

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
July 17, 2014
10:40 a.m.

BOARD MEMBERS:

ROBERT "BOB" JONES, Chair

WILLIAM H. DIETZ, JR., Vice Chair

GERRY EVENWEL

ALEJANDRO "ALEX" MEADE (absent)

JERRY ROMERO

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P R O C E E D I N G S

1
2 MR. JONES: Good morning, everybody. Gee whiz.
3 Okay. It's 10:38, and the July meeting of the Texas State
4 Affordable Housing Corporation board of directors is
5 called into order.

6 William Dietz, Vice Chair.

7 MR. DIETZ: Here.

8 MR. JONES: Gerry Evenwel, Member?

9 MR. EVENWEL: Here.

10 MR. JONES: Alex Meade, Member?

11 (No response.)

12 MR. JONES: Jerry Romero, Member?

13 MR. ROMERO: Here.

14 MR. JONES: And here we have a quorum. Are
15 there any public comments at this time?

16 (No response.)

17 MR. JONES: Okay. Hearing none, at this time,
18 Mr. David Long, our President, with our President's
19 Report.

20 MR. LONG: Thank you Mr. Chairman, members. A
21 real quick monthly update. Staff reports are listed under
22 Tabs A through C. Additionally, we will be providing some
23 program updates to the Board under Tabs 3, 4 and 5.

24 Paige Omohundro, David Danenfelzer, and Katie
25 Claflin will be giving you guys some updates regarding

1 specific programs here at the Corporation, a big update
2 for us in terms of our single-family programs. And Paige
3 is going to be talking a little bit about it under Tab 3.
4

5 The Corporation was approved to participate in
6 the Fannie Mae Preferred -- HFA Preferred program. And we
7 had our lender training on that yesterday. And it will
8 launch today, or it has launched today.

9 The Texas Statewide Homebuyer Education
10 Program, our next training is scheduled for August 4th
11 through the 8th here in Austin. One of our big funders
12 under that was Capital One; they gave us a grant for
13 \$10,000. And Sarah Ellinor will be giving a little bit of
14 an update as well on that later on.

15 As you know, related to the Texas Foundations
16 Fund, the 2014 round, we are currently reviewing the
17 applications that were received under that. And we will
18 be looking to keep the Board updated as we move along and
19 move forward through the Advisory Council and their
20 recommendations.

21 Beginning August 1st of this year, the
22 Corporation will begin a weekly blog on our website, and
23 Katie Claflin will be heading up that project.

24 We had a position that we posted, and we have
25 selected someone. They are going through the final review

1 process for Asset Oversight and Compliance, and that
2 person hopefully will be on board soon. They will be here
3 next month for the Board meeting, and we will make the
4 introductions at that time.

5 The professionals today, obviously Katy
6 Livingston is here, with Greenberg Traurig. We also will
7 be making an introduction -- I'm going to let Katy do
8 that -- of Lila Vasquez.

9 She is going to be our new representative from
10 Greenberg, representing us as General Counsel during our
11 Board meetings, as Katy has decided she doesn't like us
12 anymore and is actually leaving the Greenberg Traurig firm
13 to go work in the private sector. And so we are sorry to
14 see Katy leaving.

15 MR. JONES: Greenberg Traurig is not in the
16 private sector?

17 MR. LONG: No. Katy is leaving Greenberg
18 Traurig --

19 MR. JONES: To work in the private sector.

20 MR. LONG: -- to work in the private sector.

21 That is correct. And we are getting -- and Lila is going
22 to be working with us going forward, attending our Board
23 meetings and getting to know us a little better.

24 Also in attendance today is Robin Miller with
25 First Southwest Company, who serves as our financial

1 advisor. And I would be remiss if I didn't introduce
2 Bobby Wilkinson. He is with the Governor's Office, and he
3 is in the back of the room, somewhere back there. We
4 appreciate Bobby being here and representing the
5 Governor's Office.

6 Lastly, Mr. Chairman, the next scheduled Board
7 meeting is tentatively scheduled for August 14th. At that
8 meeting, we will have an Audit Committee meeting as well.

9 And at that Audit Committee meeting we will be presenting
10 the budget for next year to the Audit Committee for their
11 consideration and then formal recommendation to the Board.

12 And with that, I will close my report and ask
13 if there is any questions regarding my report or the staff
14 items that are in there.

15 MR. JONES: Any Board comment or questions on
16 Tab items A, B and C of the President's Report?

17 MR. ROMERO: No.

18 MR. EVENWEL: I'm good.

19 MR. JONES: Okay. Thank you, David.

20 Item 1, Presentation, Discussion and Possible
21 Approval of Minutes of the Board Meeting held on June 12,
22 2014.

23 Any additions, corrections, comments? Or if
24 not, the Board will entertain a motion.

25 MR. EVENWEL: I move to approve the minutes.

1 MR. JONES: Pardon me.

2 MR. EVENWEL: I move to approve the minutes.

3 MR. JONES: Is there a second.

4 MR. ROMERO: There is a second.

5 MR. JONES: Moved and second. Any further
6 discussion?

7 (No response.)

8 MR. JONES: Any public comment on the matter?

9 (No response.)

10 MR. JONES: All in favor say aye.

11 (A chorus of ayes.)

12 MR. JONES: Tab Item 2, Presentation,
13 Discussion and Possible Approval of a Resolution Regarding
14 the Submission of one or more Applications for Allocation
15 of Private Activity Bonds, Notice of Intention to Issue
16 Bonds and State Bond Application to the Texas Bond Review
17 Board and Declaration of Expectation to Reimburse
18 Expenditures with Proceeds of Future Debt for the Cleme
19 Manor Apartments Project.

20 Mr. Danenfelzer.

21 MR. DANENFELZER: Hi. How's it going?

22 MR. JONES: Doing fine.

23 MR. DANENFELZER: David Danenfelzer.

24 MR. JONES: You like casual.

25 MR. DANENFELZER: I love casual summer dress.

1 MR. JONES: You still have that jacket on your
2 chair.

3 MR. DANENFELZER: It's still on the back of my
4 door, hung up. It's pressed and ready to go whenever I
5 need it.

6 MR. JONES: Just checking.

7 MR. DANENFELZER: David Danenfelzer, Manager of
8 Development Finance. And first let me also introduce
9 Mansur and Jaymar, who are to my right. They are with the
10 developer, NHP Foundation.

11 And I will have them introduce themselves, but
12 first, I would like to go ahead and run through a little
13 bit of the summary and the project that we are about to
14 talk to. And then I will have them answer some questions
15 and introduce themselves as well, after I am done.

16 So this is a new bond application. We received
17 it a few weeks ago, and we've been working with the
18 developer, NHP Foundation, for a couple of months,
19 actually, on kind of winding up an application process,
20 and getting it moving forward.

21 The project in question is located very near
22 downtown Houston, 5300 Coke Street, in the Finnegan Park
23 neighborhood, which is part of the Fifth Ward in Houston,
24 Texas. The project is an existing multifamily rental
25 development built in 1970. It contains 284 units on

1 approximately twelve acres of land.

2 It is also adjacent to the Finnegan Park, which
3 is a very large sort of regional area park, which has
4 swimming; baseball, basketball fields; a community center.

5 And directly north of that is also a large high school
6 for the downtown area of Houston and the Fifth Ward. And
7 there are some more details about the high school and its
8 relationship to the neighborhood in the writeup.

9 The proposed development is approximately a
10 \$30 million development, which will include acquisition,
11 rehabilitation, and redevelopment of the entire Cleme
12 Manor Apartments.

13 The rehab portion of the project is around \$7.8
14 million just in actual hard construction costs, or around
15 \$27,000 per unit. And we look only at the costs that are
16 going to be going into the actual bricks and sticks part
17 of that. We don't look at the overhead and contractor
18 fees and stuff like that. This is actual money that is
19 going into each unit.

20 The project is put together with a number of
21 partners. NHP, of course, is the main developer; PNC Bank
22 will be working on providing a long-term mortgage through
23 the Federal Housing Administration. There's loans and
24 grants from the City of Houston, as well as tax credit
25 equity from Bank of America.

1 The deal will be similar in some aspects to the
2 last project we did, the Gateway Apartments in Georgetown,
3 although that was new construction. The similarity is
4 that in the bond structure, these bonds will be short-term
5 issuance, meaning, they will be issued for the purpose of
6 funding the construction financing on the project.

7 But the long-term FHA mortgage will actually
8 take those out within two to three years after being
9 issued, which allows us to have a really good interest
10 rate on the permanent side, because FHA financing right
11 now, for many reasons, is very low cost financing long
12 term, lower than a traditional bond financing would be.
13 But it also allows us access to the 4 percent tax credits
14 which help fill a lot of the equity gap and provide us a
15 lot of extra cash to put into the rehab on the property.

