

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
January 15, 2015
10:37 a.m.

BOARD MEMBERS:

ROBERT "BOB" JONES, Chair
WILLIAM H. DIETZ, JR., Vice Chair
GERRY EVENWEL (absent)
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: It is 10:37 and a half. I don't
3 want to be too late. And the Texas State Affordable
4 Housing Corporation Board meeting for January 15th is
5 called to order. William Dietz, Vice Chair?

6 MR. DIETZ: Here.

7 MR. JONES: Gerry Evenwel, member?

8 (No response.)

9 MR. JONES: Alex Meade, member?

10 (No response.)

11 MR. JONES: Jerry Romero, member?

12 (No verbal response, but present.)

13 MR. JONES: And me. We have a quorum. Is
14 there any public comment at this time?

15 (No response.)

16 MR. JONES: Okay. Hearing none, we will turn
17 it over to the President of the Corporation, David Long,
18 for his report.

19 MR. LONG: Thank you, Mr. Chairman, members.
20 As always, the programmatic and financial reports are
21 under Tab Items A and D, and Mr. Chairman had asked me to
22 point out to you going forward any exception items related
23 to those reports. And I would suggest there are no
24 specific issues or variances that I need to point out.

25 We did want to note that the marketing and

1 communications activity report is in there. That is not
2 something you would see regularly, but it's in there for
3 you at this time, and it reflects the various types of
4 outreach the Corporation utilizes and the extensive amount
5 of staff time and financial resources that we use to
6 ensure that we are getting the word out about our programs
7 and services.

8 A special note, I would like to let you know
9 that we have a new employee. Michael Wilt started with us
10 effectively January 1. He is our Government Relations
11 specialist. And Janie is going to do a little bit more
12 formal introduction when she gives her presentation on her
13 Tab Item 4, regarding the legislative session.

14 Last month we discussed at the Board meeting
15 extensively the Board's acceptance of Jerry Romero's
16 resignation from the TCC Texas Community Capital board.
17 As you recall, the Texas State Affordable Housing
18 Corporation, along with the Texas Association of CDCs,
19 appoints members to the board of the Texas Community
20 Capital. The Corporation has two appointees, as does
21 TACDC.

22 Mr. Romero has stepped down from his position
23 in that appointed position, and as a result, we still have
24 representation through Cindy Leon, who is the
25 Corporation's remaining appointee on that Board. Mr.

1 Chairman, you also asked me and we discussed that the
2 Corporation would continue to look at options and ideas
3 related to continuing its search for a CDFI partner so
4 that we could expand our programs and take advantage of
5 working with someone who has the capacity as a CDFI.

6 I would report to you that this past month, we
7 have been having further communications with another
8 organization, but those conversations are still relatively
9 early on.

10 As a result, I am not going to get into too
11 much detail, but I would tell you that we continue to work
12 to identify other organizations as well, and communicate
13 with existing CDFIs and talk with them about how this
14 should work out, and kind of what our plan of action
15 should look like as we move forward. And I will keep the
16 Board updated on that as we continue to have that
17 dialogue.

18 The Corporation on December 16th, right after
19 our last Board meeting, donated another home under our
20 Affordable Communities of Texas Vet home donation. This
21 property was in Kingwood, Texas. It was a four-bedroom,
22 two-bath home that was donated to retired Private First
23 Class Arthur Thomas and his family.

24 Our local partner, Woman, Inc. was responsible
25 for making the house ready for him. And I would like to

1 thank our Chairman Bob Jones for attending and emceeding
2 the event, along with staff that attended to represent the
3 Corporation and make sure that was done.

4 Thank you, Mr. Chairman. I appreciate your
5 attendance.

6 As far as conferences and other meetings and
7 other things, I would like to state that this is a pretty
8 active month for the Corporation, in that we have five
9 staff birthdays this month. And I normally don't make a
10 recognition of this, but I am going to today, just to
11 embarrass them.

12 We have five birthdays in the month of January,
13 which is pretty heavy on the percentages of having people.

14 And ironically, three of them are today. So, Paige, Nick
15 and Cynthia have birthdays today, so happy birthday to
16 them. And Laura's was earlier in the month and Katie's is
17 later in the month. But five birthdays this month.

18 MR. JONES: Katie's is later? What date?

19 MS. CLAFLIN: The 24th.

20 MR. JONES: Me, the 25th.

21 MS. CLAFLIN: Happy birthday.

22 MR. JONES: We are Aquarians. They are
23 Capricorns. And you know what they say. As an Aquarian
24 thinks, so does the rest of the world 50 years from now.

25 (General laughter.)

1 MR. LONG: The Homeownership Team is busy
2 conducting regional workshops in McAllen, San Antonio,
3 Houston, Dallas, and Austin. Paige and Sara conducted the
4 first of the five trainings in McAllen, at the Affordable
5 Homes of South Texas offices.

6 I would like to thank them for their hosting of
7 that. It is my understanding that was a very well
8 received and very well done training. And it was really a
9 neat facility that they have. So we appreciate that.

10 As you know, these interactive workshops allow
11 us to meet with lenders, owners, and housing counselors
12 and provide them the opportunity to learn about TSAHC's
13 home buyer programs and network with one another. We
14 anticipate training close to 400 individuals on all of our
15 programs.

