

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,  
November 15, 2012  
10:17 a.m.

BOARD MEMBERS:

ROBERT "BOB" JONES, Chair  
JO VAN HOVEL, Vice Chair  
WILLIAM H. DIETZ, JR. (not present)  
GERRY EVENWEL  
JERRY ROMERO

*ON THE RECORD REPORTING*  
*(512) 450-0342*

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PROCEEDINGS

MR. JONES: Good morning, everybody. With no further delay, the November Board meeting of the Texas State Affordable Housing Corporation Board of Directors is called to order.

First off, is there any public comment?

(No response.)

MR. JONES: Hearing none, we'll ask David Long, our president, if he will go into his president's report.

MS. VAN HOVEL: We haven't had a roll call.

MR. JONES: Oh, roll call. Do I need roll call?

MR. LONG: Yes, sir.

MR. JONES: We have to have a quorum. Jo Van Hovel, Vice Chair?

MS. VAN HOVEL: Here.

MR. JONES: William Dietz, Member?

(Not present.)

MR. JONES: Gerry Evenwel, Member?

MR. EVENWEL: Present.

MR. JONES: Jerry Romero, Member?

MR. ROMERO: Here.

MR. JONES: And

MR. JONES: And I am here. We do have a quorum.

Mr. Long.

MR. LONG: Thank you, Mr. Chairman and members. This

morning I'll go over some of the events over the last month and some things we're working on, as well as you have the staff reports in your board book.

MR. JONES: Okay. Let it be noted the meeting started at 17 after.

MR. LONG: Seventeen after.

The minutes of the October Board meeting were handed out. The reason you didn't get them in your board book was my delay. Laura had them ready and I failed to be available to have them reviewed so that we could get them out to you, so if you've had a chance to look at them. I think some of the other members, Mr. Chairman, had a chance to read them prior to the meeting, but when we get to that agenda item, if you would like to vote on it or pass and hold them till next month, we can do it either way.

Conferences, meetings and some other events that we've been attending over the last period since we met. The Opportunity Finance Conference in San Antonio in October was attended by myself from the office. Mr. Romero was there also on behalf of Wells Fargo. The TALHFA conference, which is the Texas Association of Local Housing Finance Authorities, in San Antonio the following week, was attended by myself, Ms. Bayless, Mr. Danenfelzer, Mr. Almquist and Mr. Romero. He was there also in support of El Paso HFA. David and I both spoke on panels. David specifically spoke on rural housing and I talked about our single family program that we have with our TBA.

Paige and Janie attended the EMS conference last week here in Austin. Paige also attended a BCL Homebuyer Fair in Dallas. Mr. Almquist

just returned back from attending a conference for the new software we purchased in support of Single Family Compliance Program. That training conference was put on by the actual company that we bought the software from.

We continue to have legislative and advocacy meetings. Mr. Leal, Charlie Leal and I have been meeting with representatives and their staff and/or advocacy groups. As an example, yesterday we met with the Texas Association of Classroom Teachers, TCTA, Texas Classroom Teachers Association, I guess, and had a chance to meet with them and just kind of touch base with them on the single family programs.

David Danenfelzer and some of the professionals attended the Bond Review Board meeting that we had earlier this week in support and presentation of the Gateway multifamily project which you've been hearing about.

David, myself and Jo Ropiak attended our groundbreaking in Plano that is the land trust property that we purchased. It was very exciting event. It was attended by the mayor, the executive director of DART, several other local officials and several nonprofit officials showed up, and it was very well done, and I wanted to thank David and Jo for all their work on that, getting that property where it's at for us, and then our developer put on a very good ceremony for us too, so I thought that was very well done.

MS. VAN HOVEL: Was Jeran there?

MR. LONG: No, he wasn't. I don't know that he actually knew about it.

MS. VAN HOVEL: Okay.

MR. LONG: We had loan committee meeting. Ms. Van Hovel participated in our loan committee meeting. We looked at two loans. One of those loans will be brought before you today under Tab 4 for your formal approval. The other one was a loan that we approved as a committee to Legacy CDC as that loan is within the guidelines for the committee to make an outright approval on that.

RFPs have been issued and are due tomorrow, and we'll be bringing the recommendations based on responses to the RFPs in December. Those RFPs were for our financial advisor services, bond counsel and issuer counsel. We hope to have those by today at 5:00.

New employees I did want to introduce. While James Matias has been working with us for several months, you've never had the chance because he always seems to be on travel. James is here in the audience somewhere -- there's James. He works with us in multifamily compliance and asset oversight area with Mindy. Also, our newest employee is Delia Davila -- she's over here. She was hired to work with Tim Almquist in single family compliance.

Some of our professionals that are in the audience, I always try and at least recognize the professionals, most of you know all these guys and gals. Don Mikeska is here with our auditing firm, Mikeska Monahan & Peckham. Robert Johnson is here with First Southwest, our financial advisor firm. Bill Gehrig and Pam Stein are here. Bill is giving us his audience but Ms. Stein obviously is our resident counsel, she is here for our meetings, both with Greenburg Traurig. And Chris Spelbring, who works with us as our

underwriter, is also our TBA administrator on our single family programs with Raymond James Morgan Keegan.

Quick note on something after the meeting. We're going to tear down this room and set it up for a luncheon. We're going to do our Thanksgiving luncheon instead of a normal lunch, we're going to do a Thanksgiving luncheon since the board members are here, so we'd love to have you stay and join us and join the staff for Thanksgiving lunch. It's a little different lunch than we normally have.

Our offices, in celebration of Thanksgiving, will be closed next Thursday and Friday, with Thanksgiving being on Thursday.

And then I also want to update you on a couple of grants that we received. We received a \$50,000 grant from Fannie Mae and a \$15,000 grant Wells Fargo in support of our homebuyer foreclosure prevention efforts.

