

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
October 13, 2016
10:51 a.m.

BOARD MEMBERS:

ROBERT "BOB" JONES, Chair
WILLIAM H. DIETZ, JR., Vice Chair
JERRY ROMERO

GERRY EVENWEL (absent)
ALEX MEADE (absent)

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P R O C E E D I N G S

1
2 MR. JONES: Okay. It is 10:51, and the October
3 board meeting of the Texas State Affordable Housing
4 Corporation is called to order.

5 Okay, William Dietz, vice-chair?

6 MR. DIETZ: Here.

7 MR. JONES: Gerry Evenwel, member?

8 (No response.)

9 MR. JONES: Alex Meade, member?

10 (No response.)

11 MR. JONES: Jerry Romero, member?

12 MR. ROMERO: Here.

13 MR. JONES: And Bob Jones is here. We have a
14 quorum.

15 Is there any public comment at this time?

16 (No response.)

17 MR. JONES: Okay. Hearing none, we'll move
18 right along with the President's Report.

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

20 And as always, in your board book we have the program
21 reports under Tabs A through C. If you have any questions
22 on those, I'd be more than happy to have staff answer
23 those for you.

24 A quick update on some of the things that are
25 going on in the office. Maxwell Lock and Ritter, our

1 external auditors, will begin our audit on Monday, the
2 31st, and you've already talked with and heard a
3 presentation on that.

4 The expectation is we'll have kind of a draft
5 report from them in November, around November 20. Under
6 the Single Family Rental Program -- yes, sir.

7 MR. JONES: They're the externals. Does
8 Melinda double as internal auditor? Or do we have an
9 internal auditor?

10 MR. LONG: We have a controller, Nick Lawrence.

11 MR. JONES: Okay. So we don't call it internal
12 auditor. We call it the controller?

13 MR. LONG: Yeah.

14 MR. JONES: Okay.

15 MR. LONG: And the Single Family Rental
16 Program, if you'll recall under this year's budget, the
17 Board authorized some additional funding to acquire some
18 additional homes. We have been looking at homes and
19 acquired a new home. It's over here in East Austin just
20 north of our offices, off of 51st. It's at 5621 Benson,
21 and it's a three-bedroom, two-bath house, and we've
22 already got a lease.

23 We continue to look for new housing. We have
24 one under contract, and we'll continue that process.

25 Corporation was a sponsor at the Texas Homeless

1 Networks Annual Conference here in Austin in September.
2 In addition to that, Michael Wilt and I attended that as
3 well as the Texas Interagency Council on Homelessness
4 quarterly meeting which was held in conjunction with that
5 conference.

6 Michael Wilt also moderated a panel yesterday
7 at the Capitol for the Texas Association of CDCs Policy
8 Summit. Several staff have been attending conferences
9 around the state: Mission Capital, NCSHA, TAR, TACDC,
10 their policy summit.

11 And the Corporation hosted -- on September 30
12 hosted the Federal Reserve Bank's Rural Housing Summit
13 that they had here at our offices. We continue to be very
14 pleased with that working relationship with the Federal
15 Reserve Bank.

16 David Danenfelzer -- it's been a while since we
17 last met so some of this stuff seems a little old to me,
18 but David Danenfelzer testified at the House Committee on
19 Urban Affairs hearing in Dallas last month -- excuse me --
20 in August.

21 And the Corporation has had exhibits at several
22 events across the state, including Texas Homebuyers --
23 excuse me -- Texas Association of Realtors, El Paso Board
24 of Realtors, Law Enforcement Agencies of Texas, CLEAT, and
25 then the Neighborhood LIFT Fund here in Austin; it's a

1 Wells Fargo event, and we appreciate Mr. Romero's input in
2 helping us become a part of that.

3 Other activities going on around the office,
4 the Corporation concluded another successful year
5 administering the Texas Statewide Homebuyer Education
6 Program on behalf of TDHCA. This year we had 80
7 counselors that participated and were trained. They
8 represented 52 organizations in 26 cities across the state
9 of Texas.

10 We were able to provide several scholarships to
11 the awardees, and we had very positive feedback on those
12 trainings. We look forward to having another year, which
13 we have been hired to do with TDHCA. And the planning is
14 already underway in setting up those scheduled trainings.

15 As I mentioned earlier, the Neighborhood LIFT
16 Fund here in August which was the event for Bastrop, Hays
17 County and Travis Counties. Katie and Sarah attended the
18 Texas Association of Realtors Conference, which was in
19 Galveston. And we have several other events that we
20 continue to participate in, including the Hispanic Real
21 Estate Brokers Association in Fort Worth.

22 We do the United Texas training classes in
23 conjunction with TAR. And Joniel had the opportunity to
24 participate on a radio show. It was called The Real
25 Estate Corner. It's in Houston with Shad Bogany. He's a

1 former Board chair of TAR, and he is someone I have worked
2 with in the past. And he invited us to come down and do
3 some of what Mr. Jones allowed us to do and make a
4 presentation about our Single Family Program. So we
5 appreciate him doing that.

6 Upcoming things that are going on: Austin
7 Board of Realtors, they have the Realty Roundup; joint
8 realtor trainings regarding the Down Payment Assistant
9 Resource Programs; Austin Economic Alliance Affordable
10 Housing Forum, and we have two scheduled Overcoming the
11 Downpayment Hurdle classes. One of those would be a video
12 broadcast with TAR out of the Houston office.

13 I always like to recognize our professionals,
14 Katie Van Dyk and Mr. Bill Gehrig, representing our
15 general counsel firm Greenberg Traurig. And Eric Pike is
16 here with Hilltop Securities.

17 (Pause.)

18 MR. CRONE: Seth Crone, Bank of New York.

19 MR. LONG: Seth Crone with Bank of New York.

20 Anybody else?

21 (No response.)

22 MR. LONG: Okay. With that, Mr. Chairman, I'll
23 conclude my report. And if there's any questions, I'd be
24 happy to try and answer.

25 MR. JONES: Can't have him coming all the way

1 from New York and not acknowledge him.

2 MR. LONG: That's right.

3 MR. ROMERO: I have a question on the
4 financials. I just wanted to know what the deferred
5 revenue was, 215,000?

6 MR. JONES: What are you referring to, what
7 page?

8 MR. ROMERO: It's on the liability side of the
9 financials, right above the net position.

10 MR. JONES: Let's see.

11 MS. SMITH: Most of that is related to the
12 Housing Trust Fund. Isn't it still mostly Housing Trust
13 Fund grants that we've received eons ago from the Texas
14 Department of Housing and Community Affairs? And they
15 were recorded -- the revenue was all received at one time,
16 and so the revenue was deferred and we recognize it as the
17 payments are made.

18 MR. ROMERO: Okay.

19 MR. LONG: Do you have a question, Mr. Romero?

20 MR. ROMERO: I told her I didn't have any
21 questions, and then I saw this.

22 MR. LONG: Thank you for doing that.

23 MR. JONES: Thank you for your report, David.
24 Let's go to Item 1, Presentation, Discussion and Possible
25 Approval of Minutes of the Board Meeting held on August

1 18, 2016. I'll move that we approve.

2 MR. DIETZ: Second.

3 MR. JONES: Okay, any discussion, changes? Any
4 public comment on this issue?

5 (No response.)

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

7 (A chorus of ayes.)

8 MR. JONES: Item 2, Presentation, Discussion
9 and Possible Approval of a Resolution Regarding the
10 Submission of One or More Applications for Allocation of
11 Private Activity Bonds, Notices of Intention to Issue
12 Bonds, and State Bond Application to the Texas Bond Review
13 Board and the Declarations of Expectation to Reimburse
14 Expenditures with Proceeds of Future Debt for the Brooks
15 Manor Apartments.

16 Is paperwork commensurate with the title?

17 (General laughter.)

18 MR. DANENFELZER: Yes.

19 MR. JONES: Okay.

20 MR. DANENFELZER: David Danenfelzer, Senior
21 Director of the Development Finance.

22 I'm bringing today another bond project for
23 y'all to consider for inducement. The project summary has
24 a number of the details, but I'll cover a few of them just
25 here briefly.

1 The proposed project includes the acquisition
2 and rehabilitation of a 50-unit senior apartment complex
3 located in West Columbia, Texas. West Columbia is in
4 Brazoria County, southwest of the Sugar Land area. And
5 although many people would consider it somewhat rural, it
6 does not technically meet our definition of a rural
7 community under our Program's targeted housing needs.