16 Additionally, we are thankful for the support
17 of our sponsors; Ascent Guarantee, Inc.; Affordable Homes
18 of South Texas; as I mentioned, San Antonio Board of
19 Realtors; Avenue CDC, and Dallas County Home Loan
20 Counseling Center. These sponsors have helped make these
21 workshops possible for us. And we'll consider holding
22 these workshops in other areas throughout the state as we
23 move forward.

24 The Corporation -- as I mentioned to you
25 before, the Board authorized and we have since closed on

1 and now own a new office building up the street. We are
2 working currently through the bidding process to secure
3 professional services.

4 Specifically, David and James are working to
5 secure the bidding process for architectural services.
6 And once we have that taken care of, we will move on to
7 construction, soliciting bids for construction contractors
8 to get the process moving along.

9 Hopefully we will be having the building -- I
10 am putting a little pressure on May, June. But we will
11 see how we can get there in terms of being able to have
12 that facility ready for move in.

13 I would like to recognize some professionals in
14 attendance. Obviously, Katie Van Dyk is here, with
15 Greenberg Traurig, as General Counsel representative.
16 Greg Casas will also be here later. Chris Spelbring is
17 here with Raymond James.

18 Robin Miller and Tim Nelson are here with First
19 Southwest. And with that, I am going to embarrass Robin a
20 little bit.

21 Robin Miller has been -- I have been at the
22 Corporation since 2001, and Robin Miller has been our FA,
23 as far as I know, since I started. And how long before
24 that, I don't know. Robin Miller has been involved in
25 every single deal that we have ever done here, that I am

1 aware of, as our FA, working with First Southwest and his
2 team at First Southwest.

3 Robin has decided to retire. And so this is
4 our last meeting we will have Robin attending on our
5 behalf, in working with us. Tim Nelson will be filling in
6 and taking over in his stead, as a result. But I wanted
7 to just thank Robin specifically for his time and service
8 to the Corporation.

9 He has worked diligently with us on all of our
10 transactions and kept us informed as we went through it.
11 And all of our professionals seem to enjoy working with
12 Robin. I'm not sure why, but they do.

13 But anyway, the Palladium transaction, which
14 you will be hearing more about under one of the tab items,
15 will be the last transaction Robin will be working with us
16 on. And as a result, I just wanted to thank Robin for his
17 time and his service. So, Robin, thank you very much.

18 (Applause.)

19 MR. JONES: You're not going to move to France,
20 are you?

21 MR. MILLER: No.

22 MR. LONG: He's moving to an apple orchard.

23 MR. MILLER: I do want to thank the Board and
24 the staff. I think I have been the financial advisor here
25 for 15 -- over 15 years. I remember the first offices for

1 the Corporation were about as big as this room right here,
2 and everybody was squeezed in it, and we had one program.

3

4 So congratulations to the staff and the Board
5 for all of the fine programs you have put together over
6 the years. And it has been a pleasure to be a part of
7 that, and I thank you all.

8 MR. LONG: Thank you, Robin.

9 With that, Mr. Chairman, the only other thing
10 is for me to always point out that our next tentatively
11 scheduled Board meeting would be in February, which would
12 be the second Thursday, or the 12th.

13 So we will keep the Board informed as we either
14 identify agenda items that need attention and Board
15 approval. And we will work towards making sure we have a
16 quorum for that. And we will let you know what that date
17 ends up being. With that, I will conclude, Mr. Chairman,
18 unless you have any questions.

19 MR. JONES: Any comments or questions from the
20 Board?

21 (No response.)

22 MR. JONES: Any public comment regarding the
23 President's report?

24 (No response.)

25 MR. JONES: All right. Hearing none -- again,

1 Robin, thanks. We appreciate you, man. I know I have.

2 Item 1, presentation, discussion and possible
3 approval of minutes of the Board Meeting held on December
4 11, 2014.

5 MR. ROMERO: I make a motion to approve.

6 MR. JONES: It has been moved to approve.

7 MR. DIETZ: Second.

8 MR. JONES: It has been seconded. Any further
9 discussion or comments by the Board?

10 (No response.)

11 MR. JONES: Any public comment on Item 1?

12 (No response.)

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

14 (A chorus of ayes.)

15 MR. JONES: It is approved.

16 Item 2, presentation, discussion and possible
17 approval of a resolution authorizing the issuance of the
18 Texas State Affordable Housing Corporation multifamily
19 revenue bonds, THF Palladium Midland Apartments, Series
20 2015, a trust indenture, a loan agreement, and asset
21 oversight, compliance, and security agreement and a
22 regulatory agreement authorizing the execution of
23 documents and instruments necessary or convenient to carry
24 out the issuance of the bonds and other provisions in
25 connection therewith. This is the first one you wrote?

1 MS. VAN DYK: Me? No.

2 MR. JONES: Okay. I was wondering, because it
3 was a little short, you know. It's a little short.

4 Mr. Danenfelzer.

5 MR. DANENFELZER: Good morning. David
6 Danenfelzer, Manager of Development Finance. Today, we
7 are bringing back for the final time to you all the
8 Palladium Midland project, the THF Palladium Midland
9 Apartments project.

10 As the writeup shows, it is a 264-unit new
11 construction project in Midland, Texas. 207 units will be
12 affordable to households at 60 percent of area median
13 income and below. There are many units that will be
14 market rate.

