

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
July 9, 2015
10:30 a.m.

BOARD MEMBERS:

ROBERT "BOB" JONES, Chair
WILLIAM H. DIETZ, JR., Vice Chair (absent)
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: The July Board meeting of the Texas
3 State Affordable Housing Corporation is now called to
4 order. We'll call the roll. Okay. William Dietz, Vice
5 Chair.

6 (No response.)

7 MR. JONES: Gerry Evenwel, member.

8 MR. EVENWEL: Present.

9 MR. JONES: Alex Meade, member.

10 (No response.)

11 MR. JONES: Jerry Romero, member.

12 MR. ROMERO: Here.

13 MR. JONES: And I am present. And we have a
14 quorum. Is there any public comment at this time?

15 (No response.)

16 MR. JONES: Okay. Having none, I am going to
17 call on David Long, the Corporation President for his
18 President's report.

19 MR. LONG: Thank you, Mr. Chairman, members.
20 Program and financial reports are listed under Tabs A
21 through D as we always reflect them in the Board book.
22 This also includes the legislative report on the 84th
23 Legislative Session, and has a list of some of the bills
24 that we were tracking that we wanted you to be aware of.

25 You also should each have a copy of our brand

1 new 2014 annual report. That report is a result of Janie
2 and Katie and Laura's hard work. And I would like to
3 recognize them for all the work they put into that. I
4 think they get better every year.

5 The Corporation, a quick update on our
6 potential apartment complex purchase. The Corporation is
7 pending final consideration by TDHCA on the ownership
8 transfer application for the Rollins-Martin apartment
9 complex in East Austin.

10 As we mentioned in previous updates to the
11 Board, the application process requires that TDHCA review
12 our application in conjunction with the seller to complete
13 the purchase. And if approval is received in a timely
14 manner, the Corporation anticipates and has scheduled
15 tentatively to close on July 22nd.

16 ACT Veterans program, TSAHC staff, David
17 Danenfelzer, Janie Taylor and myself participate in a home
18 donation in Greenville, Texas on the 30th of June. We,
19 TSAHC assisted in the donation by contributing funds from
20 our ACT program to assist in completing that project.

21 And we have worked in conjunction with the
22 actual donating firm, which was Tarrant County Housing
23 Partnership, and Brook Community Development, which is
24 also one of our partners we work with in our home
25 development and rehabilitation to complete the home, which

1 was donated to Sergeant Dereck Evans. It was a very nice
2 event.

3 It was well done, well attended by a lot of
4 local as well as -- Congressman Ratcliff was there, state
5 and local officials were there. It was just a really well
6 done event.

7 To date, TSAHC has participated in nine home
8 donations across the state to deserving Texans. And we
9 have one more home donation that we don't yet have
10 scheduled. But we do have one more home in our portfolio
11 that we will be donating between now and the end of the
12 year.

13 Mortgage-free Monday, I think we mentioned
14 this. It was our way to give back to some of our
15 participating new homebuyers that were using our program.

16 In honor of June, as National Homeownership Month, on the
17 29th of June the Corporation selected at random five
18 eligible new home owners to participate in our Mortgage-
19 free Monday event.

20 The five winners have been selected and were
21 notified. And we are in the process of collecting their
22 stories. And we'll formally announce the -- make a formal
23 announcement of those in the coming weeks. As a result of
24 that, the Corporation will pay one month's worth of
25 mortgage payment for each of those home owners.

1 Staff continues the review process of the Texas
2 Foundations Fund applications that we received, and
3 anticipates coordinating with the Advisory Council to have
4 funding recommendations to the Board at the September
5 Board meeting.

6 Nick, Melinda, Liz and I attended the Texas
7 Municipal League's public funds investment training here
8 in Austin. The two day training is required by the Public
9 Funds Investment Act. As designated investment officers
10 for TSAHC, we have to complete that. And it requires that
11 we have ten hours every two years of training in public
12 funds investments.

13 I would also like to thank Mr. Dietz, who is
14 not here today, and Mr. Romero. They both took time out
15 of their schedules. I traveled this month to both of
16 their communities, Waco and El Paso.

17 Mr. Romero joined me in a meeting with Russ
18 Vandenburg, who is our El Paso representative to the
19 Advisory Council, as well as to meetings with other
20 organizations in the area. And I appreciate that.

21 Mr. Dietz and I participated on a conference
22 call. If you remember, last month, the Board approved us
23 putting together a working group to kind of talk about the
24 Foundations Fund, and next steps with the Foundations
25 Fund, since we are on our eighth or ninth round of

1 funding. We will have -- at the end of this year's
2 funding, we will have donated over \$2 million in grants to
3 local non-profits in rural community areas. And we just
4 wanted to have a conversation.

5 And so, that working group includes Mr. Romero
6 and Mr. Dietz. And we had a conference call. And I
7 traveled to Waco to participate in that with Mr. Dietz.

8 Janie, Dave and I met with the new community
9 development officer for the Federal Reserve Bank of
10 Dallas, Roy Lopez, someone who we have worked with over
11 the years and is a good friend of ours. TSAHC, in
12 conjunction with some other things we are working with him
13 on, has agreed to be a participating sponsor in their
14 upcoming summit in McAllen on the Texas colonias: Las
15 Colonias in the 21st Century -- Progress along the Texas-
16 Mexico Border.

17 That event is later this month, at the end of
18 the month. And Janie, Dave -- excuse me. Janie, myself
19 and Michael will be attending that, on behalf of TSAHC.

20 We also had the opportunity as a result of a
21 meeting that Sarah spoke at. Janie got the chance to meet
22 someone from the Office of Comptroller of Currency.

23 And that resulted in -- while we were in
24 Dallas, doing our donation event, had a chance to meet
25 with them, and talk about some ideas, and how we might

1 work together. And as a result, Janie, Liz and Katie will
2 be making a presentation at the next OCC roundtable for
3 CRA or the Community Reinvestment Act roundtable on July
4 28th. So, that was a very fruitful and productive
5 meeting. Not only because Sarah spoke at the meeting that
6 Janie met this individual at, but it resulted in us
7 getting another opportunity to spread the word about
8 TSAHC.

9 Upcoming meetings, very busy. I think most of
10 this relates to Paige and to Sarah, with all that they
11 have got going on in the single family programs. I will
12 just read through them real quickly: Affordable Homes of
13 South Texas homebuyer fair. Delia and Sarah attended
14 that. These are all ones we participated in already.

15 The Alliance for Economic Inclusion, the one I
16 mentioned to you, where Janie met the gentleman from OCC.
17 Sarah spoke at that.

18 We attended the Wells Fargo homebuyer fair in
19 Houston. Paige attended that. And then, the Greater El
20 Paso Board of Realtors luncheon, Paige spoke at that
21 earlier this month.

22 Update on the Board meeting -- I mean, excuse
23 me. On the building down the street that we purchased,
24 additional office space at 1910. Construction activities
25 are well underway and we have made significant progress

1 since we started that. We have received inspection
2 approval on both the rough in for electrical and plumbing.

3 And we have set up a tentative completion date to be
4 around September 1.

5 Obviously, that is tentative, depending on how
6 quickly we can continue through the construction phase.
7 But we will keep the Board informed on that process.

8 Another thing I would like to mention, just an
9 overall that Katie -- that Sarah and Paige are working on.

10 They are introducing the overcoming the down payment
11 hurdle class in association with the Texas Association of
12 Realtors.

13 And staff has the opportunity to meet with
14 lenders or realtors in different venues across the state
15 to teach a class that provides them one free credit
16 towards the TREC-approved mandatory continuing education
17 training, which is required by the Texas realtors. They
18 have twelve classes currently scheduled across the state.