And with that, Mr. Chairman, I'll conclude my remarks and answer any questions that I can on staff reports or any of the information I just provided to you, and/or we can have staff come up and respond accordingly.

MR. JONES: Any comments or questions involving any of the tabs A through D?

(No response.)

MR. JONES: Thank you.

MR. LONG: You're welcome.

MR. JONES: Tab 1: Presentation, discussion and possible approval of the minutes of the board meeting held on October 11.

MR. EVENWEL: Move to approve the minutes.

MR. JONES: A motion to approve.

MR. ROMERO: Second.

MR. JONES: And it's been seconded. On page 5, paragraph 2, I think that Ms. Omohundro gave us that data, 28 percent of families helped and had avoided foreclosure by participating, and 42 percent were in negotiations, and I think she did that in juxtaposition to some other averages, a statewide average or a national average. Did you compare that to something? You didn't, you just said that's what ours were? Okay.

Are there any other comments or questions.

(No response.)

MR. JONES: Is there any public comment regarding our minutes?

(No response.)

MR. JONES: Hearing none, we've entertained a motion. All in favor of approval signify by saying aye.

(A chorus of ayes.)

MR. JONES: Passes unanimously. Thank you.

Tab item 2: Presentation, discussion and possible approval of the 2012 grant awards for the Texas Foundation Fund.

MR. LONG: Mr. Chairman, Ms. Bayless and Ms. Howard will be making that presentation for you today.

MS. BAYLESS: Liz Bayless, executive vice president.

Mr. Chairman and members, Katie and I are here today to do one of the most satisfying things that we get to do here at TSAHC every year,

and that is make recommendations to you for the grant awards under the Texas Foundations Fund.

So behind tab 2 you first have a general writeup describing the overview of the process we used. We walked you through that a couple of times in the recent past so I won't dwell on that, other than to say that in the 2012 Texas Foundations Fund cycle we continued to ask applicants to present one or two types of projects that they would use the money for. One would be the rehabilitation or critical repair of owner-occupied, single family homes to remedy unsafe living conditions. That includes accessibility modifications to serve people with disabilities. The second type of project that we support through the fund is the provision of onsite supportive housing services for residents in rental housing units. That is aimed at supporting people who are at risk of or recently transitioning from homelessness.

We are pleased to say that we received 18 applications for funding consideration which I believe is the most we've ever had, and we received all of those proposals by Friday, September 14. There's a bulleted list in alphabetical order of the applicants on the first page of the overview behind tab 2.

We put each of those applications through a basic threshold review to make sure they met our minimum requirements. Fifteen of the 18 passed that threshold review, so those 15 were scored by five members of TSAHC's staff and every scorer worked independently. Then all of the scores were compiled by Katie. Thank you very much for all of the very diligent, excellent, meticulous work she did managing this whole process.

And what we committed to doing in our Texas Foundations Fund guidelines that were published for the applicants was to make awards to the highest scoring proposal that served persons with disabilities, second, to the highest scoring proposal providing supportive housing services, and third, to the highest scoring proposal serving a rural community, and we have a specific definition for that. And then after those three awards had been made, we would award the rest of the funds to the next highest scoring applications.

So we called together our advisory council on Thursday, November 1. We evaluated all of the proposals, we went over the scoring, we discussed what recommendations the advisory council wanted us to bring to you. So that leads you to the third page behind tab 2 which is the memo that the advisory council has written to you with the recommendations for this year's awards from the Texas Foundations Fund.

Now, this is just a little bit different recommendation from what we have brought to you in years past. In years past we have recommended grants of \$50,000 each. There have been, often, five such awards, occasionally six such awards, depending on the funding available. So this year we had \$300,000 available and we had a number of very high quality applications that were very, very close in the scoring, and so after much discussion, the advisory council and staff decided to recommend something a little bit different to you this year. We want to recommend eight awards rather than just the five or six.

And what we are proposing is that we award the maximum \$50,000 grant to the top applicants meeting the three priorities I outlined to you

just now. That is, the highest scoring applicant meeting the priority to serve persons with disabilities is being recommended for \$50,000, and that's Community Partnership for the Homeless, d/b/a Green Doors. They're a previous awardee here in Austin. Second, we're recommending a \$50,000 award for Foundation Communities. That's the highest scoring applicant meeting the priority to provide supportive housing services. And then our third \$50,000 recommendation is for Motivation Education and Training, or MET, also a previous awardee, who was this year's highest scoring applicant meeting the priority to serve a rural community.

So after those three \$50,000 awards, we would have \$150,000 remaining, and as I mentioned, we had some high scoring applicants that it was, frankly, pretty hard to distinguish among them because they were all high scoring, so we are recommending that each of those five applicants receive \$30,000, and you can see them listed there in alphabetical order: Austin Habitat for Humanity, Brazos Valley Affordable Housing Corporation, Easter Seals Central Texas, Interfaith Action of Central Texas, and New Hope Housing, Inc. So of the \$300,000 we had available, this uses the full \$300,000 to make these eight awards.

Short descriptions of the projects that each of these recommended awardees will be undertaking with these funds is listed on page 2 and 3 of that memo.

So at this point I'll just open it up for questions.

MR. ROMERO: Liz, the applications that are being recommended for approval, were there any really innovative programs,

something that we haven't seen in the past?

MS. BAYLESS: Let's see. Well, Katie, you can help me with this. I think it's not so much that it's anything that we haven't seen in the past, it's a lot of critical repair for homes occupied by persons with disabilities, it's critical repair of homes that are extremely substandard down in the Valley, it is some outstanding providing of supportive housing services to people who have just transitioned out of homelessness in the case of Foundation Communities and New Hope Housing, just outstanding work done by those organizations.