16 I won't go into too many details on the market
17 conditions and market area. I will mention, though, that,
18 you know, NHP Foundation has been around since 1989 and
19 has an excellent track record, from the research I have
20 done. I have spoken to several of their financing
21 partners through the years and really gotten very good
22 feedback from everyone involved.

23 They have some other properties here in Texas,
24 although most of their portfolio of 6,000 units is on the
25 East Coast, in the District of Columbia, Connecticut,

1 Florida, Massachusetts. They also have some properties in
2 Ohio, Pennsylvania, Louisiana.

3 And not only do they have an excellent track
4 record, but looking at their board of trustees and the
5 staff resumes, you see a lot of years of experience, a lot
6 of very kind of top-level people in the housing field,
7 nationally; several people who represent or sit on boards
8 of national policy organizations that have a lot of
9 importance in how the national talk and discussion of
10 affordable housing goes.

11 So we are very -- I am pretty excited to work
12 with NHP Foundation. I think it has got an excellent,
13 long track record.

14 I won't say much more but ask if you guys have
15 any questions about the project in specific. I will give
16 Mansur and Jaymar a chance to introduce themselves, give
17 their name and title. And then if you have questions
18 about NHP Foundation or the project, these guys are the
19 ones who are really knee deep in the numbers and the facts
20 and figures. So I will pass it on.

21 MR. ROMERO: Before you do that, David, can I
22 ask a question. Mr. Chair?

23 MR. JONES: Sure.

24 MR. DANENFELZER: Sure.

25 MR. ROMERO: You are proposing that we are

1 going to issue up to about \$17 million in bonds. I mean,
2 I just need some clarification. You are saying that there
3 is \$7.8 million of rehab costs, and then acquisition costs
4 of 12.4.

5 MR. DANENFELZER: Right.

6 MR. ROMERO: That is \$20 million. So where is
7 the difference coming in?

8 MR. DANENFELZER: Yeah. The balance there
9 would come in from a combination of the grants and
10 financing that the City of Houston is providing, as well
11 as some other private sources that NHP will be using
12 during this period of acquisition and rehab.

13 One of the keys there is -- and very similar to
14 what we did with the Gateway Project as well. The
15 project -- total construction on Gateway was about \$18
16 million, but we only ended up issuing \$11 million.

17 One of the good things about that is what we
18 were able to do is start using that money and immediately
19 start also bringing in the FHA financing to cover part of
20 those costs of construction and repay the bonds as well as
21 be able to access some of the tax credit equity that is
22 available to the property which -- I hate to say it, but I
23 don't have the exact number on the tip of my tongue right
24 now. But I know Mansur will have it.

25 MR. ROMERO: Just one followup question. The

1 27,000, almost 28,000 per unit renovation cost, you really
2 don't have a clear specifics as to what is going to be
3 done to the units?

4 MR. DANENFELZER: No. And again, I will let
5 Mansur talk about that. I know he was at the property
6 last week and talking with the maintenance staff that are
7 currently there. And they are still drawing up the scope
8 of work.

9 At this time, as we put together the financing,
10 I know they are busy also putting together the contractor
11 bids and getting a clear scope of work of what needs to be
12 done.

13 There is -- obviously one of the things that is
14 important to tell you, too, is that the inducement
15 resolution is really the first step that we take as an
16 issuer.

17 It opens the door. It allows the developer to
18 take several steps in looking at assessments, property
19 needs conditions, and also getting some site control, a
20 much more secure level of site control for the property
21 now.

22 The inducement allows them basically an 18-
23 month window to get the project done. We obviously want
24 it to get done a lot faster than that, but the federal
25 process and the rules is to start with an inducement.

1 Once they are ready with their tax credit
2 application and several other parts of the application,
3 then we will go to a reservation. And this resolution
4 gives the Corporation the authority to apply for that
5 reservation to the Texas Bond Review Board. And at that
6 point then we will have 150 days to actually go through
7 all of the procedures and close on the bonds.

8 Sometimes you can obviously buy a little extra
9 time by canceling your reservation and applying for a new
10 one along the way. We hope that is not the case here.

11 I know the City of Houston is very excited
12 about the project and wants it to advance quickly, as well
13 as the developer, because any delays obviously cost more
14 money than the developer initially starts with.

15 So our goal is to get this deal done, once a
16 reservation is issued, in 150 days. So we will carry it
17 out as fast as we can.

18 MR. JONES: Before we ask them to answer or
19 respond to his questions, you said that you don't really
20 want to get into the market condition of the area.

21 MR. DANENFELZER: Well, I have a lot of that.
22 I didn't want to do it in the -- you know, speak to it,
23 because I have a lot of that information in the Board
24 book.

25 MR. JONES: Well, because when they talk, I

1 expect to have some answers too.

2 MR. DANENFELZER: Okay.

3 MR. JONES: I mean, have these people, they
4 named all of the places they worked. Have they been in --
5 since Houston is the largest, second largest, one of the
6 largest cities in the country, have they done anything
7 similar with all of their doing? I know you are excited
8 about them.

9 MR. DANENFELZER: Yes.

10 MR. JONES: Let me say this first. I know the
11 history of TSAHC's stance.

12 MR. DANENFELZER: Right.

13 MR. JONES: I knew if this wasn't deemed
14 viable, we wouldn't be sitting here with it. So I am
15 saying, knowing that and having that confidence, there
16 still are some questions, because I know you are excited
17 about it, because this seems like a really big deal.

18 And so I looked at the area. It is a tough one
19 to redevelop.

20 MR. DANENFELZER: Yes.

21 MR. JONES: I would like to know what they
22 feel, in addition to his question, is important for us to
23 know about it. Throw the ball into their court.

24 MR. DANENFELZER: Yes. Well, with that, I will
25 go ahead and pass it on to them.

1 MR. JOSEPH: Good morning. How are you doing?

2 MR. JONES: Good morning, Sir.

3 MR. JOSEPH: My name is Jaymar Joseph. And I
4 am with the NHP Foundation. And I appreciate David's
5 description of our company. We started in 1989. And as
6 he read, we are in 13 states. The one common theme within
7 those 13 states is that we deal in preservation housing,
8 and we deal in projects that are in some of the rougher
9 parts of the state, and the rougher parts of the country.

10 And we put together our acumen of putting
11 together financing for deals and at the same time putting
12 in together thoughtful construction to revitalize the
13 property, and at the same time, along with that, the
14 backdrop is providing the community supportive services
15 for the empowerment of the residents that are within those
16 properties that we own.

17 And so to talk specifically in terms of the
18 market and the market conditions, we have been working
19 with the City of Houston as they are crafting their
20 revitalization plan within the property area, within the
21 greater Fifth Ward and within Finnegan Park. And our
22 project is part of their overall revitalization plan for
23 that area.

24 And what we see is an area on the cuff of
25 change, where you have some homes that are selling for

1 \$117,000 and \$150,000; income levels going up to almost 80
2 percent of AMI. But then in our community, you are at
3 areas of 30 percent.

4 Rampant crime, blight within the community,
5 based on actions of the previous owners. And what we look
6 for is communities that are in that situation, where we
7 can interject our own skills and capacity to provide the
8 financing into these projects and, at the same time, work
9 with the local community.

10 We are working now with TOP and with Texas
11 Appleaseed in terms of drafting in the necessary community
12 resources to help the empowerment of the residents as we
13 are doing the physical sticks and bricks rehab, which is
14 quite extensive, so --

15 MR. JONES: So the crime and all that is going
16 on, you addressed it to the current owners. I mean, the
17 people who were managing and running the property allowed
18 it to not -- proper security and this and that and the
19 other.

20 Which begs that question that your -- and this
21 is secondary to the project. I understand that.

22 MR. JOSEPH: No. I understand.

23 MR. JONES: But somebody that is working in
24 there like that -- because that is what we do, Texas State
25 Affordable Housing. Do the ones that are in there, the

1 individuals, groups of families and people that are in
2 there, they obviously get displaced if you are going to
3 change the climate.

4 MR. JOSEPH: No.

5 MR. JONES: No.

6 MR. JOSEPH: And to answer your question, I am
7 glad you brought that up. We intend not to displace any
8 of the residents that are there.

9 MR. JONES: Even if they are criminals? I
10 mean, you have got to do something.

11 MR. JOSEPH: But if they are performing
12 criminal actions, then we are going to take aggressive
13 steps to address the criminal element that is there. And
14 for the residents that are there that are not committing
15 any crimes, that are elderly, or that are disabled, we are
16 providing a better environment for them, because no one
17 should be subjected to a criminal element unnecessarily.

18 And what we have done is, we have reached out
19 to the City of Houston Police, to the Harris County Police
20 and Sheriff's Office to try to craft a more comprehensive
21 security plan that takes into account their involvement.
22 We also intend, as part of our scope of work, to put in
23 security cameras and better lighting for the residents
24 that are there, because that is one of the things that
25 they commented on, is that they have a lot of dark spaces

1 on the property, a lot of areas where we feel like you
2 know, were not being addressed in terms of security
3 services.