19 And I really want to just acknowledge that Katie and --
20 Katie, I keep saying that. I apologize.

21 Paige and Sarah have gone through and become
22 credited to be able to teach those courses. And it is
23 just a really a great extension of our relationship with
24 the Texas Association of Realtors. And they have done a
25 really good job. And I know that they are going to be

1 traveling a lot, but I think it is for a good cause.

2 I also like to always introduce and acknowledge
3 our special guests. Allison Winney with the Office of the
4 Speaker, Joe Straus, is here.

5 J.D. Pedraza, the Committee Clerk with the
6 House Committee on Urban Affairs is here, in the back of
7 the room, I think. And then, obviously, Katie Van Dyk is
8 here, with our General Counsel firm Greenberg, Traurig.

9 And I would like to recognize Greg Hasty and
10 Stephen McPherson who are with Wilmington Trust. And they
11 are in the back. They are the guys with the ties on.

12 And as always, Mr. Chairman, I would like to
13 note that our next meeting is tentatively scheduled for
14 August 13, which is the second Thursday of the month. And
15 with that, I will conclude, unless there's any other
16 questions or comments.

17 MR. EVENWEL: I liked your annual report.

18 MR. LONG: Glad to hear it.

19 MR. JONES: And I also like the emails that
20 come out with the stuff that they send out with the blog
21 and the newsletter. That is great stuff.

22 MR. LONG: Doing a lot of good stuff.

23 MR. JONES: Is there any public comment
24 regarding the President's Report at this time?

25 (No response.)

1 MR. JONES: Okay. Thank you, David. Item 1,
2 discussion, presentation, and possible approval of the
3 minutes of the Board meeting held on June 11, 2015.

4 MR. EVENWEL: I move we approve the minutes as
5 written.

6 MR. ROMERO: Second.

7 MR. JONES: There is a motion to approve and a
8 second. Is there any discussion or proposed changes to
9 the minutes?

10 (No response.)

11 MR. JONES: Okay. Hearing none, is there any
12 public comments regarding the minutes?

13 (No response.)

14 MR. JONES: If not, all who approve approval,
15 say aye.

16 (A chorus of ayes.)

17 MR. JONES: The ayes have it. Tab 2,
18 presentation, discussion and possible approval of the
19 Texas State Affordable Housing Corporation's 2016
20 investment policy.

21 MR. LONG: Mr. Chairman, I would like to point
22 out, if you remember, both Tab Items 2 and 3 were on our
23 Board agenda last month. Due to quorum voting with some
24 abstentions, we were unable to vote on the broker listing.
25 As a result, I think we mentioned to you, we would like

1 to bring both of these agenda items to you at the same
2 time.

3 So, we are bringing the investment policy back
4 to you as well. I will note that Melinda is going to go
5 over a minor change. Since we were bringing it back, our
6 Counsel looked at it a second time. We have made a minor
7 adjustment to it.

8 So, we want to make you aware of that
9 adjustment. It has to do with the potential investment
10 that we talked about last month, regarding the 2005-B,
11 2006-A MBS investment. And the terms of those investments
12 have caused us to kind of extend that original expansion
13 from 20 years to no longer than 30 years, just to give us
14 the options to incorporate those investments.

15 So, I will let Melinda go over that for you.
16 But it is also redlined in your book as well.

17 MS. SMITH: Thank you, David. Melinda Smith.
18 Good morning. It is nice to be here. As David mentioned,
19 the 30 years is the primary change in the investment
20 policy from last time.

21 Everything that you see is just minor changes
22 that our attorney made. But the substantive change is to
23 add the 30 year term to the investments, the mortgage-
24 backed securities that we would be either purchasing or we
25 would end up with as the result of the redemption of the

1 2005 and 2006 bonds.

2 MR. LONG: And again, I would add that this is
3 so that we can reinvest in our program, our own program
4 assets. So, it is a reinvestment of proceeds back into
5 program assets.

6 MS. SMITH: And our attorney did change the --
7 we had called it surplus bond funds. And he just changed
8 the name to surplus funds.

9 MR. JONES: What page are you -- excuse me.
10 What page are we referring to?

11 MS. SMITH: I'm sorry. Page 4.

12 MR. LONG: In Section C?

13 MS. SMITH: Yes, sir. I am so sorry. That
14 would have been helpful if I had pointed that out in the
15 beginning, wouldn't it.

16 MR. ROMERO: You said that just our program
17 assets?

18 MR. LONG: Correct. Right now, that is what we
19 are looking at.

20 MR. ROMERO: But it is not worded that way.
21 Right? You didn't want to word it specific to ours?

22 MR. LONG: I don't think it has to be
23 specifically that way. Public funds investment ACT would
24 require us to maintain that strategy.

25 MR. ROMERO: Okay.

1 MR. JONES: You may continue.

2 MS. SMITH: Pardon.

3 MR. JONES: Anything else?

4 MS. SMITH: No. That really, truly, that is
5 the only substantive change to the investment policy --
6 was the 30 years and changing the name from surplus bond
7 funds to surplus funds.

8 MR. ROMERO: You did make the minor change on
9 page 1. Right?

10 MS. SMITH: What?

11 MR. ROMERO: Section E. Page 1, Section E.

12 MR. LONG: Page 1.

13 MR. JONES: Page 2, right?

14 MS. SMITH: That was there last time.

15 MR. ROMERO: It was, okay.

16 MS. SMITH: Yes. That was a change that was
17 made last time.

18 MS. VAN DYK: So, this is, we can clarify,
19 changes from the last years policy.

20 MR. JONES: You have to identify yourself
21 for --

22 MS. VAN DYK: And changes from last meeting.

23 MS. SMITH: Yes.

24 MS. VAN DYK: Or last Board meeting.

25 MR. JONES: Identify yourself for the record.

1 MS. VAN DYK: Yes. Sorry. Katie Van Dyk,
2 General Counsel.

3 I just wanted to clarify that the redline in
4 the packet shows the cumulative changes from last year's
5 investment policy. So, but it doesn't distinguish between
6 what was changed that we looked at last month and what is
7 the change that is new from last time.

8 MS. SMITH: Thank you very much.

9 MR. JONES: And specifically again, the change
10 from ten years all the way to 30 was --

11 MS. SMITH: The securities that we will be
12 investing in, from the date we purchase them, until the
13 date they mature will be -- could possibly be 30 years.
14 And so, in the investment policy that was presented at
15 last Board meeting, we had 20 years.

16 And we realized that that wasn't quite long
17 enough. So, we changed it to 30 years, just to make
18 absolutely sure that we wouldn't be in non-compliance with
19 our own policy, essentially.

20 MR. JONES: Okay. It gives you latitude. It
21 gives you room.

22 MS. SMITH: Yes.

23 MR. LONG: That is correct.

24 MR. JONES: That is really what you are doing.

25 MR. LONG: That is all we are doing is giving

1 ourselves some additional room.

2 MR. JONES: Right.

3 MR. LONG: We don't anticipate that time frame.
4 But that was at Counsel's recommendation.

5 MR. JONES: Understood. Any other comments or
6 questions?

7 MR. EVENWEL: We will all be here 30 years from
8 now.

9 MR. JONES: Make sure. That is right. Check
10 in on you, 30 --

11 MS. SMITH: I am planning on it, personally.

12 MR. JONES: Okay. No other comments or
13 questions from the Board. Is there any -- is there a
14 motion. We will entertain a motion.

15 MR. ROMERO: Motion to approve the changes.

16 MR. EVENWEL: Second.

17 MR. JONES: Moved and seconded. Is there any
18 public comment regarding this Item 2?

19 (No response.)

20 MR. JONES: Hearing none, all in favor of
21 approval say aye.

22 (A chorus of ayes.)

23 MR. JONES: Okay. Thank you, Melinda. Item
24 3, presentation, discussion and possible approval of Texas
25 State Affordable Housing Corporation's 2016 broker

1 listing.

