

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
February 11, 2016
10:33 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: It's 10:33, and the February
3 meeting of the Texas State Affordable Housing Corporation
4 is now called to order.

5 William Dietz, Vice 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: Present.

13 MR. JONES: I am here, so we do have a quorum.

14 Is there any public comment at this time?

15 (No response.)

16 MR. JONES: At this time, David Long,
17 president's report.

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

19 Since we didn't have a meeting in January, I've
20 got quite a few updates I want to provide to you, so if
21 you'll bear with me while I go through these.

22 As always, the program reports are available
23 for you in your board packet under tab items A through E.

24 Again, we do not have the exceptional items that I report
25 to you, however, I would ask you to note that the

1 quarterly reports for the Multifamily Compliance and
2 Resident Services report is under tab item C and under the
3 next tab item that is your marketing reports, not monthly
4 reports that you normally see, but I want to make sure
5 that if you have any questions on that, staff is
6 available.

7 Even while she's not here, I was going to
8 mention Sarah Ellinor and Delia Davila are attending the
9 State Board of Realtors conference in San Antonio. It's
10 always a great opportunity for us to have our programs
11 represented down there and they do a great job of that. I
12 was going to welcome Sarah Ellinor back. She was on
13 maternity leave, as you know, and she had a little boy,
14 Hudson, and she's back in the office, she started back
15 last week, so glad to have Sarah back in the office.

16 And we'd like to just make a note that Tim and
17 Delia and Liz did a lot of extra work in her absence,
18 because, as you remember, we're still looking to replace
19 Paige, so there was a lot of extra work to be done and
20 they did a great job, and I just want to compliment and
21 thank them for doing that. In fact, Liz is responsible
22 for the board reports, Single Family reports that you have
23 today.

24 I want to give you an update on Rollins Martin,
25 some pretty good stuff going on over there. TDHCA

1 conducted their onsite monitoring visit at Rollins Martin
2 on the 21st of this past month. If you remember, when we
3 bought that, that was a tax credit project that came out
4 of its 15-year compliance. The Corporation is still
5 responsible for complying with all the requirements and
6 meeting the guidance on that, and we had our first review
7 on the 21st of January. It was a very in-depth report. It
8 incorporated not only a review of the tenant files since
9 inception, but affirmation of our marketing, recent
10 policies which included tenant selection and wait list
11 policies, unit status report, and a variety of other
12 things.

13 And I just want to do two things. I want to
14 tell you that while we haven't yet received the final
15 written report on that, the monitor that did the report
16 when she left stated that we would receive a letter of no
17 findings, which I think is a phenomenal accomplishment,
18 given, one, the status of the files when we bought that
19 property, they were not in great shape, and Celina and
20 James did a great job putting all that back together, and
21 second of all, I just want to thank Celina for all of her
22 oversight and leadership in making sure that report went
23 well. She comes to the table with quite a bit of
24 experience on that, and she worked very closely with the
25 monitor while they were here to make sure that everything

1 was in order and putting things together before they got
2 here. So James and Celina did a great job on that.

3 As a followup on that, as you know, we have
4 been doing a lot of renovations at Rollins Martin. We
5 won't go over the litany of things that we have done
6 already, but in addition to that, we had two vacant units
7 that became available. Those units have been going
8 through a massive rehab. James and Jesse have been over
9 there quite a bit. Celina has been going over there
10 making sure things are being done.

11 And I'll just give you a quick update on that.

12 To date we have redone the flooring, kitchen and bathroom
13 cabinets, granite countertops, light fixtures and paint
14 throughout the units. And I was over there yesterday, and
15 I have to say you're invited to go by and look at them
16 before you leave today if you would like. We tried to
17 make sure one of them was kind of clean and polished for
18 you. But they look really nice and they're quite an
19 upgrade with what we've done. We did new doorknobs and
20 everything.

21 So I think they look really nice, and they're
22 going to be a great addition for any of the low income
23 individuals and families that we serve, so I'm very
24 pleased with that. And I thank James and Celina for all
25 the work they're doing over there, and especially Jesse

1 who has gone over there and spent a lot of time doing
2 that.

3 Also, as you are aware, the board approved our
4 2015 Foundations Fund awards. You made awards to sixteen
5 different nonprofit organizations across Texas. Those
6 ranged between \$15- and \$50,000. We had the largest
7 amount of money available that we gave away this year
8 which was \$360,000. Over the past several weeks, I had
9 the opportunity to participate in seven different check
10 presentations. We didn't make check presentations to all
11 of them, just some of our newer ones and ones that asked.

12 So we did seven grant recipient presentations. Michael
13 Wilt did a lot of the planning and coordination with that,
14 and Katie joined us on several of those.

15 The check presentations were made to nonprofits
16 all over the state, including Fort Worth, Collin County,
17 Lubbock, Corpus Christi, Houston, Victoria and the Rio
18 Grande Valley. I'd like to thank several of our advisory
19 board members who attended that: Bill Albers in Dallas,
20 Bruce Fielder in Lubbock, and then Julian Alvarez in the
21 Valley. And I'd also like to thank Mr. Jones for his
22 participation. He joined us at the Corpus Christi check
23 presentation. He always does a good job making sure we
24 have a good leader of the pack when we do those. And
25 thank you, Mr. Jones, for doing that. That was a lot of

1 fun. Representing Hunter was there to help us with that.

2 I also just kind of want to make a note on
3 this. I really appreciate the opportunity that we get
4 when we do these. When we have our single family programs
5 or our multifamily programs, whether it's a bond
6 transaction or the TBA transaction, we never really get to
7 shake hands with the people we're serving or meet those
8 people. This is an opportunity we actually get to meet
9 and talk with the people that we're either serving or the
10 organizations we partner with. And I think it's really
11 important for us to be able to have that opportunity
12 because it gives us a chance to not only recognize the
13 work that's being done but it also gives us a chance to
14 put a face with a name and for them to do the same.