4 And more importantly, we are going to have a
5 new management company that is going to be in place that
6 is going to speak to a lot of the things that the
7 community needs.

8 Like there have been 20 years of deferred
9 maintenance, and the exterior lighting on the property is
10 not the best. We are going to go in and change those
11 things.

12 So while there may be displacements based on
13 tenants' own actions in terms of not doing the things that
14 they need to do, we feel that it is necessary to provide
15 our community an environment for people to live. And that
16 you know, working class families, working families to be
17 in an area that is conducive to a better quality of life.

18

19 MR. JONES: And this affects how many units?

20 MR. JOSEPH: Right now we are still putting
21 together our surveys on it. But we are thinking between
22 50 to 60 units that we have heard from the City of Houston
23 Police and have heard from Harris County Police that we
24 think that we may have a problem with some of those units,
25 being about 50 or so in the property. But again, it is

1 not a matter of, hey, we want to displace people and then
2 leave them with no alternative.

3 MR. JONES: It is not want. It is have to,
4 maybe. That is what I was asking.

5 MR. JOSEPH: Understood. But we also look at
6 it from a standpoint of doing that and also providing them
7 the social services and the supportive services to give
8 people a choice, to say, hey, you know, you can continue
9 down your wrong road, or you can come up with a different
10 alternative and a different way of living your life. And
11 we are prepared to provide that different and enhanced
12 level of service that you may not have already had with
13 the current owner.

14 MR. ABDUL-MALIK: Mansur Abdul-Malik, also with
15 NHP. My position is financial analyst as well as project
16 manager number one. So I manage many of the smaller
17 projects that go into this larger project, which is the
18 development.

19 And to expand on what Jaymar was saying, our
20 goal is to give people -- I hate to say it, but the carrot
21 or the stick. Those folks that are unwilling to provide
22 that atmosphere for the tenants of safety, then they have
23 got to go.

24 Those folks that would like to do better, then
25 we are going to provide them resident services. And the

1 goal is, with Texas State Affordable, to work in
2 conjunction with you guys for the resident services,
3 because that is a very large part of what you do.

4 To speak more on the market conditions overall,
5 we are also working with TIRZ 18 in Houston, to have tax
6 increment financing. So in working with TIRZ 18, we are
7 not only going to have financing for the redevelopment,
8 but they are also placing a bet that this area is going to
9 improve. And in placing that bet, that this area is going
10 to improve, they will let you know that it is more than
11 just us that are seeing this market is going to turn very
12 shortly.

13 MR. JONES: And so, David, beside the
14 numbers -- and I know the numbers have got to work for
15 this agency -- what attracted you to the project?

16 MR. DANENFELZER: You know, one of the other
17 things that -- you know, I'll admit when we first got the
18 call and were told about the location, I looked it up, and
19 I was hesitant at first.

20 But once we started digging in -- and I do a
21 lot of background research in the neighborhood conditions
22 and other things -- one of the things that is very clear
23 about this neighborhood is that it is in transition. The
24 area in 2000 was one of the lowest income census tracts in
25 the Houston area, particularly within the central area of

1 Houston, within the Loop.

2 And the census tract immediately west of this
3 had an even lower income tract at that point. But the
4 Corporation also funded a project there, through New Hope
5 Housing, which is a supportive housing project. And we
6 have given them additional funding through the Foundations
7 Fund for supportive services.

8 And even back then, ten years ago, when that
9 project went up, there was a lot of expectation for this
10 neighborhood to turn, to grow. And that has happened.

11 In 2000, while it was one of the lower income
12 areas, in the 2010 census, the census tract immediately
13 west of where this property is now has a median income of
14 \$116,000. That is well above the median income for the
15 entire country in Harris, in Harris County and Houston.
16 So there is a great deal of pressure, because it is so
17 close to downtown.

18 In fact, this site is, I think, about 15 blocks
19 from the baseball stadium in downtown. This area is
20 growing. The City has put in millions of dollars of
21 infrastructure, millions of dollars in redevelopment of
22 Finnegan Park itself.

23 The school district built a brand new high
24 school in 2006. I think that was about a 36 to \$40
25 million high school project. It is now the technology and

1 math magnet for the school district. This is an area that
2 is going to evolve and is going to improve. Jobs are
3 coming there.

4 And, you know, one of the goals we have is at-
5 risk preservation. And we see this as an at risk, because
6 these are affordable units now. Without a process of
7 preserving that affordability, this will likely be torn
8 down and converted into high-priced condos.

9 You know, when you look at that neighborhood,
10 you can look at examples across Dallas, across Austin
11 where apartment complexes like this have been either torn
12 down or converted into high-priced condominium units. And
13 there's nothing stopping that happening now in this area.

14 It is going in that direction. It will continue to grow.
15

16 So from a mission standpoint, that is one of
17 the reasons it started to attract me. Knowing that it
18 wasn't just a stagnant neighborhood, but a neighborhood in
19 transition.

20 MR. ROMERO: A couple of questions; 284 units.

21 Is this a project -- you guys have worked with those
22 numbers before, or is this something that is new? Is this
23 standard for you guys?

24 MR. JOSEPH: It is pretty standard for our
25 line.

1 MR. ROMERO: Okay.

2 MR. JOSEPH: We look for properties that are
3 over 100, 150 and as high up to 300, 350. So this is in
4 our sweet spot.

5 MR. ROMERO: Is this your first project in
6 Texas?

7 MR. JOSEPH: No. We have several projects in
8 the Texas area. One in Houston, Peppermill, that's a more
9 elderly community. But we have had others that are family
10 and elderly.

11 MR. ABDUL-MALIK: Yes. We actually have seven
12 properties in Dallas right now, which is a portfolio of
13 about 1,000 units.

14 MR. ROMERO: Okay. As far as the supportive
15 services, have you already identified partners? And more
16 importantly, how did you come about as to what supportive
17 services should be providing?

18 MR. ABDUL-MALIK: Sure. We started working
19 with many of the community organizations. We were
20 feeling, in conjunction with the tenants in the community
21 organizations, we should be able to craft a plan.

22 We didn't want to come in with a one size fits
23 all. Every project that we undertake has a different
24 issue. That is, some may need early childhood education.

25 Cleme Manor, we are feeling, at a top level, is

1 going to need more financial education, seeing as though
2 most of the residents are \$20,000 or below as far as area
3 median income. And much of the crime that is there is
4 theft and robbery, which can be directly related to the
5 financial woes of the area.

6 So we are thinking financial is probably going
7 to be the direction that we are going to go in. However,
8 we don't want to come in and just say, hey, you know, take
9 this math book, and all of a sudden, you are going to
10 learn IRR.

11 Instead, we are going to work with
12 organizations that are in the community, work with the
13 tenants and come up with a plan that fits best for
14 everyone, and then implement it from there.

15 MR. JOSEPH: Also to add to that, we are
16 working with the Texas Organizing Project in terms of
17 reaching out, in terms of community resources to help
18 craft our plan.

19 One of the things that we are seeing is that a
20 lot of the income levels are \$10,000 and below, which
21 doesn't give you a lot. It doesn't allow you, after your
22 rent, to pay for other things that you need to do in your
23 life.

24 We also realize in our demographic of our
25 community, 57 percent of the community is below the age of

1 30. So we have a lot of young people. Young people
2 having children -- multiple children that are in the
3 community.

4 We have, bless her heart, we have a lady that
5 is providing a community service out of her own pocket for
6 smaller children, ages from zero to ten. And so we look
7 to try to help her and other community organizations that
8 are willing to provide the services, and to partner with
9 them, because we don't have a magic bullet, in terms of
10 what they need.

11 You have, as Mansur said, early childhood
12 education. You have out of school time programming. And
13 you also have workforce readiness and financial services
14 for the older residents. So those are some of the things
15 that we are going to be thinking about and grappling over,
16 in terms of creating our plan in the coming months.

17 MR. ROMERO: Just one more question.

18 MR. ABDUL-MALIK: Yes.

19 MR. ROMERO: Have you all, or do you --

20 MR. JONES: You can have two more.

21 MR. ROMERO: Have you all, or do you plan on
22 actually surveying the residents to see what their needs
23 are?

24 MR. JOSEPH: Yes.

25 MR. ABDUL-MALIK: Yes.

1 MR. JOSEPH: That will be our first course.

2 MR. ROMERO: Okay.

3 MR. JONES: Any other comments?

4 (No response.)

5 MR. JONES: So if we approve this item, then
6 that means you will go and draft all of the necessary
7 resolutions and all those other things? This is, in
8 effect --

9 MR. DANENFELZER: Well, what we will be able to
10 do with this resolution is to begin engaging bond counsel,
11 issuer counsel, NRFA, fully on doing both financial
12 analysis, bond document prep, and getting our Asset
13 Oversight and Compliance agreements in place.