8 However, the project does meet our requirements
9 under at-risk preservation senior housing developments.
10 The project does have Section 8 project-based rental
11 contract with the U.S. Department of Housing and Urban
12 Development on all 50 units.

13 And we do see this as a project that will
14 provide some needed renovation to the project, give it new
15 life, and continue its useful life to provide affordable
16 housing for many years to come.

17 The project is quite small for a bond project.
18 We generally look at projects that are \$10 million or
19 more. The total budget on this acquisition or rehab is
20 only 5.4 million. 3.08 million of that will be in bond
21 issues.

22 Much like the project we looked at a few months
23 ago with the same developer, it is being financed through
24 R4 Capital Funding as both the bond purchaser and tax
25 credit equity provider.

1 I've provided some other details about the
2 market conditions and everything. I'd like to say that,
3 you know, we've been working with Steele Properties, LLC,
4 the primary owner/operator of these properties, for the
5 last few months. We've had some good success on moving
6 forward on their other project, the St. James Peoples El
7 Shaddai Apartment Complex, which involves two properties
8 in Dallas, Texas. And we do plan to bring that project
9 back to you in November for final approval.

10 But this project is earlier in the stages, and
11 we're just looking to get your approval on the inducement
12 resolution.

13 And as always, the inducement resolution allows
14 us to move forward with reserving bond funds from the
15 Texas Bond Review Board for this project. And it also
16 allows us to move forward on a number of other fronts
17 including public hearings, underwriting, and additional
18 analysis that's needed to bring this back to you
19 eventually for final approval if it goes through all of
20 our screening procedures.

21 I'll close my presentation there. I will say
22 that a representative from the developer is here, Tim
23 Smith, who was with us last time Steele Properties had a
24 project. I didn't invite him up to the table, but if
25 you'd like to have him come up and ask him questions about

1 the developer, he's here to answer those. But we felt
2 that it wasn't necessary to have a real back and forth
3 since we just did that a couple of months ago.

4 Are there any questions?

5 MR. ROMERO: So the project itself is located
6 in a high income area, but all of the units are low
7 income?

8 MR. DANENFELZER: Correct. The census tract is
9 actually very high income. We do think it's -- you know,
10 I don't want to call it an anomaly, but just north of this
11 area, within a quarter of a mile, there's a large
12 subdivision and golf community that's sort of a luxury
13 community, and so it is rolled into the same census tract,
14 which skews the numbers.

15 But there is great need for affordable housing
16 in this community. West Columbia is -- like I said, it's
17 a small community, about 32,000. As people have asked me,
18 where West Columbia is around the office, I've often said,
19 Well, it's about 20 miles west of Angleton. And then they
20 usually ask, Where is Angleton?

21 (General laughter.)

22 MR. DANENFELZER: You know, it is quite out
23 there, but it is an important community. There's a lot of
24 farming, a lot of other things that go on in this area.
25 And we see this as a real positive project for us to be

1 involved in.

2 MR. JONES: Can I follow up on something you
3 said, Jerry?

4 MR. DANENFELZER: Sure.

5 MR. JONES: It's high income, but you said
6 there's a great need for affordable. Is that part of some
7 government plan to put affordable housing in high income
8 neighborhoods?

9 MR. DANENFELZER: No. This property's been in
10 West Columbia for a number of years. The reason it's
11 skewed is that this golf community, a golf course and a
12 whole new subdivision, moved into the area within the last
13 10 years. And so West Columbia historically has been a
14 relatively low income area, particular even within
15 Brazoria County. Sugar Land is really the central
16 urbanized area.

17 MR. JONES: So the per capita makes it a high
18 income, but it has its segment of low income.

19 MR. DANENFELZER: Right. And predominantly the
20 jobs and work that's being done in West Columbia is
21 relatively low to medium income jobs.

22 But this sort of resort -- for lack of a better
23 word, sort of resort community, I would actually call it
24 akin to sort of like a Sun City type development that
25 built up a golf course, some very large, very expensive

1 homes. It just happens to be in the same census tract as
2 this apartment complex.

3 MR. JONES: But it also said it's not just
4 affordable income for anybody. It's specifically tailored
5 to seniors.

6 MR. DANENFELZER: This one is for seniors.

7 MR. JONES: So their retirement income or
8 whatever lends itself to be considered --

9 MR. DANENFELZER: It certainly does.

10 MR. JONES: -- qualifying to be there. Are
11 there any seniors that might be there that have a nice
12 annuity? I mean is it already affordable?

13 MR. DANENFELZER: We have not looked at all of
14 the rent rolls and income certifications yet, but what I
15 would say is my expectation is that, no, these are not
16 high income seniors who happen to be in this apartment.

17 These are apartments units that have been
18 reserved, for the better part of 20 years, for low income
19 seniors from that community, and many of them are long-
20 term residents that have probably been there for 10 to 15
21 years or more.

22 So I don't anticipate seeing that there happens
23 to be a sort of high income individual living in Section 8
24 housing here. But we'll get more of that as we go into
25 our underwriting and you look at rent rolls.

1 But I'll note we did actually look at this
2 property about three or four years ago when another
3 developer had looked at doing a 9 percent housing tax
4 credit development, and we considered it for a loan under
5 our Texas Housing Impact Fund.

6 And at that time when we did look at rent
7 rolls, we didn't see that there were any high or even
8 moderate income individuals living there. They were all
9 individuals on Social Security and with very low income
10 and no assets.

11 MR. JONES: My other comment is paragraph 1 and
12 paragraph 2 on page 2 of 2 of your presentation, it has
13 good access to grocers, medical facilities, and other
14 community services. Medical facilities, in the next
15 paragraph, it says "although there are no urgent care or
16 hospital facilities."

17 Well, what medical facilities are you saying?
18 The ones that are 20 or 35 minutes away or --

19 MR. DANENFELZER: Yeah.

20 MR. JONES: -- there's some other kind of
21 clinics or something there?

22 MR. DANENFELZER: Yeah. There is a number of
23 doctors, and there is a local community clinic within the
24 community.

25 MR. JONES: Okay.

1 MR. DANENFELZER: But we do look at a 20 to 35
2 minute footprint for driving to hospitals and other urgent
3 care as actually a reasonable amount of time, particularly
4 in a small community like this, that's actually quite
5 good.

6 In our other programs, we looked at projects
7 where, you know, for example, the project we financed up
8 in Dalhart, the nearest full-service hospital is actually
9 two hours away, but that's an extremely rural area.

10 This is -- while it's not a very large urban
11 area, the fact that within 20 to 30 minutes we have
12 actually I think there's two-full service hospitals as
13 well as several urgent care facilities, then we feel that
14 that's actually good access to that health services.

15 MR. JONES: Understood.

16 Mr. Dietz, do you have any questions?

17 MR. DIETZ: I guess similarly to the one we
18 talked about a couple of months ago with the two
19 apartments in Dallas, this is an existing structure that
20 we're --

21 MR. DANENFELZER: That's correct.

22 MR. DIETZ: The project is going to be
23 renovating an existing structure and making it better?

24 MR. DANENFELZER: Yeah. And this is much
25 smaller. Those projects were 100 units each.

1 MR. DIETZ: Yeah.

2 MR. DANENFELZER: This project's also a bit
3 newer. And as we would generally suspect for a project
4 that targets seniors, there's a little bit less wear and
5 tear. You know, children aren't generally allowed within
6 the facility. And so, you know, we don't see that the --
7 the reports we've gotten right now shows a great need for
8 the types of long-term wear and tear that we've seen on
9 those other two properties.

10 But we're still looking at some significant
11 rehab to these properties, which we think will give it
12 additional life, and we think that's important. Plus
13 we'll be renewing the Section 8 housing contract for an
14 additional 20 years. And that's an important thing to
15 know that we'll be over here providing long-term
16 affordability, and that likely will go on beyond that 20
17 years after that if they can keep the property up.

18 MR. JONES: Okay. Is there a motion to approve
19 as read?

20 MR. ROMERO: I make a motion.

21 MR. JONES: Okay, is there a second?

22 MR. DIETZ: Second.

23 MR. JONES: Moved and second. Any public
24 comment on this issue?

25 (No response.)

1 MR. JONES: Okay. All in favor of approval or
2 Item 2 as read, say aye.

3 (A chorus of ayes.)

