

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
October 19, 2017
10:30 a.m.

BOARD MEMBERS:

WILLIAM DIETZ, Acting Chair
GERRY EVENWEL, Member
JERRY ROMERO, Member

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Comment in the *Texas Register* the Proposed Rules for the Homes for Texas Heroes Home Loan Program.

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P R O C E E D I N G S

1
2 MR. DIETZ: All right. It is 10:30 a.m. on
3 October 19, and the Texas State Affordable Housing
4 Corporation Board Meeting is now in session.

5 Can we have a roll call. Bob Jones is absent.
6 Bill Dietz, I am present. Gerry Evenwel --

7 MR. EVENWEL: Here.

8 MR. DIETZ: Alex Meade, absent.

9 Jerry Romero.

10 MR. ROMERO: Here.

11 MR. DIETZ: Okay. We do have a quorum, and
12 before we begin, is there any public comment?

13 (No response.)

14 MR. DIETZ: Okay. Hearing none, we will go to
15 the President's Report. Mr. Long.

16 MR. LONG: Thank you, Chairman Dietz, board
17 members. Program and financial reports, as always, is in
18 the front tabs of your board book, A through C. We do not
19 have any exceptional items to report to you in those
20 reports, in the financial reports.

21 Homeownership program update: Homeownership
22 team Sarah and Joniel have been very busy. They attended
23 both the El Paso and Austin Realtor expos. I appreciate
24 Mr. Romero visiting with them while they were in El Paso.
25 And they also presented at two down payment assistance

1 hurdle classes: one in San Antonio and one in Fort
2 Worth.

3 As a result of those various functions they
4 were able to visit with over 400 realtors over the last
5 two weeks; they were very pleased with the activity, that
6 they were able to make sure that our programs are known to
7 the individuals that we do business with.

8 In addition, Sarah Ellinor, who chaired the
9 second annual FDIC AEI Affordable Housing Forum held here
10 in Austin on Tuesday of this week -- it was a great
11 success. About 80 realtors, lenders and housing
12 counselors attended to learn more about the affordable
13 homeownership opportunities, which included our
14 corporation's programs.

15 Through our rental programs, the corporation
16 recently sold one of its properties. We had had some
17 discussions with the HOA, and actually James Matias and
18 Celina and I had been talking through the idea of whether
19 or not we wanted to retain one of these properties. This
20 is the only condominium we owned; it was located at 6903
21 Deaton Hill.

22 And the HOA was beginning to assess costs to
23 the individual homeowners above and beyond their normal
24 dues, due to some conditions that needed to be repaired
25 within the facility, and we just felt like it was getting

1 to the point where it was a property we did not want to
2 continue to maintain.

3 So as a result we were able to sell that. We
4 sold that in September, last month, and so we are just
5 happy to kind of have that property out from underneath
6 us.

7 Also I would tell you it was a good property in
8 the sense that we always had it rented, but again the
9 costs just ended up being something we didn't feel was
10 appropriate going forward.

11 We have not replaced that property; it was not
12 our intention originally to replace it right away. So we
13 will keep the board informed as long as we report on that.

14 MR. ROMERO: What did you pay for the property?

15 MR. LONG: 99,000.

16 MR. ROMERO: And sold it for?

17 MR. LONG: 112, 5-. The -- a couple of other
18 property updates: The property at 5621 Benson, the tenant
19 will be moving out at the end of this month, and we will
20 have a new tenant moving in on November 10. So again, as
21 you can see, Staff does a really good job of making ready
22 on these properties and getting them turned over so we
23 have very little downtime.

24 Our duplex that we own, Unit B at 3409 Blumie,
25 they gave notice that they will not be renewing their

1 lease, and so we will work to get that unit back on -- get
2 it cleaned and updated and have it ready to go and have it
3 back on the market in early November, hopefully with a
4 tenant sooner than later.

5 Last update we have under the rental program is
6 on Rollins-Martin, our multifamily apartment complex that
7 we have over in East Austin. After considering the
8 condition and some issues related to the staircases in
9 each of the buildings, we have elected to go ahead and use
10 some of the property's replacement reserve funds,
11 approximately \$24,000, to replace all the staircases at
12 those units.

13 So we look to have that started in late
14 November after we get the city permits and approvals to
15 move forward with that. We've already selected a company
16 that will do that for us.

17 Conferences that we have recently attended:
18 Michael Wilt and I attended the Texas Homeless Networks
19 Conference on Ending Homelessness, which was held in
20 Dallas earlier this month.

21 Several of us just got back from Denver. We
22 attended the National Association of -- excuse me --
23 National Council of State Housing Agencies Conference,
24 their annual conference, which was in Denver. Mr. Romero
25 actually was there as well. We appreciate that.

1 Upcoming conferences: Several of us will be
2 attending the Texas Association of Local Housing Finance
3 Agencies, a conference which will be held in Fort Worth
4 later this month, actually next week.

