

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
June 14, 2018
10:30 a.m.

BOARD MEMBERS:

WILLIAM H. DIETZ, JR., Chair
GERRY EVENWEL, Member
ROBERT "BOB" JONES, Member
JERRY ROMERO, Member

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P R O C E E D I N G S

1
2 MR. JONES: Okay. 10:31. The June meeting of
3 the Texas State Affordable Housing Corporation Board of
4 Directors is called to order. Where's my blue pen? No
5 blue pen? No official blue pen?

6 MR. LONG: Do you want a blue pen?

7 MR. JONES: No, I should have one for all the
8 official stuff. Right? Am I right, Mr. Evenwel?

9 MR. EVENWEL: Good job.

10 MR. JONES: Thank you. Oh, nice pen.

11 MR. LONG: I want that back.

12 MR. JONES: William Dietz?

13 MR. DIETZ: Here.

14 MR. JONES: Gerry Evenwel?

15 MR. EVENWEL: Here.

16 MR. JONES: Jerry Romero?

17 MR. ROMERO: Here.

18 MR. JONES: And Bob Jones, I'm here. And
19 gentlemen, we have a quorum. At this time, I'm moving out
20 of the neighborhood. Let me get your own --

21 MR. DIETZ: I guess we'll trade places.

22 MR. JONES: To the new chairman of the Texas
23 State Affordable Housing Corporation, Mr. Dietz.

24 (Applause.)

25 MR. DIETZ: I've got one but I'm not going to

1 hit it. Well, thank you, and I'm just glad that Bob will
2 still be around to keep me in line, and I apologize in
3 advance for the lack of levity that will probably ensue
4 with your new chair, but perhaps he can still chime in
5 periodically and provide that needed levity that we have
6 grown accustomed to. So thank you, Bob.

7 MR. JONES: Thank you, sir. Well earned and
8 well deserved, I might add.

9 MR. DIETZ: All right. Well, with that, is
10 there any public comment?

11 (No response.)

12 MR. DIETZ: Okay. Hearing no public comment,
13 we'll move right on to the president's report.

14 MR. LONG: Thank you, and good morning,
15 Chairman Dietz and Board members. Program and financial
16 reports are listed under tab items A through D of the
17 Board book. There are no exceptional items to reference
18 in the financial reports under Tab D.

19 Also, just for the record, we'll be making --
20 providing a more in-depth program view of the compliance
21 and residence services report during a staff presentation
22 under tab -- under agenda item number 9. Some updates --
23 the Corporation's Loan Committee met yesterday, June 13.

24 The Loan Committee did not consider any new
25 loans. However, reviewed the reports on the existing loan

1 portfolio and discussed items related to the loan
2 portfolio. Mr. Romero, do you want to add anything at
3 this point on that?

4 MR. ROMERO: I think we continue to improve the
5 process, you know, with any kind of potential issues that
6 we might have to address in the future. So I think it's
7 working well.

8 MR. LONG: Good. Thank you, sir. Some updates
9 on the Homeownership Program. This week's staff are
10 conducting the Housing Connection training in San Antonio
11 at the San Antonio branch of the Federal Reserve Bank of
12 Dallas.

13 Thirty-nine counselors in affordable housing
14 developers are attending that training. I want to thank
15 the Federal Reserve Bank of Dallas for again hosting our
16 training and being such a wonderful supporter of the
17 Corporation.

18 The Homeownership Team also conducted six
19 overcoming down payment hurdle classes since the last
20 Board meeting in April. The staff also attended and
21 managed a booth at the Affordable Homes of South Texas
22 Annual Homebuyer Fair in McAllen earlier this month, and
23 the team also welcomed a new staff member.

24 As I mentioned at the last month's -- at the
25 April meeting, we were losing a young lady who we hired.

1 She was only here about 60 days. She started with us, got
2 engaged and moved. So we replaced her recently and Frank
3 Duplechain is our newest member.

4 Unfortunately, he actually monitoring and
5 coordinating the training in San Antonio so we're unable
6 to introduce you, but he's already hit the ground running
7 and doing a good job with the team, so we appreciate and
8 we'll introduce him the next chance we have when he's at
9 the next meeting.

10 On Saturday the 19th of last month, Janie,
11 Katie and Dave attended the ribbon-cutting ceremony at the
12 Chicon, alongside representatives of the City of Austin,
13 Texas Capital Bank and Frost Bank. As you all know, this
14 is a -- the Chicon is a 28-mixed-use project development
15 of the Chestnut Neighborhood Revitalization Corporation
16 that includes 21 single-family homes for households at or
17 below 80 percent of area median family income.

18 The Corporation provided \$2 million in
19 construction financing for the development through our
20 Texas Housing Impact Fund. Updates on travel and past
21 conferences attended: Tim Almquist and I attended the
22 National Association of Local Housing Finance Agency's
23 annual conference in New Orleans last month.

24 Janie, Joniel and I attended the Fannie Mae HFA
25 Housing Summit in Washington, D.C. last month. TSAHC just

1 this month hosted the fourth of six sessions of the Rural
2 Housing Preservation Academy. We hosted that here at our
3 offices, and just a reminder that that's an initiative
4 between TSAHC, the Federal Reserve Board of -- excuse
5 me -- the Federal Reserve Bank of Dallas, Enterprise
6 Community Partners and other organizations in an effort to
7 preserve USDA affordable rural rental properties.

8 I'd like to thank Michael and David for not
9 only their participation in that academy and managing to
10 our representatives at it, but also for being a bit part
11 of the sponsorship in us being able to host it here at our
12 offices.

13 Michael and I attended the Senate Committee on
14 Intergovernmental Relations, IGR, hearing in Pharr, Texas
15 last month. Chairman Lucio conducted the hearing on
16 housing affordability across Texas and invited the
17 Corporation and myself to be a part of that, by making a
18 presentation and giving testimony.

19 I'd like to thank Janie for all her work on
20 that. We were asked by staff at Senator Lucio's office to
21 provide some potential stakeholder names that could also
22 provide input and testimony at the hearing, and Janie
23 really stepped up and gave them several names of people
24 that I think eventually ended up showing up to give
25 testimony on that. So thank you, Janie.

1 Joe went to the Reclaiming Vacancy Property
2 Campaign National Conference in Milwaukee last month, and
3 this is a national conference focused on land banking
4 initiatives of the Corporation as a land banking partner.

5 So I'm grateful that Joe was able to attend that.

6 And then I would like to recognize that Dave
7 Danenfelzer completed his term. Something you may have
8 not known -- Dave actually served on the IRS Tax Exempt
9 and Governmental Entity Advisory Committee. It was a
10 big -- I think it was a pretty big opportunity for Dave to
11 serve on a federal advisory committee, and we were
12 grateful that David stepped and took that opportunity, and
13 as a result of all their extra work and all that they did,
14 they published and presented their 2018 recommendation on
15 June 7 that came out of that committee at the federal
16 level. So thank you, David.

17 I always like to recognize our professionals in
18 attendance. Aaron Gregg is here. He is in place of
19 Karen. Karen is -- happens to be on vacation this week,
20 so Aaron graciously stepped in and will be here for the
21 meeting, so if you have any questions, not me, but Aaron.

22 Tim Nelson and -- don't say it -- Claire
23 Merritt are here with Hilltop Securities, our municipal
24 advisor firm.

25 And Mr. Dietz?

1 MR. DIETZ: Yeah, and David, I'd like to
2 recognize one other special guest that we have joining us
3 today, Lori Cobos, who is an attorney here in Austin, and
4 who was recently appointed to the Texas State Affordable
5 Housing Corporation Board of Directors by Governor Abbott,
6 and pending her taking her oath of office, she will
7 actually join us officially on the Board next month.

8 So welcome, Lori, as a guest.

9 (Applause.)

10 MR. DIETZ: We're excited to have you join us.

11 MR. LONG: As always, I'd like to at least
12 mention when our next meeting is, and it's scheduled for
13 July 19 next month, and with that, I'll conclude, unless
14 there's any questions, Mr. Chairman.