4 MR. JONES: Okay. It's unanimous.

5 Number 3, Presentation, Discussion and Possible
6 Approval of Publication for Public Comment of the
7 Guidelines, Scoring Criteria, and Targeted Housing Needs
8 for the Allocation of Qualified Residential Rental Project
9 Tax Exempt Bond Funds under the Multifamily Housing
10 Private Activity Bond Program Request for Proposals and
11 the 501(c)(3) Bond Program Policies for Calendar Year
12 2017.

13 David, are you ready?

14 MR. DANENFELZER: I guess.

15 MR. JONES: Did I read in the right places?

16 MR. DANENFELZER: Absolutely. Again, David
17 Danenfelzer, Senior Director of Development Finance.

18 This is something we come back to you every
19 year with. We are required by statute to do so and to
20 have the Board consider our request for proposals as well
21 as to update our bond policies for Multifamily.

22 And each year we do look at a number of
23 different indicators, reports, market conditions. And,
24 you know, we make small changes every year. We try not to
25 make very large changes to the program so the developers

1 can anticipate what we're going to be doing from year to
2 year, but also to make sure that we can continue to have
3 long-term impact on those targeted housing needs that we
4 feel are most important.

5 The most important changes -- and I'll note
6 that the full blackline copy is included in your board
7 report, and there's a number of minor changes, small
8 wording differences or corrections that we've been able to
9 pick up through our re-review of it. But the most
10 important ones I've noted in the write-up.

11 In the scoring category there's two items that
12 we're changing: Section 7(d), the scoring item for small
13 and mid-size cities. We actually realized that -- from
14 one of our applicants this year that the language in our
15 scoring was different than the language that was in the
16 targeted housing needs for rural areas.

17 And so we've tried to make sure that that was
18 identical in language. We do want to continue to
19 encourage, particularly in rural areas but small to mid-
20 size cities -- we want to make sure that that language was
21 not different from that of targeted housing need.

22 The next thing was the At-Risk Preservation,
23 and this was something internally we discussed, and we
24 realized that our original language really accentuated the
25 fact that a contract was expiring, but the scoring didn't

1 actually require that the expiring contract had to be
2 renewed for any time.

3 And so we've reversed the language. Rather
4 than looking at a contract which is expiring within three
5 years, now we're looking at contracts that are extending
6 for at least 20 years so that we know that we are going to
7 be providing long-term affordable housing rather than
8 having a contract potentially expiring and still giving
9 the points.

10 MR. ROMERO: And what page is that?

11 MR. LONG: It's page 9 of 22.

12 MR. DANENFELZER: Mr. Long has provided that.

13 Thank you.

14 And then the other two things that we've
15 changed are really very technical items. The Securities &
16 Exchange Act of 1934 has been updated over the years. One
17 difference is we've traditionally referred to a financial
18 advisor in our project, but now we actually really do need
19 to consider them a municipal advisor under the Securities
20 & Exchange Act.

21 MR. JONES: Does it explain why they made that
22 change?

23 MR. DANENFELZER: The particular difference
24 that I understand and what we've heard from both our
25 municipal advisor as well as our bond counsel is that the

1 role of a municipal advisor is to advise us, the issuer,
2 on the issuance of bonds that we're doing, where a
3 traditional role of the financial advisor is to provide
4 investment advice and whether or not a person purchasing
5 that bond would make a benefit and whether the risk on
6 that bond as well.

7 So, there's a slight change in that definition.
8 Essentially people who are financial advisors can be
9 municipal advisors and play that role in different
10 segments of their business, but there is some additional
11 testing that needs to be done for municipal advisors. And
12 it also ensures that the municipal advisor is not
13 providing advice to the bond investor, and so there are
14 some new walls put up between there, and separation
15 between those roles.

16 MR. JONES: I see throughout the document where
17 you just made the change when it says this.

18 MR. DANENFELZER: Yeah, we just simply made
19 that change as a correction. We changed "financial" to
20 "municipal" advisor throughout the document.

21 And the last small change is that bond counsel
22 did request we add some additional language. There's a
23 new technical rule from the Securities & Exchange
24 Commission.

25 MR. JONES: What page is that?

1 MR. DANENFELZER: Section 17G, which --

2 MR. LONG: I'm getting there. 17G is going to
3 be on page 18.

4 MR. DANENFELZER: Page 18 -- or 19.

5 MR. LONG: 19, page 19, just at the top of the
6 page, second paragraph.

7 MR. DANENFELZER: And again, this is just
8 something bond counsel has requested we add. It's a new
9 rule which impacts tax-exempt issuances. And I am not a
10 bond lawyer, so I won't really speak to the details of it,
11 but other than our bond counsel has asked and requested we
12 put it in, so we did.

13 MR. DIETZ: We do this annually. When does it
14 take effect?

15 MR. DANENFELZER: So generally the way the
16 policies are written is that they really do come in effect
17 as of January 1 --

18 MR. DIETZ: Okay.

19 MR. DANENFELZER: -- of the next calendar year.

20 And that's simply because that's when our allocation of
21 bonds comes to us from the State. We don't apply it to
22 any applications that come in until January 1 and
23 thereafter.

24 So if applications come in in December, they
25 would be under the current 2016 rules. But there's not

1 really going to be too many differences in that as far as
2 interpretation goes. There's not a big shift here that an
3 applicant would be inspired to submit in December to beat
4 the changeover in 2017.

5 MR. ROMERO: You'll bring it back to us for
6 approval after the comment period, though. Right?

7 MR. DANENFELZER: Right. And we will put this
8 out for public comment. We'll post it in the *Texas*
9 *Register* as well as on our website. We'll allow at least
10 now until the next board meeting, but we may allow some
11 additional time if there is more public comment. Usually
12 we don't get very much, though, because our rules don't
13 change very much.

14 You know, the development community and others
15 haven't really been pushing in big issues that we've
16 foreseen this year that would require us to make any
17 additional changes.

18 MR. JONES: I mean you just put it out there
19 for public comment, but the way it's written and if they
20 don't find the changes -- find a problem with the way it
21 reads, then they would comment back?

22 MR. DANENFELZER: Right.

23 MR. JONES: You couldn't say to change this and
24 change that. We just put it out there: This is what
25 we're going with this year.

1 MR. DANENFELZER: Yeah. This is what we're
2 going with. And if there are any significant issues --
3 and we've had some in the past where people have commented
4 on specific language or wanted us to target specific
5 areas, then we'll make those changes or at least we'll
6 consider them and bring them back to you. But
7 traditionally, we haven't seen much need for that.

8 MR. JONES: Okay. Is there a motion on Item 3
9 as read?

10 MR. ROMERO: I will move to approve as
11 presented.

12 MR. DIETZ: Second.

13 MR. JONES: Moved and second. Any public
14 comment regarding this Item 3?

15 (No response.)

16 MR. JONES: Hearing none, all in favor of
17 approval say aye.

18 (A chorus of ayes.)

19 MR. DANENFELZER: Thank you very much.

20 MR. JONES: Thank you. Item 4, Presentation,
21 Discussion and Possible Approval of the 2016 Texas
22 Foundations Fund Nonprofit Partners.

23 MS. CLAFLIN: You skipped 4.

24 MR. LONG: You skipped Number --

25 MR. JONES: Oh.

1 MR. LONG: That's Number 5. We can go back to
2 4. It's the one regarding the Foundations Fund Advisory
3 Board.

4 MR. JONES: Oh, I did skip it. Presentation,
5 Discussion and -- strike that other one from the record,
6 Mr. Schafer.

7 (General laughter.)

8 MR. JONES: Presentation, Discussion and
9 Possible Approval of a Resolution to Suspend the Texas
10 Foundations Fund Advisory Council.

11 MS. CLAFLIN: That's it. Good morning. I'm
12 Katie Claflin, Senior Manager of Communications and
13 Development. Tab Item 4 is an action item. We're asking
14 the Board to approve a resolution to suspend the Advisory
15 Council.

16 So to give you a bit of background, when the
17 Board authorized the creation of the Texas Foundations
18 Fund in 2008, it also created an Advisory Council to
19 review potential grant awards and provide other guidance
20 for the program.

21 Every year since then, the TSAHC staff has
22 spent a great deal of time reviewing and scoring
23 applications. And then when the staff would finish its
24 work, the Advisory Council would convene to review the
25 staff's scoring results and determine which applicants to

1 recommend to the Board to receive funding and how much
2 each awardee would receive.

3 In March of this year the Board approved new
4 guidelines that restructured the Texas Foundations Fund as
5 a matching grants program rather than a competitive
6 awards program. The new structure eliminates the need to
7 score applications as all partners meeting our threshold
8 requirements are eligible for matching funds.