14 It allows me to also start the process of doing
15 public hearings, which we are required under the bond
16 process, to do a public hearing. You know, we will
17 probably target that for sometime in late August, early
18 September, for when the public hearing would occur.

19 And it also then allows us the ability to apply
20 for that bond reservation, the volume cap reservation to
21 the Texas Bond Review Board. Depending on the timing of
22 that reservation, we will either use our current volume
23 cap, which is around \$58 million we have available to us.

24
25 If we make that application after August 15th,

1 we will go into what is called the collapse period for the
2 State, where all housing issuers collapse all of their
3 set-asides that were reserved for them into one giant
4 pool. And we do expect there to be over a billion dollars
5 available in that pool. So we shouldn't have any trouble
6 after August 15th getting volume cap.

7 MR. JONES: Okay.

8 MR. EVENWEL: So how does this tax credit
9 affect a not-for-profit group?

10 MR. DANENFELZER: Well, actually, how it will
11 do is that the tax credit investor and the nonprofit
12 partner, through a limited partnership or sometimes an
13 LLC, and they will basically form a for-profit corporation
14 to own. The non-profit will be the general partner that
15 will manage the operations, but they will only own, say, 1
16 percent of the deal. Whereas the limited partner in the
17 process is the investor who buys the tax credits owns 99
18 percent.

19 So when the tax credit comes to the table, 1
20 percent goes to the nonprofit. They can't really use it,
21 but 99 percent go to the investor. I have actually seen
22 deals where they do 99.9 percent for the for-profit
23 limited partner and .1 percent ownership for the general
24 partner.

25 We do look at those partnership agreements in

1 our analysis to make sure that the nonprofit still does
2 have control operating, management control over the
3 property, because there is a specific public purpose that
4 they need to fulfill. The limited partner, we make sure
5 that there are sort of, you know, limitations on how much
6 influence they can have on what the property can do.

7 And obviously the bond agreements, the loan
8 agreements also limit what they can do, because they do
9 commit to us in those agreements to provide the affordable
10 units to rent, to have the rent and income caps.

11 MR. JONES: And that would be you?

12 MR. JOSEPH: Yes. And then on top of that, we
13 also post guarantees for construction completion, lease-up
14 completion and operating guarantees.

15 MR. EVENWEL: Okay. So the money goes to them,
16 not to us.

17 MR. DANENFELZER: Well, the tax credit equity,
18 yes. The tax credit equity goes to the limited
19 partnership. And then they get to use it.

20 And the for-profit limited partner is the one
21 who actually gets to send that to the IRS at the end of
22 the year and get the tax credit against their books and
23 their investments. The non-profit has no real need for an
24 income tax credit, but the only way to maximize the input
25 is to create that partnership.

1 And it is actually not only common in
2 nonprofits who run tax credit deals, but most for-profit
3 developments actually have that same exact structure,
4 because it is the investor who buys the tax credits that
5 wants the tax credit. It is not the developer who's
6 actually building the property.

7 They just want the cash equity up front so they
8 can build it. The investor is the one who wants to be
9 able to cash that in every year for the next ten years and
10 get the value of that credit.

11 MR. DIETZ: You're talking about generally the
12 same bond structure that we use for other multifamily.

13 MR. DANENFELZER: Yeah. This is going to be
14 very similar to the last deal we did; almost identical.
15 You know, there have been some questions about how the
16 bonds will be exactly issued. But we are looking at a
17 public issuance for the bonds on a three-year term.

18 It will be a rolling, every year they will
19 renew for three years, and we will buy them down, using
20 the permanent financing as we go along.

21 It has been a successful process for us so far
22 with the Gateway project. It has been used on several
23 dozen deals in the last two years across Texas and
24 throughout the United States.

25 So right now, as long as FHA financing is lower

1 cost than a standard tax-exempt bond issue, like we used
2 to do five or six years ago, that will be the model we
3 will be looking at. Simply because, if you can get the
4 FHA financing for 4-1/4 percent versus 5-1/2 percent for a
5 long-term bond, no-brainer:

6 Spend a little extra money. Issue the bonds.
7 Get the tax credits. And then go for the low interest
8 rate. So it is a --

9 MR. JONES: And as you said, it fulfills our
10 mission as envisioned by the Legislature.

11 MR. DANENFELZER: It fulfills our mission,
12 absolutely. And it is building a lot of housing that
13 wouldn't be built if we had to use that old model.
14 Without that point to point-and-a-half spread, if we had
15 to pay 5-1/2 or more percent for long-term bonds, a lot of
16 deals just wouldn't work.

17 The financing just would be too thin in this
18 market. Even though rents are going up, expenses are
19 going up just as fast. And the cost of housing is going
20 up, so just the cost of acquisition is real high.

21 MR. JONES: Is there any public comment on Tab
22 Item 2?

23 (No response.)

24 MR. JONES: If not, I will entertain a motion
25 as presented in Tab Item 2.

1 MR. ROMERO: I move to approve the resolution
2 as presented.

3 MR. DIETZ: Second.

4 MR. JONES: There's a motion and a second. Any
5 further discussion?

6 (No response.)

7 MR. JONES: All in favor say aye.

8 (A chorus of ayes.)

9 MR. JONES: Unanimously approved.

10 MR. DANENFELZER: Great. Thank you very much.

11 MR. JOSEPH: Thank you.

12 MR. ABDUL-MALIK: Thank you.

13 MR. JOSEPH: We really appreciate it.

14 MR. JONES: Do the deed.

15 MR. DANENFELZER: Right.

16 MR. JONES: Tab Item 3, Presentation and
17 Discussion of the Homeownership Finance Programs. Oh,
18 good. I like seeing those, except Mr. Meade's not here
19 today.

20 MS. OMOHUNDRO: Good morning. How is everyone
21 doing?

22 MR. JONES: Fine. Thank you, Ms. Omohundro.

23 MS. OMOHUNDRO: Good. Thank you. So David and
24 Liz, our executive team, wanted to kind of allow you guys
25 to have the opportunity to have a debriefing on how the

1 home ownership programs are doing.

2 So if you refer back to the reports that are
3 under Tab Item A, that is where I am going to be kind of
4 having our discussion. So let me just take a little bit
5 of an opportunity to kind of walk you through the Board
6 reports that you see every month.

7 I basically break them out into three different
8 quadrants -- or I guess they wouldn't be quadrants --
9 three different sections, the first being at the top. It
10 shows you your breakdown of our monthly originations, what
11 we're doing on a monthly basis by --

12 MR. JONES: You are at Tab A, first page?

13 MS. OMOHUNDRO: Correct.

14 MR. JONES: Okay.

15 MS. OMOHUNDRO: Correct. So you see what we
16 originate monthly and what that equates to in the number
17 of loans and, overall, the percentage of our portfolio.

18 And keep in mind, too, if you look up at the
19 top, there is a date, and so this report is our portfolio
20 or the originations from January 1, 2013, to present.

21 The second section below that shows you the
22 originations overall from all of our participating
23 lenders, so you can see how our lenders are performing.
24 And I rank it from the top. You know, so in this
25 instance, Cornerstone Home Lending is our number one

1 originator, and that shows you their volume.

2 MR. JONES: When you say performing, you mean
3 participating?

4 MS. OMOHUNDRO: Just what they are -- correct.
5 Correct.

6 MR. JONES: Performance and participation is
7 synonymous.

8 MS. OMOHUNDRO: Right.

9 MR. JONES: Okay.

10 MS. OMOHUNDRO: Right. And then the last
11 column, the third section, is basically all of your
12 demographic information. You will see, you know, the
13 breakdown on our average loan size, average income of that
14 household.

15 And then you see kind of who is using our
16 programs, whether they are teachers, firefighters and the
17 like. You also see the type of loan that they are using
18 and ethnicity and race. And then kind of you can take a
19 little quick snapshot of our top 20 originating counties
20 in the state.

21 So do you guys have any questions over those
22 specific data points or looking for anything additional?

23 MR. JONES: Well, we have talked about being
24 more rural, some of the other counties, and that has been
25 happening.

1 MS. OMOHUNDRO: Yes. We are seeing -- we do
2 keep an eye on that. Every quarter we do a snapshot. And
3 I can take our data and look at -- we have broken the
4 state into specific regions that mirror our Foundations
5 Fund regions. And so we have been targeting specific
6 regions that do not have as high of originations as
7 others.

8 MR. JONES: And it is listed, the bottom column
9 on the right hand side, top 20.

10 MS. OMOHUNDRO: Right.

11 MR. JONES: But there's more than 20.

12 MS. OMOHUNDRO: Yes.

13 MR. JONES: Because there is 254.

14 MS. OMOHUNDRO: What do we have, 254. You are
15 right, 254. Yes.

16 MR. DIETZ: So how do you target those areas?
17 Are you contacting the loan originators? Is that how you
18 are --

19 MS. OMOHUNDRO: We have focused on several
20 different tactics. One, we reach out to our lender
21 partners and ask them, do you have branches in these
22 areas? If you do, let's look at ideas of how we can train
23 your LOs how to use our program.