5 Karen Kennard called me, our general counsel,
6 and said that she would be running a few minutes late but
7 she would be here. And then Tim Nelson is here, with
8 Hilltop Securities, our financial advisor firm.

9 With that -- I did have one other update. As
10 you know, with Liz Bayless retiring and Janie Taylor
11 selected to be our new executive vice president, well, as
12 the dominos fall, we had a new position, and I'm proud to
13 announce that we selected internally and have Katie
14 Claflin serving as our new director of communications and
15 development.

16 So I just wanted to let you all know that that
17 change had been made. Of course the dominos continue to
18 fall, and now we will have to fill Katie's position and a
19 few other things that are going on in the office, so as
20 that happens, we will keep the Board informed as we staff
21 up.

22 With that, Mr. Chairman, the only other notice
23 that I would like to give you a heads-up that our
24 tentative board meeting for next month would be either the
25 9th or the 16th; the 9th being a little early in the

1 month, but the 9th is the second Thursday of the month.
2 The 16th, I just throw that out there as dates that you
3 hopefully will consider in your calendar.

4 And with that, Mr. Chairman, I will conclude my
5 remarks unless there's any questions.

6 MR. EVENWEL: You used an acronym, HOA.

7 MR. LONG: Homeowners association.

8 MR. EVENWEL: I know, but I just want to
9 appreciate sending out the new acronym listing that you
10 had.

11 MR. LONG: You bet. You guys asked, and we
12 wanted to make sure you had all these new acronyms.

13 MR. EVENWEL: I didn't have mine with me. Is
14 HOA on that?

15 MR. LONG: I don't remember. There was about
16 75 on there.

17 MR. EVENWEL: It was a long list.

18 MR. LONG: If it wasn't, shame on us.

19 MR. EVENWEL: And that's one of the few
20 acronyms I understand.

21 MR. LONG: Well, I know we use those rather
22 easily on our tongue; they roll right off the tongue for
23 us, but we recognize that, given that you may not, we want
24 to start making sure we roll it out before we use it.

25 Any questions, Mr. Chairman? If not, I

1 conclude my remarks.

2 MR. DIETZ: Any other questions?

3 (No response.)

4 MR. DIETZ: I think that was the only acronym
5 you used.

6 MR. LONG: I made sure not to.

7 MR. DIETZ: All right. Well, on to Tab Item 1,
8 which is the presentation and discussion and possible
9 approval of the minutes of the board meeting held on
10 September 14, 2017. Has everybody had a chance to review
11 the minutes?

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

13 MR. DIETZ: Is there a second?

14 MR. EVENWEL: Now, our attorney's not here.

15 Can I second it, because I wasn't here, so I don't know --
16 other than reading it, I don't know whether that's true or
17 not, I mean, to second it.

18 MR. DIETZ: I will just second it. Second.

19 So it's been moved and seconded. All in favor
20 of approving the minutes from the board meeting --

21 MR. LONG: Mr. Dietz, if you don't mind, could
22 we go through and ask for any public comment before each
23 of the votes?

24 MR. DIETZ: Yes, yes.

25 MR. LONG: Thank you.

1 MR. DIETZ: Is there any public comment related
2 to the minutes for last month?

3 (No response.)

4 MR. DIETZ: No? There is none. Any further
5 discussion or questions?

6 (No response.)

7 MR. DIETZ: Okay. All in favor of approving
8 the minutes from the board meeting held on September 14,
9 2017, please say aye.

10 (A chorus of ayes.)

11 MR. DIETZ: Any opposed?

12 (No response.)

13 MR. DIETZ: Okay. The minutes from the board
14 meeting held on September 14, 2017, are approved.

15 Which brings us to Tab Item 2, Presentation,
16 Discussion and Possible of a Revolving Construction Line
17 of Credit for Legacy Community Development Corporation in
18 the amount of \$450,000.

19 MS. KEENE: This is Jo Keene, manager of
20 development finance. The Loan Committee met yesterday and
21 is recommending approval of the loan in the amount of
22 \$450,000 to Legacy Community Development Corporation.
23 This is actually a renewal of their existing line of
24 credit.

25 Legacy has been an active local partner under

1 the ACT program and a borrower under the Impact Fund since
2 2013. Legacy builds homes which are sold primarily to
3 homebuyers at or below 80 percent of the area median
4 income. They are working right now with the City of Port
5 Arthur on a downtown economic revitalization plan, as well
6 as working to build out another subdivision in the heart
7 of the city. Legacy CDC plans to use our loan to finance
8 between 12 and 17 new units of affordable housing.

9 Mr. Romero, you were there for the loan
10 committee. Do you have anything to add?

11 MR. ROMERO: No, other than the fact that we
12 have started using a new risk model when we're pricing in
13 some of our deals. And we're really starting to normalize
14 the whole process in general so we can have a good sense
15 of how to apply all of our guidelines when we're looking
16 at different types of loans, so that we're not just kind
17 of picking numbers and rates and so forth.