2 MR. LONG: If you remember last month, Mr.
3 Chairman, we had a scenario whereby with the abstentions
4 of the Board members who were participating, we didn't
5 have a majority of the quorum. And so, we were asked by
6 Counsel to bring this back.

7 And I have been told by Counsel that based on
8 the current quorum that we have today and potential
9 abstention we will have, we will still, we will be able to
10 vote on this today. So, nothing has changed except for
11 the adding of the word, or broker, at the top which was
12 suggested at the last meeting.

13 MS. SMITH: Consistent with the investment
14 policy.

15 MR. JONES: Right. We didn't -- took no action
16 because we wanted that to be clarified.

17 MR. LONG: That is correct. It was -- no action
18 was taken.

19 MR. JONES: So, we can do this all in one fell
20 swoop.

21 MR. LONG: That is correct.

22 MR. JONES: Rather than pick it out.

23 MR. LONG: Correct.

24 MR. JONES: Okay. Any questions? Any
25 discussion?

1 (No response.)

2 MR. JONES: Okay. Is there a motion?

3 MR. EVENWEL: I move we approve it as written.

4 MR. JONES: And I will second it. Further
5 discussion?

6 (No response.)

7 MR. JONES: Any public comment regarding Item
8 3?

9 (No response.)

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

11 (A chorus of ayes.)

12 MR. JONES: Any opposed, say no.

13 (No response.)

14 MR. JONES: Any abstentions?

15 MR. ROMERO: Aye.

16 MR. JONES: One abstention. Two yes, no noes,
17 one abstention. It passes.

18 MS. SMITH: Thank you so much.

19 MR. JONES: You are welcome. Item 4,
20 presentation, discussion and possible approval of a
21 resolution regarding the submission of one or more
22 applications of private activity bonds for allocation of
23 private activity bonds, the notice of intention to issue
24 bonds, and state application to the Texas Bond Review
25 Board and declaration of expectation to -- read for the

1 lawyer had this one. Right. And the declaration of
2 expectation to reimburse expenditures with proceeds of
3 future debt for the Woodside Village Apartments. Mr.
4 Danenfelzer.

5 MR. DANENFELZER: Good morning. David
6 Danenfelzer, Manager of Development Finance. We are here
7 today to discuss a new private activity bond project in
8 Palestine, Texas. I am also joined here at the table
9 with -- I will have him introduce himself.

10 MR. FLUETSCH: I am Tim Fluetsch. I am with
11 Dawson Holdings. We are the developer.

12 MR. DANENFELZER: So, we received this
13 application about a month ago. We have been working a
14 little bit with Tim over the last couple of months to kind
15 of finalize the application process. Looked at a few
16 other things.

17 This project is a 92 unit affordable housing
18 project that is currently operating in Palestine. It does
19 have a housing assistance program contract with HUD and is
20 in need of repairs and updating.

21 We have looked at some of the basic numbers for
22 the project, and consider them feasible at this point.
23 However, to be clear, what we are asking for your input
24 today as an approval is on an inducement resolution.

25 The inducement resolution effectively gives the

1 authority to staff and to the President, Executive Vice
2 President to move forward with reviewing more application
3 materials, submitting a reservation and conducting a full
4 analysis of the project. We will continue to look at this
5 project over the next several months.

6 DHI, the Applicant, will be submitting
7 applications to the Department of Housing for tax credits
8 as well as applications to the Federal Housing
9 Administration for the long term financing. This project
10 is very similar in structure to the project we did a few
11 years ago, Gateway Northwest up in Georgetown, wherein the
12 bonds are going to be issued on a short term basis.

13 They will be issued for approximately two to
14 three years. And during that time, we will use those
15 funds for the acquisition and renovation of the project.
16 At the end of that two or three year period, when all of
17 the renovation is completed, and the property is fully
18 occupied, the bonds will be repaid in full by a mortgage
19 that is provided by the FHA.

20 This is a common structure over the last
21 several years here in Texas as elsewhere across the
22 country, due to the fact that private activity bond rates
23 and interest rates have generally been slightly higher
24 than taxable bond rates or taxable loans. Much like our
25 TBA program in our single family side we have been issuing

1 those as taxable mortgage backed certificates, because
2 those are generally providing a better interest rate to
3 the buyers. In this case, the FHA mortgage provides a
4 much better interest rate than a traditional bond
5 financing could do at this time.

6 As I have said, we will continue to look at
7 this project over the next several months. Typically,
8 these deals do take about four to five months to process
9 and to get through all of the little different hoops and
10 hurdles that are along the way.

11 With the inducement resolution, that gives us
12 the authority to submit that bond reservation application.

13 And we'll work closely with the Applicant and other
14 financial partners involved to determine when that
15 application get submitted to the Bond Review Board.

16 And then, we will also hold public hearings
17 both in Palestine as well as here in Austin, to ensure
18 that the federal regulations regarding public input and
19 public hearings is met, are met. And then, we will bring
20 this whole thing back to you guys sometime in the fall.
21 Hopefully around October, with our full recommendation to
22 move forward and to close on the bonds.

23 We'll negotiate a lot of different paperwork
24 between then and now, and we will also go ahead and look
25 at a lot of the underwriting. So, is there any specific

1 questions about the project or program, or if, do you have
2 any questions from -- about the Applicant?

3 MR. ROMERO: Is the property currently a low-
4 income -- affordable?

5 MR. DANENFELZER: Yes. It is currently low-
6 income housing. It is under what is called a housing
7 assistance program or HAP contract.

8 So, there's direct assistance to the project,
9 or project-based Section 8 is another term that is often
10 used for these projects. And that will be renegotiated as
11 well.

12 HUD will require that the rents be adjusted, as
13 well as the subsidy that is currently being provided be
14 adjusted, based on current market conditions rather than
15 the long-term contract. And DHI and Tim here will
16 actually be the one going forward with those negotiations
17 with HUD over the next several months.

18 MR. JONES: Are these the ones that were
19 substantially below what current low-income rates were?
20 It gives you the room. What is it?

21 MR. DANENFELZER: Yes. And oftentimes, these
22 older HAP project contracts had automatic adjusters or
23 inflators. Sometimes they didn't. They had manual
24 inflators.

25 So, in some cases, and I believe in this one,

1 the rates that are being paid up to the property are quite
2 well. And HUD would like an opportunity to refinance the
3 property also, to lower those rates going forward, so that
4 the project gets an adequate amount of financing and
5 funding to cover the rents necessary but they don't
6 necessarily over-pay.

7 MR. JONES: Well, how can the lower rates, if
8 HUD wants them lower, generate the necessary revenue and
9 structure for an investment performance.

10 MR. DANENFELZER: Yes. Tim, you can go ahead.

11 MR. FLUETSCH: Yes. Well, there is a
12 combination of things going on. The rents are going down.
13 But the utility costs are going up.

14 And so, the total costs that HUD will be
15 paying, the utility allowance plus the rental assistance
16 actually ends up remaining the same. It is a
17 restructuring of what the payments are, in addition to
18 going into a new 20 year contract for the assistance.

19 MR. JONES: And so --

20 MR. DANENFELZER: The debt repayment also
21 changes. So, by lowering the interest rates and looking
22 at how the property is structured, even though there may
23 be a slight decline in the total income available to the
24 property, the payments on debt and repairs will actually
25 be much lower as well, because we are wrapping this up in

1 an interest rate which we are looking at around 4.5 to 5
2 percent versus where the property may be paying as high as
3 7 or 8 percent currently for its interest rates.