15 MR. DIETZ: Any questions from any Board
16 members for David?

17 (No response.)

18 MR. DIETZ: No? Well, thank you very much for
19 that president's report, and let's move right on to our
20 action items for the meeting today, beginning with tab
21 item 1, which is the presentation, discussion and possible
22 approval of minutes of the Board meeting held last month
23 on April 19.

24 MR. EVENWEL: I move we approve the minutes as
25 written.

1 MR. DIETZ: Is there a second?

2 MR. ROMERO: Second.

3 MR. DIETZ: It's been moved and seconded that
4 we approve the minutes from last month.

5 MR. JONES: I'm surprised at Mr. Evenwel,
6 because on page 6 --

7 MR. LONG: Oh, no.

8 MR. EVENWEL: I guess there's discussion.

9 MR. JONES: The paragraph, second from the
10 bottom, 500,000 has a period, instead of a comma.

11 MR. DIETZ: I'm also surprised that Mr. Evenwel
12 didn't catch that.

13 MR. JONES: But also, on this particular one,
14 when I read it over, if I didn't understand what the
15 conversation was, Ms. Claflin and Mr. Jones inquired about
16 the source of the 500,000 and how much the Corporation
17 would need to provide Ms. Claflin an overview -- but maybe
18 it's on overview of the funding sources, and Mr. Romero
19 noted the total amount would be 750,000.

20 It wasn't clear, but that's the amount that
21 TSAHC in the best-case scenario would have to come of
22 their own -- out of our own funds. Right? 750,000? I'm
23 just saying, it's not clear.

24 MR. LONG: If you can point out what section
25 are you --

1 MR. JONES: I'm on page 6 of the minutes.

2 MR. LONG: Page 6, in the next-to-the-last
3 paragraph, you mean?

4 MR. JONES: Right.

5 MR. LONG: Okay.

6 MR. JONES: When I saw the period, I thought
7 sure Mr. Evenwel was going to say something, but I was
8 reading it, and particularly scrutinizing it a little bit
9 tougher, because I was trying to see if I understood this,
10 if it was clear.

11 MR. LONG: I think that should be, Ms. Claflin
12 provided an overview of the funding sources and Mr. Romero
13 noted the total amount would be 750,000.

14 MR. JONES: And that's how much the Corporation
15 would need to provide as matching funds?

16 MR. LONG: No. That's the amount of funding
17 that we would have available in the total award, I think.

18 MR. JONES: But see, that's what I'm saying.
19 That's not clear.

20 MR. LONG: I can clarify that if you would
21 prefer.

22 MR. JONES: No, I understand. I'm just saying,
23 if anybody reads the minutes --

24 MR. LONG: Understood, and I --

25 MR. JONES: -- it looks like we'd be putting up

1 the source -- how much the Corporation would need to
2 provide. Remember? That was in the worst case of our
3 investigators, because they said they will keep adding,
4 and if we don't do this and match this fund and they'll --

5 MR. LONG: Right.

6 MR. JONES: -- bring some more funds. And it
7 looks here like the Corporation would be -- would have to
8 spend about 750,000 out of Corporation funds. That's what
9 this paragraph suggests to me.

10 MR. LONG: At the Board's pleasure, I can
11 certainly reword that sentence so that it reads a little
12 clearly and gives a better definition, if that's what
13 you're asking me.

14 MR. JONES: Do you remember how much we would
15 have had to pay?

16 MR. LONG: I wasn't at that meeting, but --

17 MS. TAYLOR: David --

18 MR. LONG: -- go ahead.

19 MS. TAYLOR: -- I can -- I was there. This is
20 Janie Taylor, executive vice-president.

21 So originally the -- we were awarded \$250,000
22 up front, and that -- we were awarded 250,000, Enterprise
23 was awarded 250,000, for a total of 500,000. We can
24 access another \$500,000 total for Enterprise and TSAHC if
25 we raise another \$500,000.

1 TSAHC's Board committed 250,000, and so in
2 total right now the fund has 750,000 because we haven't
3 accessed the additional 500,000 that's available for
4 matching funds, and that's where the 750,000 comes in.

5 MR. DIETZ: So it would be appropriate to
6 modify the minutes? Number one, make that change --

7 MS. TAYLOR: Sure. Make that a little bit --

8 MR. DIETZ: -- from a period to a comma --

9 MS. TAYLOR: -- more clear. Yeah.

10 MR. DIETZ: -- and then in the sentence, Ms.
11 Claflin provided an overview, the total would be 750,000,
12 a combination of X, Y and Z?

13 MS. TAYLOR: Yes.

14 MR. JONES: Or in matching funds. Right?

15 MS. TAYLOR: Yes.

16 MR. DIETZ: Yeah.

17 MR. JONES: That's what it is --

18 MR. LONG: We'll make that change.

19 MR. DIETZ: Yeah.

20 MR. JONES: Okay.

21 MS. TAYLOR: We'll make that clear so it's a
22 little bit more clear --

23 MR. DIETZ: Right.

24 MS. TAYLOR: -- and then I guess we'll figure
25 out if we need to come back and have that --

1 MR. LONG: I don't think we have to have it
2 revoted on.

3 MS. TAYLOR: We don't have to have a revote.
4 Yeah.

5 MR. JONES: Because if we do 750,000 matching
6 funds, the total would be twice that amount. Right?

7 MR. ROMERO: We're making the recommendation.

8 MR. LONG: We'll work on it and get it
9 corrected and get it --

10 MS. TAYLOR: Right, okay.

11 MR. JONES: Okay.

12 MR. LONG: -- in the minutes the way the
13 Board's requested.

14 MR. DIETZ: Okay.

15 MS. TAYLOR: Thank you.

16 MR. LONG: Okay.

17 MR. DIETZ: All right.

18 MR. EVENWEL: The next sentence has a typo in
19 it, 501(c)(3). There's a bracket around (c) in 501(c)(3).

20 MR. LONG: Okay.

21 MR. DIETZ: Great.

22 MR. LONG: Got it.

23 MR. DIETZ: Okay. With those adjustments, any
24 other commentary from the Board?

25 MR. EVENWEL: I re-move their approval as

1 amended.

2 MR. DIETZ: Okay. So the minutes from April
3 have been -- it's been moved and seconded that they be
4 approved with the adjustments to the page 6 as we have
5 noted. All in favor?

6 (A chorus of ayes.)

7 MR. DIETZ: Any opposed?

8 (No response.)

9 MR. DIETZ: Okay. The minutes from last month
10 pass. Any public comment?

11 (No response.)

12 MR. DIETZ: There's no public comment. Great.
13 Okay. On to tab 2, which is the presentation and
14 discussion by Patterson and Associates regarding the
15 Corporation's investment portfolio.

16 MS. PATTERSON: Good morning.

17 MR. DIETZ: Good morning.

18 MS. PATTERSON: What a great week to be talking
19 about portfolios. I'm Linda Patterson of Patterson and
20 Associates, and I think we need to count off. There we
21 go. Starting all over again. Good morning. It's a great
22 week to be talking about investments, in general.

23 It is -- as some pundits have said, this is the
24 week that was, and the most important economic week of the
25 year so far. You never know. We have had a G7 meeting of

1 the finance directors, and that went smoothly. No big
2 changes there.

3 We had the North Korean conference, at least a
4 step forward on that one, which takes a lot of anxiety out
5 of the marketplace. We've had Italy calming down a little
6 bit and pronouncements from Italy saying that they have no
7 intention of pulling out of the Euro, which was a major
8 concern when the elections took place, and we have a very
9 strong socialist bent to that government right now.

10 This morning, the minutes came out from the
11 ECB, and they did not raise rates yet. They're not ready
12 to raise rates, but they are going -- they have announced
13 that they're going to start tapering, so they'll be
14 tapering off the quantitative easing, which means that's
15 the first step towards raising the rates, so that's going
16 to be a normalization there.