15 And I would just suggest to you that these
16 don't go off without a lot of extra work and preparation.

17 I think that it really needs to be said that Janie Taylor
18 and her team do a phenomenal amount of work putting these
19 things together so that we can go around the state and
20 have things put together. It allows us to make sure that
21 when we get there that we're putting on these events, the
22 dates are confirmed with multiple organizations that have
23 to show up, coordinating with the various speakers. Mr.
24 Jones would know that the one he went to, we had two or
25 three people that spoke.

1 And those include local and state officials.
2 We've had the opportunity to do several of these. I think
3 at every single event we had a state official or a local
4 official speaking; in multiple cases we had more than one
5 individual speaking, in addition to our representative
6 that was speaking. I just think it needs to be said that
7 there's a lot of work that goes into these, and Janie and
8 Michael and Katie do a lot of work to put these on.

9 And we have pictures that go into our annual
10 report and all kinds of things that really make us feel
11 like we're able to acknowledge the people that we're
12 asking to serve the State of Texas with the resources we
13 have available and then to make sure that they understand
14 we're here to support them. And so I want to thank Janie
15 and her group, because without that hard work, I don't
16 think we would have nearly the representation we have from
17 the state and local officials.

18 And the other thing I would tell you is that we
19 get a lot of media out of this. I don't know if you had a
20 chance but Michael and Janie made sure that a lot of the
21 media and press releases that were put out were available
22 to you either via email or on our website. So I wanted to
23 make sure, I wanted you understand that there's a lot of
24 work that goes into those and I really appreciate the work
25 that they do for us to make that happen.

1 Update on our single family program. Every
2 year we try and acknowledge those participating lenders
3 and individual loan officers who do a lot of work for us.

4 In 2015, TSAHC was able to assist 1,838 families to
5 purchase a home through our homebuyer programs, for a
6 total of about \$232 million in mortgage loans and over
7 \$9.6 million in down payment assistance grants. And we
8 helped about 370 homebuyers obtain federal tax credits
9 through our MCC program, and that allows them up to a
10 \$2,000 credit over the life of their mortgage. So again, a
11 huge benefit to these families we're serving, and again, a
12 lot of work done on the single family program side,
13 compliance side, and I really appreciate all the work that
14 they did.

15 Of course, this wouldn't all work without the
16 partners that we have, including our lenders and the
17 individual loan officers and the mortgage companies that
18 we work with, so I wanted to take a minute to just kind of
19 recognize. They're not here. Our plan is to probably put
20 together some type of an award presentation for them,
21 we've done that every year. We're still working on the
22 details, but we'll let you know as that goes off.

23 For this year I just want to recognize the top
24 producing mortgage companies and the top producing loan
25 officers, and it's a pretty big recognition, because we

1 have about 540 individual loan officers that are
2 authorized in our program and over a hundred mortgage
3 companies that work with us on this thing, so to be
4 recognized as the top three in this is a pretty big deal,
5 so I'd just like of let you know who those were for the
6 record.

7 So the top three producing loan officers in
8 2015. Kim Lewis, she's with Mortgage Financial Services.
9 Ms. Lewis has been the top producing loan officer in our
10 program for seven years in a row, so you can see the
11 commitment and the understanding that she has about the
12 borrowers that she serves. She originated 32 loans for
13 over \$4 million. She works out of the Dallas-Fort Worth
14 area, but she serves the entire state, so she's really a
15 big added value for us in terms of that program and the
16 recognition that we get because of the fact that she's
17 able to make our program available to so many people.

18 Number two was Gabriella Rodriguez. Mr. Romero
19 will remember this. This is her third year in a row as
20 one of our top lenders. In 2015 she originated 28 loans
21 for a total of \$3.1 million, and she lives in the El Paso
22 area and serves the El Paso area, as well as Dallas,
23 Houston, Midland-Odessa and Central and South Texas. So
24 again, you can see these top lenders really do work to not
25 just focus on their area but an expanded scope where they

1 make loans, and I think it's, again, just a strong support
2 of our program that they provide and helps us be
3 successful.

4 The third lender in the program is Ginger
5 Smith, and she's with Premier National Lending. This is
6 Ms. Smith's first year to be on the award as a top
7 producing lender. She originated 18 loans for a little
8 over \$2.5 million, and she also is located in the Dallas-
9 Fort Worth area and serves homebuyers statewide.

10 Again, all three lenders have a broad stroke,
11 not just where they actually office but also across the
12 state, so we're very pleased to have them.

13 I will quickly note the top four mortgage
14 companies that we work with. Cornerstone Home Lending was
15 our number one lender. They did over \$23.4 million in
16 loan originations. Prime Lending had \$22.8 million in
17 loan originations. Everett Financial, or Supreme Lending,
18 originated \$21.7 million in loans. And Premier Nationwide
19 Lending originated \$20.2 million in loans.

20 Again, just a huge thanks to them for all that
21 they did and the efforts that they put out to make sure
22 that our programs are available to as many people in the
23 State of Texas as possible.

24 In line with that and keeping our programs in
25 front of everybody, the marketing staff, Janie and her

1 group, created a new Ten Steps to Homeownership flyer
2 that's available in both Spanish and English. You have
3 one of those in front of you in the English version. And
4 this is for consumers, lenders, and Realtors, and again,
5 trying to make sure that we have information about our
6 programs, as well as assisting those that we're trying to
7 serve with information on how they can make sure the
8 process is as smooth as possible. So we would thank Janie
9 and her staff for putting that together and everybody who
10 participated in that.