9 And in the next agenda item I'll be presenting
10 information on our progress to date in making the shift to
11 a matching grants program and then asking you to improve
12 the nonprofit partners for this year.

13 The resolution authorizing the creation of the
14 Texas Foundations Fund and the Advisory Council provides
15 that the Board of Directors at its sole discretion may
16 adjust the role and the use of the Advisory Council. So
17 this change to the matching grant structure means that the
18 Advisory Council is no longer required to review
19 applications in scoring or to determine award recipients
20 and amounts.

21 Therefore, we are asking the Board to suspend
22 the Advisory Council at this time. Liz Bayless has
23 already reached out to each of the Advisory Council
24 members to express TSAHC's deep appreciation for the time
25 and effort they have put into the Advisory Council in

1 helping TSAHC successfully manage the Texas Foundations
2 Fund.

3 Several members also gave or raised funds for
4 the Texas Foundations Fund. And Liz made sure to express
5 our thanks for their generosity and also explain our
6 rationale for suspending the Advisory Council at this
7 time. That concludes my presentation.

8 So because of the changes to the structure of
9 the Texas Foundations Fund that were approved last March,
10 at this point I ask your approval to approve the
11 Resolution to Suspend the Advisory Council.

12 MR. JONES: Okay. What happens to the members?
13 They just go back home?

14 MR. ROMERO: They get cast aside like that --
15 (General laughter.)

16 MR. LONG: No, the expectation is that members
17 in moving forward they --

18 MR. JONES: Because they're obviously committed
19 people.

20 MR. LONG: But we no longer need their services
21 at this time so to --

22 MR. JONES: Right.

23 MR. LONG: -- suspend was specifically chosen
24 for that. If we find that we want to ever go back and
25 modify the program, the Foundations Fund, to be back to

1 similar to what it was, where we would need a Foundations
2 Advisory Council, we could certainly revisit with these
3 individuals and see if they'd be interested.

4 MR. JONES: So that's why you put suspend
5 rather than abolish?

6 MR. LONG: Mostly.

7 MS. CLAFLIN: Right.

8 MR. LONG: Yeah. I mean obviously this is
9 something the Board has authorized us to do, make this
10 change, and the awards for this year's funding -- Katie's
11 about to go over that with you.

12 But as a result, we really don't need the
13 Advisory Council to give input on fundings and/or
14 selection of which individual organizations get funded.
15 So we just felt like it was best to go ahead and put it
16 into a suspension mode until we see how this works out.

17 MR. JONES: So I need to wait for the other
18 shoe to drop, the next item, because the Foundation Fund
19 Advisory Council not only dealt with making the decision
20 but also it had fundraising responsibilities. No?

21 MR. LONG: The funders themselves, yes, they
22 were --

23 MR. JONES: Many of them were on the Advisory
24 Council?

25 MR. LONG: Let me --

1 MR. JONES: Am I talking about the wrong thing?
2 The Texas Foundations Fund Advisory Council, were any of
3 them --

4 MR. LONG: They were not a --

5 MR. JONES: -- involved in raising any money?

6 MR. LONG: Certainly.

7 MS. CLAFLIN: Yes.

8 MR. LONG: Some of them did raise money.
9 That's correct.

10 MR. JONES: Personal money and other money.
11 Right?

12 MR. LONG: Personal money. As you'll remember,
13 we had a golf fundraising event that was held in the
14 Valley by individuals who write checks. We had some other
15 donations that was made, so yes, they were part of the
16 fundraising team.

17 Now we're going to have an opportunity to
18 revisit that down the road, but the Board have got other
19 ideas that been working -- Katie, I'm sorry to steal your
20 thunder on this presentation, but the idea is that we've
21 been working with a third-party consultant to come up with
22 ideas on how to fundraise for the Foundations Fund in the
23 absence of what we've been doing in the past.

24 MR. JONES: So it was kind of like the
25 majority -- many of them didn't do any fundraising?

1 MR. LONG: I wouldn't say that. I think we had
2 members that were a part of the transactions in terms of
3 whether they gave funding in large amounts or small
4 amounts, but they also were -- their main role was to help
5 us make decisions and recommendations to the Board.

6 MR. JONES: So why wouldn't you have decided
7 what you were going to do with them prior to just
8 suspending it and telling them thank you?

9 MR. LONG: Well, I would suggest to you the
10 word "suspension" was used just in case the way we're
11 looking at this doesn't pan out to be --

12 MR. JONES: Well, they might not want to come
13 back if you suspend them.

14 MR. LONG: Well, if that's the case we can
15 always look for other members. We just -- I mean --

16 MR. JONES: I'm just wondering why all the
17 ducks weren't lined up before you did it or was it just --

18 MR. LONG: They were.

19 MR. JONES: Okay.

20 MR. ROMERO: There had been some discussions
21 within the Council --

22 MR. JONES: Okay, so the Council had already
23 had those discussions.

24 MR. ROMERO: Yeah. Regarding --

25 MR. JONES: So they anticipated it?

1 MR. ROMERO: Yeah, I think the purpose was how
2 can we find a more streamlined process that doesn't take a
3 lot of time both from the council members as well as from
4 staff in reviewing all these applications and having to do
5 this on an annual basis.

6 MR. JONES: Okay.

7 MR. ROMERO: And again, as David said, the
8 suspension of the program is just that, a suspension to
9 see how this process is going to work out. We may come
10 back in two years and say, you know what, this is not
11 working out for us.

12 MR. JONES: But what is key to me is you did
13 have this discussion within the Council?

14 MR. ROMERO: We've had these discussions, yeah.

15 MR. JONES: And then they understand the whole
16 nature of the suspension?

17 MR. ROMERO: Sure.

18 MR. LONG: And as Katie said, each of the
19 members has been communicated with --

20 MR. JONES: I understand.

21 MR. LONG: -- the approach we're moving
22 forward.

23 MR. JONES: I think the key for me is that they
24 actually discussed this in detail upon the Advisory
25 Council.

1 MR. ROMERO: I mean we didn't --

2 MR. JONES: I didn't understand it until --

3 MR. ROMERO: We didn't cut them off at the
4 knees and just say we don't need your services anymore. I
5 think it was, you know, again, how do we make -- and they
6 were very, very supportive in kind of creating the
7 program. And from those suggestions that have been made
8 over the years with this program today, which we hope will
9 work out. But again, I think it's a --

10 MR. JONES: Okay.

11 MR. ROMERO: In my mind it's a pilot program.
12 So we'll look at it for a couple of years to see if it
13 actually --

14 MR. JONES: I just wanted to know, because in
15 your short briefing it didn't really cover that.

16 MR. LONG: Okay.

17 MR. JONES: It said this is what we decided;
18 this is what we're going to do. It didn't say that the
19 Council was involved in whatever the process it was to
20 determine that yes, this is -- I just wanted to make sure.

21 MR. LONG: Well, and then the Board -- as Katie
22 said, we're asking the Board to give us -- through your
23 vote, you will basically allow us to move forward with the
24 suspension and other things that we want to do.

25 MR. JONES: But for me the key is that that the

1 people who are on the Council were thoroughly involved in
2 our process, our rationale, and everything for moving
3 forward.

4 MR. ROMERO: And I think also the third-party
5 consultant that we're working with right now may come back
6 with some additional ideas that we may have to go back and
7 look at before the end of the two-year process.

8 MR. LONG: Do we -- I'm not sure we answered
9 your question --

10 MR. JONES: Yeah.

11 MR. LONG: -- Mr. Jones, but --

12 MR. JONES: No, well, because I was -- I served
13 for seven years on the Texas State Coastal Coordination
14 Council that developed coastal zone management and all
15 that stuff, and just before Jerry Patterson went out of
16 office, he put a bill through the legislature to turn it
17 from an acting governing council to an advisory council.

18 Nobody knew he was going to do it, and he just
19 said, This is what we're going to do. But I know how it
20 felt for a number of people on the board that had
21 committed --

22 MR. LONG: Right.

23 MR. JONES: -- committed time, committed
24 effort, and whatnot. I just wanted to make sure. And I
25 think if you had those discussions in that Council

1 meeting, it went a long way to figuring that they're a
2 part of this decision, and that's what I wanted to make
3 sure of.

4 MR. LONG: Mr. Romero serves as the Board's
5 representative to that whole process for us, so -- along
6 with Liz Bayless.