17 We've also had retail sales coming out. It's
18 looking really good. CPI and PPI looking stronger.
19 Actually not the core numbers, but the other numbers over
20 the target in the Fed. So everything should be looking
21 fine, and actually this morning you should be looking at
22 much higher rates, but that's not the case yet, but that's
23 probably just short-covering, because the final cherry on
24 the top of this week was the increase from the Federal
25 Reserve, the federal funds rates, up to a range of 1.75 to

1 2 percent, finally at 2 percent, and they made very little
2 change in their stance.

3 They're still going to remain accommodative.
4 That was expected, and so can we change this slide?

5 MALE VOICE: Sure.

6 MS. PATTERSON: Or I could reach over, but I'd
7 probably fall. Okay. So we have an accommodative Fed,
8 and that means that there was one slight change to the dot
9 plot, which is their thinking of how they're going to
10 adjust the rates, and that has moved us ever so slightly,
11 but has moved us now to the consideration that we will
12 have four rate increases this year instead of three.

13 I'm still kind of in the three camp, but the
14 dot plot says four, and probably another two next year.
15 So very much stepping up, very hawkish tone coming out of
16 the Fed. Looking back generally, and why I say that
17 Europe is really affecting us in a great degree is, if you
18 look at that first chart, the brown line is Europe, and
19 that's the general growth pattern, and they started
20 falling back in '17.

21 Their rates are still very low. They're being
22 kept low by the ECB and the other central banks, and with
23 that growth falling well down below our growth line, you
24 can see why the Europeans are slow their rates up.

25 Well, if they're slow to move their rates up --

1 and you can see it in the second graph down here -- that's
2 the rate differential between our rates and the world's
3 rates, and so even though a 3 percent on 30-year doesn't
4 look too appealing to us, although it should, it's much
5 better than being in a negative rate in some other
6 currency in some other sovereign. Yeah?

7 MR. JONES: Normally, we get a hard copy of
8 this presentation. Do we have that today? No?

9 MS. PATTERSON: We don't --

10 MR. JONES: You don't have it?

11 MS. PATTERSON: -- because that was my fault,
12 because we just got your numbers yesterday, and I just
13 gave this report to them.

14 MR. JONES: We can get it later, though, right?

15 MS. PATTERSON: But we -- I can sure they can
16 provide --

17 MR. LONG: We can certainly get you a copy,
18 yes, sir.

19 MS. PATTERSON: -- by the end of the --

20 MR. JONES: Okay.

21 MS. PATTERSON: -- meeting, I'm sure.

22 MR. JONES: Thank you.

23 MS. PATTERSON: The rate differential is what's
24 playing into our rates, very much so, because when
25 international money has a choice of where to go, they're

1 going to go for the highest rates, and ours are the
2 highest rates right now.

3 It's still very, very volatile. We still have
4 European headwinds. Their inflation is just not picking
5 up, which would indicate more growth. Italy and Spain are
6 still a little bit tentative. Rajoy has been -- has left
7 the Spanish government, so that calms down that situation,
8 but we still have Brexit, and we still have the problems
9 with Ireland and Britain deciding how those goods are
10 going to travel across that border.

11 So there's a lot of news that's still coming
12 out, but it's not the huge uncertainties that we had even
13 last month. And so that's going to help. The Chinese, of
14 course, are kind of being quiet this week. So much now
15 that we talk about, since -- I'm going to talk about
16 secondly about domestic situations, but first, right now,
17 I'm talking about the international -- is because it has
18 so much input into what our rates are doing and what our
19 markets are doing.

20 And -- but when you look domestically, even
21 though we still have Turkey going on, we still have Syria
22 going on, there's still a lot of uncertainty out there and
23 very low rates. We have an expansion that is incredibly
24 strong here in the United States.

25 We have growth that continues to grow. You can

1 see the ISM, which is the Institute of Supply Managers,
2 you know, purchase managers' report. You can see that
3 jump, going up a substantial amount in the first quarter,
4 and the PCE, which is the indicator of choice by the Fed
5 and the FOMC.

6 You can see an upward trajectory there. It's
7 really coming close to their 2 percent target. It's just
8 lagging there ever so slightly. Of course, inflation is
9 the big ticket right now. We have, in wages and payrolls,
10 incredibly low rates.

11 We have seen this past month wage pressure, and
12 that's the first time we've really seen wage pressure, and
13 that's a big indication, because with that wage pressure
14 comes more money in people's pockets, and they'll go out
15 and spend more, which we saw just this morning in retail
16 sales going up.

17 So a lot of strength in our economy, tremendous
18 strength actually. One of the things that will affect
19 that inflation to the good side is oil prices up, but that
20 also takes the wealth effect out of people's pockets, and
21 so it's kind of a moderating force at this point, and we
22 have to watch oil very carefully, and of course, that's
23 very important to Texas, as we all know, but it's really
24 the wages and the growth of those wages and the hourly
25 earnings going up that are a very positive sign for the

1 economy.

2 And you can see what it's done to us. You all,
3 I'm sure, have heard about the flattening of the yield
4 curve and how concerned we are. You can see it very
5 dramatically there, and I just go back to June '17, where
6 the spread between or the difference between the Fed
7 fund's overnight rate and the 30-year was much greater
8 than it is now, and the front end of that -- you can see
9 the march upward in the federal funds rate -- that's the
10 FOMC raising the federal funds rate on a regular basis.

11 I should also note that one other change that
12 came out of the meeting this week was that our new
13 chairman, Chairman Powell, has announced that he's going
14 to have a press conference starting in January after every
15 meeting.

16 They're going to keep the quarterly economic
17 projections, or the SEP, in place, and that's how we
18 usually know when they're going to raise rates, because
19 they won't -- they historically don't raise rates unless
20 there's a SEP afterwards because they're making a new
21 projection.

22 But this was so baked into the market that it
23 really didn't matter.

24 MR. JONES: When you were talking about
25 expansion, I didn't know you were going to go to the next

1 page. I would have asked then, but the expansion, the
2 economy -- there was no mention of how the tax cuts for
3 both people and companies, not just corporations, all
4 businesses -- how that played or didn't play into it.

5 Is that a factor or --

6 MS. PATTERSON: Oh, absolutely. In the first
7 quarter, it was a major, major factor because there was
8 tremendous growth on the anticipation and even starting in
9 January, where those paychecks were much, much larger. So
10 that was built pretty much into the -- in January.

11 It faded back because we had a little sinking
12 spell, as we usually do at the beginning of the year, in
13 February and March, and then the growth came back,
14 starting in April, May and continuing into June.

15 MR. JONES: So you anticipate more business is
16 still going to expand? Wages are going to continue to
17 rise?

18 MS. PATTERSON: Right. One of my favorite
19 indicators is capacity utilization, and capacity
20 utilization has a magic number at 80 percent, and it makes
21 a lot of just common sense, because if you own a factory
22 or you're producing widgets, and you're at 80 percent
23 capacity of your production, then you're going to have to
24 do something.

25 You're going to have to add additional people

1 to the line or add another cycle or build a whole new
2 building, and capacity utilization has been right at
3 78 percent. It's about 78.8 right now, and when it hits
4 that -- that's a -- that's something we all watch very
5 carefully, because when it hits 80, there are decisions
6 being made, and they're already being made, of increases
7 of just -- I've heard of a couple in the last couple
8 weeks.

9 Big headquarters being moved and so forth. So
10 yeah. Interestingly enough, though, I was just reading
11 this morning that when we have tax changes in the tax
12 code, most people do not respond quickly to changing their
13 exemptions from their checks, and so it's expected that
14 this time next year, in April of next year, that there
15 will be a lot -- I think the number was 26 billion -- more
16 coming back in tax refunds, because people haven't changed
17 their exemption status, and so they'll have made more and
18 they will have exempted too much.