24 Then we also hit up the local realtor
25 associations. So we have a good partnership with the

1 Texas Association of Realtors, and that kind of trickles
2 down into the local associations.

3 So we will also make ourselves available to
4 those associations to come and train, to come to their
5 monthly meetings. And we have been pretty successful with
6 that.

7 We have also, on Sarah's side, worked with our
8 housing counseling partners in those areas and sent them
9 marketing materials on our programs, so that they have our
10 programmatic information at their disposal to hand out to
11 the people that they are counseling and saying, This is an
12 affordable product for you guys to use, if you're thinking
13 about purchasing and if you're ready to purchase.

14 So we have kind of hit it from all of the
15 different partners that we work with to make this type of
16 transaction possible. And we are just keeping an eye on
17 that and building those relationships in those areas.

18 You know, looking at new events that we can
19 attend; we have done several of those. Laredo is one that
20 we went to most recently.

21 And you know, these groups are very thankful
22 and appreciative when we do come out, because we do this
23 at no cost to them. So it is just a public service that
24 we provide; educating them on what we have available.

25 MR. JONES: 254 counties. How many counties do

1 we actually have at least one at? Off the -- I mean, you
2 don't have to --

3 MS. OMOHUNDRO: I don't know that, Mr. Jones,
4 right offhand.

5 MR. JONES: Fifty counties?

6 MS. OMOHUNDRO: Sure. Definitely. We have
7 done at least one loan in the vast majority of our
8 counties.

9 MR. JONES: Okay. That is good.

10 MS. OMOHUNDRO: It is just this page, this
11 report, we are trying to do several pages.

12 MR. JONES: I understand.

13 MR. ROMERO: The important thing is that El
14 Paso is number two.

15 (General laughter.)

16 MS. OMOHUNDRO: And then the report behind that
17 is the same format. It's just specific on our mortgage
18 credit certificate program. Okay.

19 MR. ROMERO: And, Paige, are those on the MCC
20 program, they are already counted on this first page?

21 MS. OMOHUNDRO: That's a great question,
22 because given the change that we made about a year ago, I
23 believe, you can now -- a first-time homebuyer can take
24 advantage of both our down payment assistance program and
25 our MCC program.

1 And that was a big change, because in the past,
2 you had to choose one over the other. Now they can be
3 combined. So, yes, those that are taking advantage of
4 both products are going to be included in this DPA report.

5 MR. ROMERO: Okay.

6 MS. OMOHUNDRO: And vice versa, with the MCC.
7 So some of these guys in both reports are taking advantage
8 of both products.

9 So the bottom line, you can't add up the 2,610
10 that we have served in our DPA program and add it to the
11 134 in our newest MCC and get the total number of
12 households served. That's going to give you the wrong
13 number.

14 Okay. Great question. Any other questions
15 about the reports before I move on to the pages following
16 the two reports?

17 (No response.)

18 MS. OMOHUNDRO: No? Okay. So the chart that
19 you have, the third page behind A, I wanted to give you a
20 snapshot of how we have been performing.

21 MR. JONES: The one in black and white, while
22 you have nice color.

23 MS. OMOHUNDRO: Well, did you not get a color?
24

25 MR. JONES: No. But it's okay.

1 MS. OMOHUNDRO: I had to print out a color
2 because it is much easier to read.

3 MR. DIETZ: If you could get your reports by
4 PDF --

5 MR. JONES: I'd like to withdraw that comment.

6 MS. OMOHUNDRO: Mr. Dietz and Mr. Romero, thank
7 you for that.

8 MR. ROMERO: They look like color to me.
9 Right.

10 MS. OMOHUNDRO: I'm happy to supply you with a
11 color version.

12 MR. JONES: No. They are trying to say I am
13 still archaic.

14 MS. OMOHUNDRO: Hey. I love paper, too. So
15 this chart is going to show you our performance over the
16 past five years. The good news is that if you look at
17 from 2011 on, all of our programs have been growing, which
18 is great news.

19 And making some assumptions, because I knew you
20 were going to ask, well, what is the reason behind that
21 growth, I have provided you with the chart below. So
22 prior to 2012, we were doing bond deals, issuing mortgage
23 revenue bonds.

24 That tapered off at the end of 2011. And we
25 went to a TBA structure, to-be-announced structure, which

1 provided us with many more flexibilities. And those are
2 kind of the pros. And that is what I put in that right-
3 hand column.

4 So now we don't -- unlike a bond deal, we don't
5 have a set allocation to issue. It is just, as our
6 originations come in, it is as demand. We have the funds.
7 We make them available. So that is a flexibility.
8 Unlimited funds, market bearing.

9 Then we have the ability to change our interest
10 rate throughout that program. Unlike a bond deal, at the
11 very beginning of releasing that deal, you had to set an
12 interest rate on whatever. Let's say it is a \$25 million
13 allocation.

14 When we structure the bond deal, it is
15 structured at a specific interest rate. Let's say it is
16 6.25. And the market, you know, is providing something
17 much lower than that. Well, we didn't have the
18 flexibility to respond to those market conditions,
19 whereas, now we do.

20 Another great point is that for our programs
21 now, with this particular type of structure, we can open
22 the availability of this product to non-first-time
23 homebuyers. And with that, that allowed us to then
24 combine the two DPA and MCC products together if they were
25 a first-time homebuyer.

1 So that is a win-win for that particular
2 consumer, being able to take advantage of both of our
3 forms of assistance. Then we were able to --

4 MR. JONES: Excuse me. That nonexclusive, that
5 was the program we talked about last year, where they have
6 been in that home for a time, five years or so --

7 MS. OMOHUNDRO: Well, whenever you issue bonds,
8 which is a bond deal that we have done in the past, prior
9 to 2013 or 2012, and a mortgage credit certificate
10 program, which is also let's call it a bond deal, to make
11 it easy, those are regulated by the IRS.

12 So they have given us certain parameters that
13 we have to stay within. One is very specific income
14 limits and then borrower demographics, and one of those is
15 that they have to be first-time homebuyers.

16 So given that we weren't doing a bond deal
17 anymore, we were doing this TBA structure, we no longer
18 were bound by those IRS regulations, and so we could open
19 it up to non-first-time homebuyers as well.

20 MR. JONES: Okay.

21 MS. OMOHUNDRO: But I mean, keep in mind, we
22 are not in the business of helping people buy rental
23 properties, second homes, that sort of thing. Any home
24 that they buy with our financing needs to become their
25 principal residence.

1 And then the last one, given that we have gone
2 to this structure, we are not issuing bonds for this type
3 of transaction, we don't have to go before the Texas Bond
4 Review Board, not that, you know, that is a grueling
5 process.

6 It is just that we have to meet certain
7 benchmarks when doing that, and so this just kind of
8 lessens the administrative burden of a home ownership
9 program like this. Any questions about that?

10 (No response.)

11 MS. OMOHUNDRO: No. Wow, I was prepared, guys,
12 for some tough questions.

13 MR. EVENWEL: Well, give us some of your
14 answers then.

15 MS. OMOHUNDRO: I like it, I like it. One
16 thing that David mentioned in his President's Report that
17 is very exciting for the Corporation is that we did get
18 our approval from Fannie Mae to offer a very exclusive
19 product; it's called HFA Preferred. And that is housing
20 finance agency; that's what they consider us.

21 And this is a product that allows us to offer a
22 conventional product to our consumers, which we haven't
23 allowed under our down payment assistance programs before.

24 And it provides a great conventional loan but with some
25 additional benefits to that particular consumer.

1 For example, loans up to 97 LTV, loan-to-value
2 ratio, which is great, because like with an FHA, 96.5, and
3 with a traditional conventional, it is 95. So it is --
4 our consumers can qualify better or more easily for that
5 product.

6 Low mortgage insurance. In fact, there is no
7 upfront mortgage insurance premium for these particular
8 homebuyers that do qualify for it.

9 And then they are going to be getting an
10 assisted grant with this particular product. So they are
11 going to get a grant equal to 5 percent of their loan
12 amount for down payment assistance, which is similar to
13 our FHA product.

14 And then also, we are going to roll out an
15 unassisted option under this particular program, too. It
16 is going to have a lower interest rate, but no down
17 payment assistance.

18 It is for those borrowers with slightly better
19 credit, as you might imagine, like a conventional loan is
20 looking for, but we do feel like that is out there. And
21 we hope that this increases our business.

22 MR. JONES: Back to the nonexclusive first time
23 homebuyers.

24 MS. OMOHUNDRO: Uh-huh.

25 MR. JONES: Since you opened the door back

1 there.