4 MR. JONES: Are they fully occupied now?

5 MR. FLUETSCH: I believe right now, there's one
6 or two vacant units.

7 MR. JONES: Out of 92?

8 MR. FLUETSCH: Yes. Out of 92. The existing
9 management team is not really focused on renting up units.
10 It is --

11 MR. JONES: And what about the monthly payments
12 per unit? How does that cash flow work?

13 MR. FLUETSCH: So, the tenant share of the
14 monthly payments will remain at 30 percent of their
15 adjusted household income. And that 30 percent is their
16 entire housing. It is 30 percent of their income. And
17 that goes toward both rent and their share of the
18 utilities.

19 So, while we are changing the composition of
20 the rent and the utilities, the burden on the tenants
21 should remain the same. And their contribution toward the
22 housing costs will be adjusted as their incomes change.

23 MR. JONES: And income is validated what,
24 annually? Semi --

25 MR. FLUETSCH: Income is validated annually,

1 although they are required to notify us of any material
2 changes that occur in the meantime. But we look for new
3 cars and stuff.

4 MR. JONES: Or new trucks.

5 MR. FLUETSCH: Yes. New trucks.

6 MR. ROMERO: How old are these units?

7 MR. FLUETSCH: The property was originally
8 built in '67.

9 MR. JONES: Wow.

10 MR. ROMERO: Is there going to be substantial
11 rehab then?

12 MR. FLUETSCH: Oh, my goodness, yes. Yes.
13 There will.

14 MR. DANENFELZER: Yes.

15 MR. FLUETSCH: I would say the existing owner
16 has actually done a reasonably good job of keeping the
17 property well maintained. But at this point, we are
18 looking at water and sewer lines and electrical lines that
19 are 50 years old. I mean, you know. Anything that is as
20 old as I am probably needs to be replaced, is my rule.

21 MR. JONES: And that work can be done while the
22 tenants occupy, by and large?

23 MR. FLUETSCH: There are two exceptions. The
24 answer is yes, but. And our crews come in at 9:00 in the
25 morning. We ask the tenants to go and stay at the

1 community room that we will have available to them.

2 And they work from 9:00 to 4:00. And at 4:00,
3 everything is cleaned up. The water is turned back on,
4 whatever, and they can be back in their unit.

5 The exceptions are, there are a small number of
6 units that we will be converting to fully accessible. And
7 that involves moving walls and everything else. Those
8 tenants, we will need to find alternatives for probably
9 two to three weeks. And that is in our budget.

10 We are hoping that we will be able to find the
11 space on the site. And so, we are not actually
12 encouraging the landlord to rent up any faster than they
13 need to. Because we would like to have some vacancy to
14 utilize.

15 MR. JONES: Yes.

16 MR. FLUETSCH: And then, you know, we have done
17 an environmental assessment. We don't believe that we
18 will need to do any abatement that will require the
19 tenants to be out of their units.

20 But during the course of a rehab, sometimes you
21 find things that you didn't know were there. And so, in
22 those cases, again, there may be some temporary
23 displacement.

24 MR. JONES: Yes. I am familiar with the
25 process. When we were doing loan review committee in

1 Corpus Christi, I was on that Board for about seven years.

2 Demo and replacement is similar. But you are saying, on
3 a shorter time scale.

4 MR. FLUETSCH: Yes.

5 MR. JONES: And those, this is strictly
6 hypothetical on the side, those in the day room, if the
7 guys can't get done by the end of the day.

8 MR. FLUETSCH: They always get done.

9 MR. JONES: They --

10 MR. FLUETSCH: That is just not an answer that
11 is allowed.

12 MR. JONES: Okay.

13 MR. FLUETSCH: You know, we have encountered
14 problems, like plumbers doing welding that ends up
15 lighting up the whole building. And so, then you go out
16 and you find somewhere for people to stay for however long
17 you need. I mean, you know, things happen.

18 MR. JONES: So, this is really -- the
19 inducement is the process wherein you continue structure,
20 due diligence --

21 MR. DANENFELZER: Right. Yes.

22 MR. JONES: Et cetera, et cetera.

23 MR. DANENFELZER: Exactly, the inducement
24 gives us authority, the staff, to move forward with
25 applications for reservation to investigate the property

1 much more thoroughly as well as conduct the public
2 hearings that are necessary to bring a full package back
3 to you for final approval of the bonds.

4 MR. JONES: And you are hoping as the developer
5 that the process takes how long, until you can begin to
6 actually take over and move forward?

7 MR. FLUETSCH: We are hoping to close by the
8 end of November, with our fingers crossed. Because we are
9 working with FHA on the loan side.

10 MR. JONES: And if you close in November,
11 construction and all of that begins?

12 MR. FLUETSCH: We would probably be starting
13 the rehab, the physical rehab in January. I don't want to
14 be trying to move --

15 MR. JONES: Well, if it is in Austin --

16 MR. FLUETSCH: I am not doing --

17 MR. JONES: But it is in Palestine. Is it cold
18 up there? See, I am from Corpus Christi.

19 MR. FLUETSCH: Well, compared to Corpus
20 Christi, yes. It is just freezing. Well, you know, I
21 live in Utah. We get snow. So, no it is not cold. But
22 it gets wet.

23 MR. JONES: Okay. Any questions.

24 MR. ROMERO: You mentioned you were going to do
25 some accessible units.

1 MR. FLUETSCH: Yes.

2 MR. ROMERO: What percentage are you going to
3 do?

4 MR. FLUETSCH: At least 5 percent of the units
5 do need to be upgraded for accessibility. And that
6 includes both for mobility impaired individuals as well as
7 sight and hearing. There will be a couple of units, at
8 least, in the project that will need to have additional
9 fire alarms and other items for hearing and visually
10 impaired individuals.

11 MR. ROMERO: That is higher than the state
12 mandate isn't it, 5 percent?

13 MR. DANENFELZER: That actually, that 5 percent
14 is the federal mandate under Section 504. But it also
15 ends up rolling into both Fair Housing and the ADA
16 requirements.

17 MR. ROMERO: Okay.

18 MR. JONES: How many stories?

19 MR. DANENFELZER: So, the one bedroom units are
20 all in a single story building. And then all of the twos,
21 threes and four bedroom units are all two story, contained
22 in two story townhouses.

23 MR. ROMERO: All right.

24 MR. JONES: And all of the accessibles are
25 first floors?

1 MR. DANENFELZER: Correct. Yes. All of the
2 accessible units will be on the first floor. And I
3 believe all of the floor plans currently do have a
4 restroom and a bedroom on the first floor, regardless of
5 how many bedrooms there are. So, there can be a mix of
6 accessible units across each of the unit types.

7 MR. JONES: How many accessible do they have
8 now? None, right?

9 MR. FLUETSCH: None.

10 MR. DANENFELZER: Yes. They were not required
11 in 1967 to provide any accessibility.

12 MR. JONES: And then parking ratio to tenant
13 changes. I don't know if it is sufficient now or not, but
14 it changes. Because the accessibles have to have much
15 wider spots.

16 MR. DANENFELZER: It will change a little bit.
17 However, there is -- at least from my initial review,
18 there's well more than sufficient space to add parking on
19 this project.

20 It is a relatively low density project for what
21 we typically see. So, if there is a need to expand
22 parking to allow for additional accessible parking spots,
23 that should not be a problem with the site conditions.

24 MR. JONES: Okay. Any other comments or
25 questions?

1 (No response.)

2 MR. JONES: Is there a motion?

3 MR. ROMERO: I will make a motion to approve
4 the inducement for the private activity bonds on the
5 Woodside Village Apartment project.

6 MR. EVENWEL: Second.

7 MR. JONES: Moved and seconded. Any public
8 comment regarding this item?

9 (No response.)

10 MR. JONES: Hearing none, all in favor of
11 approval say aye.

12 (A chorus of ayes.)

13 MR. JONES: Okay. Thank you.

14 MR. DANENFELZER: Thank you.

15 MR. JONES: Make it so, Number Two.

16 MR. DANENFELZER: I will do my best.

17 MR. JONES: Tab Item 5, presentation,
18 discussion and possible approval of the Corporation's loan
19 program policies for the Texas Housing Impact Fund.