11 On another note, Mr. Chairman and members,
12 grants received since the last board meeting. Texas
13 Financial Education Endowment awarded the Corporation
14 \$32,000. That was in December, and it's for the Texas
15 State Homebuyer Education Program. J.P. Morgan Chase
16 awarded the Corporation in January \$20,000, again for
17 support of the TSHEP program. And Trademark Media awarded
18 \$1,000 to the Corporation last month as well, and that's
19 for the Texas Financial Toolbox and the mortgage
20 calculator that we maintain on our website. So that was
21 all really, I think, resounding positive support of the
22 Corporation, as well as allowing us to further our
23 initiatives and making sure we get the word out about our
24 programs and making sure we're having borrowers who are
25 educated and counseled properly through our TSHEP

1 coordination with TDHCA by having funds available to make
2 sure that program is successful.

3 The Corporation also issued an RFP for
4 depository services back a couple of months ago. I
5 mentioned to the board in December that we would have
6 those for the board meeting this month, and it's one of
7 the agenda items, tab item 6. So we'll be asking the
8 board to consider staff recommendations on tab item 6.

9 We did receive two responses, one from Frost
10 Bank and one from Wells Fargo. We had several other
11 inquiries, however, after discussing that with the staff
12 here, those ended up not submitting any type of response
13 to the RFP.

14 I'll conclude with a summary of the
15 information. I usually try to tell you kind of what we've
16 been doing over the last month or two as far as meetings,
17 conferences and presentations. I mentioned to you that we
18 had sold one of our single family rental properties
19 because we just felt the neighborhood was not what we
20 needed it to be and the property had turned over several
21 times. When we sold that property, our goal was to
22 purchase another one, so on January 5 we closed on an
23 acquisition of a property in Manor. We think that's going
24 to be an extremely positive property for us. It's the
25 first time we'll be in the Manor market and it was leased

1 up right away.

2 And I'd like to thank James and Celina for
3 their work. These properties have very little down time
4 when we pick them up, so I think it's a testament to the
5 work they're doing to make sure that program stays very
6 active and make sure that we get good tenants in those
7 properties.

8 Michael, Katie and I, as I mentioned before,
9 since January through literally last week, we've been
10 making check presentations across the state for the Texas
11 Foundations Fund. Tim Almquist and I attended the
12 National Council of State Housing Agencies which was in
13 Washington, D.C. Mr. Romero was also there. Michael and
14 I attended the quarterly Texas Interagency Council on
15 Homelessness meeting. That's, again, the role that the
16 governor has asked me to play regarding the U.S.
17 Interagency Council on Homelessness. So we continue to
18 attend that, and I appreciate Michael's participation in
19 that.

20 David and Katie presented at TDHCA's Housing
21 and Services Partnership Academy, the Affordable
22 Communities of Texas program that we have and made a
23 presentation on that, and they also coordinated
24 information regarding the Texas Foundations Fund. That
25 was a nice opportunity for us to be able to sell those

1 programs.

2 Mr. Romero serves as the board's representative
3 for TSAHC's loan committee. We had the loan committee
4 meeting yesterday, kind of reviewed our loan portfolio and
5 made sure that we were all looking at its status, making
6 updates and changes.

7 Sarah, as I mentioned, and Delia are in San
8 Antonio today attending the San Antonio Board of Realtors
9 meeting.

10 And then just in general, the homeownership
11 staff continues to conduct webinars for lenders, Realtors
12 and counselors, housing counselors. They did seven of
13 those since the last meeting. And we continue to
14 participate with the Realtor Association, the overcoming
15 down payment assistance hurdle. It's a class that
16 Realtors in Austin and across the state can participate
17 in, and by doing so, they receive one continuing education
18 credit when they take this course.

19 So with that, Mr. Chairman, I would like to
20 recognize some of the professionals that are here. Mr.
21 Evenwel already noted and tried to get them to move up
22 front, Tim Nelson and Eric Pike with First Southwest
23 Company, our FA company. And Mr. Bill Gehrig is sitting
24 right there and he's with our general counsel firm,
25 Greenberg Traurig.

1 MR. JONES: Now that he got you to move up
2 front, it is going to be a church service following the
3 meeting.

4 (General laughter.)

5 MR. LONG: And with that, I'll conclude my
6 remarks, unless you have any questions on any of the
7 reports or any of the information provided.

8 MR. ROMERO: I have a question about the
9 homelessness coalition. Have you guys talked about
10 veteran homelessness and trying to eradicate that?

11 MR. LONG: It's always a topic of discussion at
12 the meetings. Yes, sir.

13 MR. ROMERO: I don't know if Austin has a
14 program, the City of Austin, as far as eliminating
15 homelessness for veterans. I'd be interested if you guys
16 start going down that track what kind of programs come out
17 of that.

18 MR. LONG: After the meeting, I can give you an
19 update. There's been some additional information that
20 they're working towards eradicating veterans homelessness,
21 along with just outright homelessness, and the City of
22 Austin is working on some things to do that, a big
23 coalition of properties that would be able to make
24 veterans housing available, but we can give you an update
25 on that.

1 Any other questions?

2 MR. JONES: An update ultimately to the board,
3 or what?

4 MR. LONG: No. It's just through the Texas
5 Interagency Council on Homelessness that we participate
6 in, there are discussions about that.

7 MR. JONES: Because I think we're all
8 interested too.

9 MR. LONG: Well, yes. I can give you a report
10 next meeting, if you would prefer.

11 MR. JONES: Like remember, we talked about
12 rural areas?

13 MR. LONG: Sure.

14 MR. JONES: And the concern started with rural
15 areas and it spread to programmatic planning. I think
16 that's a tough egg to crack.

17 MR. LONG: Certainly it is.

18 MR. JONES: Especially if you just want to
19 minimize it to veterans homelessness. But I'd be
20 interested to.

21 MR. LONG: Well, I'll tell you what we'll do,
22 I'll commit to give you a report next month and we're just
23 going to include it as a discussion topic for the agenda.