2 MS. OMOHUNDRO: Okay.

3 MR. JONES: To make sure -- there's always
4 people who try to beat the system.

5 MS. OMOHUNDRO: Uh-huh.

6 MR. JONES: We want to make sure that this
7 second time that they buy is not as a rental property or
8 second. But how do you make sure that on the second
9 house, they don't hold on to the first and rent that one
10 out.

11 MS. OMOHUNDRO: Well, they can do that.

12 MR. JONES: They can?

13 MS. OMOHUNDRO: They can do that. Yes.

14 MR. JONES: Okay. As long as the first, the
15 one that -- the second one is their principal?

16 MS. OMOHUNDRO: Right. And we do understand
17 that concern. I don't have the exact number offhand, but
18 I will tell you the vast majority, probably still 95 to 98
19 percent of our portfolio are first-time homebuyers.

20 And, too, it is -- like what you were going
21 with, it is rare for someone within our income parameters
22 and credit parameters for them really to be able to have
23 two properties -- to qualify for a second property when
24 they have an existing.

25 MR. JONES: Because lease properties pay higher

1 than -- so if they could show the first house, that they
2 lease it out as income --

3 MS. OMOHUNDRO: Right. More than likely they
4 won't qualify, potentially.

5 MR. JONES: Okay. All right. But it is there.
6 It is there. But 95 percent are first time still.

7 MS. OMOHUNDRO: Yes. Overwhelmingly.

8 MR. DIETZ: What is our definition of a first-
9 time buyer?

10 MS. OMOHUNDRO: Either they are buying for the
11 very first time, or they haven't owned a residence and
12 lived in it within the last three years.

13 MR. ROMERO: But that, for all intents and
14 purposes, is no longer the case. Right?

15 MS. OMOHUNDRO: Pardon?

16 MR. ROMERO: That for all intents and purposes
17 is no longer the case under the TBA program.

18 MS. OMOHUNDRO: Correct. Under our TBA
19 program, we do not care. Under our MCC program, that is
20 still a requirement.

21 MR. DIETZ: This is just a procedural. I
22 really like this data. This is great. Very informative
23 data.

24 If somebody calls -- say you are out marketing
25 our program, somebody calls us directly, what do we do?

1 Do we divert them to a particular default lender, or --

2 MS. OMOHUNDRO: What we have developed is so
3 they can do two things. They can certainly call us, or
4 they can go to our website. And we have an eligibility
5 quiz on our website. It walks them through four
6 questions.

7 So whether they are taking the quiz online, or
8 they are asking Sarah or I if they qualify, we are going
9 to ask the same four questions, helping determine whether
10 or not they meet our income limit, if they are a hero,
11 that sort of thing.

12 And then at that point, we instruct them, there
13 are two steps that they need to take next. One is they
14 have to take a homebuyer education course, you know. And
15 the second is they have to work with one of our approved
16 lenders. So we help them find those in their specific
17 area.

18 MR. DIETZ: Wherever they are in.

19 MS. OMOHUNDRO: Because we both -- we have that
20 data on our Texas Financial Toolbox. That's where they
21 can go to find a housing counselor in their area. Or
22 online options.

23 And then we have our lenders list, which the
24 same thing. You type in your county, and it will pop up a
25 list of all -- actually, you enter your city, and it

1 populates what lenders are in that area for them to call.

2 MR. JONES: When Paige was doing a presentation
3 in Houston for the Houston Black Realtors Association, she
4 made an interesting comment involving the requirement of
5 homebuyers education courses. Do you remember that
6 comment? The amount of default in relationship to the
7 homebuyer course?

8 MS. OMOHUNDRO: Right. Right. An individual
9 is a third less likely to default on their loan if they
10 have taken a homebuyer education course.

11 MR. JONES: A third less likely to default if
12 they have the course before they can proceed. And what is
13 the default rate?

14 MS. OMOHUNDRO: Our default rate is probably --
15 I don't know right off the top of my head. It is probably
16 in the 12 percent range, but our foreclosure rate is less
17 than .1 percent.

18 MR. JONES: Less than .1. And the whole room
19 gasped when you said that.

20 So any other comments so far?

21 (No response.)

22 MR. JONES: What was Sarah going to say?

23 MS. OMOHUNDRO: Well, good question.

24 MS. ELLINOR: Yay, it's my turn. Okay. Sarah
25 Ellinor. Nice to see you guys.

1 So we wanted to give you an update on the Texas
2 Statewide Homebuyer Education Program, or TSHEP as we call
3 it, because we have an acronym for everything.

4 We are going to be celebrating our second-year
5 anniversary administering this program on behalf of the
6 State in September. So we continue to be happy with its
7 successes. So we wanted to kind of give you an update on
8 2014.

9 This year we received many generous
10 contributions from multiple sources, including Bank of
11 America, the Texas Department of Housing and Community
12 Affairs, the Texas Financial Education Endowment, Wells
13 Fargo, Capital One, and Frost Bank.

14 So with those contributions, we were able to
15 host three rounds of training. Two were held in San
16 Antonio, and one will be held here in Austin, in August.

17 During the second round of training, we were
18 able to partner with two really cool, great organizations:
19 RAISE Texas and the Federal Reserve Bank of Dallas, San
20 Antonio Branch. So we hope that we can continue those
21 partnerships next year.

22 MR. JONES: What is -- and who is RAISE Texas?

23 MS. ELLINOR: RAISE Texas is an organization
24 that works on raising assets. What is it? Raising
25 assets, investments and savings.

1 MR. JONES: Okay. Acronym.

2 MS. ELLINOR: Yes. It's another acronym. So,
3 yes, they kind of work on different projects throughout
4 the state, a lot of policy. They are very heavily
5 involved in payday lending, that sort of thing. So they
6 are a really cool organization.

7 Right now they are focusing a lot on financial
8 coaching, which is a new field that is kind of making a
9 rise to the surface. A lot of people are interested in
10 it. It's a different approach to working with individuals
11 on financial education. So rather than counseling, it's
12 coaching.

13 So they are very involved in that. And that is
14 what we partner with them on, to offer a financial
15 coaching course during their annual RAISE Texas summit
16 this year.

17 So results thus far, we plan to train well over
18 a hundred counselors this year, as compared to 93
19 counselors last year, so the program is growing.

20 MR. JONES: You plan to train a hundred. You
21 have already done 83?

22 MS. ELLINOR: Yes.

23 MR. JONES: And you are halfway through the
24 year.

25 MS. ELLINOR: Yes. With the August round, we

1 will have trained well over a hundred. Actually,
2 registration closes tomorrow, so I will be able to provide
3 you a more solid number.

4 MR. JONES: Registration for the last round.
5 This will be the last round for this year?

6 MS. ELLINOR: Yes.

7 MR. JONES: And what does something like that
8 cost?

9 MS. ELLINOR: Fifty dollars.

10 MR. JONES: I mean, to put on, total.

11 MS. ELLINOR: Oh, to put on? It is quite
12 expensive to hire Neighborworks America, which is who we
13 partner with. They are a national training organization
14 out of D.C. So the instructors --

15 MR. JONES: Which is where the donation from
16 Wells Fargo and Capital One and those others come in.

17 MS. ELLINOR: Yes. That is the reason that we
18 fundraise. Yes.

19 MR. JONES: Okay.

20 MS. ELLINOR: And also, as you will see on the
21 last bullet point, we were able to offer 24 scholarships
22 to counselors that covered their hotel stay during their
23 training. So we are making it even more available to
24 people that may not be able to afford to send their staff
25 to the training.

1 So you will see here that counselors in
2 attendance represented 60 organizations, 32 cities across
3 Texas. So we are really making an impact widespread. 99
4 percent of those counselors would recommend this training
5 to others. And overall they gave it a rating of 3.8 out
6 of 4, so we feel like that is pretty successful.

7 Some of the questions that we asked in that
8 rating were surrounding communication surrounding the
9 training, the registration process, the location and the
10 facilities in which we held the trainings.

11 So the courses that we offered are listed here.

12 The courses that we have offered thus far are the
13 homebuyer education methods, training the trainer; the
14 delivering effective financial education to today's
15 consumer; and the financial coaching class, which we
16 partner with RAISE Texas and the Federal Reserve Bank of
17 Dallas on.

18 And then in August our last round of training
19 here in Austin will offer the lending basics for
20 homeownership counselors course; building skills for
21 financial confidence; and credit counseling for maximum
22 results.

23 So all these classes that we offer enable the
24 counselors to either pursue or maintain one or more of the
25 six certifications that Neighborworks offers. So they are

1 able to kind of continue their education and maintain
2 their certifications to offer quality consistent education
3 throughout Texas.

4 MR. JONES: Which they then do to help qualify
5 and prepare potential homebuyers.

6 MS. ELLINOR: Uh-huh.

7 MR. JONES: That's great.

8 MS. ELLINOR: Yes. And all of the courses are
9 also in conjunction with the national industry standards
10 for home ownership counseling and education. It's a
11 mouthful.