7 MR. JONES: And in fact one of your agenda
8 items is something you got to do is discuss --

9 MR. ROMERO: Yeah, we've had plenty of
10 decisions on this.

11 MR. JONES: Okay. All right. I just wanted to
12 know.

13 MR. ROMERO: And I believe Bill also -- Bill
14 and I served on several committees about how we can better
15 enhance the program --

16 MR. LONG: That's correct.

17 MR. ROMERO: -- different ways of raising funds
18 and when you create different opportunities.

19 MR. LONG: Yeah. I think that the steps -- and
20 we're going to hear more about it in the next tab item --
21 that we're taking here are very positive.

22 MR. JONES: That's what I'm saying. Maybe I
23 should wait for the other shoe to drop -- well, so to
24 speak.

25 MR. LONG: As long as we are -- which we are --

1 as long as we're really looking at how to replace the
2 fundraising mechanisms --

3 MR. JONES: Right.

4 MR. LONG: -- which is part of this process, I
5 think that it's a very positive.

6 MR. JONES: Because you stopped what you had,
7 and there's a gap when there's nothing until the other
8 thing can get in place. But I'll find out if that's the
9 case or not.

10 MR. ROMERO: But just in regards to that
11 comment, there's never -- there's not going to be a gap.
12 Most of the funding has occurred because TSAHC set the
13 money aside. We all as a Board decided to set this money,
14 and that's been the bulk of the funding to begin with.

15 MR. LONG: That's correct.

16 MR. ROMERO: And that hasn't changed.

17 MR. JONES: So we need to move on to the other
18 half. We finished this with one. Right?

19 So is there a motion on the floor for the
20 approval of the Resolution to Suspend the Texas
21 Foundations Fund Advisory Council?

22 MR. ROMERO: I'll make a motion to approve.

23 MR. DIETZ: Second.

24 MR. JONES: It's moved and second. Any public
25 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: Okay, that brings us to 5,
5 otherwise known as the other shoe. Presentation,
6 Discussion and Possible Approval of the 2016 Texas
7 Foundations Fund Nonprofit Partners.

8 MS. CLAFLIN: As I mentioned a few minutes ago,
9 for the Fund's 2016 funding round, with the Board's
10 approval, we have modified the structure of the Texas
11 Foundations Fund to match public and private funds raised
12 by our selected partners.

13 Partners will be selected for a two-year term
14 with matching grant funds available each year, which means
15 they'll only have to submit an application every other
16 year.

17 To qualify as a partner, they have to meet
18 certain threshold requirements which are outlined on page
19 1 of the write-up that's included in your Board packet.

20 The 2016 application opened in April, and the
21 deadline to submit applications was June 3. We received
22 30 applications from nonprofits serving communities
23 throughout Texas. Staff then conducted a thorough
24 threshold review of all applicants and determined that 25
25 of the 30 met the requirements to be selected as a

1 partner.

2 We've included a brief description of each
3 proposed partner in our Board write-up so you can see what
4 program the matching grant will support, the funding
5 priority to be served with the grant, whether that's
6 serving people with disabilities or serving rural
7 communities, and the counties that will be served by the
8 grant.

9 Fourteen of the proposed partners provide
10 critical repair programs, and 11 provide supportive
11 services programs. And those are the two eligible
12 activities under the Texas Foundations Fund.

13 The total funding available for the 2016
14 funding round is 302,500, which equals \$12,100 per
15 partner. So if approved, the next steps are to execute a
16 grant agreement with each partner, and then each partner
17 will have six months to access their matching grant
18 initially.

19 Any funds not accessed during this initial six-
20 month period will be combined into a statewide pool and
21 then made available to other partners who have already
22 drawn down the full amount of their matching grant. And
23 those funds will be awarded on a first come, first awarded
24 basis until all funds are completed. And this mechanism
25 will help us make sure that we award all funding within

1 the year.

2 A partner must use 100 percent of its matching
3 grant and then submit a brief report documenting the use
4 of the matching grant by the end of the first year in
5 order to access matching funds the following year.

6 So that concludes my presentation. I'd be
7 happy to answer any questions.

8 MR. DIETZ: So these 25 would essentially, if
9 we approved this, would be the two-year recipients --
10 initial two-year --

11 MS. CLAFLIN: That's correct.

12 MR. DIETZ: -- recipients.

13 MS. CLAFLIN: Yeah.

14 MR. DIETZ: But next year you'll have another
15 beginning phase for another two-year, or do we wait two
16 years before you could add? How does that -- is there a
17 rolling --

18 MS. CLAFLIN: The initial thought was to do it
19 as a two-year application process where we would wait two
20 years before --

21 MR. DIETZ: All right.

22 MS. CLAFLIN: -- opening an application up
23 again. There has been some internal discussion about
24 potentially opening up an application for additional
25 partners next year, maybe to include anybody who may have

1 missed the deadline this year or something like that. But
2 we haven't determined -- staff hasn't determined whether
3 or not that'll be necessary.

4 MR. JONES: If you opened it up in the next
5 year, then some of the same people could or could not
6 apply? I think we said that once you got the two-year --

7 MS. CLAFLIN: Yeah, they wouldn't have to
8 apply. This would be just to include any additional
9 partners.

10 MR. ROMERO: But I think that Bill's question
11 though, Katie, is at the end of the two years, you're not
12 going to automatically flip these for another two-year
13 extension. You're going to want to get new applications
14 from across the board. Right?

15 MS. CLAFLIN: Yes, that's correct. Yeah, after
16 two years.

17 MR. ROMERO: So when would that application
18 process start?

19 MS. CLAFLIN: That application process would
20 start I believe in April of 2018.

21 MR. ROMERO: So about halfway through the year
22 so you could be ready for that third year. Is that
23 correct?

24 MR. JONES: The third year is really the first
25 year of the next two years.

1 MR. ROMERO: About 18 months into the program.

2 I think that's what you were asking. Right, Bill?

3 MS. CLAFLIN: Early 2019 we would start that
4 process.

5 MR. DIETZ: Well, and these 25 would not be
6 eligible for the next two-year, or would they?

7 MS. CLAFLIN: Oh, they would be eligible.

8 MR. DIETZ: They would?

9 MS. CLAFLIN: Yes.

10 MR. DIETZ: So you can keep renewing. There's
11 not a --

12 MS. CLAFLIN: Yes, I see what you're saying
13 now. We did used to have a requirement --

14 MR. DIETZ: Yeah.

15 MS. CLAFLIN: -- where if you received funding
16 for a couple of years, you would have to sit out a year.
17 We've eliminated that requirement --

18 MR. DIETZ: We eliminated that.

19 MR. ROMERO: Okay.

20 MS. CLAFLIN: -- because under this program,
21 everybody who meets our threshold requirements is eligible
22 to receive funding. And so we didn't feel like we needed
23 to build in a mechanism to make sure that everybody who
24 was eligible would be able to access funding. The
25 matching grant structure kind of already does that.

1 MR. DIETZ: If it were feasible and there
2 weren't any logistical hurdles, I think it would be nice
3 to one year from now have that opportunity for other
4 partners to apply, unless there's some logistical hurdles
5 that I'm not thinking of or not aware of.

6 MS. CLAFLIN: Yeah, I appreciate that feedback.
7 Yeah, we'll take a look at that and see if that's
8 something that we think is -- would be beneficial --

9 MR. DIETZ: Right.

10 MS. CLAFLIN: -- for nonprofits.

11 MR. ROMERO: Katie, out of these 25, how is the
12 distribution across the state?

13 MS. CLAFLIN: We think it's really good. You
14 know, unfortunately I don't have the numbers off the top
15 of my head in terms of all the communities that are
16 served, but I did include those counties in there. And so
17 we've got several applications for the North Texas area,
18 Central Texas, both Austin and Waco, South Texas, West
19 Texas, a couple from El Paso, a couple from the panhandle.

20 So we feel like the geographic distribution is
21 pretty good.

22 MR. JONES: Are the Habitats, they operate all
23 independently, huh?

24 MS. CLAFLIN: They do, yeah. Each one is a
25 separate nonprofit organization.

1 MR. JONES: Did you get quite a few from
2 different Habitats all around?

3 MS. CLAFLIN: We did, yeah. I want to say
4 maybe seven or eight total, ranging from the Austin area
5 to the North Texas area, Waco area, several different
6 Habitat groups. And those all provide critical-repair
7 programs.