19 So that's going to be a nice little punch to
20 the economy next year this time.

21 MR. JONES: Thank you.

22 MS. PATTERSON: Uh-huh. What I was saying here
23 was the spread -- and there's a lot of concern about the
24 flattening of the curve and of course, as of today, that
25 red line goes up to 2 percent there, because we look at

1 the top of the range.

2 So the spread is very narrow and we don't -- we
3 see that, as the curve gets flatter and flatter, it's not
4 the usual kind of flattening. The flattening that we
5 usually see and why the market is concerned is that when
6 we go into a flat yield curve, there's an indication that
7 it's going to tip this way, and so it's going to go into
8 an inverted curve which has historically led us into
9 recessions.

10 But that's because, in that situation, you
11 don't have the performance and the growth that we have.
12 But remember on the first slide we looked at the interest
13 rate differential between the United States and other
14 sovereigns, and even now, you can buy a -- even a one-year
15 treasury that's going to match the dividend on the S&P,
16 and so the differential even there is leading people out
17 of a risk asset in the equities or in other sovereigns and
18 into ours, so when a lot of money comes into our market --
19 this being the treasury market -- when it comes into that
20 market, it holds the rates down because even if we added,
21 and we did, 100 and some billion dollars this year in
22 supply, it had moved that front end of the market.

23 So what's pushing down on both the front end
24 and the long end is this supply and the interest from
25 international money just coming here, because we happen to

1 be the best thing going right now, plus on the long end
2 you'll see that it hasn't moved in a year.

3 It really hasn't moved very much at all, about
4 a half a percentage point, or not even that, a quarter of
5 a percent point, and it's wobbled around a little bit,
6 ever since the first moves, and that's due in large part
7 to, if you think about it, the concern for inflation.

8 Once the inflation is clearly there, then we
9 expect that to pop, and it'll pop quickly, and those will
10 go up. One of the reasons it's good right now, especially
11 if you're TSAHC and your folks, is that it's holding
12 mortgage rates down, and that was part of the reason for
13 the QE, in the first place, to put that money in there and
14 hold it down.

15 Well, we're tapering our QE, plus there's not
16 the really strong inflation yet, plus people holding a --
17 or a Euro bond at 30 -- in 30 years at 1 percent of less.

18 This looks very attractive. But when it starts to move,
19 it'll move very quickly, and then we'll get our slope back
20 to the curve again, because if you're holding a 30-year
21 bond, you certainly don't want to be holding it for three
22 years, and remembering also that when wages go up, prices
23 go down, which we will also see in your portfolio, which
24 looks great.

25 I'm glad to bring you these. We are well over

1 the 1 percent that we've struggled with for so long and
2 talked about for so long. You're looking at the end of
3 the quarter in February and the end of the quarter in May,
4 and you can see that we've jumped up the \$2 million.

5 That's new money coming in, and the 68 days,
6 the fund was pretty liquid at that point. The quarter
7 yield, because it had moved up over the quarter, was a .9,
8 but we had an ending yield indicating exactly where that
9 was going to go at 1.6, and your earnings for that quarter
10 were \$18,000.

11 The earnings for this past quarter were
12 \$78,000. So a very nice impact, and that comes from the
13 fact of looking at a little more money, two million more,
14 but also a quarterly yield of 1.6, where we started at the
15 beginning. You can see that holding over the quarter
16 where it goes up, but an ending yield of 1.7.

17 So it is poised to go, again, higher over the
18 next quarter. One of the reasons I mentioned and reminded
19 you that when interest rates go up, prices go down.
20 That's why you have the unrealized gains and losses. A
21 portfolio also lags because it has securities on it, and
22 therefore when the rates are going up, the prices on those
23 securities are going down.

24 So you have an unrealized loss on that. But
25 it's never going to be a loss to the portfolio unless we

1 realize it, unless we take it, which we have no plans of
2 doing because we manage your cash flow based on the cash
3 flow analysis given by your staff.

4 But we've extended the portfolio significantly,
5 and you can see it better here. You can see that LOGIC at
6 the beginning of the quarter was 30 percent of the
7 portfolio and it's now 16. The bank money was 40 percent.
8 It's now down to 9 percent.

9 It would be nice to take that even lower. But
10 what has happened is, we've moved those very liquid funds,
11 which were okay at that rate, but we were waiting for the
12 rates to go up and putting the money to work in agency
13 coupon notes that are now 32 percent of the portfolio and
14 treasury notes which are 38 percent.

15 It's really unusual right now that the
16 treasuries can outperform the agencies, and that's usually
17 never the case because you expect to have to pay up for
18 the risk of an agency, which is an implied guarantee as
19 opposed to the explicit.

20 But Fannie Mae and Freddie Mac are under
21 conservatorship of the United States Treasury right now,
22 and that means they hold full faith and credit of the
23 United States Government, and as such, they have the
24 normal structures that everybody wants, and for those, you
25 actually pay up for those now in price.

1 So they -- the treasuries are actually
2 outperforming the agencies. It's a real unusual
3 situation, and when it happened, we load the portfolio
4 with treasuries because of that quality on there, and
5 that's why you see the move.

6 It's a pretty dramatic move from quarter to
7 quarter on the allocation by market sector. It's also a
8 dramatic change on the maturity allocation for the sector.

9 And I kept those scales on the axis the same. So they
10 both go up to \$12 million.

11 But you can see at the end of February that
12 that's money sitting in the banks, sitting in LOGIC,
13 sitting very, very liquid. It had just come in and we
14 were waiting for the rates to go up. So we've taken down
15 the \$11 million from the end of February.

16 It's now down to \$5 million, and probably will
17 be reduced now, since we've had another rate increase, a
18 little bit farther. And we've extended the portfolio, and
19 you can see exactly where that is. We're taking advantage
20 of the zero to three a month has been very aggressive in
21 rates, mostly because of the uncertainty out there, and a
22 lot of commercial paper being sold.

23 And then out to the 6-9, 9-12 and over one
24 year. So you see the ladder that we're continuously
25 building in the portfolio to address your cash needs, but

1 also to add and take that from 18,000 to \$78,000 in
2 interest earnings. You have three portfolio, and this is
3 the second portfolio, and of course, this is the mortgage-
4 backed securities that were bought.

5 It's been averaging about \$5 million, and since
6 these are set long-term mortgage-backed, they're -- it's
7 not going to change very much at all. But the rate at the
8 end of the February quarter was 5.748 and at the end of
9 May, 5.75.

10 The interest earnings are going to be almost
11 identical quarter after quarter. It's more how much
12 people pay on their principal and interest that's flowing
13 through, which is your earnings on these particular
14 securities.

15 And giving you an idea of what's in there, the
16 Freddie Mac represents 32 percent and the yields, the
17 corresponding yields -- Freddie's are at 5.7 in the
18 portfolio. Ginnie's at 5.8, and Fannie's at a 5.4. So
19 that is not going to change.

20 The only reason that that would change, since
21 they're sitting at those high rates now, would be to take
22 profits out and reinvest them, and you'd be reinvesting
23 lower, so why would you do that? Most of the funds are
24 sitting out into the 20- and 25-year area.

25 Most of those have a stated maturity, not an

1 expected, but a stated maturity of 2036 to 2038, and what
2 you're -- what we're recording on here is the stated, not
3 the expected, although it might be of interest to you.
4 Next time I come back, I will give you the expected also.

5 Then you have the direct lending portfolio.
6 These are held totally in bank accounts, unfortunately.
7 The qualification on them that I understand is that they
8 must be non-interest-bearing, and they are. That has
9 increased from 116,000 to 291,000.

10 Whoops. I don't know how to get rid of that,
11 so I'm going to ignore it. Yeah, there we go. It's one
12 day because it is sitting in bank accounts. I was asking
13 this morning, can we at least move it to a money market
14 fund -- a money market account and keep it in the banks?
15 But apparently, the language is non-interest-bearing, so
16 you're stuck with that one.