Am I overlooking any type of project that you can think of, Katie?

MS. HOWARD: No, I don't think so. Just to add to that -- this is Katie Howard, senior development coordinator -- there aren't any innovative projects like you're describing in this one. I don't believe that we received any in this particular round. The guidelines are written to allow the board of directors to consider up to one of those, however, all of the applicants being recommended for funding do have current projects in place and do have significant experience in performing these projects.

MR. ROMERO: And then just one followup question. Of the eight organizations that are receiving the money, do we know how much money total they're actually matching towards the money that they're getting from the corporation?

MS. BAYLESS: We did receive that information in the applications. I don't have it at the tip of my fingers. Do you?

MR. ROMERO: That's fine.

MS. HOWARD: We'll be happy to provide that to you.

MS. BAYLESS: But leveraging other funds is a key weighted component of the scoring, so if somebody came out at the top of the scoring, then almost by definition they have significant leverage funding.

MR. JONES: How varied were the applications by location throughout the state?

MS. BAYLESS: That's a terrific question, and I'm glad you're bringing it up. We received a lot of applications from Central Texas, the Austin area, and from Houston, and frankly, a little bit more -- a large number of applications from a smaller geographic area than we would like.

MR. JONES: Because you can't spread it out if they're not applying.

MS. BAYLESS: That's correct.

MR. JONES: And they all are where?

MS. BAYLESS: And that is actually something we're going to talk about in just a minute after you finish voting on these recommendations about some changes we'd like to make going forward, at least one purpose of which is to expand our geographic reach. We would like to be attracting applications and making awards to a broader variety of geographic areas across the state.

MR. JONES: Understood. Because I realize that you cannot award those that have not applied, and that is how far do we get the information or the invitations out, and you say that's coming up?

MS. BAYLESS: Yes.

MR. JONES: All right. Any other comments?

MS. VAN HOVEL: I was wondering have we done Easter Seals before?

MS. BAYLESS: Yes, ma'am.

MS. VAN HOVEL: And New Hope Housing?

MS. BAYLESS: Yes, ma'am.

MS. VAN HOVEL: Okay.

MR. JONES: How many did you say we've done before?

MS. HOWARD: Six of the eight.

MR. JONES: So we know they do what they do and they've got the track record and what we want is the work done, it doesn't mean that you can't do it again. If you're doing it good and you're providing the services and you monitor it, then that's really what we want.

MS. BAYLESS: The two recommended awardees this time around that have not previously received funds are Austin Habitat for Humanity and Interfaith Action of Central Texas. Both of those have applied in the past, sometimes more than once, but this is the first time that their application has risen to the top and we are recommending them for funding.

MR. JONES: Would that be because we've worked with them on refining the process enough or just because they've just gotten better?

MS. BAYLESS: I think that.

MR. ROMERO: I have a question. In regards to the 18 applications, how many of them didn't score the minimum qualifications for them to move forward?

MS. BAYLESS: Three.

MR. ROMERO: Three. Is there any outreach that we provide to them to try to explain the process?

MS. BAYLESS: Absolutely. And again, this is something we can thank Katie for is her interaction with the applicants through this process, explaining to them why --

MS. VAN HOVEL: And who were they?

MS. BAYLESS: Excuse me?

MS. VAN HOVEL: And who were they?

MS. HOWARD: The three that didn't were the Victory Tree Foundation, VinCare Services of Austin Foundation, and Blackland Community Development Corporation.

MS. BAYLESS: And if we find that they don't meet the threshold, which might be something as simple as the project they described doing did not meet one of the two types of projects that we use our funds for, it could be a number of things, and so when we notify them that it looks like they don't meet the threshold test, there's always dialogue between us and them to try to see if there's a way for them to cure and to make sure they understand.

MS. VAN HOVEL: And you tell them ways?

MS. BAYLESS: That next time around they could make some changes and be eligible. Right.

MS. HOWARD: The threshold test doesn't necessarily indicate any weakness in the project or weakness in the organization, just simply that what they were proposing was not in line with the spirit of the Texas Foundations Fund in terms of the projects that we're trying to support.

MR. JONES: Any other comments?

MS. VAN HOVEL: And each one of these will get \$30,000?

MS. BAYLESS: Each one of the numbers 1 through 3 on page 1 of the memo are being recommended for --

MS. VAN HOVEL: Page 1 of 3?

MS. BAYLESS: Yes. Numbers 1 through 3 at the top of that page are being recommended for \$50,000 each, numbers 4 through 8 are being recommended for \$30,000 each.

MS. VAN HOVEL: Okay.

MR. JONES: I'll entertain a motion.

MR. ROMERO: I move to approve the organizations that were forwarded to us by the advisory council for the Foundations Fund grants.

MS. VAN HOVEL: Mr. Chair, I'll second.

MR. JONES: It's been moved and seconded by the Vice Chair.

Any public comment?

(No response.)

MR. JONES: All those in favor to approve the recommendations as given by staff signify by saying aye.

(A chorus of ayes.)

MR. JONES: Passes unanimously. Thank you for a job well done, again. I think this breaking it down to \$30,000 too is a good idea, we help more people. I thought that was excellent.

MS. BAYLESS: We were real happy to come to that conclusion.

MR. JONES: Item 3 -- I'm going to have to take a big breath before I say it -- Presentation, Discussion and Possible Approval of a resolution to modify the composition of the Advisory Council for the Texas Foundations Fund to increase the number of members; to establish certain geographic guidelines for residency of members; to establish one at-large member position; to establish that one member shall be a current member of the Board of Directors of the Texas State Affordable Housing Corporation; and to establish term limitations and guidelines for appointment of members.

Ms. Bayless.