15 Staff has completed several months of reviews
16 and a lot of work on this project. We have done our TEFRA
17 hearings to get public feedback. We have worked with the
18 Department of Housing on the tax credits that were awarded
19 to this project on December 18th of 2014.

20 And we have been working with the Bond Review
21 Board to finalize all of the documents necessary to
22 complete the issuance. As of today, we have a scheduled
23 closing for the project on February 4th and 5th of next
24 month.

25 And as long as everything goes well here today

1 and tomorrow at the Bond Review Board when they have their
2 final vote, we should be up in Dallas, closing on those
3 dates. I won't really provide any additional information
4 unless there is questions.

5 MR. JONES: I am just still kind of floored
6 that -- you say there is 264 units, 107 --

7 MR. DANENFELZER: 207.

8 MR. JONES: 207 affordable.

9 MR. DANENFELZER: Right.

10 MR. JONES: Do all of the units cost 91,000?

11 MR. DANENFELZER: Approximately, for the
12 construction costs itself --

13 MR. JONES: Direct construction costs of
14 approximately \$91,000 per unit.

15 MR. DANENFELZER: Right. And so that is just
16 the sticks and bricks that go into the actual product. It
17 doesn't include a lot of the overhead costs, the land
18 acquisition, and other things that go into a project.

19 Of the actual construction costs and overhead,
20 construction-related overhead, there's about \$24 million
21 total going into that. But these projects are expensive.

22 And a lot of architects, engineers, surveys,
23 appraisals --

24 MR. JONES: It is in the 91,000 per unit?

25 MR. DANENFELZER: And that is not in the 91,000

1 per unit. There is another about \$12 million in just
2 overhead and soft costs related to --

3 MR. JONES: Which is why it is important that
4 this Agency survive to make those things affordable.

5 MR. DANENFELZER: Right.

6 MR. JONES: Any other comments or questions?
7 Board?

8 (No response.)

9 MR. JONES: Okay. So today what we do, if we
10 approve the resolution as written, we will be authorizing
11 the issuance of bonds to finance the project. And then
12 you will work with the developer and everything to
13 finalize all of the documents you need to carry out the
14 issuance?

15 MR. DANENFELZER: Right. And once the
16 documents are all approved and the bonds are closed on
17 February 4th, that does not end the work that we will
18 have.

19 At that point then, I kind of shift a lot of
20 the responsibility onto our Asset Oversight group. And
21 they will be looking at the project long term, doing
22 annual inspections, making monthly compliance reports and
23 continuing to work with the developer and owner of the
24 property as well as the property management group to
25 maintain affordability and maintain the quality of the

1 housing.

2 MR. JONES: Would you introduce the two
3 gentlemen and give them an opportunity to comment.

4 MR. LONG: Yes, I would like to. I have Tom
5 Huth to my right. He is President of Palladium USA. And
6 then also Mark Mayfield, President -- President or
7 Executive Director?

8 MR. MAYFIELD: President.

9 MR. LONG: President of the Texas Housing
10 Foundation. I will go ahead and have Tom introduce
11 himself and also say a couple of --

12 MR. HUTH: Good morning. Tom Huth, President
13 and CEO of Palladium USA. It is good to be back in front
14 of you again. We were here, it has been probably three
15 months ago, four months ago, something like that.

16 In the interim, we have done a lot of work. We
17 feel that this project is going to be -- if not the best
18 product in Midland, it is going to be at the top of the
19 product in Midland.

20 And we were asked by the Bond Review Board, you
21 know, questions, about Palladium's longevity. We have
22 been in business for 130 years. We operate in ten
23 countries. And we have seen a lot of downturns; we have
24 seen a lot of upturns.

25 And what we come back with is that we are in

1 this for the long term. Okay, 30 years, whatever that
2 ends up being. We are in this for the long term. And we
3 build a product for the long term.

4 So we hope that it is going to set the product
5 apart from others that have been built in Midland. And
6 that is what we do. So we are very glad to be here this
7 morning and appreciate being here and look forward to
8 developing this product and get it built.

9 MR. MAYFIELD: Mark Mayfield with the Texas
10 Housing Foundation. As you know, we are a regional
11 provider that's done a lot of work here with this
12 organization. We are very proud of that work and proud of
13 the opportunity to be working with the Palladium group out
14 in the City of Midland.

15 It is really kind of amazing how this came
16 together. I was asked to kind of help alleviate some of
17 the housing needs that they had out in the City of Midland
18 and kind of had set out to do that with some of the
19 officials out in that community.

20 And that was completely separate from anything
21 that Palladium was doing. And we just kind of met and
22 came together and realized that we were both kind of
23 looking toward the same goals there. And this deal came
24 together.

25 Just a perfect non-profit/for-profit

1 partnership, is what we do. And just excited to be a part
2 of it, excited to be out in the City of Midland. That is
3 a dynamic area out there.

4 And we couldn't be more excited about our
5 partners, so we appreciate all of your work and
6 participation within this project.

7 MR. JONES: You brought that big fat yellow
8 file because you knew Jerry was going to be here today?
9 In case he had any questions?

