So we are not expecting to have those types of expenditures in the 2013 --

MR. ROMERO: Is that also the reason for the reduction in the

principal and interest in the single-family programs on the revenue side?

MS. SMITH: Let me look at that real quick. Are you talking about the second line item, single-family?

MR. ROMERO: On the revenue portion. Are you talking about principal and interest from single-family, multifamily programs; 50 percent less than the prior year. The fourth line item.

MS. SMITH: Part of that is that we had some just -- we had some notes that paid off in 2012 that were kind of unusual.

MR. ROMERO: Okay.

MR. DIETZ: Any other questions about the operating budget?

(No response.)

MR. DIETZ: Comments?

(No response.)

MR. DIETZ: Okay. Again, the audit Committee did meet prior to this meeting. And has recommended to the Board approval of Tab 2, which is the approval of the fiscal year 2013 operating budget. At this time --

MS. VAN HOVEL: Mr. Chair, I have a question.

MR. DIETZ: Yes.

MS. VAN HOVEL: We talked about extended -- do we need to bring that up at the Board meeting about the expenses? About -- help me. Like car rentals and fees.

MR. LONG: What Ms. Van Hovel is referring to is, there was some discussion in the Audit Committee about a way to streamline the travel process whereby we work through certain staff to kind of centralize the booking

of travel and coordinating some of what we do with some of the Board members. And we discussed that we would continue to work on that internally.

An example is where we have gotten a contract with a car rental company where we had this contract at rate. And we will continue to do that. And we will look for other ways to save money. But basically, it is the centralization of that operation.

MS. VAN HOVEL: Since we are getting more on the staff, and more people and stuff.

MR. LONG: So but that was -- Ms. Van Hovel, that is what you were referring to. Right. Just for the record, that is something we will continue to work on internally, to continue that process.

MS. VAN HOVEL: Okay. Thank you.

MR. DIETZ: Any other questions or comments on the operating budget.

MR. EVENWEL: Do we have any day-to-day procedures that bring to our attention things that are getting out of line. I mean, nothing is out of line on here.

But next to the last item on expenditures, the federal grant expenditures are 1.5 million instead of a budget of 1.2. And I am sure there is reasons for that. But are there things like that that need to be brought to the Board on a more immediate basis than that. Am I making sense?

MS. VAN HOVEL: Yes.

MR. DIETZ: Right. It is kind of the area, a certain amount.

MR. EVENWEL: I mean, I have no problem with revenue going

up. But when there are expenditures, 20 or 30 percent out of line, we ought to talk about it. You know.

MS. SMITH: The majority of that is the timing differences.

MR. EVENWEL: Okay.

MS. SMITH: Because this is a cash basis budget. But what we can do is -- and we did this in the past. Is bring the budget to the Board on a monthly basis. And go over the variances in the individual line items. And we can do that.

MR. EVENWEL: Because I agree. We can do much more with it. Or help you. Or at least be aware of it. Instead of just one shot.

MS. SMITH: Sure.

MR. LONG: In the past we have always provided the Board a monthly kind of update. And that is fine. But what we can do is, we can show what was budgeted and versus actual. And kind of show --

MR. EVENWEL: That is what I meant.

MR. LONG: So you can show those variances where you can look at one directly that way, Mr. Evenwel.

MR. ROMERO: Didn't we at one time have line items highlighted when they were over, like a 10 percent difference from the budget?

MS. SMITH: Yes.

MR. LONG: Yes. That is what she is referring to.

MS. SMITH: That is what I am referring to.

MR. DIETZ: All right. So we can go back, again, doing that.

MS. SMITH: Yes. We will just go back to adding that.

MR. DIETZ: I think that is a great idea. Everybody --

MS. SMITH: In addition to the interim financials and the investment report, we will add that budget report back. I think that will be very helpful.

MR. DIETZ: Certainly. Great.

MR. LONG: We would be happy to do that.

MR. DIETZ: Thank you very much. Well, I guess tentatively, this particular item having come as a recommendation from a Committee of which two or more, of which two Board members were present does not formally need a motion and a second. So I guess we will just go to public comment or discussion.

(No response.)