24 MR. JONES: As discussion?

25 MR. LONG: Yes, sir.

1 MR. JONES: That will work.

2 MR. ROMERO: I'm just wondering if there would
3 be an opportunity for TSAHC to create a program that could
4 be duplicated in different cities that want to go down
5 that road. Like I said, El Paso has been talking about
6 creating a task force to eliminate veterans homelessness.
7 I don't know where they get their information, but their
8 numbers are small. I think they have catalogued maybe 54
9 veterans that are homeless and that's on a day-to-day
10 basis in El Paso. So I mean, some kind of veteran housing
11 program that could utilize the city and TSAHC to partner
12 might be something to think about.

13 MR. LONG: Okay.

14 MR. JONES: There was a veterans program
15 project started in Corpus Christi that turned out to be a
16 scam for hundreds of thousands of dollars. They were
17 going to convert this old building into small apartments,
18 and eventually the city settled with them, repaying us.
19 Over \$300,000 was put into it and it never materialized,
20 because it's difficult.

21 I don't know how it could be done and I don't
22 know how much staff it would require to even look into or
23 direct staff to initiate, because we do have a lot of
24 stuff on our plate, but it would be interesting just to
25 get the parameters. Because you might say it would take a

1 lot of resources to do, we might not be able to engage in
2 it at this time. He just wants to know.

3 MR. LONG: Right. And we can provide you some
4 information on what's going as well as what types of
5 programs are being utilized at this point in time.

6 MR. ROMERO: I'm assuming the coalition has
7 broad representation, different groups.

8 MR. LONG: By statute, it's made up of, I
9 think, seven or eight state agencies, and then there's
10 several affiliate members.

11 MR. JONES: But it strays kind of far from
12 affordable housing because most veterans would need free
13 housing, some kind of subsidy.

14 MR. LONG: If you remember, under the ACT
15 program, the Corporation for several years up through last
16 year we donated ten homes to veterans utilizing the
17 program that David Danenfelzer and his staff put together
18 that we utilized that the board would approve as we made
19 awards to those so we could give discounted loans.

20 MR. JONES: But the homeless.

21 MR. LONG: I understand that. I'm talking
22 about homes available to veterans, and we did give some
23 homes away.

24 MR. JONES: Right. And that might be the most
25 we can do in terms of our program and being able to fund

1 it, maintain housing. When you're talking about homeless
2 veterans on the street, that's a whole lot different.

3 MR. LONG: You're right, that would be
4 different. These individuals under the home donation and
5 home discount program had to have resources to cover the
6 taxes, insurance and maintenance of the home. So yes,
7 you're right, that would be different.

8 MR. JONES: So I'm saying all of that just to
9 say that I'm aware of the difficulties of doing it but I
10 think Jerry is right in saying at least take a cursory
11 look at it.

12 MR. ROMERO: There's opportunities.

13 MR. LONG: Sure. More than happy to.
14 Any other questions?

15 MR. JONES: No. I'm impressed with the
16 marketing communication activity report, though.

17 MR. EVENWEL: A lot of stuff.

18 MR. JONES: A lot of stuff. I couldn't have
19 said it better myself. How do you keep track of all that
20 stuff, Facebook hits?

21 MR. LONG: I will tell you they stay very busy.

22 MR. JONES: Increase in traffic and they still
23 do their other work, the professional brochures, the
24 collateral material. I don't think I saw the TSAHC video.
25 You have a video. Right?

1 MR. LONG: It's on our website. You can go on
2 to it and click on it.

3 MR. JONES: So I need to do a whole view of the
4 website.

5 MR. LONG: Yes, sir.

6 MR. ROMERO: David, quick question on the
7 financials. You have a huge decrease in the operating
8 revenue. Is that because of market fluctuations?

9 MR. LONG: Which specific item are you looking
10 at? On the actual budget itself, the actual financials?

11 MR. ROMERO: I'm looking at the four months for
12 this operating budget.

13 MR. JONES: First page?

14 MR. ROMERO: No. It's the third page.

15 MR. LONG: You mean the million eighty-eight?
16 That's the market value of the securities that we hold.

17 MR. ROMERO: Mark to market?

18 MR. LONG: Mark to market. That is solely the
19 mark to market valuation.

20 MR. ROMERO: Because of the change in the
21 market.

22 MR. LONG: That's correct. That's not a change
23 in our actual revenue stream.

24 MR. ROMERO: I thought that's what it was.

25 MR. LONG: Yes.

1 MR. JONES: Any other questions or comments?

2 (No response.)

3 MR. JONES: Thank you.

4 Moving right along, item 1: Presentation,
5 discussion and possible approval of minutes of the board
6 meeting held on December 10 of 2015.

7 MR. EVENWEL: I must say I'm sorry I missed
8 that meeting, but on the very last page the time that you
9 adjourned, it's impressive how long you spent on that
10 meeting.

11 MR. JONES: Is that serious or tongue in cheek?

12 MR. EVENWEL: Well, 11:00 p.m.

13 MR. JONES: Oh, 11:00 p.m. versus 11:00 a.m.

14 (General laughter.)

15 MR. EVENWEL: I mean, I'm sorry I missed it.
16 It must have been very exciting.

17 MR. LONG: We'll correct that for you.

18 MR. JONES: Actually, we spent that much time
19 trying to hang onto Paige Omohundro, but she left anyway.

20 MR. LONG: We'll make that change, Mr. Evenwel.

21 MR. EVENWEL: That's the only comment I have on
22 the minutes.

23 MR. JONES: We're going to take a motion.

24 MR. ROMERO: I'll move to approve the minutes
25 with the changes recommended.

1 MR. JONES: And I'll second it. Any further
2 discussion or comment? Any public comment?

3 (No response.)

4 MR. JONES: Hearing none, all in favor of
5 approval say aye.

6 (A chorus of ayes.)

7 MR. JONES: Any opposition?

8 (No response.)