18 So I think we have come a long way since we
19 first started this process, and they have been a good
20 partner of ours. We're looking to just renew the deal
21 again; this will be the third renewal, if I'm not
22 mistaken. And again, they've been a very good community
23 partner with us.

24 MR. DIETZ: This is renewing it for the same
25 amount.

1 MS. KEENE: Yes.

2 MR. DIETZ: Great.

3 MR. ROMERO: With that, I'll make a motion to
4 approve the loan as it's been presented to us.

5 MR. EVENWEL: Second.

6 MR. DIETZ: Okay. It's been moved and seconded
7 that we approve the revolving construction line for Legacy
8 Community Development Corporation. Is there any public
9 comment?

10 (No response.)

11 MR. DIETZ: Any other discussion or questions?

12 (No response.)

13 MR. DIETZ: Okay. All in favor of approval of
14 the construction line for Legacy Community Development
15 Corporation in the amount of \$450,000, please say aye.

16 (A chorus of ayes.)

17 MR. DIETZ: Any opposed?

18 (No response.)

19 MR. DIETZ: Okay. It passes.

20 Thank you very much for your presentation.

21 The third tab, the Presentation, Discussion and
22 Possible Approval of the Publication of Amended Policies
23 for the Texas Housing Impact Fund.

24 You again.

25 MS. KEENE: This is Jo Keene, manager of

1 development finance. All right.

2 So today we are requesting that the board
3 approve the publication of the amended policies of the
4 Texas Housing Impact Fund for public comment. We will be
5 bringing back any comments we receive in the coming months
6 for consideration by the board.

7 You all have a writeup with the major changes
8 to the policies, as well as a black-line version of the
9 policies that are in your packet, and I am happy to answer
10 any questions over the specific changes we are proposing.

11

12 MR. LONG: And again I might add that, as Jo
13 just said, these are just to get approval from the board
14 to release them for public comment.

15 And it includes the suggested changes we are
16 recommending just from the daily operations that we've
17 redlined in the board book that you see, and any other
18 public comment that you get or discussion you have
19 internally further would be brought back to the board for
20 formal approval after the public comment period ends.

21 MR. ROMERO: David, when you put these up for
22 public comment, do you put it out as the redlined copy, or
23 you just highlight the changes?

24 MR. LONG: I don't know how we do that.

25 MS. TAYLOR: It is redlined.

1 MR. DIETZ: It's a redlined copy. Thank you,
2 Janie.

3 Any questions for any of the proposed changes?
4 (No response.)

5 MR. DIETZ: As Mr. Long said, we will have an
6 opportunity to approve this after the public comment
7 session is over.

8 MR. ROMERO: I'll move to approve putting them
9 out for public comment.

10 MR. EVENWEL: Second.

11 MR. DIETZ: Okay. It's been moved and seconded
12 that we approve the publication of the amended policies
13 for the Texas Housing Impact Fund.

14 Is there any public comment?

15 (No response.)

16 MR. DIETZ: At this time, no, there's not.

17 All in favor, please say --

18 (A chorus of ayes.)

19 MR. DIETZ: Okay. It passes. Thank you very
20 much again.

21 MS. KEENE: Thank you.

22 MR. DIETZ: Go to Tab Item 4, which is the
23 Presentation, Discussion and Possible Approval of the
24 Publication for Public Comment of the Guidelines, Scoring
25 Criteria and Targeted Housing Needs for the Allocation of

1 Qualified Residential Rental Project Tax-Exempt Bond Funds
2 under the Multifamily Housing Private Activity Bond
3 Program request for proposals and 501(c)(3) Bond Program
4 Policies for Calendar Year 2018.

5 MR. TAYLOR: Okay. Good morning, Mr. Chairman
6 and Board members. I am Janie Taylor, Executive Vice
7 President.

8 I'm here to discuss tab item number 4, which
9 asks for your approval to publish a draft of the request
10 for proposals, program policies, or guidelines, for the
11 multifamily bond programs at TSAHC, for the purpose of
12 seeking public comment.

13 The RFP and guidelines are prepared in
14 accordance with Texas Government Code Section 2306.565,
15 which requires TSAHC's board to set targeted areas for the
16 allocation of bonds, adopt criteria regarding the
17 solicitation of proposals, and set criteria for scoring
18 and ranking of allocations.

19 The attached draft policies and RFP fulfill
20 these statutory requirements. The first page of the
21 writeup has bulleted text that explains the changes we are
22 proposing this year. Please let me know if you have any
23 questions about any of those points that we're proposing
24 to change.

25 If approved today, we plan to post the draft

1 policies and RFP on the *Texas Register* website, as well as
2 on our own website, and we will accept written comments
3 from the public for approximately the next 30 days.