17 MR. JONES: So if it's non-interest-bearing,
18 for liquidity purposes, for TSAHC, do you want that much
19 money to then -- to increase from what it was to almost
20 300,000 non-interest-bearing? Is --

21 MS. PATTERSON: You would have to ask the
22 experts to know. I'm not sure what you use those funds --

23 MR. LONG: It's required by the different
24 investment -- by the different properties, so those have
25 to stay where they're at, and it's increasing based on our

1 portfolio.

2 MR. JONES: Okay.

3 MS. PATTERSON: Okay. And also when it's --

4 MR. LONG: Restricted assets.

5 MS. PATTERSON: -- non-interest-bearing --
6 whoops.

7 MR. LONG: Restricted assets.

8 MS. PATTERSON: And since it's in a non-
9 interest-bearing account, it also provides funds for your
10 compensation balance at the bank --

11 MR. JONES: And it basically --

12 MS. PATTERSON: -- so it does do that --

13 MR. JONES: -- tripled.

14 MS. PATTERSON: It truly is an interest-
15 bearing, but we won't tell them. This is just to give you
16 an idea of the allocation from those direct -- for those
17 direct lending. They sit in one of the Willows
18 Replacement, Rita Blanca and -- I can't read that --
19 neighborhood stabilization --

20 MR. LONG: Neighborhood stabilization.

21 MS. PATTERSON: -- in those amounts.

22 MR. LONG: Uh-huh.

23 MS. PATTERSON: I'd be glad to answer any
24 questions.

25 MR. JONES: Great. Thank you.

1 MR. DIETZ: Thank you for that presentation.
2 Very detailed and informative. Any questions from the
3 Board?

4 (No response.)

5 MR. DIETZ: Okay. If not, I don't think
6 there's any action required for that particular
7 presentation. So we really appreciate your time, and
8 let's move on to tab item 4, which is the presentation,
9 discussion and possible approval of the Corporation's
10 fiscal year 2019 investment policy.

11 MS. SMITH: Good morning, Mr. Chair, Board
12 members. My name is Melinda Smith. I'm the chief
13 financial officer. The Public Funds Investment Act
14 requires that we annually ask the Board to approve our
15 investment policy, so that's what we're asking today.

16 We only had one change to the policy, and that
17 appears on page -- if you can bear with me for a second --

18 MR. ROMERO: A-6.

19 MR. LONG: A-6.

20 MS. SMITH: Yes, sir. Thank you. Our auditors
21 actually asked us to make this change because they felt
22 like they never knew whether it was based on a fiscal
23 year -- our training requirement was based on a fiscal
24 year or a calendar, so we have specified in here that it
25 is a fiscal year.

1 And that was the only change we made. So we
2 are asking that the Board approve the policy for fiscal
3 year 2019.

4 MR. ROMERO: I make a motion to approve the
5 recommended change.

6 MR. JONES: Second.

7 MR. DIETZ: It's been moved and seconded. Is
8 there any public comment?

9 (No response.)

10 MR. JONES: I have some questions.

11 MR. DIETZ: Hearing none, is there any
12 conversation, questions?

13 MR. EVENWEL: The first page of your investment
14 policy says this is the investment policy '18, and we're
15 approving something for '19.

16 MS. SMITH: Yes, it's -- and I apologize. That
17 is my mistake.

18 MR. EVENWEL: Okay. That's just a typo. Okay.

19 MS. SMITH: It should say 2019. You're
20 absolutely right.

21 MR. EVENWEL: The other question I have is on
22 page 6 where you have your changes, but in the first
23 paragraph -- and this is just my reading through it, and I
24 don't totally understand what you're trying to say -- but
25 you're saying that the authority to manage the fund is

1 something to the CEO, and then the operation of the
2 investment.

3 So there's a management function and an
4 operation function, but then, at the end of that sentence,
5 it says, these are the investment officers. And if I read
6 the way the sentence is structured, you're only saying the
7 CFO and the comptroller are the investment officers, not
8 the CEO.

9 MS. SMITH: The way the Public Funds Investment
10 Act reads, it actually states that the CEO of the company
11 is the investment officer.

12 MR. EVENWEL: Okay.

13 MS. SMITH: It's just a -- it's a legal
14 requirement, and it gives him the authority to delegate
15 that to someone else, which in this case David has
16 delegated to us, although he is very involved, and in fact
17 always involved in our investment purchase so --

18 MR. EVENWEL: So the sentence is not wrong? Is
19 that what you're saying?

20 MR. LONG: I don't -- the way we read it is
21 that we have a CFO and a comptroller --

22 MR. EVENWEL: Okay.

23 MR. LONG: -- Melinda and Nick, and they are
24 designated as the investment officers. Now, are you
25 asking why I'm not listed as an investment -- as CEO?

1 MR. EVENWEL: Yes. I mean, that -- when I was
2 reading that, I was thinking, that -- number one is
3 designating who is the investment officer, but then when
4 you read it --

5 MR. LONG: Uh-huh.

6 MR. EVENWEL: -- there's one sentence that has
7 a period, and then the next sentence says these last two
8 people that were mentioned are the investment officers.
9 So I just wanted to be sure if I am reading it wrong or if
10 it's okay the way it's written.

11 MR. DIETZ: I think the CEO is the person that
12 has that authority, and then that authority has been
13 delegated --

14 MR. LONG: Yeah.

15 MR. DIETZ: -- from the CEO to those
16 individuals. Is that correct?

17 MS. SMITH: Right.

18 MR. LONG: Right.

19 MS. SMITH: And we're asking the Board to
20 approve --

21 MR. EVENWEL: But it doesn't say that.

22 MS. SMITH: -- that, but I see why he's --

23 MR. DIETZ: So would they --

24 MS. SMITH: -- Mr. Evenwel is saying it doesn't
25 say that.

1 MR. LONG: I think --

2 MR. EVENWEL: But it doesn't say the CEO is
3 delegating. The Board --

4 MS. SMITH: Right. It says --

5 MR. EVENWEL: -- is delegating.

6 MS. SMITH: -- the Board is delegating. Yeah.

7 MR. DIETZ: So would that --

8 MR. EVENWEL: And so only those --

9 MR. DIETZ: -- technically, is the CEO
10 delegating --

11 MR. EVENWEL: -- two people --

12 MR. LONG: Yeah.

13 MR. DIETZ: -- that authority?

14 MS. SMITH: Yeah, that was the intent.

15 MR. DIETZ: Yeah.

16 MR. LONG: Yeah.

17 MR. DIETZ: So should we change that? Instead
18 of saying the Board delegates --

19 MR. EVENWEL: I'm just suggesting, there may be
20 a better way to write that --

21 MS. SMITH: Yeah, I think you're right.

22 MR. EVENWEL: -- paragraph.

23 MS. SMITH: I agree.

24 MR. LONG: Yes.

25 MS. SMITH: I agree. So if we changed it to --

1 MR. LONG: CEO instead of Board?

2 MR. DIETZ: Yeah, the CEO has delegated --

3 MR. ROMERO: Well, should it be the --

4 MS. SMITH: The --

5 MR. DIETZ: Oh, there you go.

6 MR. ROMERO: -- hold on -- the authority to
7 manage the Corporation's investment program is granted to
8 the chief executive or president, when the CEO and the
9 president is not the same individual, by the Board? And
10 then the CEO has the authority to delegate to someone
11 else?

12 MR. DIETZ: Yeah, or you could just say the CEO
13 has delegated the responsibility for the operation, et
14 cetera, to these people.

15 MR. LONG: I think if we change the word
16 "Board" to "CEO" in this sense it would fulfill -- would
17 that not, Mr. Evenwel?

18 MR. EVENWEL: I'm asking you guys.

19 MR. LONG: Because then it -- I think it does.
20 I mean, unfortunately, this is what was approved last
21 year, so as soon as we make the change -- so it's -- I'm
22 going back and reading it, but --

23 MR. ROMERO: So as the CEO, you can delegate,
24 but does that still make you an investment officer of the
25 corporation?