10 MALE VOICE: I'm surprised Jerry doesn't have
11 any questions.

12 MR. JONES: Gentlemen, thank you very much.
13 Okay. Is there a motion on Item 2 as written?

14 MR. ROMERO: I will move to approve.

15 MR. JONES: Moved.

16 MR. DIETZ: Can I ask one question? Your point
17 in the conversation about three months ago was the booming
18 economy in Midland and how that was creating a real need
19 for some affordable housing. Has the recent economic
20 developments -- have that changed that dynamic any?

21 MR. ROMERO: With the dip in the oil prices.

22 MR. DIETZ: The oil prices.

23 MR. DANENFELZER: What I would say is that we
24 have had this question several times over the last several
25 weeks. So what we have done and what the Palladium Group

1 did to help us is to look through a lot of data, a lot of
2 information, a lot of reports that are out there for the
3 oil and gas industry.

4 One of the key factors that we found is that in
5 2008 and 2009, there was a very similar dip in the oil
6 pricing. Oil prices were around \$140, sank to about 30,
7 \$35 but within six to nine months, did rebound. We
8 also -- and so that gives us hope.

9 This is part of an oil cycle. This is part of
10 a regular cycle that the oil industry has. But we also
11 look at a lot of the existing data and other data that
12 local officials had as well as the Railroad Commission.

13 One of the key factors that we kind of -- I
14 find a lot of support in is that while the -- while there
15 has been a lot of talk about retracting exploration in
16 certain areas, the actual number of new permits for
17 drilling has gone up for 2015 over 2014. That is despite
18 the last several months. Most of these permits have been
19 issued in November and December.

20 So oil and gas industry is still seeking to add
21 new wells to keep going. They may not be adding as many
22 wells.

23 While they were looking at 10 to 15 percent
24 growth on the number of wellheads that they were opening
25 up each year, they have only added about 5 percent from

1 2014 to 2015. But it's still growing, and the need for
2 housing right now is pretty -- it is significant. There
3 is a very low number of affordable units in Midland.

4 And one of the factors in underwriting this
5 deal, that we had to come across was the fact that there
6 is so much informal housing in what they call man camps or
7 oil camps; basically RV camps and others that have just
8 been thrown up overnight.

9 We have no data to determine how many people
10 are in there, but we know that there are thousands of
11 those units in the Midland area. Those people also
12 deserve probably better housing. And this will provide a
13 lot of additional housing that individuals that are being
14 forced into sort of substandard housing in a way can come
15 back and actually get some housing --

16 MR. JONES: So this basically meets current
17 needs and not necessarily heavily relying on future needs.

18 MR. DANENFELZER: Correct. Right. And you
19 know, when Tom had mentioned this to the Bond Review Board
20 on Monday, that there was only about 70 units that were
21 really available in the entire market for low income
22 people at this point. That were -- you know, and those
23 were filled and done by the end of the year.

24 So the turnover -- if an affordable unit
25 becomes open, it is immediately refilled. And we'll be

1 bringing on 207 new affordable units plus additional
2 market-rate units, which, you know, I can't help but
3 believe that people don't want to live in rundown motels,
4 or they don't want to live in man camps and RV parks, that
5 don't choose to live in a place that is affordable and
6 quality housing.

7 Tom, if you want to add anything?

8 MR. HUTH: Yes. Thanks, Dave. Just to add to
9 that, you may not remember, but I remember when I was here
10 last and we were talking about the market in Midland.
11 Okay. Absolutely on fire; 100 percent occupancy.

12 Okay. And I said then and I will say it now.
13 That's great. We didn't underwrite to those rents. Okay.

14 Our market rate rents are at 30 percent and discount to
15 where the market rate rents are today, because we know,
16 being in business for so long, that you can't sustain
17 those high number rents. So we underwrote this at the
18 very beginning, saying we didn't know if there was going
19 to be a downturn or not. But to us, we are very
20 conservative. Okay.

21 So this downturn, to us it doesn't change
22 anything of how we operate or what we do. The demand is
23 there, the demand for affordable housing is there. They
24 mentioned that the man camps and all of that. And that is
25 true, okay.

1 We look at this for the long term, and we look
2 at this as a real estate. The bottom line, this is real
3 estate for great families. And visibility is everything
4 to us. The location of this development right off of
5 I-20, great visibility, as a demand driver, I am not
6 concerned with it, so usually, even if we are not in that
7 environment that you described, if oil comes back up to
8 normalized pricing, we still feel like this project is --
9 yes.

10 MR. DANENFELZER: I mean, I can't see where,
11 from all of the reports we have read, where anybody is
12 predicting you know, oil is going to continue to go down
13 in pricing. Eventually it will have to rebound.

14 There is a breaking point in the market, and,
15 you know, even if it normalizes at \$50 or \$60 a barrel,
16 there will still be growth in this area, simply based on
17 the fact that the large oil companies are continuing to
18 tap into the leases that they have bought up over the last
19 several years.

20 And they probably wish they could drill faster.

21 And they probably will if oil gets back up to \$80 or \$90
22 a barrel. But even at 50 or 60, they are going to
23 continue to drill, and they have shown even at \$40 a
24 barrel. Today they are continuing to get permits and
25 drill new wells.

1 The other thing too, to point out is with the
2 new drilling, there is a service aspect of those wells;
3 that regardless of what happens with the new drilling, the
4 existing wells have to be serviced.