MR. DIETZ: No public comment or discussion is heard. So we will have a vote. All in favor of the approval of the fiscal year 2013 operating budget, please indicate your approval by saying aye.

(A chorus of ayes.)

MR. DIETZ: All opposed, same sign.

(No response.)

MR. DIETZ: Okay. Tab 2. The approval of the fiscal year 2013 operating budget passes.

MS. SMITH: Thank you.

MR. DIETZ: Thank you, Melinda. We will move on to Tab 3. The presentation and discussion of the annual financials and OMB Circular 80-133 audits for the fiscal year ended August 31, 2012. And I believe Melinda

and Mr. Mikeska will be speaking with us briefly about this item.

MS. SMITH: As I mentioned at the Audit Committee, our year-end is August 31, and we're in the process of closing our books and preparing our year-end financial statements, and getting ready for our audit.

Our auditor had some specific communications that he needed to make to the Audit Committee, which he did this morning.

I'm not sure; do you need to make the same presentation to the full Board, Don, or --

MR. MIKESKA: Don Mikeska with Mikeska, Monahan and Beckham. Thank you for the opportunity to visit with you this morning. As Melinda mentioned, I met with the Audit Committee this morning, going over the responsibilities of management, and the responsibilities of the auditor.

Briefly gave a description with respect to the types of reports that will be included in your annual financial statement. Because there will be an audit conducted under generally accepted auditing standards of the U.S., the yellow book standards, also referred to as government auditing standards.

And then compliance audit, under Circular A-133. OMB Circular A-133, also known as the single audit. So those three items, or those three principles will be applied to the conduct of the audit. I just want to give the Board an opportunity to fire any questions that may be --

MR. DIETZ: We won't be voting on this item. This is really just an opportunity to ask questions or get any information that we would like to get about the audit from Mr. Mikeska or Melinda. Any questions or comments?

MR. EVENWEL: Usually in a discussion like this, you hear

words like FASB and stuff like that. I assume not-for-profits are in a different realm.

MR. MIKESKA: Well, let me explain. Actually -- excuse me. Actually, what the governing accounting principles here are GASBs. Governmental accounting standards.

MR. EVENWEL: Right.

MR. MIKESKA: That is correct. And so yes, the audit will be conducted in accordance with governmental audit standards. The standards of accounting that apply are GASB.

And so there are some unique principles. And we have discussed them at length over the time of the year with the Board. I guess the most infamous is GASB number 31, which requires the Corporation to carry their investments at fair market value instead of the costs.

And obviously, when the market has some ups and downs, it impacts your financial statements, because you are required to recognize any gain or loss on that fair market value adjustment. So it is a little bit of sleight of hand, I guess some people would say. Be in a nice calm world. We could all do it at cost.

MR. EVENWEL: So there is no ten-year smoothing or anything.

MR. MIKESKA: No. No income averaging out there. But we will communicate. I will be available during the field work. We will commence field work approximately the middle of October. I will be here probably for a October Board meeting or a November Board meeting, and welcome any

questions at that time.

And keep in mind, the whole purpose of the meeting with the Audit Committee this morning is to establish a two-way dialogue between the Audit Committee and the auditor. You know, obviously, the Board has delegated certain responsibilities to the Audit Committee. But that does not prohibit Board members, obviously, putting in their two cents' worth, either.

MR. DIETZ: Okay. Thank you. Melinda. Thank you, Don.

MS. SMITH: Thank you very much.

MR. DIETZ: Okay. There is no vote needed on this particular tab item. We will vote when the full audit is completed.

So Tab 4, the presentation, discussion and possible appointment of a member to the Advisory Council created by the board of directors of the Corporation. Liz, can you tell us about that?

MS. BAYLESS: Liz Bayless, Executive Vice President. Mr. Chairman and members, Tab 4 is an action item related to the makeup of the Advisory Council that assists staff in managing the Texas Foundations Fund.

The resolution behind Tab 4 is to appoint Donald R. Bethel to the Advisory Council, to fill the last remaining open position. The resolution also restates and affirms the current members of the Advisory Council.