1 MR. LONG: Certainly.

2 MR. ROMERO: Does that still require you to do
3 the continuing education?

4 MR. LONG: I have in the past.

5 MR. ROMERO: Okay. I was just wondering.

6 MR. LONG: But my comment would be, is --

7 MR. ROMERO: Okay. The way it's written, it
8 doesn't say that.

9 MR. LONG: Yeah. I mean, I'm happy to rewrite
10 this in any way the Board feels appropriate but --

11 MR. JONES: But the question is, why is the
12 word, Board, there?

13 MR. LONG: Again, I can't answer that.

14 MS. SMITH: Could we change it maybe to CEO and
15 then because the Board is approving the whole policy --

16 MR. LONG: You would therefore -- I think
17 that --

18 MS. SMITH: You would therefore be approving
19 that the CEO can delegate?

20 MR. JONES: Well, did the Board designate the
21 responsibility for the operation?

22 MR. LONG: They're not in this case. It's my
23 responsibility to allow for the delegation of that
24 responsibility.

25 MR. JONES: So the word "Board" shouldn't be in

1 there at all?

2 MR. LONG: Well, you're correct. You could say
3 that the CEO delegates the responsibility. I think what
4 we're referencing is, is that by my being in the position
5 because the Board puts me in this position that I -- the
6 Board approves the policy itself, and then that policy
7 allows me to be the investment officer who then has the
8 authority to delegate.

9 So I mean, we're talking about a stair-step
10 process, but I get what Mr. Evenwel is saying, and I'm
11 happy to reword it any way you would like --

12 MR. DIETZ: Yeah, I --

13 MR. LONG: -- but I think for right now, for
14 Mr. Evenwel's question, if we were to just take out the
15 word "Board" and add "CEO" --

16 MS. SMITH: Yeah, I agree.

17 MR. LONG: -- since it's defined above, we
18 would be able to comply with the idea that then the CEO is
19 eligible to delegate.

20 MS. SMITH: Yeah, I agree.

21 MR. DIETZ: Or you could even say the CEO may
22 delegate, and that way --

23 MR. LONG: The CEO may delegate.

24 MS. SMITH: Yeah.

25 MR. DIETZ: -- you can --

1 MR. LONG: Okay.

2 MR. DIETZ: -- choose to delegate or not, you
3 know.

4 MS. SMITH: Oh, that's a good idea.

5 MR. DIETZ: Yeah.

6 MR. LONG: All right. We'll make that change.

7 MR. DIETZ: Yeah.

8 MR. ROMERO: I'll restate my motion, then,
9 to --

10 MR. JONES: Well --

11 MR. ROMERO: -- include the changes. Do you
12 have some more?

13 MR. LONG: More?

14 MR. EVENWEL: Yes.

15 MR. ROMERO: I'm sorry. Go ahead.

16 MR. EVENWEL: I'm sorry.

17 MR. ROMERO: That's okay.

18 MS. SMITH: That's okay.

19 MR. EVENWEL: The very, very last sentence on
20 page A-16 says that when we make this resolution there's
21 supposed to be a statement in there that says the
22 investment policies have been made, and we've noted --

23 MS. SMITH: Which page?

24 MR. EVENWEL: -- a change.

25 MR. LONG: Page 16, A-16.

1 MS. SMITH: Oh, A-16.

2 MR. LONG: In the very back.

3 MR. EVENWEL: The very last sentence in this
4 policy. It says I'm supposed to -- Board -- I am supposed
5 to -- seeing that I've reviewed the investment policy and
6 strategy and note any changes, which we've done, but that
7 should -- that -- if I read that sentence correctly,
8 that's what the resolution should say.

9 MS. SMITH: Right. Yeah, I know, I know.

10 MR. DIETZ: You mean, just adding to the
11 resolution itself --

12 MR. EVENWEL: I guess that's what I'm doing.

13 MR. DIETZ: -- something that incorporates this
14 language. Yeah.

15 MR. EVENWEL: Yes. I mean, that's what it says
16 I'm supposed to do, so -- or we are supposed to do.

17 MR. DIETZ: Yeah.

18 MS. SMITH: Can we prepare a resolution that
19 they -- that reflects this and still vote on it today?

20 MR. GREGG: Yeah, yeah. You can vote on it as
21 amended as long as you guys agree on what you want to
22 change it to.

23 MR. LONG: Aaron has to come up to the table.
24 Aaron, can you --

25 THE REPORTER: Can you come up here?

1 MR. DIETZ: Yeah, we're just saying that the
2 resolution itself just needs to have the language that
3 matches that last sentence --

4 MS. SMITH: Yes.

5 MR. DIETZ: -- so that it all matches.

6 MS. SMITH: Right. Yes.

7 MR. DIETZ: Correct? Yeah, yeah.

8 MS. SMITH: That's exactly what we're saying.

9 MR. DIETZ: Yeah.

10 MR. LONG: So can we --

11 MR. DIETZ: Correct.

12 MR. LONG: -- make that --

13 MS. SMITH: Can we make that --

14 MR. LONG: -- now in there --

15 MR. DIETZ: Yeah.

16 MR. LONG: I think Mr. Gregg is stating we can
17 do that --

18 MR. DIETZ: Yes.

19 MR. LONG: -- by a motion by the Board
20 accordingly, and then approve the policy with the amended
21 changes Mr. Evenwel has stated --

22 MR. DIETZ: Yeah.

23 MR. LONG: -- and that would accomplish it --

24 FEMALE VOICE: David --

25 MR. LONG: Yes?

1 MR. DIETZ: Yeah?

2 MS. SMITH: Yeah.

3 MS. TAYLOR: So I think that what --

4 MR. LONG: You have to come up here. You
5 can't --

6 MS. TAYLOR: I think what Aaron was --

7 MR. GREGG: (Away from microphone.)

8 MR. LONG: Say what?

9 MR. GREGG: We need to have that resolution
10 where we can get back with that --

11 MR. LONG: We have to come back?

12 MS. TAYLOR: With the resolution.

13 MR. LONG: With the resolution?

14 MR. ROMERO: If it's not in the agenda.

15 MR. LONG: So you're saying we can't vote on it
16 today, or we can vote on it today?

17 MR. GREGG: You can vote on that today, and
18 then we can just have the resolution. This is just
19 explaining that the Board shall not --

20 MR. LONG: Oh, so this is just --

21 MS. SMITH: Oh, okay. So you can do --

22 MR. LONG: -- explaining that this is a
23 resolution you --

24 MR. GREGG: You guys just need to adopt a
25 resolution with a --

1 MR. DIETZ: Right.

2 MR. GREGG: -- written statement that -- MS.
3 SMITH: Yes.

4 MR. DIETZ: This is our investment policy that
5 says we're going --

6 MR. GREGG: Correct.

7 MR. DIETZ: -- to have that resolution. Next
8 month, we can have that resolution --

9 MS. SMITH: Yes.

10 MR. DIETZ: -- because our policy says that we
11 need to do that. Right?

12 MR. GREGG: That's correct.

13 MR. DIETZ: Great.

14 MR. LONG: Okay.

15 MS. SMITH: Thank you.

16 MR. DIETZ: Good.

17 MR. LONG: So however anybody wants to make
18 that motion, I'm happy to --

19 MR. DIETZ: And that doesn't need to be a part
20 of the motion. As long as we do that --

21 MR. ROMERO: Right.

22 MR. DIETZ: -- next month, that's not really a
23 part of our action today.

24 MR. LONG: Okay.

25 MR. ROMERO: So then I'll restate my motion to

1 include the changes made to that first paragraph, whatever
2 it was?

3 MR. LONG: A-6.

4 MR. ROMERO: Well, no, that'll be -- that'll
5 come up next month --

6 MR. DIETZ: Yeah.

7 MR. ROMERO: -- so we'll follow it next month.

8 MR. LONG: On A-6, correct?

9 MR. ROMERO: On A-6. Correct.

10 MR. DIETZ: Okay. So it has been moved and
11 seconded that we accept and approve the 2019 investment
12 policy, with the changes noted, both the typographical and
13 the other change. Is there any public comment?