9 MR. JONES: It passes. He reads everything.
10 Item 2: Presentation, discussion and possible
11 approval of a resolution approving TSAHC's submission of
12 an application to Woodforest National Bank for an equity
13 equivalent investment in the amount of \$500,000 to be used
14 for qualified purposes of the Texas Housing Impact Fund.

15 MS. TAYLOR: Good morning, Mr. Chairman and
16 board members. I'm Janie Taylor, Manager of Development
17 and Communications.

18 I'm here to discuss tab item number 2 which
19 asks for your approval of the resolution that authorizes
20 TSAHC to submit an application to Woodforest National Bank
21 for an equity equivalent investment in the amount of
22 \$500,000.

23 Woodforest National Bank has been in business
24 for 35 years and is headquartered in The Woodlands, Texas.
25 The bank has 740 branches in 17 states across the

1 southeast, east coast and midwest regions of the country.

2 Woodforest's mission as a community partner is to promote
3 economic growth through community development lending and
4 revitalization. They are committed to the provision of
5 affordable housing and homeownership opportunities by
6 investing and partnering with organizations like TSAHC.

7 We are seeking an equity equivalent investment,
8 also known as an EQ2, from Woodforest National Bank to
9 support our Texas Housing Impact Fund program. Through
10 the Impact Fund, which used to be called the Direct
11 Lending program, we provide short and long term loans to
12 developers seeking to build affordable housing. If we are
13 awarded an EQ2 from Woodforest, TSAHC plans to use the
14 funding to support the development of affordable housing
15 in Woodforest National Bank's service areas which includes
16 most areas of the state because they have retail locations
17 around the state.

18 I want to end my remarks by thanking Katie
19 Claflin and Melinda Smith for the amount of time they
20 spent gathering information for this application. There's
21 a lot of especially financial information that they
22 require. We started working with Woodforest National Bank
23 in September of 2015, so securing this type of investment
24 can be a long process for us, and we've had many
25 conference calls, meetings, we've exchanged many, many

1 emails with the staff at Woodforest National Bank
2 regarding this investment. So we're thrilled and happy to
3 be at this point today where Woodforest has officially
4 invited TSAHC to apply for an EQ2 investment from the
5 bank, and so we're hopeful that it will be approved in the
6 near future and we can come back to you at a later time
7 for an official approval of an agreement with an EQ2. But
8 today the approval we are seeking is for a resolution
9 giving us the ability to apply for the EQ2.

10 MR. JONES: That's asking them to invest in us?

11 MS. TAYLOR: That is correct.

12 MR. JONES: So they would make that available,
13 that amount of available, and you would negotiate the
14 interest rate.

15 MS. TAYLOR: That is correct.

16 MR. JONES: Go ahead.

17 MR. ROMERO: This is to approve the application
18 submission. Right?

19 MS. TAYLOR: That is correct.

20 MR. ROMERO: We haven't been approved as yet.

21 MS. TAYLOR: That is correct. They're
22 requiring an approval from our board to apply for the EQ2.

23 MR. JONES: What's different between that and a
24 line of credit?

25 MS. TAYLOR: Well, it's a little bit different,

1 one, because it's not exactly a loan. There's a different
2 structure, there's different parameters within the
3 agreement that they can take credit under the Community
4 Reinvestment Act, so it's structured differently. And we
5 have one from Wells Fargo, and you approved one last year
6 that we received from Texas Community Bank. Generally
7 their terms are lower interest.

8 MR. JONES: Okay. But it actually moves into
9 the area of government supporting finance and other than a
10 direct financial deal, there's other aspects of it, like
11 you said, the Community Reinvestment Act and things like
12 that that advance their justification and reason for doing
13 it.

14 MR. LONG: They want to invest in us because
15 they have an opportunity --

16 MR. JONES: An obligation.

17 MR. LONG: -- and an obligation, but at the
18 same time, as Janie said, it's a loan but it's not
19 necessarily a traditional loan. You asked about the
20 difference between a line of credit versus this. We get
21 all the money up front and we put it in our account and we
22 utilize. There's no requirement, as I understand it,
23 Janie, for repayment until the end of the loan. We might
24 pay interest on it but we don't have to reimburse them
25 until the entire period of the term is up.

1 MS. TAYLOR: It's also not collateralized.

2 MR. LONG: It's an unsecured loan.

3 MS. TAYLOR: So there's different things that
4 have to be part of the agreement that whoever their
5 regulatory agency, whether it's the Federal Reserve Bank
6 or the Office of the Comptroller of the Currency,
7 depending on who their regulator is, they will look at
8 making sure that it fits the definition of an equity
9 equivalent investment.

10 MR. JONES: The Comptroller of the Currency
11 looks to see if they're putting anything back in the
12 community.

13 MS. TAYLOR: That's correct.

14 MR. JONES: I'm familiar with those guys.

15 Any other comments or questions?

16 (No response.)

17 MR. JONES: So you're asking us to what?

18 MS. TAYLOR: Approve the resolution that would
19 authorize TSAHC to submit the application.

20 MR. JONES: We'll entertain a motion.

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

22 MR. EVENWEL: Second.

23 MR. JONES: Obviously approve as written. And
24 it's been seconded. Any other discussion or comments from
25 the board? Any public comment on this item?

1 (No response.)

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

3 (A chorus of ayes.)

4 MR. JONES: Unanimous.

5 MS. TAYLOR: Thank you.

6 MR. JONES: Thank you.

7 Presentation, discussion of, and possible
8 approval to publish for public comment the Texas
9 Foundations Fund draft 2016 guidelines.

10 MS. CLAFLIN: Good morning. Katie Claflin,
11 senior development coordinator.

12 And I'm going to present tab item 3 which is an
13 action item that asks the board to approve TSAHC
14 publishing the 2016 Texas Foundations Fund draft
15 guidelines for public comment. With your approval, the
16 public comment period will be open for 30 days, from
17 tomorrow, February 12, until Friday, March 11. TSAHC will
18 then review any public comment received and bring the
19 final guidelines back to the board for final approval at
20 the April board meeting.