Don Bethel is a partner of Bethel Nicks Realty Company in Lamesa, Texas. And a President of the Bethel Group, an affordable housing consulting firm. He was appointed by Governor George W. Bush to serve on the Board of the Texas Department of Housing and Community Affairs from 1995 through 2001, and was named as Board Chairman from 1998 to 2000.

Mr. Bethel is a past Chairman of the Lamesa area Chamber of Commerce, and a Board member of the Texas Affiliation of Affordable Housing Providers. He was a Board member of the National Council of State Housing boards from 1996 to 2000. He has served as City Councilman and Mayor of Lamesa. And as President of the Lamesa Economic Development Corporation.

He is a former member of the Dawson County Central Appraisal District Board. He is a member of the Texas Association of Business, the National Association of Realtors, the Texas Association of Realtors and the Texas Affiliation of Affordable Housing Providers. Mr. Bethel is a graduate of Texas Tech University with a degree in finance.

With his broad and deep knowledge of affordable housing and his record of public service, we are pleased that Don is interested and willing to help us with the Texas Foundations Fund by serving on the Advisory Council. I ask your approval of the resolution appointing him.

MR. DIETZ: Thank you. At this time, the Board would, or the Chair would entertain a motion.

MR. ROMERO: I make a motion to approve Don Bethel as one of the newest members of the Texas Foundations Fund.

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

MR. DIETZ: We have a motion and a second. Is there any comment or discussion. Public comment?

(No response.)

MR. DIETZ: There being none, we will have a vote. All in

favor of the appointment of Mr. Bethel to the Advisory Council created by the board of directors of the Corporation, indicate so by saying aye.

(A chorus of ayes.)

MR. DIETZ: Any opposed?

(No response.)

MR. DIETZ: None opposed. The appointment of Mr. Bethel to the Advisory Council is passed.

MS. BAYLESS: Thank you.

MR. DIETZ: Thank you, Liz.

MR. EVENWEL: I have a question. There is no years behind these peoples' names. Are they on there forever?

MS. BAYLESS: That is a good question. The governing documents of the Advisory Council do state that they are two-year terms, at which point the member is then eligible to be reappointed.

And so let's see. I think we have Edwina Carrington is in her second year. Steve Carriker is new. Mr. Bethel was new. Russell Vandenberg has been on for a number of years.

MR. EVENWEL: Okay.

MS. BAYLESS: And continues to enjoy serving.

MR. EVENWEL: So they are almost continuous, other than the two-year terms.

MS. BAYLESS: Uh-huh.

MR. LONG: At the discretion of the Board. The Board can always change those.

MR. EVENWEL: No, I understand.

MS. BAYLESS: Right. And as long as they are interested in and willing to serve.

MR. EVENWEL: Sure. Great.

MR. ROMERO: I think that at some point in time that some additional interest out there from individuals willing to serve, we can take the action to maybe expand the Board and really start to look at enforcing the term limits, so that we can get a fresh crop of people to come in and help.

MR. LONG: Sure. Yes. Right.

MS. BAYLESS: Thank you.

MR. DIETZ: Good. Thank you, Liz. Mr. Long, do we have any reason to go into a closed meeting today?

MR. LONG: No, sir. We do not.

MR. DIETZ: Okay. Well, it looks like we are at the end of our agenda for today's Board meeting.

Any other items that we need to discuss, Board members? Any questions, comments?

MR. LONG: The next meeting is scheduled for October 11, which is the second Thursday of the month. We would like to just go ahead and put that on everybody's calendar.

We will certainly run that date by Mr. Jones, who is absent today. Make sure that that fits everybody's schedule. And if all else is okay, we will plan for the October 11th.

MR. DIETZ: All right. October 11th, ten o'clock a.m.

MR. LONG: Yes, 10:00 a.m. That is correct.

MS. VAN HOVEL: Thank you, Mr. Dietz for stepping in.

MR. DIETZ: No, thank you. We are sorry that Bob couldn't be with us today. But I think he is just --

MS. VAN HOVEL: He has got bronchitis. He is really sick.

MR. DIETZ: Yes. I think he is just ill. So well, thank you very much. At this time, the meeting of the Texas State Affordable Housing Corporation is adjourned. And it is adjourned at 11:09 a.m.

(Whereupon, at 11:09 a.m., the meeting was concluded.)