12 MR. JONES: Does anybody else do what we do in
13 this area?

14 MS. ELLINOR: This type of program? No. No,
15 it's the only program in the State of Texas that does
16 this. Yes. It's really neat. It is a very progressive
17 program.

18 MR. JONES: Any other questions or comments?

19 (No response.)

20 MR. JONES: Okay. Are you finished?

21 MS. ELLINOR: I'm done. If you have any
22 questions? Yes?

23 MR. JONES: You didn't say these courses
24 around -- you did say that. Okay. I just wanted -- she
25 doesn't get to talk often. I'm trying to see if the staff

1 is fully qualified as we are led to believe.

2 Okay. Ms. Omohundro.

3 MS. OMOHUNDRO: That completes our report.

4 MR. JONES: Thank you. Any other questions or
5 comments?

6 (No response.)

7 MR. JONES: It is on the agenda. So is there
8 any public comment regarding this item?

9 (No response.)

10 MR. JONES: Thank you. Thank you very much for
11 the update.

12 Okay. We will go on to Tab Item 4,
13 Presentation and Discussion of the Development Finance
14 Programs.

15 MR. DANENFELZER: Hi.

16 MR. JONES: You again.

17 MR. DANENFELZER: Yes. David Danenfelzer,
18 Manager of Development Finance. And I am mainly here to
19 talk about our Affordable Communities of Texas program.
20 But I am available to answer questions about any of the
21 others that you guys need me to.

22 Let me pull up my presentation. Here it is.
23 So in the Board report, you do have information about the
24 program itself, the activity that we have been doing over
25 the last month or so. But I kind of wanted to also

1 provide you some additional background information about
2 what we have done as a whole from the program.

3 As you know, this program did start around
4 2008. The Board gave us some authorization to start a
5 land banking program. In 2009, we were able, with
6 \$100,000 that the Board committed at that time, to start a
7 pilot program with three nonprofit local partners: one in
8 El Paso, one in McAllen, and one in Waco, Texas.

9 And that pilot allowed us to test a lot of our
10 theories about how a land bank should work; how it should
11 run; how it can acquire properties, particularly with the
12 foreclosure crisis at that time.

13 And we were able to buy one property, and it
14 seemed like, you know, we learned a lot from that
15 \$100,000, and we actually got all of our money back from
16 that acquisition and sale of that eventual property.

17 Today, you know, five years on, we now have a
18 portfolio of -- an existing portfolio of nearly 500
19 properties. We have had a total of well over 580
20 properties total, and we have sold around 90, almost 100
21 properties in total; I think it is 98, specifically.

22 And we have several properties under contract;
23 about 30 or 40 that are currently being redeveloped;
24 construction, new construction or rehab.

25 We actually ran a report the other day that our

1 gross revenues on sales of properties -- and it does
2 exclude our NSP portfolio or the portfolio that was
3 financed and funded through the State's Texas NSP
4 program -- we have sold outside of that program over \$9
5 million worth of properties and \$9 million in gross
6 revenues in the last three to four years in total. So
7 activity-wise, it has been a great program, I think, for
8 the Corporation.

9 But also it has allowed us to connect with
10 about 25 locally based nonprofits across the state who act
11 as our developers. They help us focus the acquisitions.
12 They help do all of the rehab and construction and then
13 ultimately find homebuyers for the program.

14 And it has allowed us to really get a lot
15 closer with a lot of the nonprofits in a lot of different
16 areas of the state, which, you know, helps build on other
17 programs that we have. Yes?

18 MR. JONES: The acquisition of the properties,
19 we had up to 580, we sold \$9 million. Because the unique
20 thing about this Agency, TSAHC, is that we use no General
21 Revenue funds, or tax dollars.

22 MR. DANENFELZER: That's correct.

23 MR. JONES: Something like this is integral
24 to -- when you say revenue, and we are nonprofit -- into
25 continuing to run the Corporation, Because we don't sell

1 them at a loss.

2 MR. DANENFELZER: Right. Well --

3 MR. JONES: I mean, some may and some not. But
4 you are talking about the net.

5 MR. DANENFELZER: There is always a little bit
6 of risk. But we have been very blessed in the fact that
7 we have not had many losses at all in the program so far.

8 We have really done a great job of, one, taking advantage
9 of donated properties, properties that banks and other
10 financial institutions have given us over the years.

11 You know, just looking at our ACT Veterans
12 program, which is targeted to vets, we have received over
13 \$6 million of value homes, out of 70-some homes that we
14 have received. The value of those homes at donation was
15 over \$6 million.

16 And we have been able to turn that into more
17 than \$300,000 in program revenues to help run the program,
18 to expand it, to grow it. But we have also been able to
19 provide over \$1.5 million in second-lien discounts or
20 basically equity to the homebuyers in that program.

21 You know, and that is great, because we did not
22 receive any grant dollars to start that program. We did
23 not receive any, you know, federal funds or state funds to
24 run that program. We have maintained that program simply
25 through its activity, through the revenues it generates.

1 MR. JONES: It's funny, because I remember when
2 you were introducing it, and you were justifying the fact
3 that we wouldn't do more than \$100,000 and the risk. Now
4 we are up to -- seems like a long time ago.

5 MR. DANENFELZER: Yes. It is amazing to think
6 that with that \$100,000, we have now -- you know our
7 current portfolio value is around \$16 million. You know,
8 so if you add that to the \$9 million, we have done \$25
9 million or have about a \$25 million program over the last
10 five years that started out with \$100,000 investment by
11 the Corporation.

12 And, you know, we are poised to continue that
13 program. Those revenues that I mentioned go back into not
14 just salaries and overhead, but it goes back into
15 strategic acquisitions now. We have the ability to go out
16 and find new properties and acquire those where we think
17 will have the most impact.

18 You know, we were able to, a couple of years
19 ago, buy a small subdivision, about 30 or 40 units, down
20 in Harlingen, Texas. And now we have managed to sell --
21 build about ten homes and sell those homes to low and
22 moderate income households.

23 And we have -- now the local Habitat for
24 Humanity has actually come to us and asked for four of the
25 homes because they want to do a special project in the

1 neighborhood. And it is the ability of a land bank to,
2 and our ability really, as the Agency we are, to hold and
3 maintain those properties while locally based nonprofits
4 or others can find the opportunity, get the fund raising,
5 to then build and rehab and revitalize those areas.

6 You know, it is a program that I obviously take
7 a lot of pride in, but it has been exciting to see how it
8 has grown and how its reach goes from Beaumont, all the
9 way to El Paso, from Amarillo down to Brownsville.

10 So it has been a great experience. And it also
11 gets me out of the office into some great places around
12 Texas, too. I don't know if you have any specific
13 questions about that program, or if you -- any other parts
14 of the report that I presented today?

15 MR. JONES: Anybody?

16 (No response.)

17 MR. JONES: Your body language suggested that
18 you were getting ready to say something. Okay. I could
19 have lost money on that. All right. That is why I don't
20 gamble, I'm telling you now.

21 Any other questions or comments for Mr.
22 Danenfelzer?

23 (No response.)

24 MR. JONES: Is there any public comment
25 regarding this issue?

1 (No response.)

2 MR. JONES: Thank you, sir.

3 MR. DANENFELZER: You're welcome.

4 MR. JONES: The final item scheduled for
5 today=s Board meeting is Item 5, Presentation and
6 Discussion of the 2014 Application Cycle of the Texas
7 Foundations Fund.

8 MS. CLAFLIN: Yes. My name is Katie Claflin,
9 senior development coordinator. And, yeah, I am here just
10 to give you --

11 MR. JONES: You said Katie --

12 MS. CLAFLIN: Claflin.

13 MR. JONES: I don't know that name, do I?

14 MS. CLAFLIN: I got married a couple of months
15 ago, so my last name changed. So, yes, I am here to give
16 you --

17 MR. JONES: Congratulations.

18 MS. CLAFLIN: Thank you very much. Just a very
19 brief update on where we are at with the 2014 round of the
20 Texas Foundations Fund.

21 As I reported to you at our last Board meeting,
22 applications for the 2014 round were due on June 6th, and
23 we received a total of 54 applications, which is the most
24 we have ever received. So we are pretty excited about
25 that.

1 So staff has spent the last month conducting a
2 thorough threshold review of all of the applications, to
3 determine if they meet our organization requirements, our
4 program requirements, and our financial requirements. If
5 staff had any questions about the application, we gave
6 every Applicant the opportunity to clarify any deficiency
7 through an email process.

8 We are pleased to report that 48 of the 54
9 applications passed our threshold review and are eligible
10 to receive an award from the Texas Foundations Fund.

11 As you will recall this year, we divided the
12 state of Texas into eight regions, with the ultimate goal
13 of awarding at least one application in each region. And
14 after the threshold review, we still have at least two
15 qualified applications in each region.