MS. BAYLESS: Mr. Chair and members. Recently you heard from Janie Taylor and Katie Howard that TSAHC has created a development plan to guide us in our efforts to raise more private funds from a wider donor pool, so an important part of our fundraising vision is growing the Texas Foundations Fund, both the number of awards we make and the size of awards we're able to make, as well as expanding the geographic reach to all parts of the state. So to achieve this vision for Texas Foundations Fund, we're recommending some changes to the composition of the advisory council.

Presently the council has five members. Edwina Carrington is the chair, she's from Austin; Don Bethel from West Texas; Steve Carriker also from the Austin area; Russ Vandenburg from El Paso; and me, serving ex officio because I am the executive vice president of the corporation.

Now, what we're recommending is that the advisory council grow from five to ten members. Now, of those ten members, we would like for seven to be residents of specific geographic areas of Texas which together cover the

whole state. Those geographic areas would be Austin, Houston, the Dallas-Fort Worth area, San Antonio, El Paso, the Rio Grande Valley and West Texas and the Panhandle. Plus, one member would be at-large and can reside anywhere in Texas, one member of the advisory council would be selected by you from the current TSAHC board, and finally, the ex officio TSAHC executive vice president. So those would be the ten members.

Now, we believe this expanded size and geographic representation will help us in two ways. One, it will help us get the word out, as you were saying, Mr. Chairman, about the Texas Foundations Fund grant opportunities to nonprofit organizations and governmental entities in more parts of the state so that we can attract more applications from more areas of Texas. And second, it will help us get introduced to potential funders in more parts of the state, including those who many have an interest in funding only projects impacting their specific geographic areas.

Given the current makeup of the advisory council, this means we would be looking for new members from Houston, Dallas-Fort Worth, San Antonio and the Rio Grande Valley. It also means we will ask you, the board, to name one of your own to the advisory council.

Further, we're asking advisory council members to serve three-year terms instead of two. With a ten-person council, if terms were only two years, we would be more or less constantly looking for several new council members. We believe three-year terms will provide more continuity and enable us to solicit new members on a more reasonable timetable.

We're suggesting that a member can serve, if he or she wishes,

two back-to-back terms but then they would need to step down for at least one year before being named to the advisory council again. That will ensure we continue to inject fresh views into the council, as well as giving our dedicated members a well-deserved break.

Now, there's a resolution behind tab 3 of your board books that accomplishes these changes. I'll be happy to answer any questions you have and then ask your approval of that resolution.

MR. JONES: Is there a timetable for accomplishing this?

MS. BAYLESS: We haven't set a strict timetable for ourselves, but when the advisory council met on November 1, we all left with a sense of urgency and some documentation to enable the current council members to start bringing and suggesting names of potential new members. So we would hope that at our very next meeting we would at least ask you to choose the TSAHC board member who will serve on the council and hopefully have another name or two to put before you. So we want to move with speed.

MR. JONES: All deliberate speed.

MS. BAYLESS: Exactly.

MS. VAN HOVEL: Mr. Chair.

MR. JONES: Yes, ma'am.

MS. VAN HOVEL: I've just got a question about their expenses. Who's going to be paying?

MS. BAYLESS: We don't plan any change to our current policy which is that when the advisory council comes to a meeting in Austin in person we will cover their travel expenses, just like we do for members of the board to

come to meetings.

MR. LONG: Ms. Van Hovel, what we might note on that is that they're not asked to come to Austin on a regular basis. I think at this time we ask them to come maybe once, twice at the most in any given year, so we felt that that was a reasonable expense, especially since one of the activities we're asking them to participate in is fundraising.

MS. VAN HOVEL: So the expenses will be on us for these ten people.

MR. LONG: Right.

MS. BAYLESS: And as Mr. Long said, we are anticipating asking them to come to Austin two times a year.

MR. JONES: And Jo, it is a creation of the board of the agency so we created this thing, we're asking them to serve, they're going to be raising funds, and based on the funds that they raise it's really a pittance to cover their expenses up to twice a year.

MS. BAYLESS: We do ask each advisory council member to commit to either giving or raising \$5,000 per year, so Mr. Jones has a good point.

MS. VAN HOVEL: Each person, each member, \$5,000. Is that still active?

MS. BAYLESS: That's what we are asking.

MR. JONES: That's part of the package that they present to them when they ask them to serve, they ask for that commitment and they make that commitment to either give or to raise \$5,000 that goes into the fund. And

there's a cost to doing business.

MR. ROMERO: I was going to say I think if we're going to be looking at the caliber of people that we need to get on this advisory council, we need to make sure that they understand -- and I think we do -- that their commitment to this advisory council is important enough to us, the corporation, that we're going to cover those expenses because what they're going to do for us is extremely important. I think since the Texas Foundations Fund was first created, the whole purpose of this was to expand the advisory council so we could start raising more than just the \$250,000 that the corporation committed to this. We can't do that if we're going to be telling them we want you on the council but we're not going to pay for your expenses to come and discuss the corporation's business.

MR. JONES: What would your objection be, Jo, to us covering their expenses? Would it be dollar amount?

MS. VAN HOVEL: Dollar amounts, yes.

MR. JONES: Okay.

MS. VAN HOVEL: I just wondered who was going to pay.

MR. LONG: Well, if I might add, in kind of a general scenario, even with the \$5,000 that they're asked to raise, they're also out talking and identifying not only projects but they're helping the Foundations Fund by potentially identifying donors for the corporation who would help us in other means. That is an important part of what Janie and Katie have been working on for our development plan, to have that part, so in a bigger picture, we're asking this council to be a big part of our long-term plan that we've been working

on for so long.