4 After the public comment period is over, we
5 will review any comments received and make recommendations
6 for changes to the guidelines and RFP we believe are
7 appropriate and in line with the goals of the program.

8 We will then ask for your final approval of the
9 guidelines and RFP at either the November or December
10 board meetings.

11 And at this time I'll take any questions you
12 have regarding tab item number 4.

13 MR. EVENWEL: The difference between what we're
14 looking at right now, which are guidelines, and the one we
15 just approved a minute ago, policy, what's -- I mean, I'm
16 a layman.

17 MS. TAYLOR: Right.

18 MR. EVENWEL: What's the difference between
19 policy and guidelines?

20 MS. TAYLOR: Probably not anything for this
21 purpose -- you know, not anything significant. I think we
22 use those two words interchangeably.

23 MR. EVENWEL: Okay.

24 MS. TAYLOR: And so they -- you know, for our
25 programs we generally do guidelines. That helps the --

1 whoever is using the program whether they are a developer,
2 a nonprofit -- we generally -- the document, we generally
3 have them as a -- as guidelines, and -- but we also have
4 loan policies. So we use them interchangeably, so I don't
5 know for sure if there's any -- if Webster, for example,
6 the dictionary has any --

7 MR. EVENWEL: Okay. What --

8 MS. TAYLOR: -- particular difference in how
9 they're described.

10 MR. EVENWEL: When I was reading that, it's the
11 old, you know, "you shall" do something or "you will" do
12 something.

13 MS. TAYLOR: Right.

14 MR. EVENWEL: You know, to me, a policy sounds
15 more, This is the law. And a guidelines says more, it's a
16 guideline and we may or may not follow that guideline.

17 MS. TAYLOR: So in --

18 MR. EVENWEL: Am I overdramatizing this
19 question? I didn't mean to be.

20 MS. TAYLOR: So the program -- are you referring
21 to the one that Jo Keene --

22 MR. EVENWEL: You know, the one we just
23 approved.

24 MS. TAYLOR: So that's --

25 MR. EVENWEL: Called a policy.

1 MS. TAYLOR: So that's a program that we have
2 created based on our statute that we have the powers to
3 do. And we do it because we believe it's in the best --
4 it's a good policy -- a good programs to offer to the
5 State Texas, and the one that I'm going over right now, it
6 is in statute that you -- that the board adopts the
7 criteria for the targeted areas for the program, and that
8 we do an RFP for applications.

9 So that -- this is in statute, the other one is
10 not. I don't know if that helps in explaining that.

11 MR. ROMERO: Not two questions; one question:
12 Page 2 of 25 and 10 of 25, where did you come up with the
13 changes in the numbers? I'm just trying to get a basis on
14 where the numbers are coming from.

15 MS. TAYLOR: So in Page 2(b) --

16 MR. ROMERO: That is the -- I don't know if
17 it's 2(b) or not, the one with --

18 MS. TAYLOR: I think it's (b), yeah, for in
19 terms of the size of the --

20 MR. ROMERO: The population?

21 MS. TAYLOR: -- the population.

22 MS. TAYLOR: So just to let you know, Mr. David
23 Danenfelzer, he had four agenda items today, and this is
24 one of them. Jo did two of them, and so he is out sick
25 today, so we are presenting these for him.

1 But what I do believe, just based on my
2 conversations with him about that particular change is, it
3 was based on feedback on some areas of the state that we
4 were trying to reach, that maybe in -- that were not
5 necessarily part of and adjacent to an MSA, but maybe were
6 an area that was not being -- needs weren't being met,
7 that were over the 100,000 marker that we had previously
8 had in our guidelines.

9 MR. ROMERO: Okay. So the same thing for 10 of
10 25, on the awarding of points?

11 MS. TAYLOR: I do believe these were based
12 on -- so in terms of the points and for the amount of --
13 the dollar amounts, I believe that these were based on
14 just the cost of construction going up and based on what
15 feedback he was receiving from bond counsel.

16 MR. ROMERO: Okay. I guess what I'm trying to
17 get at is, is there a basis for how these numbers are
18 used, and is that a standard that's being used across the
19 board, or is this just something that we're plugging in
20 here?

21 MS. TAYLOR: And by that do you mean across the
22 board in terms of industry --

23 MR. ROMERO: Similar to our program, state
24 agencies and these numbers and so forth.

25 MS. TAYLOR: I'll find out for you. At the

1 next board meeting we'll have that answered for you.

2 MR. ROMERO: That's fine. I just wanted to
3 make sure that there's a way to go back and correlate
4 these to the -- well, why'd you use this number?

5 MR. LONG: And I might elaborate a little bit
6 in that in the conversations David and I have had on this,
7 that there are, within our own program, what he sees as a
8 standard and what he sees as being demanded when points
9 are being reached, and he's trying to kind of expand a
10 little bit to meet those thresholds and better accommodate
11 the needs of these things from the developers, not only
12 the projects that we've already done, but the applications
13 that have come in.