20 MR. DANENFELZER: Hi.

21 MR. JONES: You again.

22 MR. DANENFELZER: David Danenfelzer, Manager of
23 Development Finance. What we are bringing you today is
24 sort of a revision of -- a revisioning of our lending
25 programs for the Corporation.

1 Over the last year, we have had a number of
2 discussions in Loan Committees and other groups that we
3 really felt that having -- what we had over the last seven
4 years has been two separate lending programs. One -- our
5 ICAP, the Interim Construction and Acquisition Loan
6 Program, and our direct lending program.

7 ICAP was traditionally for single family style
8 projects, rehab, new construction. And we have used that
9 most frequently over the last couple of years to support
10 activities in our land banking, as well as our foreclosure
11 mitigation programs.

12 The direct lending program is targeted
13 specifically towards rental properties, long term loans to
14 facilities like the one in Rita Blanca or Dalhart, Texas.

15 We did one here in Austin, the Willows. And we have
16 continued to support those. And we have a number in our
17 portfolio that are long term loans.

18 But after spending a lot of time the last year
19 working with marketing and our fundraising team as well as
20 with the Loan Committee, we have decided that what was
21 really needed is a more unified strategy and sort of
22 rebranding of the program.

23 It has been difficult for us to raise funding
24 for the program, simply because when we go to funders and
25 talk to them, typically banks or financial institutions,

1 it is hard for us to say, well, this is all the things we
2 do. And then, here is two different policies with two
3 different sets of rules and regulations.

4 It tends to look a little more complicated than
5 it needs to. And frankly, from an operational standpoint,
6 I have also struggled with that, making sure that each of
7 the policies are dealt with in an appropriate way, but
8 having them mixed and matched.

9 And there have also been certain times
10 throughout the last couple of years, particularly when the
11 Loan Committee has decided they would like to adjust our
12 risk on a certain loan by providing a different term or a
13 different scale on how things are done. But we have been
14 held back by the policy itself.

15 So, what we have tried to do here is combine
16 those two policies into one master policy that provides a
17 little bit more flexibility to the Loan Committee to make
18 decisions about terms, conditions, interest rates and
19 other things related to new loans going forward. But,
20 also gives staff a little bit easier way to talk about
21 those things, and negotiate those things with borrowers,
22 so that we can move forward, and get the best deal for the
23 Corporation, but also provide as much lending as we can.

24 Some of the things that I will note that have
25 changed in this policy compared to the other two. We do

1 deal with the same eligible uses. We are not changing any
2 eligible uses.

3 So, we still have single family, multi-family
4 lending, permanent, construction lending. Those are all
5 the same. We are not expanding, really, the scope in that
6 way.

7 We have clarified some of the underwriting
8 rules and the loan structures. And as I have noted, one
9 of the things that has come up often is allowing on multi-
10 family loans to do sort of a five year loan where we
11 provide the five year note, and then extend that note, and
12 do rate adjustments over time.

13 We had that ability under the previous policy.

14 But it does reduce our risk and allows the Corporation to
15 adjust rates based on current conditions, rather than
16 setting a rate that is 15 or 20 years long. We have also
17 increased the aggregate exposure limit to \$3 million. It
18 was previously \$2 million in the program.

19 And one thing we have realized is that we are
20 seeing larger projects, particularly in the multi-family
21 side. And we would like to be able to do more than one
22 project with the same developer. And \$2 million just
23 ended up being a little bit too small for us.

24 We rolled it up a little bit to \$3 million.
25 And that allows us to still have limited exposure to one

1 specific borrower. But it allows us to do more projects
2 with borrowers that are more consistent with the size of
3 deals we are seeing and that do come in.

4 MR. ROMERO: David, a question on that real
5 quick.

6 MR. DANENFELZER: Sure.

7 MR. ROMERO: So, \$3 million, you upped that to
8 \$3 million. When you look at a concentration to one
9 borrower based on how much money we have available to
10 lend, do you want to incorporate a percentage in there?

11 So that, you may not -- you may not get to \$3
12 million. But you also don't want to have, you know, a
13 good portion of our lending funds in one, just one
14 borrower.

15 MR. DANENFELZER: Yes. We have looked at
16 percentages. But one of the difficulties in calculating
17 the percentages, when we look at regular, the bank
18 regulators, OCC, FDIC and others, oftentimes they don't
19 recommend actually setting a percentage.

20 Because then, there is a way to sort of game
21 the system, in that oftentimes a lender will look at,
22 rather than having an aggregate exposure limit, it will be
23 based on percentage. But it will be based on percentage
24 of funds drawn or funds outstanding.

25 So then, as principal is paid down, the

1 percentage goes down. And then, they can relend quicker
2 to that person. And FDIC and other regulators have
3 generally recommended, no. Look at the original balance
4 and keep it at that.

5 Also, as your loan program grows, we may do two
6 or three loans to another lender. And then say, we can go
7 back to this person and relend, and continue to grow them.

8 Because our program has grown by 30 percent. So now, we
9 can expand them -- their lending line by 30 percent,
10 rather than having a fixed number.

11 MR. ROMERO: And maybe I approached it wrong.
12 But not having the fixed number, but looking at it from
13 the standpoint of risk. Because if our portfolio has not
14 grown, and then all of a sudden, we are looking and we
15 have got 60 percent of our loan fund with one borrower --

16 MR. DANENFELZER: Right.

17 MR. ROMERO: To me, that is a much higher risk,
18 than if it was only 30 percent.

19 MR. DANENFELZER: Exactly. And that percentage
20 can be problematic, in that other way. Because you do
21 have that. But it is also, how do we back out of those
22 loans?

23 If we have provided someone with \$3 million in
24 loans, and our total portfolio shrinks, we can't
25 necessarily take out funds. So, having a number allows us

1 that ability to say, well, we have a cap that is hard.
2 Regardless of the size of our portfolio, that cap stays
3 the same.

4 MR. ROMERO: So, the safety net here is, if the
5 borrower comes to us with a \$3 million loan, then it will
6 be up to you to present it to the Loan Committee what your
7 recommendations are. And then have the Loan Committee
8 kind of massage it if they need to.

9 MR. DANENFELZER: Correct.

10 MR. ROMERO: Before it comes to the Board for
11 approval.

12 MR. DANENFELZER: Exactly. And clearly one of
13 the things to remember is, I think, in the last paragraph
14 in the entire document, which is typical of all of our --
15 my documents -- is that the Board may change these
16 policies at any time. So, if for some reason the Board or
17 staff brings some deal to you guys and says, we would like
18 your exception to go to \$3.2 million, because we want to
19 get this one deal done, you have that authority as the
20 Board, to amend or waive that particular requirement on a
21 specific deal in the future.

22 The next couple of things I want to note is
23 that we are updating the Loan Committee structure.
24 Previously, we had actually two separate structures. One
25 for the ICAP and one for the permanent lending, the direct

1 lending program.

2 We have kind of evened that out. It will
3 remain one of the Board members appointed by the Board to
4 sit on the Loan Committee. Currently, it is --

5 MR. JONES: Excuse me. Before you go to
6 that --

7 MR. DANENFELZER: Yes.

8 MR. JONES: When you are talking about the
9 loan, the policy, size of the deal, et cetera. Just for
10 those who may be here that don't know, the historical
11 record of this program in terms of any default rate, any
12 problematic or slow pay, overpayments, any kind of those
13 things. What is the history?