The other thing is I might remind you all that we currently have five members, one of which is a staff member, one of which is in Austin, so even if we add five we're only talking about the additional expense of five members and those five members may or may not be long-term travel, or whatever. I can't state for sure. You'll note from what we're looking at bringing on, we're not talking about increasing our current expenses by ten, we're talking about increasing our current expenses by five

MR. JONES: Mr. Long, I think since she works on the finance committee I think the real question is what budgeted area those expenses come out of. We don't have to have a separate budget item because it comes out of somewhere that we have the ability to do it.

MR. LONG: Correct. We set aside funding in what we call travel and related expenses and we also have our professional expenses. Those budget items may not fit perfectly with any one, but at the same time, we don't know who these new members will be but we have money set aside to cover these expenses, and when you approve our budget every year there is an expectation that these five members currently, excluding those four, because Liz is one of the members, would be traveling and participating in this. And obviously, right now the chairman is from Austin and Mr. Carriker is also from the Austin area, actually south Austin or Dripping Springs. But there's minimal travel related to a couple of the members.

So all I'm suggesting is that it's not a major expense, one, and two, it is something we've budgeted for so it's not like it's going to be a burden on

us to do it, and obviously, if it became a burden -- which I don't envision that it would -- we would certainly be back in front of the board to either modify the budget or to let them know that we may have to be going another route, but that's not envisioned at all in the near future.

MS. VAN HOVEL: Okay. You said it's already been budgeted, and where?

MR. LONG: In travel.

MS. VAN HOVEL: In our travel.

MR. LONG: Travel budget, yes, for the five that we have.

MS. VAN HOVEL: What about the ten?

MR. LONG: We haven't done that yet because we haven't gotten to that level. We didn't budget for something we hadn't planned.

MS. VAN HOVEL: So all of these members will be coming out of our budget that we've already approved.

MR. LONG: Correct. Right now we would either bring to the board -- depending on expense, we don't know how timely it will happen, one, we don't know when we'll bring them on, and two, depending on where they come from in terms of location, the cost associated with that is a little hard for us to make an estimation on it. If we wanted to say it was \$500 per person per trip, times an additional five, that's \$2,500, times two, that would be \$5,000 a year that we'd have to add to our travel budget to cover an additional five people, assuming we all got them in within this current budget cycle.

MR. JONES: Are you saying that if we go out and ask people to voluntarily serve on this committee with the express purpose of raising a

minimum of \$5,000 each, that you wouldn't think that our covering their expenses is appropriate?

MS. VAN HOVEL: No, that's not what I'm saying.

MR. JONES: I'm just asking because that's the bottom line.

MS. VAN HOVEL: I just want to know where the money is and where does it come from.

MR. JONES: It comes out of travel and what they just said, to my understanding, is if it exceeds what they've budgeted in current travel, they'll come back for a budget amendment.

MR. LONG: If it exceeded what we felt was appropriate internally, yes, we could do that.

MR. JONES: Yes, Ms. Taylor.

MS. TAYLOR: Janie Taylor, manager of Marketing and Development.

The only thing I would add to this is that as Liz mentioned that we anticipate that at the most they might come to Austin twice a year. The other times we're going to arrange for having conference calls or web inputs. And we just had a trip to Austin and so I don't know that our next anticipated meeting in Austin will be within this fiscal year, so if it is, then we'll work with Melinda and Nick to identify the budget, but it may not even happen during this fiscal year, the trip to Austin.

MS. VAN HOVEL: So do you think it will cost a thousand for each person?

MS. TAYLOR: It depends on where they're coming from, and

the person that we have from El Paso wasn't able to join us in Austin during this meeting we just had, so it may depend on whether they can travel in or not because they all work outside of this.

MR. JONES: All in all, this is just anticipated. When they get a better handle on the people that actually come on the board, what their location is, they'll estimate what their travel expenses will cost, and then they'll let us know and we'll just make the decision at that point, because they don't know.

MR. LONG: And as Liz pointed out a minute ago, the council was just in town in early November and that's next year's budget, so if they come back in, as Janie just stated, it would be under next year's budget when we would have those members appointed by then and we could go to the board and note that we have an increase in our budget for travel related to that increased number of advisory council members.

MR. JONES: Understood.

Any other questions, Jo?

MS. VAN HOVEL: Well, no.

MR. JONES: I mean, we don't have these people in these different cities and locations yet. We don't even have them onboard yet, it's all anticipatory.

MS. VAN HOVEL: Well, I know, and I think we should talk about it before we get them onboard.

MR. JONES: But we don't have an estimate because we don't know.

MS. TAYLOR: You know, I think what Jo has suggested, that

Liz and I and David go back and we can discuss with Melinda and Nick and kind of look at the budget and then we'll communicate back to you next month.

MS. VAN HOVEL: That's fine.

MS. BAYLESS: Bear in mind that when we move to the geographic representation for the new members on the advisory council, we need a member from Houston which is very nearby and easy travel to Austin, we need a member from San Antonio which is very nearby and easy travel to Austin, and then we've got our two local members, Ms. Carrington and Mr. Carriker, I don't cost anything, and so that's half the council right there.

MR. ROMERO: And I have to say even if it was \$25,000 a year in travel expenses, when you're looking at nine contributing members at \$5,000 apiece, it's an investment. You know, you can't overshadow what they're going to be doing for the corporation in raising money. We already contribute our existing funds, \$250,000, that's money that we're using for programs, so we've got to invest.

MR. JONES: Correct. That's a lot more than travel expenses.

MR. ROMERO: So if we increase that to \$500,000.

MR. JONES: The more they raise, the possibility the less we have to contribute.

(General talking.)

MR. JONES: My understanding is that this is what is anticipated, they will estimate as they locate these people, as they agree to come on, they'll do a number crunch with finance people and then they'll come and tell us this is what we think it's going to cost in travel expenses. At that

point they present it to us as an item on the agenda, we'll discuss it, we'll ask questions, and then we'll make a decision.