8 MR. JONES: So there's no more awards until --
9 other than this for two years? This covers two years of
10 funding?

11 MR. LONG: Yes, sir.

12 MS. CLAFLIN: Yeah, we don't really know how
13 much funding will be available for 2017. And so we will
14 need to make that determination based on the amount that
15 TSAHC commits, as well as any fundraising --

16 MR. JONES: So they know what they get this
17 year?

18 MS. CLAFLIN: Correct.

19 MR. JONES: But they are going to get funding
20 for next year, but they don't know how much?

21 MS. CLAFLIN: That's correct.

22 MR. JONES: But they don't have to reapply?

23 MS. CLAFLIN: That's correct.

24 MR. JONES: So it could be less or it could be
25 more?

1 MR. LONG: Correct.

2 MS. CLAFLIN: That's correct.

3 MR. JONES: Okay. Interesting, at least they
4 know something's coming.

5 Any other comments or questions?

6 (No response.)

7 MR. JONES: Okay. Well, I'll entertain a
8 motion for Item 5, Possible Approval of the 2016 Texas
9 Foundations Fund Nonprofit Partners.

10 MR. ROMERO: Motion to approve presented.

11 MR. DIETZ: Second.

12 MR. JONES: Moved and second. Any public
13 comment at all?

14 (No response.)

15 MR. JONES: Hearing none, all in favor of
16 approval say aye.

17 (A chorus of ayes.)

18 MR. JONES: And Item 6, Presentation -- thank
19 you, Katie.

20 MS. CLAFLIN: Thank you.

21 MR. JONES: Presentation and Discussion of
22 Updates to the Texas State Affordable Housing
23 Corporation's 2014-2017 Strategic Plan.

24 MR. LONG: Thank you, Mr. Chairman, Members.
25 I'm going to attempt to give Ms. Bayless's presentation.

1 She's out today.

2 This is an update for the Board. As we've
3 ended one fiscal year and began another one, it's kind of
4 an opportunity for us to provide you a progress on things
5 we've -- the progress we've made towards achieving our
6 strategic goals in the two-year plan that we're currently
7 working under. We're a year through that plan.

8 So, again, this is not a presentation and
9 discussion requesting approval; we're just providing you
10 an update on the strategic plan and where we're at in the
11 middle of it, if you will.

12 MR. JONES: And you anticipate that the plan
13 will be presented when?

14 MR. LONG: Well, this is -- the plan will be
15 presented in another year or so when this current year's
16 strategic plan timeline --

17 MR. JONES: So it's like an update?

18 MR. LONG: This is just an update for you to
19 have.

20 MR. JONES: The progress.

21 MR. LONG: We thought it was important for you
22 to know kind of what progress we've made towards some of
23 the strategies and the goals that you had set forth in
24 approving the plan a year ago, and we thought we'd just
25 give you that update.

1 So, again, we're not asking for approval.
2 We're just going to provide you some highlights on some
3 things. So I'll go through the information and if you
4 have any questions, either staff or myself could try and
5 answer those for you.

6 I would like you to know that obviously any
7 time you need a copy of the plan, we're more than happy to
8 provide that to you. If you haven't gotten one in a while
9 and you need to refresh, we have those available and we
10 can make a copy of it.

11 MR. ROMERO: Are you going to cover some of
12 the --

13 MR. LONG: Huh?

14 MR. ROMERO: Are you going to cover some of the
15 topics?

16 MR. LONG: I am.

17 MR. ROMERO: We don't have any in the board
18 book, do we?

19 MR. LONG: No, we did not provide a --

20 MR. JONES: Nothing in the board book; just a
21 big fat empty page, for the record.

22 (General laughter.)

23 MR. LONG: It's 13 pages long. So I'm just
24 going to give you updates. If you would like a copy --

25 MR. JONES: I was thinking the same thing, to

1 follow you along, but --

2 MR. LONG: All right.

3 MR. JONES: His excuse is that Liz is not
4 here -- his reason; I'm sorry. Difference between a
5 reason and an excuse.

6 MR. LONG: Well, the reason was is that it's
7 really just an update to you. I should have provided one,
8 I guess. If that's what you would like, I can get copies
9 made for you, but I'm going to go down the highlights of
10 each of the four goals that we set forth this year.

11 MR. JONES: It's probably in the President's
12 Report, huh?

13 MR. LONG: It probably is.

14 MR. JONES: Okay. Let's go.

15 MR. LONG: The plan obviously is set up as
16 kind of a blueprint for us to kind of have strategies and
17 goals set forward on how we're going to accomplish the
18 expectations that we have set forth both statutorily as
19 well as the programs we've developed and the Board's
20 approved for us to move forward with.

21 And so in that, there's four goals. So I'm
22 going to go over kind of these one at a time and kind of
23 just give you the updates on it.

24 So goal one is to establish, manage, and expand
25 effective programs to serve the housing needs of low

1 income Texans and other underserved populations in Texas.

2 We set 37 targets to meet this goal, and we have met all
3 but one of those.

4 MR. JONES: Thirty-seven targets?

5 MR. LONG: Thirty-seven targets, and we met all
6 but one of those targets in the first year.

7 Key accomplishments, I'll just go over those
8 for you. Home ownership programs, every month you get to
9 see the reports that give you in the board book the
10 updates on where we're at in the single-family programs,
11 whether it be the MCC or the home ownership programs.

12 We continue to have strong volume in both the
13 down payment assistance and the MCC Program. This year
14 we'll continue our marketing to lenders and realtors to
15 increase our outreach to consumers in a variety of ways.
16 We currently are exploring several options for making our
17 programs more attractive to both lenders and consumers.

18 Home buyer education, as I had mentioned
19 earlier, we completed another successful year
20 administering the Texas Statewide Homebuyer Education
21 Program. Sarah Ellinor managed three individual training
22 sessions this year. All were fully subscribed, which
23 means we had maximum amount of attendance to each of
24 those trainings. And we continue to have exceptional
25 positive reviews on those trainings to the extent that 100

1 percent of the people that attend would recommend
2 attending those to anyone else.

3 The Foundations Fund, as we've just discussed
4 earlier in the meeting, we had significant change to the
5 structure of this program, which again was one of the
6 strategies set forth for us to visit how better to improve
7 our fundraising efforts and be able to extend as much
8 funding out into the state as possible.

9 And in doing so, we're moving forward from a
10 competitively scoring application process to a matching
11 grant process, which Katie just outlined for you. This
12 should enable us to extend the reach of the programs to
13 more underserved communities across Texas.

14 Our Single Family Rental Program provides
15 houses to low income individuals and families, homes that
16 are located in moderate income census tract areas allowing
17 individuals and families to live in better neighborhoods
18 than they may otherwise be able to afford.

19 James and Celina, who manage these programs for
20 us, have done an excellent job in managing this program,
21 and we plan to add an additional four to five properties,
22 given the utilization of the funds the Board authorized in
23 this year's budget.

24 Goal number 2 is to ensure the Corporation's
25 financial stability, and we had 25 targets under this goal

1 and we met all -- we met 21 of those. The key
2 accomplishments and the targets that we set out in there
3 are that we met most of our fundraising goals, including
4 extending the EQ2 with Wells Fargo for another two years.

5 We completed interior rehabs on three
6 additional units at the Rollins Martin Apartments, meaning
7 that both -- that we improved the value of our asset as
8 well as we were able, to provide better living units to
9 the individuals that are currently renting those
10 properties for us. And in the process we increased the
11 rents there just a little bit to compensate for the better
12 units.

13 We improved management reporting on the status
14 of our ACT properties so that we can make better decisions
15 regarding the timeline, rehab, and disposition of
16 individual properties as we acquire and move those
17 properties through the ACT Program.

18 Our third goal is to implement marketing,
19 communications, and outreach strategies to increase
20 awareness in promotion of the Corporation and its
21 programs. We had 29 targets, and we met all of them under
22 this category.

23 Some of the key accomplishments: While it was
24 not a legislative year, we kept in touch with the key
25 committees, legislators, and their staff.

1 MR. JONES: Excuse me, are we still on the
2 financial stability?

3 MR. LONG: No. We've moved onto goal three.
4 Have you got a question on --

5 MR. JONES: Well, before we go to goal three --

6 MR. LONG: Sure.

7 MR. JONES: Increased financial stability, is
8 that the goal?

9 MR. LONG: The goal is to ensure the
10 Corporation's financial stability.

11 MR. JONES: Ensure. And you said that 25
12 goals, you met 21? Which three haven't we met?

13 MR. LONG: The ones we didn't meet, we had the
14 goal to expand our Single Family Compliance Program to
15 where we would add additional clients on that. We are
16 still continuing to consider that option, but we're not
17 sure we're going to continue down that path. We're
18 looking at why that may or may not be the best goal for us
19 as far as that income strategy.