21 So as you'll recall, at the December board
22 meeting we provided the board with an update on our plans
23 for the 2016 Texas Foundations Fund program, which
24 included modifying the structure of the Texas Foundations
25 Fund from a traditional competitive grant structure to a

1 matching grant structure. And so the guidelines in front
2 of you today reflect the new matching grant structure.

3 Under the new structure, TSAHC will select
4 partners every two years and all selected partners will be
5 eligible for matching grants to supplement public and
6 private funds that they raise to support their programs.
7 The programs eligible for matching grants remain the same
8 as in prior guidelines and include critical repairs of
9 single family homes and supportive housing services that
10 help families and individuals avoid homelessness or
11 unnecessary institutionalization.

12 We have laid the threshold criteria for
13 eligible selected partners in the draft guidelines, and I
14 do want to take a moment to go through those criteria with
15 you. They can be found at the bottom of page 1 and at the
16 top of page 2 of the guidelines.

17 So the first criteria is that they must be a
18 501(c)(3) nonprofit. While prior guidelines have included
19 rural government entities, we've not received much
20 interest from rural government organizations over the
21 years, and very, very few applications, so this round
22 we're proposing to narrow the guidelines to nonprofits
23 only.

24 The second requirements are experience
25 requirements. We would like to require that organizations

1 have three years of experience operating programs in Texas
2 and two years of experience with the programs for which
3 matching grants are requested.

4 The next is fundraising experience, and to
5 document fundraising experience, we would like to request
6 a letter of reference from a funder who has supported the
7 program for which the matching grant will be requested.
8 And then we also want to know about any government grant
9 performance, so we want them to certify that they've not
10 defaulted on and been required to repay any government
11 grants within the last two years. It's important to note
12 that they don't need to have experience with government
13 grants, but we do want them to certify that they don't
14 have any recent negative performance with government
15 grants.

16 There are some financial requirements, so they
17 must be able to provide two years of audits, or if their
18 operating budget is less than \$500,000 per year, they can
19 submit a financial review in lieu of an audit, and that is
20 similar to the guidelines in prior rounds.

21 And then finally, we do have some household
22 requirements. As in prior guidelines, they must target
23 their matching grant to households at or below 50 percent
24 of the area median family income, but also, they must use
25 the matching grant to serve households with a disability

1 or households in a rural community, or both. As you'll
2 recall, in prior funding rounds TSAHC committed to fund at
3 least one application meeting each of these priorities,
4 however, in this round, to ensure that our funds continue
5 to serve those who are most in need, we would like to
6 require partners to serve people with disabilities and/or
7 people in a rural community.

8 So at this time I'm happy to take any questions
9 that you have about the draft guidelines.

10 MR. JONES: Anybody have questions?

11 (No response.)

12 MR. JONES: I think it's time to put it to the
13 public and see what questions they have.

14 MS. CLAFLIN: Great.

15 MR. JONES: Motion?

16 MR. ROMERO: I make a motion to approve the
17 draft guidelines for public comment.

18 MR. EVENWEL: Second.

19 MR. JONES: Moved and seconded. Any other
20 discussion? Questions? Any public comment on item 3?

21 (No response.)

22 MR. JONES: Hearing none, all in favor of
23 approval to publish for public comment the draft 2016
24 guidelines say aye.

25 (A chorus of ayes.)

1 MR. JONES: Thank you.

2 MS. CLAFLIN: Thank you.

3 MR. JONES: Item 4: Discussion and possible
4 approval of the Texas State Affordable Housing
5 Corporation's 2016 Annual Action Plan.

6 MR. WILT: Good morning, Mr. Chairman and board
7 members. I'm Michael Wilt, external relations specialist.
8 I'm here to present and discuss the Corporations 2016
9 Annual Action Plan.

10 This plan is prepared in accordance with the
11 Texas Government Code Section 2306.566 which requires the
12 Corporation to develop a plan to address the state's
13 housing needs. The Corporation's Annual Action Plan is
14 part of the State Low Income Housing Plan prepared by the
15 Texas Department of Housing and Community Affairs. The
16 plan is submitted to the Governor, Lieutenant Governor,
17 and Speaker of the House.

18 The action plan includes a comprehensive
19 overview of the Corporation's programs and the
20 Corporation's 2016 implementation plan for each program.
21 Per your action at the December board meeting, we posted a
22 draft of the plan on our website and made it available for
23 public comment on December 14, 2015. That public comment
24 period ended on January 22, 2016, and during that period
25 we also participated in a public hearing in conjunction

1 with TDHCA on January 14. During the public comment
2 period we did not receive any public comment on the plan.

3 In order to meet the deadlines for submission
4 of the plan to TDHCA and the offices of the elected
5 officials stated in statute, we're asking for your final
6 approval of the plan today. And with that, I would take
7 questions.

8 MR. ROMERO: Was there much of a change from
9 the prior year?

10 MR. WILT: We updated all of our numbers from
11 the prior year, we had some implementation goals that were
12 adjusted, and any new changes to programs were included.
13 So it's generally an update with some modifications to
14 implementation goals.

15 MR. JONES: What do you mean you updated your
16 numbers?

17 MR. WILT: For the number of people that we
18 serve.

19 MR. JONES: And then your financial goals
20 increased or decreased?

21 MR. WILT: We don't really state financial
22 goals.

23 MR. JONES: So the changes that you made
24 consist of specifically updating your numbers and --

25 MR. WILT: And the goals for each of the

1 programs.

2 MR. JONES: I think I remember going through
3 this, we went through this.

4 MR. WILT: Correct, in December.

5 MR. JONES: Okay. Just trying to think of
6 questions to ask to keep you there. They did such a good
7 job.

8 (General laughter.)