14 So we're trying to kind of grow the program.
15 And I cannot, as Janie said, speak to what a state agency
16 does, what local housing issuers are doing independent.

17 MR. ROMERO: I'm saying we have to follow those
18 numbers, but it would be nice to be able to correlate it
19 back to a standard that is recognized by other people
20 other than ourselves and our developers, sort of like we
21 did with our loan program, you know, go back and say,
22 okay, why are we giving this loan for 4-1/2 and giving
23 this one 6 percent.

24 Now we come back and we've developed a process
25 and we know how much we're going to be awarding.

1 MR. LONG: Well, I can assure you that we're
2 not just pulling these number out of the air; there is
3 some analysis to it. As we meet further with David and
4 get further public comment, they might even change
5 further, given that we might have further feedback that
6 says that these numbers are too low or too high.

7 MR. ROMERO: Yeah.

8 MR. LONG: But we certainly will have that
9 answer for you by the next time we bring this to the board
10 for full consideration.

11 MS. TAYLOR: Absolutely.

12 MR. ROMERO: And I'm not concerned about the
13 scoring; it was just really the numbers.

14 MS. TAYLOR: Yeah. Absolutely. And I think
15 that's a good question, Jerry, and we'll make sure we get
16 that. If the numbers stay the same for the version that
17 we want you to approve as final adoption, we will let you
18 know why they're changing or why we're recommending these
19 specific numbers.

20 MR. ROMERO: And the population numbers I was
21 fine with. If anything, you're going to be able to help
22 more people.

23 MR. LONG: Yeah.

24 MS. TAYLOR: Yes.

25 MR. LONG: That's correct.

1 MR. DIETZ: If anything -- any further
2 questions?

3 (No response.)

4 MR. DIETZ: Good. Any other comments,
5 questions?

6 MR. ROMERO: I'll make a motion to approve
7 these for publication for public comment.

8 MR. EVENWEL: Second.

9 MR. DIETZ: It's been moved and seconded to be
10 approved for public comment.

11 Any public comment at this time?

12 (No response.)

13 MR. DIETZ: Okay. Hearing none, all in favor?

14 (A chorus of ayes.)

15 MR. DIETZ: And the motion passes.

16 Thank you very much, Ms. Taylor.

17 So on to Tab Item 5, which is the Presentation,
18 Discussion and Possible Approval of the Publication for
19 public comment of the Guidelines for General Partnerships
20 as They Relate to the Corporation's participation in
21 Affordable Multifamily Developments that meet or exceed
22 the Requirements of the Corporation's Multifamily Tax-
23 Exempt Bond Programs.

24 I think Mr. Jones just didn't come today
25 because he didn't want to have to read these tab items.

1 MS. TAYLOR: Okay. Janie Taylor, executive
2 vice president. I am also going to present this tab item.

3 In 2016 the Corporation adopted the guidelines
4 for general partnerships to govern our participation in
5 development partnerships formed for the purpose of
6 building or rehabbing affordable multifamily properties.

7 We have had dialog with potential developers,
8 with partners over the past several months, in addition to
9 with some of our general counsel and our financial
10 advisors about these guidelines that you have before, so
11 we are proposing some changes to the guidelines.

12 And you have before you the two bulleted items
13 that -- the major changes, the substantive changes that
14 we're suggesting for the guidelines this coming year.

15 This is the first time we've brought them
16 before you for any changes. Last year we adopted them for
17 the first time. And so before you you have the two
18 changes that we're proposing, and if we get your approval
19 today, these will also go through the same process that
20 we're taking the others through.

21 We're going to post them for public comment, on
22 our website and the *Texas Register*, and then we will take
23 into consideration any public comment we receive in the
24 next several days, in addition to any additional comment
25 we might get from our bond or issuer counsel and report

1 them back to you at either the November or December board
2 meeting with a final version.

3 Any I will try to answer any questions you
4 might -- yes.

5 MR. ROMERO: I just have one question.

6 MS. TAYLOR: Yes.

7 MR. ROMERO: On the eligible developments, page
8 1 of 4, the 5 percent set-aside for people with
9 disabilities, what's the federal mandate on this? Is it 3
10 or is it 5?

11 MS. TAYLOR: I don't know what that is, and --

12 MR. ROMERO: Because I think that's one of the
13 reasons that they filed a lawsuit against TDHCA back in
14 the day for providing sufficient number of units for
15 people with disabilities. There was a lawsuit that
16 occurred about two or three years ago, if I'm not
17 mistaken.

18 I just want to make sure that we're meeting
19 that guideline, if not exceeding it.

20 MR. LONG: Certainly.

21 MR. ROMERO: Okay.

22 MS. TAYLOR: I'm sure we are, and I know that
23 we've had input from our counsel on that, so -- I think in
24 particular our issuer, bond counsel.