5 And it is that employment base that we are
6 counting on for the long term. Regardless of what happens
7 in the future with new drilling, there is enough demand
8 today, there's enough employment base today to fill this
9 development up multiple times.

10 MR. DIETZ: Second.

11 MR. JONES: It has been moved and seconded.
12 Any other questions or comments?

13 (No response.)

14 MR. JONES: Is there any public question or
15 comment regarding Item 2?

16 (No response.)

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

18 (A chorus of ayes.)

19 MR. JONES: Okay. It passes unanimously.

20 Gentlemen, thank you very much.

21 MR. MAYFIELD: Thank you, David.

22 MR. JONES: Tab Item 3, presentation,
23 discussion and possible approval of a resolution relating
24 to the sale of mortgage backed certificates relating to
25 the Texas State Affordable Housing Corporation single

1 family mortgage revenue bonds. That is the Professional
2 Educators Home Loan Program, Series 2005-A, and redemption
3 and holding of such bonds and all matters related thereto.

4 Mr. Long.

5 MR. LONG: Mr. Chairman, thank you. I am going
6 to have Chris Spelbring of Raymond James kind of go over
7 the presentation for you. But essentially what we are
8 talking about today is one of our earlier single-family
9 bond transactions has reached its ten-year optional
10 redemption.

11 And we have the ability to look at options
12 related to economic impact for the Corporation and
13 different options. And so I am going to have Chris go
14 over those with you and just kind of look at that as well
15 as let you know that what this resolution is doing is
16 considering the market may change as we go along, what
17 this resolution does is authorizes, asks the Board to
18 authorize me and Liz to consider those opportunities as
19 they come up and make that decision down the road.

20 The optional call period for this actually is
21 effective in March of 2015, but we have to give ample
22 notice to the different parties involved. And in order to
23 do that, we need your approval to start looking at it now.

24 So, Chris, do you want to introduce yourself.

25 MR. SPELBRING: As David said, I'm Chris

1 Spelbring with Raymond James. What you have here is
2 essentially a transaction I think you all have done a
3 couple of times in the past. When you issued this
4 transaction back in 2005, the Corporation was given the
5 right to redeem the bonds at a certain price, essentially
6 ten years from the issuance date.

7 That ten year period is now up. And now
8 beginning on March 1st and any date thereafter, you all
9 have the ability to call the transaction at your
10 discretion and essentially redeem the bonds.

11 A fortuitous number of events have occurred
12 that have potentially created a financially compelling
13 reason to call the bonds now, the most important of which
14 is the fact that interest rates are at a very low level.
15 And with interest rates dropping to where they are at now,
16 it has increased the value of the assets that you have
17 that you can sell in order to pay off the bonds.

18 And any remaining financial funds or surpluses
19 that are left would accrue to the Corporation. So what
20 you have is a fixed redemption price and a price of your
21 assets that has gone up with the recent drop in interest
22 rates.

23 So really what I think David is asking for here
24 is the ability to redeem the bonds at some point in the
25 future. And it couldn't be any earlier than March 1st of

1 this year, if the financial benefits are still there, at
2 the time the transaction potentially occurs.

3 The Corporation will be under no obligation to
4 sell the assets if it doesn't produce the benefits that
5 are expected by David and staff. And essentially it is
6 giving you the chance to take advantage of a unique
7 opportunity.

8 MR. LONG: Any questions?

9 MR. ROMERO: So, Chris, in regards to the bonds
10 themselves, if we were to keep them and do nothing, what
11 is the residual income we are going to see over the life
12 of the bonds going forward, approximately?

13 MR. SPELBRING: The current trust estate has
14 surplus revenues that are -- surplus assets that are
15 available to you all. Typically you wouldn't take those
16 assets out until all the bonds are redeemed in full. You
17 also receive an ongoing issuer fee.

18 Generally right now the surplus assets are
19 roughly \$275,000. But any transaction we may do would
20 essentially be looking to increase that number. And so
21 any action we would undertake would cause the number to be
22 something greater than what it currently stands at now.

23 MR. ROMERO: So because of the circumstances
24 where we are right now, if we were to consider doing that
25 from March, what kind of a number would we be looking at

1 coming back to the Corporation, approximately?

2 MR. LONG: I think part of that is dependent
3 upon --

4 MR. ROMERO: Where we end up?

5 MR. LONG: Yes. Exactly. So to give you a
6 high and a low would be almost -- I would be a little
7 uncomfortable doing that, just because we -- the market
8 right now could be completely different.

9 At the time we -- if the Board authorizes us to
10 do so -- and we want to look at selling the collateral
11 behind this -- and the market changes, then I could be way
12 off in my number that I give you, so I am a little
13 uncomfortable in that. But I mean --

14 MR. ROMERO: Well, potentially, could we see
15 that we would make more money now than if we hung onto it
16 for the next 20 years?

17 MR. LONG: Significantly more.

18 MR. ROMERO: Okay.

19 MR. LONG: Potentially, yes. That is the
20 reason we bring it to you for your consideration to let us
21 evaluate this as of March 1; to put in place all of the
22 respective notices that are required to the different
23 parties; the bond holders and everybody else that are
24 required through the Trustee process to make sure that if
25 we do elect in the market, and we get to a good time frame

1 to make a decision that the market is such that we would
2 want to do it, that we already have all of that put in
3 place, because it's a window of 30 to 60 days, and if we
4 have to wait to do it again, we could lose the market as
5 well.