9 MR. JONES: Any other questions, comments?

10 MR. EVENWEL: This is still a draft?

11 MR. WILT: It's a draft until you approve it.

12 MR. JONES: Right. And when we approve this
13 draft -- you say it's still a draft. When you approve it,
14 then it goes where?

15 MR. WILT: We send it to TDHCA. It's included
16 in the State Low Income Housing Plan that the TDHCA board
17 approves at their meeting this month.

18 MR. JONES: And so why is it still called a
19 draft?

20 MR. WILT: It won't be called a draft after you
21 approve.

22 MR. JONES: Once we approve it.

23 MR. WILT: That's correct.

24 MR. JONES: And suppose they don't approve it
25 or they don't like it, something about that. That's never

1 happened. Right?

2 MR. WILT: I believe you only have the
3 authority to approve this portion.

4 MR. JONES: And then they just accept it.
5 That's the way they do it.

6 MR. WILT: Correct.

7 MR. LONG: And then they approve their portion
8 of it from their standpoint as well.

9 MR. JONES: And then it all goes to the
10 Governor and he looks at it?

11 MR. LONG: Well, there's several people, as
12 Michael mentioned.

13 MR. JONES: Okay. Was there a motion made?

14 MR. EVENWEL: Move we approve it.

15 MR. JONES: Moved to approve.

16 MR. ROMERO: Second.

17 MR. JONES: Seconded. Any discussion? Any
18 public comment on item number 4?

19 (No response.)

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

22 (A chorus of ayes.)

23 MR. JONES: Thank you.

24 Item number 5: Presentation, discussion and
25 possible approval of the guidelines, scoring criteria and

1 targeted housing needs for the allocation of qualified
2 residential rental project tax exempt bond funds under the
3 Multifamily Private Activity Bond Program request for
4 proposals and the 501(c)(3) Bond Program policies for
5 calendar year 2016. There, I said it. You're here to
6 talk about that.

7 MR. DANENFELZER: I am here to talk about that.
8 My name is David Danenfelzer, manager of Development
9 Finance.

10 As my summary notes, in accordance with statute
11 we review the RFP, as well as our 501(c)(3) bond policies
12 annually. Staff considers a lot of different information,
13 along with the board, on how to update our policies and
14 protocols each year, and there are some changes that we
15 recommended this year across the board just to simply kind
16 of update things, make them more consistent with other
17 statewide programs, particularly the state's Housing Tax
18 Credit Program which is often paired with our private
19 activity bonds, but there are a few changes that were
20 really kind of out of the norm for this year.

21 We did receive some public comment on our
22 proposed changes. In particular, there were two changes to
23 the state's program that we did not catch in our review
24 that were noted by Jason Arechiga from the NRP Group who
25 commented on the state's requirement for replacement

1 reserves of \$250 per unit per year, as well as their
2 minimum debt coverage ratio requirement which was lowered
3 from 1.20 to 1.15. We have consistently tried to follow
4 their underwriting standards, simply to make sure that
5 developers have one kind of consistent look at how
6 projects are financed in Texas, rather than having two
7 different standards, and we don't see these changes as
8 anything critical or concerning to us, so we did go ahead
9 and make those updates to our proposed plan. And those
10 were in sections (6)(K)(i) and (6)(K)(iii)

11 MR. ROMERO: David, what were the differences?

12 MR. DANENFELZER: So originally we had \$300 per
13 unit per year for the replacement reserves, and TDHCA had
14 lowered that to \$250. And we originally also had 1.20
15 debt coverage ratio, and again, the Department had lowered
16 theirs from 1.20 to 1.15. I just simply missed those
17 changes in their updated multifamily rules from August.

18 MR. JONES: Did they say why they lowered
19 theirs?

20 MR. DANENFELZER: You know, I have spoken with
21 staff about it, and they just consistently noted that they
22 had been making a lot of exceptions, particularly on new
23 construction projects where the replacement reserves for
24 \$250, and then on the debt coverage ratio they had made a
25 number of exceptions for projects that had project-based

1 assistance as well as USDA assistance, and they simply
2 felt that there was way too many loopholes or cutouts to
3 get the DCR down to 1.15, so they figured they'd just go
4 1.15 across the board. And that was not a formal request,
5 that was just mediated with staff over lunch and talking
6 to them about it. But they made those changes, like I
7 said, they proposed them over the summer, and then
8 finalized them in August of last year, and I just had
9 missed that.

10 MR. JONES: Mr. Romero?

11 MR. ROMERO: I'm okay.

12 MR. JONES: Mr. Evenwel?

13 MR. EVENWEL: I'm good.

14 MR. JONES: Okay. So having no other questions
15 or discussions, the floor is open for a motion.

16 MR. ROMERO: I move to approve as presented.

17 MR. EVENWEL: Second.

18 MR. JONES: It's been moved and seconded to
19 approve as written item 5. Is there any public comment on
20 this item?

21 (No response.)

22 MR. JONES: Hearing none, all in favor of
23 approving as written item 5 signify by saying aye.

24 MR. DANENFELZER: Thank you very much. Glad we
25 don't have to stay until 11:00 p.m.

1 (General laughter.)

2 MR. JONES: Finally, item 6: Presentation,
3 discussion and possible approval of Texas State Affordable
4 Housing Corporation's bank depository agreement.

5 MS. SMITH: Good morning, Mr. Chair, members of
6 the board. My name is Melinda Smith, and I am the CFO.

7 Typically, state agencies are required to
8 contract for depository services every five years, and we
9 don't actually fall under that law, but just as a matter
10 just to be consistent, we've kind of followed it since the
11 inception of TSAHC. So currently we bank with Frost Bank,
12 and our agreement with Frost is up, the five-year term is
13 up, so we issued an RFP back in October. We got responses
14 from two banks in December; Frost Bank responded and Wells
15 Fargo Bank responded. As David mentioned earlier, we had
16 some interest from some others but they were not
17 interested enough to submit a proposal.