25 MR. ROMERO: Yes. Because I know a lot of

1 advocacy groups have been wanting to push to 10 percent,
2 buy they haven't been able to build a case to suggest that
3 there is -- that much need is required.

4 I just want to make sure, again, that we're
5 following the federal guidelines.

6 MR. LONG: We can assure you what we'll do, Mr.
7 Romero, is make sure our guidelines are consistent with
8 federal standards, as well as making sure that we're
9 providing a product that can be accessible to developers
10 that want to use it.

11 MR. DIETZ: And again this is going out for
12 public comment, so it will come back for final approval,
13 so that at that time we can compare where we are to the
14 federal guidance.

15 MS. TAYLOR: And it's possible that we'll get
16 public comment about some of these, and so --

17 MR. ROMERO: I know the developers will want to
18 take it lower if they can, but --

19 (General laughter.)

20 MS. TAYLOR: So we'll take all of that into
21 consideration in any -- you know, we'll consider all of
22 it, and then of course we'll speak to our counsel about
23 it, if we decide to take any of the public comment into
24 consideration.

25 MR. ROMERO: Okay.

1 MR. DIETZ: Any additional questions or
2 problems?

3 (No response.)

4 MR. ROMERO: I'll make a motion to approve the
5 publication for public comment -- of the guidelines for
6 general partners.

7 MR. EVENWEL: Seconded.

8 MR. DIETZ: Okay. Moved and seconded. Is there
9 any public comment at this time?

10 (No response.)

11 MR. DIETZ: Okay. Hearing none, all in favor?

12 (A chorus of ayes.)

13 MR. DIETZ: Okay. That motion passes.

14 Thank you again, Ms. Taylor.

15 Which leads us to Tab Item 6, which is the
16 Presentation and Discussion of and Possible Approval of
17 the Publication for Public Comment in the *Texas Register*
18 the Proposed Rules for the Homes for Texas Heroes Home
19 Loan Program.

20 MS. CRIM: Good morning, Mr. Chairman and board
21 members. I'm Joniel Crim, director of Homeownership
22 Programs.

23 I'm here to discuss Tab Item Number 6, which
24 asks for your approval of the publication for public
25 comment of the proposed rules for the Homes for Texas

1 Heroes Home Loan Program.

2 The rules are prepared in accordance with Texas
3 Government Code Section 2306.5621(f), which requires the
4 board of directors of the corporation to adopt rules for
5 the program.

6 Staff uses program rules to create more
7 detailed guidelines for lenders and for program
8 administration. With the approval today, we plan to post
9 the draft rules on the *Texas Register* website, as well as
10 our own website, and we will accept written comments from
11 the public on the rules until November 20.

12 After the public comment period is over, we
13 will review any comments received and make recommendations
14 for changes to the rules that we believe are appropriate
15 and in line with the goals of the program.

16 We will then ask for your final approval of the
17 rules at the December board meeting.

18 So at this time I'll take any questions you
19 have regarding Tab Item Number 6.

20 MR. ROMERO: So the definitions here are for
21 the rules under the program. These are in our --

22 MS. CRIM: Yes.

23 MR. ROMERO: -- legislative language. So if we
24 get public comment to change that, doesn't that have to go
25 back to the legislature to change the actual language, or

1 is it just for the guidelines?

2 MR. LONG: We're taking public comment based on
3 the rules themselves. We are not asking -- I mean, public
4 comment can come in and say, we don't like that definition
5 or whatever it might be.

6 MR. ROMERO: Right.

7 MR. LONG: And then that would be on them to go
8 back to the Texas Legislature to ask for an amendment.

9 The things that we include in the definitions
10 and defined meanings behind the various lists that are
11 here, they have come directly out of our statute, are
12 included so that everybody will understand exactly what
13 those are.

14 We're statutorily required to make sure the
15 board approves and adopts the rules to make sure that we
16 have our program in compliance with statute.

17 To answer your question, I don't think -- if
18 somebody was to ask us to make a change, or --

19 MR. ROMERO: That's not something --

20 MR. LONG: We'd have to take it to the
21 Legislature to ask them to make a change in our program.

22 MR. ROMERO: So basically any comment that we
23 receive, I'm assuming, will be -- let's say it's item 17.

24 They make certain comments. We're not going to change
25 the language that's there as part of our rules, but we can

1 work around -- if it doesn't change the rule, work around
2 it or something --

3 MR. LONG: If there was a suggestion on a
4 delivery or a type of something that we have control of
5 internally, we can certainly take public comment on that
6 and make a change if that's what we felt was appropriate
7 to bring back to the board, and that the board decided
8 that that's what they wanted to do.

9 But when it has to do with either definitions
10 that come directly out of the statute, or if there is
11 anything that is related to statutory language, we would
12 be unable to make that change, to just circumvent statute,
13 until such changes are made by the Legislature.