14 MR. DANENFELZER: We have -- that was a
15 question I did not prepare for. Generally, we have --

16 MR. JONES: Well, because, I am just saying in
17 terms of raising the number, you know, going higher.

18 MR. DANENFELZER: Yes.

19 MR. JONES: And you said that because i.e., in
20 juxtaposition to size of the deal.

21 MR. DANENFELZER: Right.

22 MR. JONES: But you also, when you talk about
23 it, talking about limited risk, and reducing risk, et
24 cetera.

25 MR. DANENFELZER: Correct.

1 MR. JONES: So, it would beg the question of --

2 MR. DANENFELZER: Yes. And I am changing over
3 that database in my mind right now, so I can bring up
4 those kind of facts and figures.

5 MR. JONES: Okay. You can answer it by the
6 time we are done.

7 MR. DANENFELZER: Well, and we have done --

8 MR. JONES: You can move on if you want to
9 think about it.

10 MR. DANENFELZER: We have awarded about \$12
11 million in lending, total lending. I am rounding the
12 numbers, because I don't know the specific number off the
13 top of my head. I would have to pull up my database.

14 But over the history of the program, there have
15 been some defaults. But I do not recall any non-payment
16 of loans.

17 MR. JONES: Okay.

18 MR. DANENFELZER: At this time. And the
19 technical difference between that is, I know that prior to
20 my coming on board, there is a loan that was provided to
21 one of our private activity bond programs. It was a
22 special subprogram where the Corporation provided \$500,000
23 to that --

24 MR. JONES: Yes. But how many years ago was
25 that?

1 MR. DANENFELZER: That was in 2005.

2 MR. JONES: Okay.

3 MR. DANENFELZER: And while that loan has not
4 been paid off, technically it is not in default, because
5 it is a cash flow loan. Meaning, the borrower only has to
6 pay it when they have cash flow available to repay it.

7 I count that as a loan in good standing because
8 it is meeting all of the terms and conditions. But
9 obviously, they have never actually repaid the \$500,000.
10 We do anticipate them eventually repaying it. But we are
11 waiting for other events to occur such as the
12 restructuring and tax --

13 MR. JONES: Understood. And that appears to be
14 the exception.

15 MR. DANENFELZER: Right. That would be one
16 exception. We had had two loans under the ICAP program,
17 where we wrote off those loans and converted them. We did
18 recover those funds eventually, once we sold those
19 individual properties.

20 But on one case, the local partner was one we
21 were disconnecting from, and we basically discontinued
22 that loan. But the Corporation was repaid the loan
23 balance once we sold the property.

24 MR. JONES: So, we lost no funds.

25 MR. DANENFELZER: Right. We lost no funds. Do

1 we have borrowers that pay a little bit late? Yes.

2 We have one in particular that we hound every
3 month, because they always pay a couple of days late.
4 Just -- they always have. But they always pay. So, they
5 are never more than about 30 days out of out, which is
6 good.

7 But it would be nice if we didn't have to hound
8 them. Particularly Betsy. She is the one who actually
9 has to call them and remind them and email them.

10 And yes, sometimes we have complexities with
11 the loans being a little overextended -- repayments. But
12 as far as I can recollect at this time, we have been
13 repaid for all of the debts that have been due to us at
14 this time.

15 MR. JONES: So, that just tells me that with
16 not only the size of the deal, that would require an
17 upgrade to \$3 million --

18 MR. DANENFELZER: Right.

19 MR. JONES: Basically, overall, you feel
20 comfortable that your due diligence and all of this stuff
21 you have to put in order --

22 MR. DANENFELZER: Right.

23 MR. JONES: Will make sure that it continues --

24 MR. DANENFELZER: Yes.

25 MR. JONES: -- so the Corporation doesn't

1 expose itself to additional risk. And I am only saying
2 that because you kept using the term risk.

3 MR. DANENFELZER: Yes. Exactly. And that is,
4 as always, kind of key with the Loan Committee and with
5 bringing deals to you, is to mitigating as much risk as
6 possible.

7 So, that the Corporation can get repaid all of
8 the funds that we are putting out, plus interest. But
9 also, to carry out our charitable mission, which does
10 require us in some cases to take a little more risk than a
11 traditional bank or lending entity would.

12 MR. JONES: I ask that. And I appreciate it.
13 Because people want to understand how TSAHC can operate
14 without using any tax dollars, any money from the General
15 Fund.

16 MR. DANENFELZER: Right.

17 MR. JONES: And that is because of the
18 professionalism of the staff, and the good financial
19 fiscal management that is in place.

20 MR. DANENFELZER: Yes.

21 MR. JONES: So, I think that it is worth noting
22 in our minutes.

23 MR. DANENFELZER: Okay.

24 MR. JONES: All right. Thank you.

25 MR. DANENFELZER: Thank you. The other thing I

1 was going to -- is the Loan Committee has been recent --

2 MR. ROMERO: Let's follow up on the Chairman's
3 question. When was the last time you presented an aging
4 schedule to us, as far as the --

5 MR. JONES: A what?

6 MR. ROMERO: Aging.

7 MR. JONES: Okay.

8 MR. ROMERO: Or --

9 MR. DANENFELZER: It would have been the last
10 Loan Committee.

11 MR. ROMERO: Okay. Maybe it is something we
12 could bring to the Board, just to get an idea of all of
13 our portfolios, where we are with delinquencies?

14 MR. DANENFELZER: Yes. How often would you
15 like that?

16 MR. ROMERO: You know once -- I mean --

17 MR. DANENFELZER: Once a year?

18 MR. ROMERO: Yes. The delinquencies aren't
19 that bad.

20 MR. DANENFELZER: We do try to communicate that
21 regularly with the Loan Committee.

22 MR. ROMERO: Yes.

23 MR. DANENFELZER: But yes, we do need to
24 actually get more on track with that.

25 MR. ROMERO: Okay.

1 MR. DANENFELZER: And I am hoping some of these
2 streamlined items here will help us with that as well.

3 MR. ROMERO: I know you manage the portfolio
4 well, but I think for our information, it would be good to
5 see that. Out of those \$12 million, you know, we have got
6 a less than 1 percent delinquency rate. I mean, that is
7 important.

8 MR. JONES: Right. Exactly what I was asking.

9 MR. ROMERO: Yes.

10 MR. DANENFELZER: Good.

11 MR. EVENWEL: A minute ago, you referred us to
12 the last paragraph of the last page.

13 MR. DANENFELZER: Is it not the waiver?

14 MR. EVENWEL: Sorry. It is.

15 MR. DANENFELZER: Good. I always put it as the
16 last one.

17 MR. EVENWEL: But the second sentence talks
18 about individual borrowers coming to the Board. Do we
19 want individual borrowers coming to the Board?

20 MR. DANENFELZER: Well, what we generally ask
21 is if someone is going to be requesting a waiver of our
22 policy, that that request actually come from the borrower.
23 That it is not staff initiating that request in most
24 cases.

25 MR. EVENWEL: Okay. No, I am just thinking in

1 my mind of borrowers sitting there, saying, I can --

2 MR. DANENFELZER: Yes. And frankly, I mean,
3 there --

4 MR. EVENWEL: I am in bad stead, and you have
5 got to fix my thing, and I was thinking --

6 MR. DANENFELZER: Right.

7 MR. EVENWEL: What do we do? I mean, how do we
8 base -- how would we base a response to that?

9 MR. DANENFELZER: And I think what does happen
10 is that I would prepare a response to the borrower's
11 request. But still bring it to you regardless of my
12 recommendation. So that the borrower has the ultimate
13 ability to come to you and ask for something, even if I
14 don't recommend it.

15 MR. JONES: That makes sense.

16 MR. EVENWEL: Just like --

17 MR. DANENFELZER: It provides a fair system for
18 the borrower to ask you something. You may hear the
19 borrower out and say, that is a perfectly reasonable
20 thing, Dave. Why wouldn't you recommend that? And you
21 want to give that waiver.