14 (No response.)

15 MR. DIETZ: Hearing none, is there -- do we
16 approve that?

17 All in favor, say aye, please.

18 (A chorus of ayes.)

19 MR. DIETZ: Okay. Any opposed?

20 (No response.)

21 MR. DIETZ: Okay. Great. On to tab item 4,
22 which is the presentation, discussion and possible
23 approval of the Corporation's fiscal year 2019 broker
24 listing.

25 MS. SMITH: As with the investment policy, the

1 Public Funds Investment Act requires that the broker
2 listing also be approved by the Board, so that is what
3 we're requesting, and we made no changes to it from last
4 year.

5 MR. ROMERO: So just a couple of things --

6 MS. SMITH: And the date on there needs to be
7 changed.

8 MR. ROMERO: Right. Okay. Fiscal year -- it
9 is 2019. Correct. But it needs to be for 2018 presented?

10 MS. SMITH: I'm not sure -- yeah, that had
11 actually been changed, so I'm not sure what happened
12 there, but thank you. Yes.

13 MR. DIETZ: Any other --

14 MR. EVENWEL: Are we still doing questions?

15 MR. DIETZ: Yes.

16 MR. EVENWEL: In the middle paragraph, it says,
17 Patterson and Associates will do this something brokerage
18 compliance. Now, we went through that long investment
19 policy just a minute ago, but I didn't see anything that
20 defined what broker compliance was.

21 Do we all know what that is, or --

22 MR. DIETZ: Yeah.

23 MR. EVENWEL: I mean, I know -- I kind of have
24 a feeling of what that is, but does it need to be defined
25 in the policy that we just approved? It's not defined in

1 the policy we just approved.

2 MS. SMITH: Right. I think that there are some
3 specific compliance requirements that all brokers have to
4 do.

5 MR. JONES: Page A-14 under the policy says
6 compliance audit.

7 MS. SMITH: To deal with --

8 MR. JONES: Well, compliance audit means --

9 MS. SMITH: Yeah, that's the State Auditor's
10 audit of us every year or every two years. We are --

11 MR. JONES: And that's the only place we have
12 compliance?

13 MS. SMITH: No. What I was going to say was
14 that --

15 MR. JONES: I mean, in the policy. I'm talking
16 about in the policy.

17 MR. LONG: This policy --

18 MS. SMITH: Oh.

19 MR. LONG: -- the investment policy -- yeah.
20 That section B deals specifically with the State
21 compliance, not Ms. Patterson.

22 MR. JONES: Okay. So I'm --

23 MS. SMITH: And there --

24 MR. JONES: -- saying, so there's nothing in
25 the policy that Mr. Evenwel is suggesting that says

1 that --

2 MS. SMITH: There are some SEC requirements.
3 In fact, there are a whole lot of them that Patterson has
4 to comply with.

5 MR. JONES: But it's not required that it be
6 listed --

7 MS. SMITH: It's not required that it be in
8 our --

9 MR. JONES: -- in the policy?

10 MS. SMITH: -- no.

11 MR. LONG: Not in our investment policy, no.

12 MR. DIETZ: I think essentially what this is
13 saying is that we're not going through and checking the
14 compliance records for every single one of these, that --

15 MS. SMITH: Right.

16 MR. DIETZ: -- Patterson is doing that on our
17 behalf.

18 MS. SMITH: We're relying on them to do that.

19 MR. DIETZ: And that's what that sentence
20 says --

21 MR. ROMERO: Okay.

22 MR. DIETZ: -- to me.

23 MR. EVENWEL: So somebody knows what brokerage
24 compliance --

25 MS. SMITH: Yes.

1 MR. EVENWEL: -- stuff is? Okay.

2 MS. SMITH: Yes, she does, and we actually --
3 she sends us a statement annually --

4 MR. EVENWEL: Okay.

5 MS. SMITH: -- that I also think is an SEC
6 requirement where she details all -- a whole lot of --

7 MR. JONES: Because this is the broker list, so
8 she makes sure the brokers comply --

9 MS. SMITH: Yes, yes.

10 MR. JONES: -- with the regulations?

11 MS. SMITH: She monitors all of that for us.

12 MR. DIETZ: Great. Any other --

13 MR. ROMERO: So Mr. Chair, we -- last year, we
14 handled this differently. I think we approved the
15 individual participants in the plan, did we not? Because
16 I have a conflict with the Wells Fargo.

17 MR. LONG: Yeah.

18 MR. DIETZ: Yeah.

19 MR. LONG: I'm going to ask Mr. Gregg to come
20 up and talk with that --

21 MR. JONES: Okay. I think what we --

22 MR. LONG: -- Mr. Dietz, if you want to --

23 MR. JONES: -- did last year was --

24 MR. DIETZ: I think that we --

25 MR. JONES: -- we just singled that out, and

1 did everyone but the one that was affected --

2 MR. DIETZ: My understanding and --

3 MR. JONES: -- and we voted on that separate,
4 and he abstained.

5 MR. DIETZ: Okay. My understanding -- and
6 correct me if I'm wrong, legal counsel -- is that we can
7 have this motion before the Board. If you need to abstain
8 for any reason, which I think more than one of us needs
9 to --

10 MR. ROMERO: Yeah.

11 MR. DIETZ: -- then we abstain from this
12 motion, and as long as the voting members of the Board
13 pass the motion, then we're in compliance, even though --
14 even if we only have two members vote, but I --

15 MR. JONES: Well, Mr. Chair, can I say
16 something?

17 MR. DIETZ: Sure.

18 MR. JONES: What we did was, whenever there
19 might have been a conflict on any Board member, we took
20 those -- one of those two groups out of the list and we
21 voted on them separately. That's what we did, so that --
22 because what one abstains on, the other doesn't
23 necessarily abstain on.

24 So we didn't have to vote on them as a group.
25 We could go down and vote on a group of them that has no

1 conflict and then those individually that has a conflict
2 with one of the Board members, they could abstain from
3 that particular one.

4 MR. LONG: You are correct. Last year, we did
5 that. However, in discussions with counsel this year when
6 this issue again was identified that that might be a
7 question, we spoke with counsel, and I'm going to let Mr.
8 Gregg tell you, but it's determined that because we have a
9 quorum certified, the two members that have to abstain, as
10 long as there is not a single member that's left to vote,
11 and i.e., we would have more than one left to vote, those
12 remaining members can vote, and as Mr. Dietz stated, can
13 affirmatively approve the agenda item as it is presented,
14 even with the two abstentions.

15 MR. ROMERO: Because we have a quorum present.

16 MR. LONG: Because we have a quorum present.

17 MR. GREGG: Yeah, as long as those -- as long
18 as you're legally required to abstain, which you are in
19 this situation, then the remaining members that are
20 present and able to vote can vote on that item, as long as
21 it's greater --

22 MR. DIETZ: Okay.

23 MR. GREGG: -- than one. Are you guys good
24 with that?

25 MR. DIETZ: You mean, as long as we're not just

1 abstaining for some other reason --

2 MR. GREGG: Correct.

3 MR. DIETZ: -- I mean, if there's a --

4 MR. GREGG: As long as it's --

5 MR. DIETZ: -- yeah, got you.

6 MR. GREGG: -- a legally required abstention.

7 MR. DIETZ: Got you. Yeah.

8 MR. GREGG: Okay.

9 MR. DIETZ: Does that clarify that for -- any
10 other questions?

11 MR. JONES: Do you have to say that? Do you
12 have to say why you're abstaining --

13 MR. ROMERO: I don't think so.

14 MR. JONES: -- for the record? No?

15 MR. DIETZ: Okay. Great. Well --

16 MR. JONES: Why are you abstaining? No.

17 MR. DIETZ: Well --

18 MR. JONES: Where were you on the night of
19 June 4?

20 MR. DIETZ: All right. Well, we've got a
21 broker listing in front of us. Is there a motion to
22 approve?

23 MR. JONES: Motion to approve.

24 MR. EVENWEL: Second.

25 MR. DIETZ: Okay. It has been moved and

1 seconded that we approve the 2019 broker listing. Is
2 there any public comment?