6 MR. JONES: And that was what -- I was going to
7 ask. You only have a small window, and if you don't call
8 them in that small window --

9 MR. LONG: Now, after March 1, we can call them
10 at any time.

11 MR. JONES: So that is what I am saying. It is
12 really --

13 MR. LONG: We are only needing the approval to
14 do it, but in advance of that date coming up is what we
15 are looking for.

16 MR. JONES: With Board approval, you can do it
17 at any time that you feel is the best time, without really
18 having to come back.

19 MR. LONG: That is correct.

20 MR. DIETZ: Because we are ten years in.

21 MR. SPELBRING: Because we are ten years in.

22 And what David is referring to also is generally,
23 typically, you have to give a 30-day notice to the
24 bondholders that you are going to redeem the bonds.

25 So if you did want to move forward and redeem

1 the bonds on March 1st, typically you would have to let
2 the bondholders know by the end of February -- I'm
3 sorry -- by the end of January that you are going to call
4 them out. So the transaction could potentially move
5 forward quickly if David and the staff believe that it is
6 the right time to move forward with what interest rates
7 are.

8 MR. JONES: But it is 30 days no matter what
9 month you decide to do it, if you do it at all this year,
10 or next year, whatever. Just the 30-day notice.

11 MR. LONG: Yes. The 30-day notice to the
12 bondholders is a requirement. And since this meeting sits
13 perfectly in front of the date we would have to give
14 notice on it, it gives us the chance to get the Board to
15 consider this and give us the authority.

16 MR. JONES: From the opening day of the option,
17 to do so.

18 MR. LONG: That is correct.

19 MR. JONES: I get you.

20 MR. ROMERO: And obviously the longer we wait,
21 there is a potential for the market to change. And plenty
22 of the --

23 MR. LONG: Plus or minus. That is correct.
24 But you do know the bottom line, because Chris gave you
25 the assets in the transaction, as they sit right now.

1 MR. DIETZ: They are multiple maturities. So
2 we are talking about multiple different interest rates?

3 MR. SPELBRING: There are two bonds, two
4 maturities still outstanding within that bond issuer.
5 There were a number of serial bonds that have already been
6 called in full, and a term bond that has already been paid
7 in full. But there are two left outstanding.

8 And there is roughly \$7.1 million of total
9 balance left outstanding. I think there are two reasons
10 why it is something to look into doing now.

11 One is the fact that interest rates are where
12 they are at, and it has created value for you all. And
13 the second one is also the assets pay down, because they
14 are mortgage-backed securities. They are mortgages. They
15 pay down every month. So --

16 MR. JONES: Worth less.

17 MR. SPELBRING: What is that?

18 MR. JONES: They are worth less if they pay
19 down?

20 MR. SPELBRING: Well, there is less of them to
21 sell at an economic gain. So every month incrementally,
22 if all things are equal, kind of the opportunity
23 decreases.

24 MR. DIETZ: That is how we redeem the bonds is
25 by selling the mortgage-backed securities before we

1 refinance the bonds, I guess, if we wanted to. Right?

2 MR. SPELBRING: You could. And there obviously
3 are opportunities to do taxable refunding issuances, or
4 even tax exempt. But I think with a small amount of
5 bonds, we have roughly just had a million dollars. There
6 are fixed costs to doing any bond transaction. And I
7 get --

8 MR. DIETZ: So that is not something you are
9 looking at real seriously.

10 MR. SPELBRING: I think it is one of the more
11 expensive options.

12 MR. LONG: I would -- just so you are aware, we
13 did look at all of these options. And this is the one
14 option we felt probably given the size of the outstanding
15 bonds, the amount that are outstanding still, and looking
16 at all of the other options, including, you know, taxable
17 deal or not, or selling BBS. We basically have kind of
18 leaned towards this being the most financially feasible
19 for the Corporation with an economic benefit that we would
20 think would be beneficial for us to use towards our other
21 programs.

22 MR. JONES: Any other comments or questions?

23 (No response.)

24 MR. JONES: Okay. I will entertain a motion.

25 MR. ROMERO: I would like to make a motion to

1 approve giving the authority to David and to Liz to
2 continue looking at the process to see if it is something
3 that is viable for the Corporation.

4 MR. JONES: Is that what we wrote?

5 MR. ROMERO: I am not sure how you wrote it.
6 But I make a motion to approve what is written.

7 MR. DIETZ: Second.

8 MR. JONES: Okay. Moved and seconded. Any
9 public comment regarding Item 3?

10 (No response.)

11 MR. JONES: All right. All in favor of
12 approval say aye.

13 (A chorus of ayes.)

14 MR. JONES: It carries, again, unanimously.
15 Item 4, discussion of the 84th Texas
16 legislative session.

17 Thank you, Chris. Appreciate it.

18 MR. SPELBRING: Of course.

19 MR. JONES: See, I don't have anything on my
20 paper. So it is all in your head. Right?

21 MS. TAYLOR: Right. Good morning, Mr. Chairman
22 and Board members.

23 MR. JONES: Ms. Taylor.

24 MS. TAYLOR: I am Janie Taylor, Manager of
25 Development and Communications. We placed this item on

1 the agenda today to have an opportunity to provide to you
2 with a brief update of the legislative session and to also
3 introduce our new Government Relations employee, Michael
4 Wilt.