MS. VAN HOVEL: So you think this is going to benefit TSAHC.

MR. LONG: Immensely.

MS. BAYLESS: Let me just reiterate the two ways we think this is going to help us. One is it will help us get the word out about the Texas Foundations Fund more broadly to nonprofit organizations in parts of Texas where we don't have much reach right now, so we will attract a greater number and variety of applications for the Texas Foundations Fund, so that's one benefit. A second real important benefit is that it will introduce TSAHC to potential funders all across the state and greatly expand the potential donor base for private funds coming into the corporation.

MS. VAN HOVEL: And we can't do this without this.

MR. JONES: What would your alternative be: ask them to volunteer, raise \$5,000, and pay their own expenses to come here? That's the alternative. Either we cover their expenses to come or we ask them to serve on the board, first of all, for three years, we ask them to raise at least \$5,000 -- is that in their term or per year?

MS. BAYLESS: Per year.

MR. JONES: Per year which means each one is responsible for \$15,000 over their one three-year term, and also, by the way, you need to get yourself here. I mean, that's like this, Jo.

I'm going to ask a hypothetical question. Would it be easier for you to attend these board meetings if you covered your own expenses?

MS. VAN HOVEL: Well, I do.

MR. JONES: All on your own?

MS. VAN HOVEL: Just about.

MR. LONG: If I might add, just from a broader picture, the board approved and we worked very hard, Janie and staff have worked extremely hard to implement a new development plan in working with Corcoran and Company, and as a result, part of that plan, that expansion, that development plan for raising money is being embedded in this. That's part of the idea is if we're going to continue to provide resources out through the grant process under the Foundations Fund, one of the ways we wanted to be able to incorporate and grow that was by garnering additional input.

MS. VAN HOVEL: Where is Nick?

MR. JONES: First of all, I want to bring this to a close.

MR. LONG: And just to finish my comment, this increase to the Foundations Fund's advisory council is assisting us in doing that and so the nominal expense we incur I think will be overshadowed by the gain that we get.

MR. JONES: I want to bring this to a close by saying I think you've raised issues, the staff is aware of your concern. At the point that we're ready to take action on this, it will be brought back and presented to us.

MR. ROMERO: Before we move forward.

MR. JONES: There's nothing we can do on this today at all except express your concerns, and I think that they've heard you.

MR. ROMERO: Was it your intent to make it three-year terms for everybody at the same time, or are you going to stagger those?

MS. BAYLESS: The way we intend for that to work is that a member's term will begin the first day of the month following that member's approval by the board, so they will be staggered because we're not going to be able to find five new members and bring them to you all at once, so they will tend to stagger.

MR. JONES: So they're not staggered as much as overlapping.

MS. BAYLESS: Exactly. Because if you talk about staggering the terms and overlapping, you're talking about differences of years and then you're talking about waiting to bring somebody else on.

MR. ROMERO: Well, the problem with three-year terms, and if we get them all in within a 90-day period, you're going to be replacing the board in three years to the full extent of the membership.

MR. LONG: Well, we can certainly discuss terms.

MR. ROMERO: After you get the full council.

MR. LONG: Exactly. I think at this point we're just anxious to get started on the discussion of moving forward with seeking out new members.

MR. JONES: And he's referring to a best-case scenario if you get everybody on at once.

MR. LONG: Assuming they all start January 1.

MR. JONES: That would be a great problem to have.

MS. BAYLESS: Well, and I will say also that staff had discussions and then I had discussions with Ms. Carrington, the advisory council chair, about different ways to achieve staggered or overlapping terms, and nothing was perfect, nothing was obviously far better than any other way,

so we settled on trying it this way, and if we find that it's putting us in a difficult position for whatever reason, we'll come back and suggest a change.

MR. LONG: I think the three-year term is a reasonable term. That's a very good point, Mr. Romero, we may need to look at how we stagger that once we get them on.

MR. ROMERO: Yes, once you have the full board.

MR. LONG: But the three-year term is something I would like to see, when we bring this back for formal approval, if you elect not to do anything today, would be that the three-year term is something that's part of the intent behind the approval.

MR. ROMERO: I'm fine with the three years. My question was staggering it so that you wouldn't lose all that institutional knowledge at one time.

MR. LONG: Thank you.

MR. ROMERO: Having said that, I'd like to make a motion to approve the resolution to modify the composition of the advisory council for the Texas Foundations Fund.

MR. JONES: There's a motion to approve it as presented.

MR. EVENWEL: Can we have further discussion?

MR. JONES: Yes, further discussion.

MR. EVENWEL: Second.

MR. JONES: It's been moved and seconded. Is there any further discussion?

MR. EVENWEL: Just a question. What are you going to do

with the current members and melding it to this three-year term stuff? Just a question. You don't have to answer it now.

MS. BAYLESS: No. It's a good question. We have Ms. Carrington, Mr. Bethel and Mr. Carriker who have all been appointed to the council within really the last two to two and a half years, so their terms can be deemed effective when they were appointed. Mr. Vandenburg has been on the council longer and we'll just have a discussion with him about what he would like to do, when he would like for us to consider that his term began, if that's okay with you.

MR. LONG: We certainly could look to Mr. Vandenburg, since he's been on the longest, and ask him if he would like to start a term and we could consider that his second term going forward, if he would like to stay on, and that would be his kind of last term before he'd have to step off. Mr. Bethel and Mr. Carriker recently have just been approved by the board so they're less than a year, and Ms. Carrington has been on the board for a while so similar to Mr. Vandenburg we could look to her when her first term expires based on when she started.

MR. JONES: But if you restructure they should all have the opportunity if they've been effective of starting under the new system. That should be an option also.