22 But there has to be a process for me to be in
23 dispute with a borrower and for them to at least come to
24 you. You guys are the end, the end-all be-all decision.

25 MR. JONES: I look at it as no different than

1 sitting on a jury, and having two sides present on
2 something that we really don't have expertise in. But
3 they both have to present their side.

4 MR. DANENFELZER: Yes.

5 MR. EVENWEL: So, it would be you against the
6 borrower. Is that what you are saying?

7 MR. DANENFELZER: If in the case I was not in
8 agreement with the borrower, yes.

9 MR. JONES: Him, on behalf of the Corporation.

10 MR. ROMERO: He would be our expert witness.

11 MR. DANENFELZER: I would be your expert.

12 MR. EVENWEL: Okay. That changes the subject.

13 MR. DANENFELZER: So, I mean, and that may
14 happen. Luckily, I don't think I have -- I can't remember
15 ever --

16 MR. EVENWEL: No. I am just thinking out loud
17 here. How would we --

18 MR. DANENFELZER: Exactly.

19 MR. EVENWEL: Work with something like that? I
20 mean, how would we respond?

21 MR. DANENFELZER: Yes. And I --

22 MR. EVENWEL: I mean, we look at the guy and
23 say, he looks in bad shape. So, why are you doing this to
24 him?

25 MR. DANENFELZER: Exactly.

1 MR. EVENWEL: But, and that is what -- I mean,
2 that is obviously what you intend to do.

3 MR. DANENFELZER: Exactly. Yes.

4 MR. JONES: But it gives the borrower a last
5 resort to come before us.

6 MR. EVENWEL: Yes. I can see.

7 MR. DANENFELZER: Exactly. I mean, I don't
8 ever want to be the guy who is the last decision maker. I
9 don't get paid enough and my position title is not high
10 enough.

11 MR. JONES: I heard that. We'll all put it on
12 Jerry.

13 MR. DANENFELZER: Okay.

14 MR. JONES: Now, you are going on to the
15 appointments?

16 MR. DANENFELZER: Yes. What I was going to say
17 is the Loan Committee structure has changed slightly. We
18 did reduce it, so that it is still the Board member who
19 sits represents the Board on the Loan Committee.
20 Currently, it is Mr. Romero. The Executive Vice President
21 of the Corporation, the President and the Chief Financial
22 Officer.

23 Myself as manager, I took myself off of the
24 Loan Committee voting structure, because I am the one who
25 prepares things. So, if I am recommending something to

1 the Loan Committee, there is somewhat of a conflict of
2 interest there.

3 MR. ROMERO: There is a bias.

4 MR. DANENFELZER: And as well, we took off --

5 MR. JONES: That is not a good term. I
6 wouldn't see it as a conflict of interest.

7 MR. ROMERO: But he is the advocate for the
8 borrower.

9 MR. JONES: Yes.

10 MR. DANENFELZER: Right. If I am advocating
11 for the borrower, I don't know that I should be also
12 voting then.

13 MR. JONES: Because as the advocate, we know
14 your vote is going to be yes.

15 MR. DANENFELZER: Right. If I am bringing it
16 to you, it is probably going to be yes.

17 MR. JONES: Understood.

18 MR. DANENFELZER: And then, the other members
19 that were taken off as on ICAP, the manager of single
20 family as well as on the multi-family deals. The manager
21 of Asset Management was taken off.

22 MR. JONES: Now, does the position you hold,
23 does the policy say it's your position, or it can be
24 replaced by anybody?

25 MR. DANENFELZER: It actually just says my

1 position title. So, it lists --

2 MR. JONES: But it has to be --

3 MR. DANENFELZER: Only the four position titles
4 now that are currently there. And previously, it listed
5 my position, so whoever held my position could, would have
6 been on the --

7 MR. JONES: So, there has to be a change in the
8 position, for it to be effective?

9 MR. DANENFELZER: Right. I have to take --

10 MR. JONES: That is the policy change.

11 MR. DANENFELZER: Yes. I have to take off my
12 position from that.

13 MR. JONES: And what is the -- is there a
14 recommendation of what position would sit in there?

15 MR. DANENFELZER: Well, it is just the four
16 now. It is just Executive Vice President, President, CFO
17 and Board member.

18 MR. JONES: But it needs to be five. Doesn't
19 it need to be five? If you have got four, you can have
20 ties all of the time.

21 MR. DANENFELZER: It does not need to be -- it
22 does not need to be five.

23 MR. JONES: It doesn't have to be. Okay.

24 MR. DANENFELZER: So. And it is simple quorum,
25 majority of the quorum. So, if we do have one missing

1 member, we can still have a vote.

2 But it also does push us to make sure that --
3 and a lot of times, I do find that the Loan Committee is
4 much more discussion and a lot of input from the Loan
5 Committee to say, this is what the Loan Committee would
6 like to --

7 MR. JONES: Because it is going to come here
8 anyway.

9 MR. DANENFELZER: To bring back. You know,
10 let's amend all of this, and let's get to something where
11 we are all in agreement of how to make this loan.

12 MR. JONES: Okay.

13 MR. DANENFELZER: Then I go back and negotiate
14 that with the borrower. If they say it is okay, I will
15 bring it back. We will vote on it. And then, we will
16 bring it to you, in most cases, to make sure that you guys
17 are comfortable.

18 MR. JONES: So, it doesn't need a replacement
19 then.

20 MR. DANENFELZER: Right.

21 MR. JONES: Okay.

22 MR. DANENFELZER: We did amend some of the
23 terms, or what is considered length of loans. Just to
24 give us that more flexibility to do, rather than always
25 having to do a 15 year loan for a multi-family deal. Now

1 we can do five years.

2 We just kind of loosened those restrictions on
3 what staff can recommend. Which allows the Loan Committee
4 and then ultimately the Corporation to have more
5 flexibility on those terms. As well as updated some of
6 the default standards to clear and clarify some of those.

7
8 The default standard between multi-family and
9 the single family was a little bit different. And we
10 wanted to make sure it was more cohesive. And we had one
11 standard for both of those programs, rather than a
12 separate one for each program.

13 And then, we also updated some of the draw
14 procedures. Because as we have -- particularly as we have
15 expanded the ICAP program over the last couple of years,
16 we have kind of adjusted that internally as best we can
17 and we want to make sure that staff has the ability to
18 kind of meet the needs of borrowers. But then also, limit
19 the risk to the Corporation on how draws are processed.

20 MR. ROMERO: Question on the interest rates.
21 Is there a specific reason why you didn't put the cost of
22 fund basis?

23 MR. DANENFELZER: We did not add cost of fund
24 basis. And in talking internally on that, I think there
25 were two issues with that.

1 The way we do most of our fund accounting does
2 specifically depend on the funds we are using. And so, we
3 can end up with a greater variance.

4 Because if we use, say source one over here,
5 and we add 2, 2-1/2 percent to it, the interest rate may
6 be 3 percent. But if we use this source over here for the
7 exact same type of loan, we may end up with a 6 or 7
8 percent interest rate.

9 So, looking at how we use funds internally is
10 something the Loan Committee needs to discuss and talk
11 about. But setting a specific add 2-1/2 percent on their
12 cost of funds became really more problematic.

13 And also, it also creates a risk that the
14 borrower will say, well what funds are you using? And we
15 don't necessarily disclose that. So, we want to be sure
16 that we have the greater flexibility of what funds we use,
17 and the interest rates we set.

18 MR. ROMERO: So, a good example would have been
19 like, we are using Wall Street Journal Prime plus two.
20 But if you are using Wells Fargo Equity investment, it is
21 2 percent plus two is the app four.

22 MR. DANENFELZER: Right.

23 MR. ROMERO: There is a difference. Even
24 though it is the same project.

25 MR. DANENFELZER: Exactly. It could have been

1 the same project. But because I borrowed the money from
2 Federal Home Loan Bank, it is a whole 2 percent higher
3 than what I use for my Wells Fargo PRI.