20 It is certainly something we've done very well
21 at, and we've seen it as a strong financial benefit to the
22 Corporation. But bringing on a new client and looking at
23 the access to a client and the additional workload as well
24 as staffing requirements may or may not be in the best
25 interest of the Corporation.

1 I don't find this one as a huge one, but under
2 our Single Family Rental Program, we had set a goal of 65
3 percent resident retention in our Single Family Rental
4 Program. We had 60 percent rental retention instead of
5 65. I don't think that that's a huge issue for us.

6 We had a significant ability through James and
7 Celina where they take a really strong approach in getting
8 properties rented once a property becomes vacant. We had
9 the ability to turn those properties over rather quickly.

10 So we typically -- even if we had an individual that
11 breaks the lease for a variety of reasons, either they can
12 no longer live there due to income, move, they buy a
13 house, and they break their lease, we typically have lease
14 penalties that are assessed, and we typically make our
15 full return on investment there through that lease even
16 though it's broken. And we're able to turn around and re-
17 lease it so we don't have a shortfall in income on that.

18 As far as the fundraising, obviously we had
19 significant fundraising expectations for the Foundations
20 Fund. We didn't meet those goals. As I said earlier,
21 we're looking at ways of how we best maybe reinvent that
22 fundraising effort, and we're working with a third-party
23 consultant to help us get there. So that is another one
24 of the goals we didn't meet.

25 And finally, we are taking a little bit longer

1 than we had hoped under the NSP Program to rehab and sell
2 those homes. There has been significant improvement in
3 that program, both in our coordination with TDHCA as well
4 as making some contractual commitments executed with
5 TDHCA.

6 And I can't speak for David and Joniel --
7 excuse me - Jolene Keene, who worked with David, and they
8 both worked on that program. But I think we're seeing a
9 positive movement on that. We're going to have to step it
10 up even further.

11 But as we look at those four things that I just
12 mentioned, Mr. Jones, I think what we're finding is that
13 those are certainly things that we have under review and
14 are looking to improve those as we move forward. But I
15 don't think they significantly impacted our financial
16 stability, but they were goals that we didn't meet and
17 we --

18 MR. JONES: I understand.

19 MR. LONG: -- wanted to address them.

20 MR. JONES: Okay, thank you.

21 MR. LONG: As I mentioned, our goal three was
22 to implement marketing, communications, and outreach
23 strategies to increase awareness in promotion of the
24 Corporation and its programs. We met all of these, all 29
25 targeted areas.

1 Key accomplishments, as I had mentioned before,
2 even though it wasn't a legislative year, we did stay in
3 contact with specific key legislators, the committee
4 members themselves and staff over at the Capitol. And I
5 thank Michael and Janie for helping us keep that going.

6 You know, we had our check presentations that
7 we did where we invited legislators to attend those home
8 donations and all that. So we try to make sure that we
9 stay in contact with the legislators and staff and making
10 sure that we're out in the industry making sure that the
11 Capitol is aware of who we are and what we've got going
12 on.

13 Our online marketing continues to improve, with
14 a full schedule of social media posts, newsletters, blogs.
15 And the team constantly updates the website to optimize
16 our Google search presence.

17 The Home Ownership team continues to be very
18 busy with marketing activities, including 34 lender,
19 realtor, and trade association events around the state.
20 And in addition, the team conducted 42 lender trainings
21 and 12 trainings for realtors and housing counselors plus
22 a series of consumer webinars at lunchtimes and in the
23 evenings. I think I mentioned that to you in one of my
24 earlier President's Reports this year.

25 Finally, the Direct Lending Program has been

1 rebranded as the Texas Housing Impact Fund, which makes it
2 easier to explain the program to potential funders and
3 industry partners.

4 The fourth goal, the final goal that I wanted
5 to bring up to you, is to ensure effective direction and
6 control of the Corporation. We had 17 targets in this
7 category. Under this goal we met 15 of those.

8 The key accomplishments is a big nod to the
9 Accounting Team, Melinda and Nick and Betsy. We again
10 received a clean financial audit. I don't think we've
11 ever not received one, and I appreciate all their hard
12 work every year we have that.

13 We had two new hires. We hired Joniel Crim to
14 manage the homeownership Programs and Jesse Sepeda to
15 serve as our maintenance technician for our Single Family
16 and Multifamily rental Programs. I think both of those
17 individuals have been key additions to us as well as
18 helping us continue to move forward with managing the
19 direction and the control of the Corporation's assets.

20 We continue to have good management practices,
21 such as performance reviews and team-building events, and
22 I think those are internal functions that I typically
23 report to the Board when I do my annual evaluation.

24 But I think that we are very blessed to have
25 the staff we have, and that helps me as well as you as the

1 Board allow us the positive ability to move forward with
2 either new programs, ideas, inventing and expanding those
3 programs that you give us authority to run, as well as
4 keeping us on track with what we're supposed to be doing
5 as an organization of the State.

6 There are major targets for the upcoming year
7 that I'd like to go over. We want to complete the
8 construction and sell more NSP homes. As I mentioned
9 earlier, we felt like that program was lagging behind, but
10 I think we've made some progress both in our relationship
11 and contractual commitments with TDHCA and that we have
12 now some actual administrative contracts that have been
13 executed. And hopefully we'll see that continue to grow
14 in volume.

15 Successfully close the Multifamily Bond
16 projects that have been induced, that's always an
17 important thing. David works very hard to make sure that
18 we only look at deals and bring you those deals that we
19 think we can underwrite and bring to closing. But it's
20 very important for us not to spend too much time on
21 projects that are basically not going to clear and be able
22 to close.

23 So I think it's important that we have David,
24 who does a really good job of bringing that to fruition,
25 and I think you guys see that when you hear presentations

1 not only from our partners that we work with but also
2 David when he makes presentations.

3 Identify and implement ways to expand the reach
4 of the Downpayment Assistance and MCC Programs. We're
5 always looking for ways to expand our outreach on those
6 programs, make more homebuyers in the state of Texas,
7 making our programs aware to those individual partners we
8 work with, whether that be the realtors, the lenders, the
9 individual associations that have access to our programs.

10 So we kind of want to make sure that we always have as
11 much marketing and outreach as possible on that.

12 We want to continue the effective financial
13 management controls provided by our Finance and Accounting
14 team. They do a phenomenal job. I think you see that not
15 only in the budget information you get every year but the
16 fact that we continue to have clean audits. That's very
17 important for us to have internally from the management
18 structure.

19 And then there is a legislative session, as
20 we're all aware of, that begins in January of 2017, and we
21 will continue to closely monitor the matters that arise
22 that will impact TSAHC and either our programs or
23 statutory changes that may be made.

24 And while we are not aware of any activities or
25 issues that are currently there, I think we mentioned

1 earlier that we are continuously in contact with the
2 legislators, the staff, and committee members, so we'll
3 keep you apprised as to how that moves forward.

4 As I said earlier, this is just an update on
5 the entire plan. I'm not asking for you to approve any
6 changes to the plan. We think that the plan is still very
7 well written and that it has opportunity for us to
8 continue to move forward and expand what we're doing.
9 We're always interested in making sure that you have an
10 opportunity to want to see it, review it, or give us
11 feedback if we're not doing what you think we should be
12 doing.

13 With that, I'll conclude my comments on it.
14 And if you have any additional questions or I said
15 something that you didn't quite understand or I spoke too
16 quickly, let me know and I'll be glad to try to answer
17 questions.

18 MR. DIETZ: Can you have Liz send that to us
19 with the updates that you --

20 MR. LONG: Most definitely.

21 MR. JONES: Have what?

22 MR. DIETZ: Have her send us the report with
23 the updates that David just covered.

24 MR. LONG: They're not really the updates to
25 it. It's just I can give you the summary of what I just

1 gave you if that would be helpful.

2 MR. DIETZ: Yeah, I mean I would like to see
3 the report and then the summary.

4 MR. LONG: Okay. We'll do both. Yes, sir.

5 MR. ROMERO: One of the things you said in the
6 upcoming year, the NSP.

7 MR. LONG: Uh-huh.

8 MR. ROMERO: Remind me of what --

9 MR, LONG: Neighborhood Stabilization Program,
10 that's where we receive some funding through NSP, which is
11 a federally funded program. TDHCA is the state agency
12 that's administering that fund for the State of Texas, and
13 we received an award under it.