MR. LONG: Certainly.

MR. JONES: Because you're saying with the time that they have been on would be counted as a first term or second term, but I think another option is that under the revised that they have an opportunity to start

over.

MR. LONG: And that's certainly something the board can discuss. If the board would elect to do that, we can do that. But I think Mr. Evenwel's comment was very valid because we really hadn't considered when, but at the board's discretion we can do it as Ms. Bayless said or we can do it in any other option, but again, sticking with the three-year term one way or another.

MR. EVENWEL: And a maximum of two consecutive terms.

MR. LONG: Maximum of six, two consecutive, that's correct.

MR. EVENWEL: The other question I have what's a reasonable equivalent officer to the EVP. I'm saying that only from the standpoint that EVPs and presidents get put on a lot of boards, who would be a reasonably equivalent person to that? Because to me, if you're an EVP, an equivalent person would be someone at the same level or higher, and there's only one person higher than the EVP.

MS. BAYLESS: You mean for selecting new members?

MR. EVENWEL: The corporate member.

MS. BAYLESS: Well, in the resolution the board originally approved establishing the Texas Foundations Fund and the advisory council, it specifically states that TSAHC's executive vice president will serve on the advisory council.

MR. JONES: And he's referring to the parentheses, if I'm correct, Gerry, that says or a reasonably equivalent officer. Who is reasonably equivalent to you?

MS. BAYLESS: Then I would defer to counsel to address that question.

MS. STEIN: Pam Stein, the board's general counsel.

We did discuss that some in our review of the proposed resolution and put that language in specifically in case in the future the titles may change, you may have two EVPs, the organization is growing. I think a senior vice president title would be reasonably equivalent. It's just in case Ms. Bayless were out ill for some period of time or for some other reason had other duties and needed someone else to step in, we didn't want to be stuck with just one person who had to always be in that role.

MR. ROMERO: So it could be a COO or CFO, something equivalent to that.

MS. STEIN: Correct.

MR. JONES: I think that was a great question too. Anything else, Gerry?

MR. EVENWEL: That concludes my questions.

(General talking and laughter.)

MR. JONES: Because there's nobody equal to Liz. That's why they moved to the reasonable part.

MR. LONG: That's right. Well put.

MR. JONES: Is there any public comment on tab item 3?

(No response.)

MR. JONES: Hearing none, there's a motion and a second on the floor to approve as presented. Any further discussion?

MS. VAN HOVEL: No.

MR. JONES: Hearing none, all in favor say aye.

(A chorus of ayes.)

MR. JONES: No opposition. It passes unanimously. Thank you again for a great presentation, Liz.

We're down to item 4: Presentation, discussion and possible approval of a loan to Frameworks Community Development Corporation under the Interim Construction and Acquisition Loan Program in the amount of \$500,000.

Mr. Danenfelzer. Nice jacket.

MR. DANENFELZER: Thank you. David Danenfelzer, manager of Development Finance.

I'm bringing you actually really one of the first times we've done what we kind of look at as a renewal of a loan or line of credit. Frameworks Community Development Corporation has been working with us for the last couple of years doing acquisition rehab of foreclosed housing within the Austin metropolitan area, particularly within the communities of Del Valle, as well as north Austin, and they've done a really good job.

They received a line of credit of \$250,000 originally, were able to utilize that line of credit to the point where we actually gave them a small bump about 18 months ago to \$300,000, and they've effectively been able to cycle on and off several properties from that line of credit and continue to grow that program. Not only have they used our funding but they've been able to draw in lines of credit from the City of Austin, Accion Texas, as well as the Meadows

Foundation, for their acquisition and rehabilitation activities.

What we're proposing today is simply to extend their line of credit further, renew the line of credit, expand it to \$500,000, and change some of the basic terms under the line of credit. One thing that I would like to note is that the loan committee reviewed this application last week on Thursday, made this recommendation. One change to the recommendation that the loan committee requested was that the commitment fee that's listed as \$1,000 be increased to \$2,500. The \$1,000 fee is what we've typically collected on lines of credit up to \$250,000, and the staff and the loan committee just felt that since the line of credit was twice that we would be able to expand that, and it's still a very low origination cost for this type of line of credit.

There is also ongoing origination fees of \$250 each time they add a home which gets us to sort of what the corporation has in the past has considered at least a 1 percent origination fee over the entire line of credit.

Really, I have no other comments other than to say that Frameworks has done a good job, their financials in particular have evolved. The first time we looked at them they were service-only oriented agency and so their financial statements looked like they were a service agency, not like a housing development corporation. But today their financials have greatly changed, they have assets on the books, the amount of cash flow that they go through for housing development activities has increased, and they really have done a good job of balancing the addition of that new activity into their existing organization.

MR. JONES: And my question was how do you derive that

giving them six months to complete the activities on the homes but then your supporting documents say that they sell within 3.8 months, so you're well within the framework and the timetable of the conditions.

MR. DANENFELZER: Yes, exactly. And their turn rate is right now on the average of 114 days which if you look at what the market is doing right now which is 3.8 months, they're actually a little bit ahead of the typical market turn time in Austin. So they're doing a pretty good job, given the current market conditions in getting homes acquired, rehabilitated and then sold to qualified households.

MR. ROMERO: David, the lending policy for your program, does it specify a percentage as an origination fee or is it subject to the applicant?

MR. DANENFELZER: The multifamily program does have a specific 1 percent origination fee and some other fees that are included in it. The ICAP policies are a little bit different, and the last time we looked at this which was actually about 14 months ago, we revised those so that we could bring down the cost of the initial origination on lines of credit and add in this \$250 fee. The reason we did that is we realized that on lines of credit the initial startup cost of getting it going was pretty much flat because we had been re-utilizing loan documentation but every time we have a new property added to the line of credit, staff has to go through the process of amending our master deed of trust, adding that, having it recorded and doing that, so we added that \$250 fee.