5 The 84th Texas Legislative Session commenced
6 earlier this week, on Tuesday, January 13th. The Texas
7 House of Representatives were sworn in. The House members
8 then voted for the Speaker of the House, and
9 Representative Joe Straus won reelection.

10 The Senate will have a new Lieutenant Governor
11 starting next week on Tuesday, January 20th, when current
12 Senator Dan Patrick will be sworn in. In the meantime, we
13 are awaiting assignments of committees on both the House
14 and the Senate.

15 The two committees of interest to TSAHC have
16 generally been the House Committee on Urban Affairs and
17 the Senate Committee on Intergovernmental Relations, which
18 they both oversee housing, affordable housing issues.
19 Committees are generally in place by the first week of
20 February, so we will update you with that information when
21 we have it.

22 We are also tracking any legislation that is
23 filed that is housing related or impacts TSAHC. The
24 members have been filing bills already since November 10th
25 of 2014, and will continue to do so until March 13th,

1 which is the last day that members can file bills and
2 joint resolutions.

3 So we will keep you up to date on any pertinent
4 legislation, any member visits we have, and any Committee
5 hearings we are asked to testify at and to see if your
6 presence is needed at any of those meetings.

7 We also have a new Governor, Greg Abbott. He
8 will be sworn in next week as well, on Tuesday. And while
9 he has announced some key staff members, we don't yet know
10 who will be managing housing policy for him.

11 So as soon as we know who that is, we will let
12 you know and hopefully invite them to our next Board
13 meeting, so they can meet you.

14 I am now going to introduce or allow Michael
15 Wilt to say a few words. He is -- his title is actually
16 External Relations Specialist, and he has been with us for
17 just over two weeks.

18 And he has already been hard at work learning
19 about TSAHC's programs and also meeting with some of our
20 stakeholders. And he has already attended at least two or
21 three meetings that we have sent him off to.

22 And so his main duties will include, obviously,
23 coordinating our Government relations efforts and policy
24 activities, but he will also be assisting us with
25 marketing communications. So I will let Michael tell you

1 a little bit about himself.

2 MR. WILT: Good morning, Chairman, Board. Like
3 Janie said, I come from a government relations background,
4 and also a communications background. This will be my
5 seventh session. I have worked twice as a Capitol
6 staffer; once on the Senate side, and once on the House
7 side. And for the past four sessions, I have been an
8 advocate primarily as it relates to commercial real estate
9 issues and, to a lesser extent, housing.

10 So I am very looking forward to housing policy
11 issues and focusing just on that for the entire session.
12 I look forward to being a resource for you and also for
13 the Corporation and legislative offices and their staff.
14 I also have done communications primarily for non-profits
15 and also marketing for a civil engineering firm in town.

16 MS. TAYLOR: That's Mike.

17 MR. WILT: Yes.

18 MR. JONES: So you pretty much know a lot of
19 the players up there from a staff perspective, because
20 that was the key. Janie, she was in touch with the people
21 that make the thing run. That is really all the staff
22 people and --

23 MR. WILT: I do have a lot of preexisting
24 relationships with many Capitol offices, and I can
25 leverage those. I have already to a certain extent. And

1 I will make inroads with offices that I need to, as you
2 see fit and staff see fit.

3 MS. TAYLOR: Yes.

4 MR. ROMERO: Janie, what are the dynamics of
5 the new House and the Senate? I mean, how big of a change
6 in direction and people returning and new people coming on
7 board? What do the changes look like?

8 MS. TAYLOR: The Senate will definitely be a
9 lot different. And it is -- that is probably where we can
10 see the most change.

11 On the House side, there are some Committee
12 chairs that lost reelection or decided to retire, or they
13 are currently running for -- still running for an open
14 seat. So there will be some key changes in the House.
15 But the leadership is staying the same, so we have some
16 consistency there.

17 But the Senate is certainly -- we won't know
18 until we know what it looks like.

19 MR. ROMERO: Do you see a lot of change in the
20 two Committees that oversee housing? Membership?

21 MS. TAYLOR: You know, on the Senate side
22 again, yes. We don't know who will be chairing IGR. And
23 on the Housing side, we have heard that the leadership and
24 chair will stay the same. But you know, you don't know
25 until the Committees are announced. And of course, we

1 will be keeping you up to date as much as possible.

2 MR. JONES: And one of the things we watch,
3 since we have no legislation actually that TSAHC is
4 advancing or advocating, the idea is to watch what other
5 people say regarding those issues.

6 MS. TAYLOR: Absolutely.

7 MR. JONES: Including us.

8 MS. TAYLOR: Absolutely. We have to keep
9 abreast of any legislation that is filed that concerns
10 affordable housing, and even if it isn't directly -- TSAHC
11 isn't named in it, it could have some effect with our
12 local partners on who we work with and on how we can --
13 how we do our programs, some of our programs. And in
14 addition to their -- I mean, since I have been here, and I
15 have been here 8-1/2 years, there has always been a bill
16 that is filed that has TSAHC in there.