16 MR. JONES: Okay.

17 MS. CLAFLIN: So for next steps, staff will
18 spend the next month reviewing and scoring each of the
19 applications. There will be at least three staff members
20 who score each application, which we feel will give us a
21 good breadth of looking at the application and really
22 reviewing the applications in depth.

23 Once that staff has finished scoring the
24 applications, we will present our scoring result to the
25 Advisory Council. And they will meet here at TSAHC's

1 office during the last week of August to discuss the
2 scoring results and then finalize their recommendations
3 for the board of directors.

4 And so the Advisory Council will then present
5 their scoring recommendations to the Board at the
6 September Board meeting, and then the board of directors
7 will then hopefully approve their recommendations.

8 MR. JONES: So the amount is still set at like
9 300,000 total, I think. Right?

10 MS. CLAFLIN: We are still finalizing with the
11 Advisory Council the total amount that will be available
12 for the 2014 awards. TSAHC is committing \$300,000. And
13 then this year they have also agreed to match anything
14 that the Advisory Council is able to raise or contribute.

15
16 So far, the Advisory Council has generously
17 contributed more than \$15,000. And so with the TSAHC
18 match, right now we have about \$330,000 available for
19 awards. And then we will keep you posted at the September
20 Board meeting what the final amount is.

21 MR. JONES: Questions? Comments?

22 MR. EVENWEL: It's great to watch that grow.

23 MR. JONES: Yes, it is.

24 MS. CLAFLIN: Yes. We love this program.

25 MR. JONES: What did we start with, 250-?

1 MS. CLAFLIN: I think we started with \$250,000.

2 MR. JONES: Any public comment on Item 5?

3 (No response.)

4 MR. JONES: Hearing none, again we thank you.
5 Appreciate it. Thank you very much.

6 MS. CLAFLIN: Great. Thank you.

7 MR. LONG: Mr. Chairman, that concludes our
8 Board agenda today. Again, the final item is always to
9 just let you know that the Board meeting scheduled for
10 August is set tentatively for August 14th.

11 And we will address needs for the meeting as
12 well as Board action items that need your attention. And
13 we will send out an email to the Board members to make
14 sure that we have a quorum as well as needed agenda items
15 for your attention.

16 MR. JONES: Okay. As usual, it is good to see
17 everybody.

18 Thank you, ma'am, for diligently recording our
19 meeting, as you always do.

20 And, yes, David?

21 MR. LONG: I would like to maybe have Katy and
22 Lila come up and maybe just do a small introduction, since
23 we are saying goodbye to Katy today; she will not be back.

24 I would like to be able to say goodbye to her as well as
25 make an introduction of Lila for the Board.

1 MR. JONES: Sure.

2 MR. LONG: If you don't mind. I introduced
3 them earlier, but I didn't really get a chance to say much
4 to it.

5 MR. JONES: If it is not on the agenda --

6 MS. LIVINGSTON: If it's not on the agenda,
7 should we close the meeting?

8 MR. LONG: It is still part of my President's
9 Report.

10 MR. JONES: All right. Yes. Come on up.

11 MS. LIVINGSTON: Okay.

12 MR. JONES: Okay. The President's Report is
13 where they do introductions of guests that are attending
14 our meeting, and this is an extenuation of the President's
15 Report and introducing guests who are in our area, so we
16 are well within the law regarding the posted agenda.

17 MR. LONG: I am going to let Katy, you know,
18 say a few words, and then make an introduction of Lila.

19 And, Lila, if you could just give us a little
20 background, we would appreciate it.

21 MS. VASQUEZ: Sure.

22 MR. LONG: Go ahead, Katy.

23 MS. LIVINGSTON: Katy Livingston, Greenberg
24 Traurig. And as David mentioned to you guys, I will be
25 leaving to go work in an in-house position.

1 MR. JONES: Where the real money is.

2 MS. LIVINGSTON: I don't know about that. It
3 will be a change for me. And I will be sad not to attend
4 these meetings. It has been great knowing all of you and
5 participating. And I really appreciate what you guys are
6 doing here, and the mission of the Corporation.

7 MR. JONES: Well, let me go on record in
8 response to your comment, is that we have had closed
9 sessions, we have had meetings; your counsel has always
10 been pointed, steadfast and good and appropriate, and
11 that's we are not in trouble.

12 MS. LIVINGSTON: Well, I appreciate that. And
13 again, I will miss you guys, and hope to stay in touch
14 with all of the good things that the Corporation is up to.

15 Lila Vasquez is an associate in our Corporate
16 Section at Greenberg. She offices out of the Houston
17 office but actually is in our Austin office quite
18 frequently. She works with our corporate shareholders
19 here in the Austin office on a regular basis.

20 And so I think coming down to Austin is always
21 a welcome thing for her to do, and she is here anyway, as
22 I said, quite often.

23 She actually grew up in McAllen, Texas, but
24 came to Austin and attended St. Stephens for high school
25 as a board -- she boarded at St. Stephens. So she is

1 familiar with Austin. Went to Brown University and UT Law
2 School, and has been at Greenberg for four years. She is
3 a sixth-year attorney, has quite a bit of experience, and
4 I think she will slide right in.

5 And she is a quick study. She will be able to
6 pick this up. She has regulatory compliance,
7 international, actually, compliance experience, but also
8 corporate, just kind of general corporate work.

9 So I think that running these meetings and
10 understanding what you guys do at these meetings should be
11 easy for her to transition in for me. And that was just
12 kind of her brief bio.

13 Lila, if you want to say anything else about
14 yourself?

15 MR. JONES: Brief and impressive.

16 MS. LIVINGSTON: Yes. Very impressive.

17 MS. VASQUEZ: Thank you.

18 MS. LIVINGSTON: You guys are going to love
19 her.

20 MS. VASQUEZ: Thank you, Katy. I will actually
21 really miss Katy at Greenberg. Katy kind of summarized me
22 pretty well. The other, the one key thing she is missing
23 is that I'm a lot of fun. So really, just -- right.

24 (General laughter.)

25 MS. VASQUEZ: I mean, I grew up in the Valley.

1 My entire family is still there. I came to Austin for
2 boarding school, so I feel like a lot of my family is also
3 here, since it was during my formative years, I presume, I
4 guess. Then left to the Northeast and ran straight back
5 to Texas.

6 But yes, I live in Houston. I have been living
7 there for the past four years. I lived in Austin for five
8 years after undergrad; It was very hard to leave. But,
9 you know, the opportunities in Houston were pretty great.
10 Working with Greenberg has been fantastic.

11 I look forward to working with each and every
12 one of you guys, attending these meetings on a monthly
13 basis and really getting to know you guys.

14 MR. LONG: it is my understanding that since
15 Katy will not be here going forward, that Mr. Gehrig has
16 suggested that he will try and be in town next month to
17 attend our meeting, just to kind of help with the
18 continued transition. And after that, I think Lila is
19 going to be thrown to the wolves.

20 MS. VASQUEZ: That is it.

21 MR. LONG: And hopefully, we won't be too hard
22 on her, But I did want to make the introduction and make
23 sure that she had a chance to actually --

24 MR. JONES: When he says thrown to the wolves,
25 he is referring to Mr. Romero.

1 MS. VASQUEZ: I assume you are from the El Paso
2 area, since you gave a little shout-out?

3 MR. ROMERO: But I also have, part of my market
4 is South Texas as well. So I am down there at least once
5 a quarter.

6 MS. LIVINGSTON: And the Board is
7 representative of various regions throughout the state,
8 which is great.

9 MR. JONES: Corpus Christi.

10 MS. LIVINGSTON: Nice.

11 MR. JONES: I love McAllen.

12 MS. VASQUEZ: Yes. My parents are still there.
13 Waco, is that correct, Mr. Evenwel?

14 MR. EVENWEL: Mount Pleasant.

15 MS. VASQUEZ: Mount Pleasant, thank you. All
16 right.

17 MR. JONES: Where he comes from, they always
18 wear suits and ties.

19 MS. VASQUEZ: Yes.

20 MR. LONG: Mr. Meade, who's not here, is from
21 Mission, Texas.

22 MS. VASQUEZ: Oh, nice. Okay.

23 MR. JONES: Yes.

24 MS. VASQUEZ: Right next door. Yes.

25 MR. LONG: So with that, Mr. Chairman, we can

1 conclude. I just wanted to make that introduction.

2 MR. JONES: Okay. Thank you all. Again,
3 staff, we really appreciate your professionalism. And the
4 meeting is adjourned.

5 (Whereupon, at 12:00 Noon, the meeting was
6 adjourned.)

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C E R T I F I C A T E

MEETING OF: Texas State Affordable Housing Corp.
LOCATION: Austin, Texas
DATE: July 17, 2014

I do hereby certify that the foregoing pages,
numbers 1 through 69, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Penny Bynum before the
Texas State Affordable Housing Corporation.

(Transcriber) 07/21/2014
(Date)

On the Record Reporting
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