14 MR. DIETZ: What do we do with suggestions like
15 that, send them -- do we have some mechanism to send them
16 over to somebody at the legislature, to -- so they'll
17 know, or do we do --

18 MR. LONG: I'll let Karen answer that.

19 MR. KENNARD: Karen Kennard, general counsel
20 for the corporation.

21 When you receive comments under the *Texas*
22 *Register* publication, you as a board -- you can I guess
23 make a finding to say, This is a particular comment that
24 we think maybe is appropriate for potential legislative
25 action, and we will submit that to -- I can't remember who

1 the committee is that has jurisdiction over the
2 corporation, but we could submit that comment -- write a
3 letter, submit that comment, saying that this comment came
4 in while we were adopting rules. We, the corporation,
5 don't have the authority because our statute binds us on
6 this, but we believe this is something the legislature
7 should consider for changes.

8 So you the board would kind of make that
9 finding, you draft a letter and send it over to the
10 legislative committee that oversees the corporation.

11 MR. ROMERO: Government affairs, or --

12 MS. KENNARD: Government affairs or -- yeah,
13 but that's how you generally handle those comments if
14 they're trying to change something that's statutorily
15 mandated, or statutorily created. You couldn't change any
16 of the definitions.

17 But if you've thought it was something that's
18 good -- if not, when we receive the comments you can just
19 put something in the record to say, We received this
20 comment; however, because of our statutory restrictions,
21 there is nothing the board can do to change this, and
22 thank you for your comment.

23 So that's the way we generally handle those.

24 MR. ROMERO: Sure. We want to be sure there's
25 a difference here to the prior three that we approved and

1 this one. This one we're really just putting it out for
2 public comment, but we're not changing the language --

3 MS. KENNARD: You cannot change anything that's
4 statutorily created in your statute. But, you know, in
5 doing the guidelines, though, you have to track that
6 language, especially those definitions.

7 MR. DIETZ: Thanks for that clarification.

8 MR. ROMERO: I'll make a motion to approve
9 these to be put out for public comment.

10 MR. EVENWEL: Second.

11 MR. DIETZ: Okay. It's been moved and
12 seconded.

13 Is there any public comment at this time?

14 (No response.)

15 MR. DIETZ: No. Hearing none, all in favor?

16 (A chorus of ayes.)

17 MR. DIETZ: The motion passes.

18 Thank you.

19 And on to our last tab item of the open meeting
20 here, the Presentation, Discussion, and Possible Approval
21 of a Resolution approving the loan -- or a loan from Frost
22 Bank to the Corporation in the amount of \$4 million, to
23 support the mission of the Single Family Down Payment
24 Assistance Program that provides mortgage loans and down
25 payment assistance to eligible home buyers; and ratifying

1 all actions of the President and Executive Vice President
2 relating to the execution of the necessary agreements for
3 the loan; and authorizing and approving future actions
4 relating to the execution of the loan and programs funded
5 by the loan.

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

7 What you have before you today is a request
8 for -- as Mr. Dietz just read, it's a \$4 million loan from
9 Frost Bank. This loan would be used in conjunction as a
10 line of credit to fund down payment assistance needs for
11 our single-family home ownership program.

12 While the corporation has access to both
13 internal liquidity as well as other lines of credit with
14 the Federal Home Loan Bank, those have been sufficient in
15 the past for us to utilize for covering our down payment
16 assistance while we wait for the actual loan origination
17 process to complete and receive back those proceeds.

18 Unfortunately, as the program has grown, which
19 is fortunate for us, we've seen a significant increase
20 that's well beyond what we thought it would be.

21 We've gone to about five times the volume that
22 we were doing -- four to five times the volume we were
23 originally doing, and it has caused us to consider how we
24 might manage our liquidity position.

25 And in doing so, we reached out to Frost Bank,

1 who is our banking partner, they do all of our banking
2 for us, wire transfers, maintain our bank accounts within,
3 and we reached out to them to ask them if they would be
4 willing to provide us an inexpensive line of credit to
5 help us cover any other liquidity needs as we try and
6 cover the cost -- the demand for down payment assistance
7 in the program as the program has grown.

8 They have come back to us with terms to a loan
9 that we think are relatively in line with what we could
10 get at the Federal Home Loan Bank and very inexpensive
11 funds. And as a result, we are asking the board today to
12 consider that the board would approve the line of credit
13 from Frost Bank.

14 And I'll just -- the terms have not been
15 finalized, but these are the terms they've let out for us:
16 It would be a \$4 million line of credit. It would be a
17 three-year term with a one-year renewal.

18 Since it's 12 months and they have committed to
19 us for up to three years, closing costs of about \$2,000,
20 or 5 basis points, and the current rate that they would
21 offer us as of today would be about 1.805 percent. And
22 that is tied to the Federal Home Loan Bank short-term
23 rate.