What we figured out at that time was on a line of credit like this

on the original line of credit if we had done \$1,000 and \$250, we actually have gone above that 1 percent origination fee just because of those extra activity doing more than the ten homes they originally had planned to do. And I fully anticipate that they'll do well over the 20 homes that they anticipate doing in the next two years under this line of credit, so I think we'll have an opportunity to -- we'll get more than the 1 percent origination fee on this line of credit over the time of the line of credit.

MR. JONES: Mr. Evenwel, any questions?

MR. EVENWEL: No.

MR. JONES: Vice Chair? Sure?

MS. VAN HOVEL: I'm sure.

MR. JONES: Well, you deal with the financial stuff so I can understand your questions.

MS. VAN HOVEL: It's good.

MR. JONES: Okay. No further discussion. Is there any public comment on this item?

(No response.)

MR. JONES: Hearing none, we'll entertain a motion.

MS. VAN HOVEL: Mr. Chair, I so move.

MR. JONES: Move to approve the approval of a loan to Frameworks Community Development Corporation under the Interim Construction and Acquisition Loan program for the amount of \$500,000.

MS. VAN HOVEL: Yes, tab 4.

MR. ROMERO: Second.

MR. JONES: Moved and seconded. All in favor say aye.

(A chorus of ayes.)

MR. JONES: Passes unanimously.

MR. DANENFELZER: Thank you very much.

MR. JONES: And final item? Presentation and discussion of the fiscal year ending August 31, 2012 annual independent financial audit.

MS. SMITH: Melinda Smith, CFO.

As you know, we're in the process of going through our annual financial audit. We've added this agenda item in case you wanted an update from our auditor or had any questions about the audit.

MR. MIKESKA: Don Mikeska with the firm of Mikeska Monahan Peckham.

Mr. Chair and members, I wanted to actually give you an opportunity to put any questions to me. I appreciate that we have an open dialogue. I visit quite often with Ms. Van Hovel and I talk frequently with Mr. Romero, but it's important that the board and the auditor have an open dialogue.

We are rapidly working through our field work right now, we have sent out our second batch of confirmations because it seems like people drag their feet in responding to the auditors. But we have pretty much done most of the field work with respect to the financial numbers and have not made any adjustments. The staff, in their process of preparing work papers for us, if there was any minor tweaking that needed to be done, it's done at that time, so we don't have any audit adjustments.

We are just now beginning our audit of the federal awards which

is known as the single audit, and that single audit, our major program this year will be NFMC, National Foreclosure Mitigation Council. Last year, if you recall, we did NSP, Neighborhood Stabilization Program. Both programs, incidentally, are considered low risk programs because there have been no findings in the last two years, and both of them are considered Type A programs because they expended more than \$300,000. I believe NFMC expended about \$600,000, NSP expended about \$800,000. So we could choose which one we wanted to audit under federal guidelines, so we chose let's do NFMC, rotate every other year, hit one of these programs. Because I believe it was round five this year really kicked into gear because in 2011 I think our total expenditures were less than \$100,000 under NFMC.

So anyway, but I did want to give you an opportunity to ask questions, everything is running smooth right now, I believe. The interim draft of the report is due to the State Auditor's Office on the 20th, so staff is rapidly getting those numbers in the format that they have to be presented.

I'm glad to be here and meet with the board, so if there's any questions you have, let me know.

MR. ROMERO: I just have one. I was a little derelict in my duty. Did you get the confirmations that were sent?

MR. MIKESKA: Yes, I did.

MR. JONES: And you can answer any questions?

MR. MIKESKA: Dealing with the audit, yes.

(General talking and laughter.)

MR. JONES: I'm pleased with the service we've been getting in

terms of our audit and accounting and our financials. It sure takes a lot of worry off of sitting here and signing stuff, I'll tell you that.

MR. MIKESKA: Well, thank you. It's important that the board realize, and the finance committee and the audit committee as well, that their responsibility is to oversee the control system that's in place because we use analytical review and we use sampling, we don't look at every item, but we are responsible for detecting any material fraud or any material abuse.

MR. JONES: Or just general discrepancies, and so far, so good.

Anybody have any questions or comments to make?

MS. VAN HOVEL: We appreciate you, Mr. Don.

MR. MIKESKA: Well, thank you. I appreciate that.

MR. JONES: Thank you. Appreciate it.

MS. SMITH: Thank you.

MR. JONES: Any other matters? Nothing on the agenda, no closed meetings, no nothing?

MR. LONG: Mr. Chairman, we don't have any additional items at this time other than to note that December's board meeting which is typically scheduled for the second Thursday, depending on when the audit is ready, we wouldn't to schedule a meeting before it's ready, but obviously we can set it the second Thursday for December and we'll see how the audit pushes forward in timeliness on that. That is a key component, we have to have it approved before the 20th.

MR. JONES: What date is that?

MR. LONG: It's the 13th, second Thursday is the 13th. And again, we'll do as we always do which is kind of monitor that and make sure the board is aware of it and make sure that materials are provided to the board in a timely manner.

And with that, Mr. Chairman, we have no additional items before the board.

MR. JONES: Okay. Again, I want to thank the staff for the usually fine job that they do, and Mr. Long. I appreciate you.

No other business, the meeting is adjourned at 11:18.

(Whereupon, at 11:18 a.m., the meeting was concluded.)

CERTIFICATE

MEETING OF: TSAHC Board  
LOCATION: Austin, Texas  
DATE: November 15, 2012

I do hereby certify that the foregoing pages, numbers 1 through 43, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas State Affordable Housing Corporation.

11/26/2012  
(Transcriber) (Date)

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