17 So, you know, you just don't know what to
18 expect. So we subscribe to a tracking software that works
19 very well. And so we get a report every single morning,
20 and we review it and we decide what to track. And we, you
21 know, have -- it keeps us up to date when any changes are
22 made to bills that we are tracking. And so we will keep
23 you posted.

24 And, you know, we are very collaborative here.
25 And so we certainly make decisions together on, you know,

1 visits and who we need to talk to about any particular
2 legislation. But, of course, we welcome your input and
3 want to hear from you, if you know of anything.

4 MR. JONES: I am just -- I am also concerned
5 that talent -- people gather talent all over the place
6 like they plucked Charlie. There are things for him to do
7 between legislative sessions, too. Right.

8 MS. TAYLOR: Absolutely. And, well, and you
9 know, we -- one of the things about TSAHC is that most of
10 us here do many things, not just what your title says.
11 And so there is a lot of work that needs to be done. Not
12 just in Government relations or policy, but also in
13 marketing communications. And that is a huge area.

14 If you saw the report we included this time
15 around in your Board book of the 2014 activities that we
16 did just in marketing communications, there's a lot of
17 work that we do. And so we are lucky that Michael has
18 experience in both areas. So we will definitely use his
19 talents in both areas.

20 MR. JONES: That is why you said external
21 relations. To keep his plate full. Okay. They are going
22 to work you like a dog, now. Trust me. External
23 relations. That is everything. Okay. Any other
24 questions or comments, Board members?

25 MR. ROMERO: Thank you.

1 MS. TAYLOR: Thank you.

2 MR. JONES: Okay. This isn't an action. This
3 is just a report. But is there any comments from the
4 public regarding our new external relations guy?

5 (No response.)

6 MR. JONES: Welcome aboard, sir.

7 MR. WILT: Thank you.

8 MR. ROMERO: Welcome.

9 MR. LONG: Mr. Chairman, thank you. To add to
10 what you were asking about Michael being busy, he is
11 already serving as our representative on several
12 committees that we have over at the Capitol, work groups
13 and other things. And he also has agreed to serve as --
14 work with me on the homelessness activities council for
15 the Governor's office which he is actually engaged in.

16 So he will actually be attending the national
17 conference with me next month. So we'll keep him very
18 busy.

19 Mr. Chairman, we do need to go into Executive
20 Session. Greg Casas is here.

21 Before we do, I wanted to make sure I recognize
22 all of the professionals that attend. And I errantly left
23 off Bob Dransfield, who is very, very involved in all of
24 our transactions.

25 And I actually spent 15, 20 minutes with him

1 this morning in my office. And how I failed to mention
2 his name, even though it was on my piece of paper, I don't
3 know. I apologize. I was so excited that Robin's leaving
4 that --

5 (General laughter.)

6 MR. LONG: No, he has already gone. Where did
7 they go? But no, anyway, Bob is involved in all of our
8 Bond transactions, both on multifamily and single family.
9 He and Jennie Hackler have just been phenomenal.

10 And I just wanted to make sure you all knew he
11 was here and that -- if you have any questions, he was
12 ready to answer them, because I guarantee he can answer
13 them. But anyway, Bob, I apologize. But there you are.
14 And with that --

15 MR. JONES: It is not a problem now that you
16 have apologized.

17 MR. LONG: I want to stay on his good side.
18 So, with that, we do need to go into closed session, Mr.
19 Chairman. And if you will go through the announcement, I
20 will follow the lead.

21 MR. JONES: All right. Texas Government Code
22 Section 551.071, consultation with legal counsel on legal
23 matters and Texas Code Section 551.072, deliberation of
24 purchase, exchange, lease or value of real property, we
25 are going into closed session.

1 Ms. Van Dyk, for the record.

2 MS. VAN DYK: And pursuant to Section 551.103,
3 this closed Executive Session is not subject to a
4 requirement that it be recorded. So we will go off the
5 record.

6 MR. JONES: I am going to do this anyway. It
7 is 11:23 and open session is closed, And we are going into
8 closed session.

9 (Whereupon, the Board recessed into Executive
10 Session at 11:23 a.m.)

11 MR. JONES: Okay. It is 11:49, and closed
12 session has ended, And we are back in open session of the
13 Texas State Affordable Housing Corporation.

14 Mr. Long.

15 MR. LONG: Mr. Chairman --

16 MR. JONES: Oh, I also want to say that no
17 action was taken by this Board during the closed session.

18

19 MR. LONG: Thank you. We have no further items
20 on the agenda today.

21 Again, I would remind the Board that the next
22 tentatively scheduled Board meeting is February 12, and we
23 will keep the Board informed as we may need to consider
24 either other dates or what items we have for Board
25 consideration.

1 MR. JONES: Okay. Any other business?

2 (No response.)

3 MR. JONES: Don't forget what I said about
4 Aquarians. All right. Meeting adjourned.

5 (Whereupon, at 11:50 a.m., the meeting was
6 adjourned.)

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C E R T I F I C A T E

MEETING OF: TSAHC board
LOCATION: Austin, Texas
DATE: January 15, 2015

I do hereby certify that the foregoing pages, numbers 1 through 42, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Joseph M. Schafer before the Texas State Affordable Housing Corporation.

01/21/2015

(Transcriber) (Date)

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