14 We acquired several properties under that,
15 whether they be -- most of it was -- it was all single-
16 family homes and/or lots, and we're working to have those
17 homes and/or the lots built on so that we can sell those
18 to individuals of low and moderate income, low income.

19 MR. ROMERO: Okay.

20 MR. JONES: Does that veterans program come
21 under the NSP?

22 MR. LONG: The veteran program?

23 MR. JONES: Remember we give some houses --

24 MR. LONG: That was a different program. That
25 was under --

1 MR. JONES: One of the goals --

2 MR. LONG: We did have that --

3 MR. JONES: -- is to stabilize neighborhoods
4 because --

5 MR. LONG: Right.

6 MR. JONES: -- it was homes that were --

7 MR. LONG: Yeah, we did that under the ACT
8 Program, which NSP kind of funded underneath that.

9 MR. JONES: Right.

10 MR. LONG: Yes, sir.

11 MR. JONES: But not the same?

12 MR. LONG: Not in my opinion. David can
13 correct me if I'm wrong.

14 MR. DIETZ: The NSP Program would strictly be
15 acquiring, renovating, and then selling.

16 MR. LONG: Or building, yes, sir, on some of
17 those lots. That's correct, yes.

18 MR. DIETZ: Okay.

19 MR. ROMERO: We don't have any inventory at all
20 under NSP right now?

21 MR. LONG: We have a huge inventory under NSP.

22 MR. JONES: And that's why I --

23 MR. LONG: That's why we're moving forward and
24 selling as many as possible.

25 MR. JONES: That makes it a goal for 2017.

1 MR. LONG: Right, it's continual. The program
2 actually runs -- and somebody can correct me if I'm wrong.
3 I think it runs through August of 2019, so we have a very
4 distinct timeline in order to move the remaining
5 properties we have so that we have them completely sold by
6 that time frame.

7 MR. DIETZ: And those are geographically
8 distributed throughout the state?

9 MR. LONG: Pretty much, yes, sir.

10 MR. DIETZ: Could you use or would it not be in
11 compliance -- could you use any of those properties for
12 our rental program, or would -- do you have to --

13 MR. JONES: Would that count as NSP?

14 MR. LONG: Let David answer that, because I
15 don't think --

16 MR. JONES: He looks like he's happy to answer
17 that. He's smiling.

18 MR. DANENFELZER: David Danenfelzer, Senior
19 Director Development Finance. We have around 225
20 remaining lots and only just two or three actual homes
21 that have been renovated under NSP still available.

22 To your question about the Single Family
23 Program, it would be an eligible end use. The way the
24 federal government looks at it is the properties all have
25 to be put into what they consider end use. Rental --

1 permanent, affordable rental could be that end use.

2 However, it does require us then to look at
3 really long-tem affordability and monitoring costs. So
4 our current Single Family Rental Program operates without
5 those additional costs because we do that all internal,
6 but we would have to pay some additional overhead and
7 compliance fees to the State if we were to convert any of
8 our existing NSP lots to rental.

9 MR. DIETZ: Just to show them that we're --

10 MR. DANENFELZER: Just to show them that we're
11 actually maintaining them. And I would add that just, you
12 know, while the regulations are -- would be more than we
13 currently have, generally the lots we have were designed
14 and in the subdivisions are predominantly single-family
15 home ownership communities. So I think it would be
16 difficult for us to kind of insert single-family rental
17 into those communities at this time. They don't make a
18 natural fit for that.

19 And I don't know the details of all the
20 subdivisions, but some of them do have restrictions on
21 rentals. So while there may be some that allow that, I
22 don't know that all of them would allow a rental at this
23 time.

24 MR. DIETZ: Would we sell any of those lots to
25 developers or somebody, or would we be the ones building

1 on every one of those lots that you're --

2 MR. DANENFELZER: Yeah. So the way the program
3 has been generally designed and set up is that we partner
4 with locally based nonprofit builders. We don't sell the
5 lots to the builders. We do have to sell the home to an
6 actual homeowner.

7 But the developers get a ground-lease agreement
8 and fixed-price contract to build a home on the lot. And
9 then through a three-party sales contract with the builder
10 and TSAHC, as the seller, and the homeowner, as the third
11 party, we sell that home and the lot at that time.

12 That has been our mode of operation for the
13 last several years. We'll continue to do that. If there
14 are lots left over at August of 2019 that we haven't
15 constructed on or sold, we'll have to work with the State
16 on how the disposition of those lots would work.

17 We haven't really planned that far ahead at
18 this point, but partly because the State at this point
19 just doesn't want to deal with it. They want to keep us
20 focused on building on as many lots as we can before
21 August of 2019.

22 MR. DIETZ: Thanks.

23 MR. ROMERO: Are the lots I mean conducive to
24 single-family or are they --

25 MR. DANENFELZER: Yeah, all the lots are

1 originally -- were originally platted and designed as
2 single-family home ownership lots. Most of them are in
3 the actual subdivisions that are single-family
4 subdivisions. The vast majority are actually in --
5 between Brownsville and McAllen, the Valley.

6 We do have 24 lots out in College Station that
7 are being built by a local partner there, an additional 20
8 or so lots up in the Dallas areas that are being built by
9 Builders of Hope. And we've pretty much sold all the rest
10 of our geographic dispersion. We had some here in Austin,
11 some in Waco that have all been sold and moved into
12 permanent use.

13 So those have been pretty successful today to
14 move those. But we just bought a lot of lots. We had
15 over 300, and we've moved over 100 so far, but we have
16 another 200 to move over --

17 MR. JONES: In what time frame have you moved
18 100?

19 MR. DANENFELZER: Well, we started purchasing
20 the first lots in 2010, so it has been six years. But I'm
21 just --

22 MR. JONES: To move 100?

23 MR. DANENFELZER: Yeah, to move 100, but we
24 don't think we're too far behind, simply just given the
25 fact that many of those markets are still struggling to

1 recover from the recession through 2012 and into 2013.

2 Many are still starting to grow, but we also do
3 face some struggles with the NSP Program because it is
4 much more restrictive than simple open-markets sales. But
5 we do have to kind of compete against regular market-
6 priced housing in most of those areas.

7 We do generally provide a lower-cost product,
8 but when you add in additional delays for screening of
9 clients, mortgage consideration limits on those, it does
10 make it more difficult to find eligible buyers and then
11 also to keep the buyers interested in the program.

12 MR. DIETZ: Once we've seen it all the way
13 through to the end user and it's sold, do we have any
14 remaining obligations, or are we kind of --

15 MR. DANENFELZER: The only remaining obligation
16 we have at that time is really just records retention, to
17 make sure we meet the federal and state requirements. But
18 once the property is sold, we don't do any oversight or
19 any maintenance or management of those properties. Those
20 are all in the hands of the homeowner from that point
21 forward.

22 MR. JONES: Could you -- the summary that you
23 read I think is what Jerry asked for.

24 MR. DANENFELZER: Yes, sir.

25 MR. JONES: You asked for that summary.

1 MR. DANENFELZER: Uh-huh.

2 MR. JONES: Anything else?

3 MR. DANENFELZER: And a copy of the plan.

4 MR. ROMERO: Yeah, a copy of the plan.

5 MR. JONES: Okay, so we do this Section --

6 MR. DANENFELZER: I will make sure all five
7 members get that.

8 MR. JONES: Okay.

9 MR. DANENFELZER: Yes, sir.

10 MR. JONES: Okay. Thank you again.

11 I don't think there's any reason for closed
12 session. Correct?

13 MR. LONG: No, sir, there is not.

14 MR. JONES: Okay. Hearing any final comments
15 from any of you gentlemen up here?

16 (No response.)

17 MR. JONES: Again, we appreciate the staff,
18 also, Mr. Joe Schafer. Make sure you take that thing I
19 said out of there; otherwise I'm going to unthank you.
20 No.

21 (General laughter.)

22 MR. JONES: So we appreciate it. And hearing
23 no other business, this meeting is adjourned.

24 (Whereupon, at 12:01, the board meeting was
25 adjourned.)

C E R T I F I C A T E

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MEETING OF: Texas State Affordable Housing Corporation
LOCATION: Austin, Texas
DATE: October 13, 2016

I do hereby certify that the foregoing pages,
numbers 1 through 67, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Joseph M. Schafer before
the Texas State Affordable Housing Corporation.

(Transcriber) 10/20/2016
(Date)

On the Record Reporting
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