24 We think that's extremely positive; it's
25 certainly a cost that we can incur and cover, and it just

1 provides us that additional liquidity, not so much just
2 for the DPA program, but not having to draw all of our
3 other internal liquidity and our Federal Home Loan Bank
4 line of credit liquidity, because we have other programs
5 that we use those resources for, and this just gives us an
6 additional margin of liquidity that we think would really
7 be helpful for us moving forward with the program.

8 MR. ROMERO: Is it a floating rate?

9 MR. LONG: No.

10 MR. DIETZ: It's fixed for term?

11 MR. LONG: It's fixed for the year term.

12 MS. TAYLOR: Yes.

13 MR. LONG: It's fixed for the year.

14 MR. ROMERO: For the year.

15 MR. LONG: At the time of closing, whatever
16 that Federal Home Loan Bank rate is, it's fixed for that
17 year.

18 MR. ROMERO: Okay. And so it's tied to the
19 Federal Home Loan Bank rate?

20 MR. LONG: Uh-huh.

21 MR. ROMERO: No basis points above that?

22 MR. LONG: No.

23 Well, I take that back. Yes, plus 40. I
24 apologize. Yes, sir, plus 40.

25 MR. ROMERO: Well, it's not going to change

1 that much. Okay. I was wondering if there was a floor
2 and a ceiling on the rate, but at least you're tied to the
3 Federal Home Loan Bank, it's not going to be that big of a
4 difference.

5 MR. LONG: Yes.

6 MR. DIETZ: Any other questions?

7 (No response.)

8 MR. DIETZ: Comments?

9 MR. ROMERO: Cheap money.

10 MR. LONG: Yes, sir, it is.

11 MR. DIETZ: And this is something that you may
12 or may not use, you just want to have it available --

13 MR. LONG: Yes, sir. Currently we have demand
14 for it, and we will use it. That's the need for a 12-
15 month window, but again as other program demand comes up,
16 we didn't want to run short in one or the other, and this
17 just gives us that additional cushion.

18 MR. ROMERO: This will be specifically for the
19 single-family --

20 MR. LONG: This is specifically for the single-
21 family home ownership down payment assistance program.

22 MR. ROMERO: So that we can stop tapping into
23 the other lines that are available for other programs?

24 MR. LONG: That's correct. And we can use
25 those specifically for other programs. That's correct.

1 MR. ROMERO: Okay.

2 MR. EVENWEL: So the volume is a lot larger
3 than what we initially started out --

4 MR. LONG: Yes, sir. It has increased
5 significantly.

6 MR. ROMERO: But the hope is, once we've
7 seasoned this program long enough, we may not have a need
8 for this line at some point in time.

9 MR. LONG: At some point in time we would hope
10 to obviously have less debt incurred and just use cash
11 flow to make it work. But right now, rather than have to
12 turn off the spigot, if you will, to the program, we would
13 prefer to make sure that we constantly have access to
14 funds to ensure we can cover down payment assistance fees
15 within the program, specifically at the volumes we're
16 seeing right now.

17 MR. DIETZ: Any other questions, comments?

18 (No response.)

19 MR. DIETZ: All right. Is there a motion?

20 MR. EVENWEL: I'll move to approve this.

21 MR. ROMERO: Second.

22 MR. DIETZ: Is there any public comment?

23 (No response.)

24 MR. DIETZ: Okay. Hearing none, all in favor
25 of approving the Frost Bank \$4 million line of credit?

1 (A chorus of ayes.)

2 MR. DIETZ: Okay. That motion passes.

3 All right. And there is no need to go into
4 closed session today. Is that correct?

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

6 MR. DIETZ: Okay. All right.

7 Is there anything else?

8 MR. LONG: No. As always, I would just remind
9 the board that for next month's meeting we will send out
10 information to the board regarding the need for the
11 meeting as well as the updates.

12 Obviously as we get closer to the end of the
13 year, the Audit Committee and the related audit
14 information will start to pull through, and we'll present
15 that to the board as we get closer.

16 MR. DIETZ: I've got it on my calendar right
17 now for the 9th, but we might change to the 16th --

18 MR. LONG: It just depends on board
19 availability, and with Mr. Jones's scenario, we might end
20 up having to accommodate a different date to make sure we
21 have a quorum.

22 MR. DIETZ: Great.

23 MR. EVENWEL: Do you have any public comment
24 about Mr. Jones or --

25 MR. LONG: That is up to the board.

1 MR. DIETZ: I think Mr. Jones is out due to a
2 back surgery that he had to have.

3 MR. LONG: That's correct.

4 MR. DIETZ: Yes. It was unexpected, I believe.
5 Hopefully he will be back with us next month.

6 MR. LONG: That's right.

7 MR. DIETZ: Very well. Thank you all very
8 much, and if there's no other business and no closed
9 session, then the Texas State Affordable Housing
10 Corporation board meeting for the month of October is
11 closed, at 11 minutes after 11 o'clock.

12 (Whereupon, at 11:11 a.m., the meeting was
13 adjourned.)