18 The accounting staff, the folks that work with
19 the bank, have reviewed the two proposals, and we really
20 found that they were remarkably the same in terms of
21 almost everything. Frost Bank was slightly cheaper, and
22 so the staff is recommending to the board that we continue
23 with Frost Bank.

24 MR. JONES: Now, you said it was how much
25 cheaper?

1 MS. SMITH: Just slightly. I believe the
2 overall fees were what, Nick? A hundred bucks difference
3 between the two banks.

4 MR. JONES: And let me flesh this out now,
5 because it sounds like if it's the same and they're a
6 hundred bucks cheaper, there's no need to change, why not
7 stay with Frost, is what it kind of sounds like. But on
8 the other hand, have we not been diligent to try to
9 periodically include other people? Have we ever used
10 anybody before Frost?

11 MS. SMITH: Oh, yes.

12 MR. LONG: We've changed back and forth several
13 times with different banks, Bank of America and Wells
14 Fargo.

15 MR. JONES: Because it's five years at a time,
16 is there any benefit to moving it to different places if
17 they are similar, basically, in all facets?

18 MS. SMITH: Let me say this. We currently have
19 money in any number of banks. We purchase CDs all the
20 time and they're in all kinds of banks all over Texas.
21 What we're talking about here really is basically our
22 operating account. That's basically what Frost does for
23 us. We also keep our reserve accounts there, the
24 custodial accounts that we keep on behalf of some of our
25 direct lending customers, but for the most part it's just

1 the operating account. And they do some safekeeping.

2 MR. JONES: And to try to reset that all up
3 again is probably not worth the difference.

4 MS. SMITH: That was the way we felt about it.
5 It's a big project to switch banks and change everything,
6 and the service has been great with Frost, and it appears
7 it would be great with Wells Fargo too, I have no doubt it
8 would be, and certainly the fees were very similar.

9 MR. JONES: So staff recommends we just remain.
10 Plus they sweeten the pot by making it a hundred dollars
11 cheaper.

12 (General laughter.)

13 MS. SMITH: I don't think they realized they
14 were doing that.

15 MR. JONES: Any questions or comments?

16 MR. EVENWEL: I'm good.

17 MR. JONES: I'll entertain a motion. Are you
18 sure you don't have any more questions for her?

19 MR. EVENWEL: Frost is a local bank or a state
20 bank, as opposed to a national?

21 MS. SMITH: That's correct.

22 MR. JONES: More questions for her?

23 MR. EVENWEL: Well, you state earnings
24 potential. Is that that hundred dollars, is that what
25 earnings potential is?

1 MS. SMITH: That, and just the overall rate
2 that they offer, which all the banks are very similar.
3 They're all almost virtually the same. Occasionally a
4 bank will offer an opportunity, and when they do, we take
5 advantage of it, typically with our CDs.

6 MR. EVENWEL: Your third thing, the experience
7 reference, kind of caught me because of all the stuff
8 that's going on Wall Street right now. Is there any
9 problem with continuity of the bank that we're looking at?

10 MR. JONES: The continuity of the bank and bank
11 officials.

12 MR. EVENWEL: Continuity of the bank is one
13 thing, in my mind. Continuity of the officials is a
14 little different.

15 MS. SMITH: And it's our understanding from the
16 proposal that we would be working with the same
17 individuals that we are currently working with.

18 MR. EVENWEL: So they aren't planning to move.

19 MR. JONES: Or fire anybody.

20 MS. SMITH: No, no.

21 MR. JONES: That's an interesting criteria,
22 though.

23 MS. SMITH: And originally, Linda Patterson,
24 with Patterson & Associates, she has done this for us in
25 the past. She's the one who drafted the RFP for us and

1 developed the criteria. And the last time we RFP'd, she
2 actually did the review for us; this time we actually did
3 it in-house ourselves.

4 MR. EVENWEL: So there must be something to be
5 said for having a state bank as opposed to a national
6 presence.

7 MR. JONES: Is that a question or a statement?

8 MR. EVENWEL: I guess a statement. That's what
9 you're recommending.

10 MR. JONES: Any other questions or comments?

11 MS. SMITH: I feel like I got off easy.

12 MR. JONES: One final question: Where were you
13 on the night of...

14 (General laughter.)

15 MR. JONES: Is there any public comment on this
16 item number 6?

17 (No response.)

18 MR. JONES: Hearing one, all in favor of
19 approval of the Texas State Affordable Housing
20 Corporation's bank depository agreement with the staff
21 recommended entity, signify by saying aye.

22 MR. ROMERO: No motion was made.

23 MR. JONES: Oh, I thought there was a motion.

24 MR. EVENWEL: So moved, and aye.

25 MR. JONES: You have to go back and do the

1 motion and the second, please.

2 MR. JONES: I thought you did make a motion.

3 MR. EVENWEL: So moved.

4 MR. JONES: I'll second it. Any public
5 comment?

6 (No response.)

7 MR. JONES: All in favor of approval say aye.

8 (A chorus of ayes.)

9 MR. JONES: Any opposed? Any abstentions?

10 MR. ROMERO: I voted aye.

11 MR. JONES: Unanimous.

12 (General talking and laughter.)

13 MR. JONES: Is there any other matters? I want
14 to thank Nancy King for being here today and diligently
15 carrying out recording of our meeting.

16 MR. LONG: We don't have any items for closed
17 session, Mr. Chairman. And the only other thing I would
18 add, as always, I'd just make tentative note that our next
19 scheduled board meeting is March 10.

20 MR. JONES: March 10. Is that around the Ides
21 of March?

22 (Simultaneous discussion and laughter.)

23 MR. JONES: Hearing no other business, I want
24 to again thank the staff and the board for their
25 representation, their diligence, and the fine work that

1 TSAHC does. It's 11:27 and this meeting is adjourned.
2 (Whereupon, at 11:27 a.m., the meeting was
3 adjourned.