4 MR. ROMERO: Yes.

5 MR. DANENFELZER: And that ends up causing more
6 confusion behind the scenes than is needed.

7 MR. JONES: It all adds to flexibility.

8 MR. DANENFELZER: It adds to flexibility and, I
9 think, better decision making from the Loan Committee and
10 from the Board.

11 MR. JONES: Any other comments or questions?

12 (No response.)

13 MR. JONES: I will entertain a motion.

14 MR. EVENWEL: So moved.

15 MR. ROMERO: Second.

16 MR. JONES: It has been moved and seconded to
17 approve Item 5 as written. Is there any public comment at
18 this time?

19 (No response.)

20 MR. JONES: Hearing none --

21 MR. DANENFELZER: And I will note, we are
22 putting these out for public comment.

23 MR. JONES: Right.

24 MR. DANENFELZER: For the next 30 days. And
25 we'll bring this back to you with any amendments. And

1 then you will actually vote on approving the policy
2 itself.

3 MR. JONES: Well now, that is not what it says.

4 MR. DANENFELZER: That is not what it says?
5 That is what it was supposed to say.

6 MR. ROMERO: We just approved it.

7 MR. DANENFELZER: Or did you just approve it?
8 We can approve it.

9 MR. JONES: We didn't take a vote yet.

10 MS. VAN DYK: Hello. I am Katie Van Dyk.

11 Well, the agenda item says approval of the Corporation's
12 loan program policies for the Texas Housing Impact Fund.

13 MR. DANENFELZER: That was an amendment. I was
14 not aware.

15 MS. VAN DYK: So --

16 MR. DANENFELZER: I am happy to just approve
17 it.

18 MR. JONES: Does it require public --

19 MR. DANENFELZER: There is no requirement that
20 we do public comment on this.

21 MR. JONES: Why were you thinking that you
22 would do it?

23 MR. DANENFELZER: Traditionally, when we do our
24 RFPs for our bond program, we do. But we are required by
25 statute to do that.

1 MR. JONES: Yes. But --

2 MR. DANENFELZER: So, generally, that is the
3 practice I have in my head.

4 MS. VAN DYK: Yes. This loan policy is just
5 something TSAHC does. It is not required.

6 MR. JONES: This is our internal.

7 MR. DANENFELZER: Right. It is our internal
8 policy.

9 MR. ROMERO: But --

10 MS. VAN DYK: But if you want to have public
11 comment and proceed like you planned, then we can just
12 make a motion that is different than what is on the
13 agenda.

14 MR. ROMERO: No.

15 MR. JONES: Well, now. We don't want to
16 complicate the issue. The bottom line is, is our policy
17 is our policy. And then, it is sent out to everybody.
18 And it says, this is what our policy is. This is not
19 anything required by regulation or by statute or anything
20 like that.

21 MR. DANENFELZER: No.

22 MR. ROMERO: Yes. I think if we approve it
23 today, you can still send it out for public comment. And
24 if you get something substantial to change, you can always
25 bring it back, so that we can make that change.

1 MR. JONES: Right.

2 MR. DANENFELZER: That is correct. I can bring
3 it back at any time for amendments.

4 MR. LONG: I would like to kind of add on the
5 side of caution.

6 MR. JONES: And you are?

7 MR. LONG: I am David Long, President. I would
8 like to add on the side of caution. We traditionally have
9 brought, whether it be using our own internal funds or
10 not, we have gone out for public comment.

11 And while we could approve it as it was
12 written, I think our intent was to bring it to you for
13 your consideration and for a public comment period. And I
14 would recommend that the Board, as Ms. Van Dyk said, amend
15 the motion to be for public comment of 30 days, and then
16 bring it back to you.

17 I just think that is much more conservative.
18 It is also the approach we have always taken on our
19 policies.

20 MR. JONES: And it is consistent with us.

21 MR. LONG: And it is consistent with our
22 internal practices.

23 MR. JONES: We are very transparent.

24 MR. LONG: And I would prefer we do it that
25 way, rather than wait on public comment after the fact.

1 So, if I might, Mr. Chairman, I would recommend that you
2 follow Ms. Van Dyk's guidance and go with amending the
3 motion to be for the approval of public comment of these
4 guidelines for 30 days, and then bring them back after
5 public comment.

6 MR. JONES: Presentation, discussion and
7 possible approval of the Corporation's loan program policy
8 for the Texas Housing Impact Fund.

9 MS. VAN DYK: Yes. I would recommend that
10 whoever wants to make the motion phrase it as, I make a
11 motion to post the loan program policies as presented or
12 as discussed in this meeting for public comment for 30
13 days. Or however you want to phrase it is fine.

14 MR. JONES: Presentation and discussion.

15 MS. VAN DYK: It is not an amendment to what is
16 here.

17 MR. JONES: And possible approval. I will just
18 put presentation, discussion and possible approval for
19 public comment the Corporation's loan program policies of
20 the Texas Housing Impact Fund.

21 MS. VAN DYK: Yes. So, the motion would be to
22 approve for public comment the --

23 MR. JONES: Right.

24 MS. VAN DYK: -- policy.

25 MR. ROMERO: I withdraw my second from the

1 first motion.

2 MR. EVENWEL: I amend my motion to whatever
3 Katie said.

4 MR. JONES: All right.

5 MR. ROMERO: And I will second that.

6 MR. JONES: Just withdraw it, and let me
7 restate it.

8 MR. EVENWEL: I withdraw.

9 MR. JONES: Okay. The Chair will entertain a
10 motion for the possible approval for public comment of the
11 Corporation's loan program policies for the Texas Housing
12 Impact Fund. Is there a motion?

13 MR. EVENWEL: Move to approve.

14 MR. ROMERO: I will second it.

15 MR. JONES: It has been moved and seconded.

16 Any further comment or discussion from the Board?

17 (No response.)

18 MR. JONES: Any public comment regarding the
19 approval for public comment of the Corporation's loan
20 review policy for the Texas Housing Impact Fund? And we
21 don't need to say what the time for public comment is, I
22 assume.

23 MS. VANDYK: That is fine.

24 MR. JONES: No public comment being heard, all
25 in favor say aye.

1 (A chorus of ayes.)

2 MR. JONES: It has been approved for public
3 comment.

4 MR. DANENFELZER: Thank you.

5 MR. JONES: Are there any other matters, Mr.
6 President?

7 MR. LONG: No, Mr. Chairman. No, there's no
8 items requiring closed session. And as I mentioned
9 before, the only other item would be that our next
10 tentatively scheduled Board meeting is August 13th, the
11 second Thursday of the month.

12 And we'll keep the Board informed as to any
13 items that we need for that, and if not -- and
14 availability of quorum before we schedule that meeting.

15 MR. JONES: Okay. All right. I want to again,
16 thank the staff for their level of preparedness and
17 professionalism. And for the first time, I caught old
18 David. Yes.

19 MR. DANENFELZER: Yes.

20 MR. JONES: For that one, how many years did it
21 take? Also, those who are present and all of the work
22 that the staff does. And I will say Paige's right name.
23 Paige, we appreciate what you do, as well as all of the
24 staff.

25 And for those who are here from the House Urban

1 Affairs Committee as well as from Speaker Straus's office.

2 Why do you all sit all of the way in the back? It makes
3 me have to work.

4 We appreciate you all taking the time to stop
5 by. And convey that back to the Speaker, and to the
6 Committee, please.

7 Also, I want to thank Ms. Penny Bynum who does
8 her normal diligent and wonderful job. We appreciate it.
9 Hearing no further business, the meeting is adjourned.

10 (Whereupon, at 11:32 a.m., the meeting was
11 adjourned.)