3 (No response.)

4 MR. DIETZ: Hearing none, all in favor, please
5 say aye.

6 (Chorus of ayes.)

7 MR. ROMERO: I abstain.

8 MR. DIETZ: Are there any opposed?

9 (No response.)

10 MR. DIETZ: Any abstentions?

11 MR. ROMERO: I abstain.

12 MR. DIETZ: And I also abstain, so we have two
13 in favor, and two abstentions from the broker dealer list
14 for 2019. So it passes.

15 MS. SMITH: Thank you so much.

16 MR. EVENWEL: Does the stenographer know who
17 abstained?

18 MR. DIETZ: Yes.

19 MS. TAYLOR: The gavel that we --

20 MR. GREGG: Why don't you use that gavel?

21 MS. TAYLOR: There you go. After each --

22 MR. DIETZ: That's -- great. Good idea. Thank
23 you. (Sound of gavel.) It passes.

24 MR. GREGG: There you go. All right.

25 MR. JONES: Wait a minute. Is that after every

1 motion that passes?

2 MS. TAYLOR: That's what legal counsel has to
3 assume.

4 MR. JONES: Hey, I --

5 MR. GREGG: You don't have to, but you can.

6 MR. ROMERO: You are --

7 MR. JONES: Oh, I got cheated. I was the chair
8 for nine years, and I never got to do that every time.

9 MR. ROMERO: You could have a solo on your
10 gavel.

11 MR. JONES: Beginning and end, open and closed
12 session. I could have been hitting it all that time?

13 MR. GREGG: We had to let him practice before
14 he does it at the end.

15 MR. DIETZ: Order, order. (Sound of gavel.)

16 (General laughter.)

17 MR. DIETZ: On to tab 5, presentation,
18 discussion and possible approval of a resolution regarding
19 an application for and the conversion of reservation for
20 allocation of private activity bonds to mortgage credit
21 certificates and containing other matters
22 incident and related thereto.

23 And just for members of the Board, you'll
24 notice that tab items 5, 6 and 7 are all related to our
25 mortgage credit certificate matters, and so it's my

1 understanding that we'll be discussing all three of those
2 at once, but then voting on them separately.

3 Is that correct?

4 MS. CRIM: Yes, sir.

5 MR. DIETZ: Great.

6 MS. CRIM: Yes, sir. I plan on presenting an
7 overview of all three, and then presenting each
8 individually to vote on them individually.

9 MR. DIETZ: Great. Perfect.

10 MS. CRIM: Good morning, Mr. Chairman and
11 members. I am Joniel, director of the Homeownership
12 Programs. With the changes we made last year to our
13 Homeownership Programs, we have continued to see a high
14 demand for our Mortgage Credit Certificate Program, and we
15 hope this increase in volume continues.

16 This increased demand for our MCC Program means
17 that we need to keep a close eye on our supply of MCCs,
18 and it's actually possible that we could utilize our
19 current supply before the end of 2018.

20 In order to ensure eligible buyers have access
21 to our MCC Program, we are asking you to approve three
22 resolutions, under tab items 5, 6 and 7 that will
23 authorize us to submit applications for the reservation
24 and conversion to MCCs of the 2018 allocation of private
25 activity bonds.

1 So first, with tab 5, tab 5 is a resolution
2 authorizing the Corporation to apply for our 2018 annual
3 allocation in the amount of \$83,215,512 for qualified
4 mortgage revenue bonds. The application must be made to
5 the Texas Bond Review Board prior to the application
6 deadline of August 7, 2018.

7 This resolution also seeks approval to convert
8 that 2018 annual allocation to mortgage credit
9 certificates. Please let me know if you have any
10 questions, and I ask your approval of this resolution.

11 MR. ROMERO: Joniel, what are the total credits
12 for MCCs on all three of these resolutions?

13 MS. CRIM: Combined? Good question. I didn't
14 do the math on that. I did the math on everything else
15 but that. So it looks like --

16 MR. ROMERO: You have about 1.233 --
17 \$1,233,000,000, more or less.

18 MS. CRIM: There you go.

19 MR. ROMERO: But do you know how much that
20 equates to MCCs?

21 MS. CRIM: To MCCs? Yeah, I can tell you
22 individually. So for the particular one that we're
23 talking about on tab 5, that would convert to 20,803,878
24 in MCC face value, and then I have it broken down for each
25 resolution after that as well.

1 MR. ROMERO: Okay.

2 MR. DIETZ: All right. Any other questions?

3 MR. EVENWEL: I have a question on the dates.

4 MS. CRIM: Yes, sir.

5 MR. EVENWEL: I mean, picky, right? The first
6 one says, pre-August 7. The next one says, August 7
7 through the 15th. But the last one says, post-August 14.
8 Shouldn't it say, post-August 15?

9 MS. CRIM: That's a very good question. We
10 actually had that for our legal counsel.

11 MR. EVENWEL: Okay. Fifteen is included in
12 number two.

13 MS. CRIM: Yeah. We actually had that question
14 for our legal counsel as well, and they asked us to stick
15 with that date, post-August 14.

16 MR. EVENWEL: Okay.

17 MR. ROMERO: When does the collapse happen?

18 MS. CRIM: So the single-family collapse
19 happens on August 7, and then the sub-ceilings collapse,
20 where all sub-ceilings collapse, is August 15.

21 MR. ROMERO: Okay.

22 MR. DIETZ: Great. Any other questions?

23 MR. JONES: Are we going to vote on all these
24 together or no?

25 MR. DIETZ: No, we're voting on them each

1 separately, but --

2 MR. JONES: Okay.

3 MR. DIETZ: -- she -- since they're related,
4 we --

5 MR. JONES: Of course, before they sign, they
6 have to change the name of the Board of Directors and the
7 position. It has to list Mr. Dietz as the chairperson and
8 no vice-chairperson, just directors, at this time, if we
9 approve it. Correct?

10 MR. LONG: That would be correct.

11 MR. JONES: And that will have to be done on
12 all three?

13 MS. CRIM: Okay. Yes, sir, we can have that
14 done.

15 MR. LONG: We'll have counsel make that change.

16 MR. JONES: Okay.

17 MR. LONG: Bond counsel.

18 MR. JONES: The bond counsel.

19 MR. LONG: Bond counsel will make that change.

20 MR. DIETZ: Correct. I guess that applies
21 to --

22 MR. LONG: They drafted these before the
23 announcement.

24 MR. DIETZ: That really applies to any of the
25 resolutions that we sign, so --

1 MR. LONG: Pardon?

2 MR. DIETZ: That applies to any resolution --

3 MR. ROMERO: Right.

4 MR. LONG: That's correct, and --

5 MR. DIETZ: -- at this point. Yeah, yeah.

6 MR. LONG: -- these resolutions are actually

7 drafted prior to the Governor's announcement of the

8 change, so that's --

9 MR. DIETZ: Sure.

10 MR. LONG: -- the change, so we'll --

11 MR. DIETZ: Sure.

12 MR. LONG: -- make sure that that gets

13 changed --

14 MR. JONES: I understand.

15 MR. LONG: -- since this meeting is effective

16 after they posted these.

17 MR. DIETZ: Yeah.

18 MR. JONES: You just need to say it on record.

19 That's all.

20 MR. LONG: You bet. Thank you.

21 MR. DIETZ: Great. Any other questions?

22 (No response.)

23 MR. DIETZ: Okay. Then I would accept a motion

24 for the approval of --

25 MR. JONES: Motion to approve.

1 MR. ROMERO: Second.

2 MR. DIETZ: Is there any public comment --

3 MR. JONES: Oh, with the necessary changes --

4 MR. DIETZ: Yes.

5 MR. JONES: -- in the resolution of only -- of

6 which is just the listing of the --

7 MR. DIETZ: The updating to the current --

8 MR. JONES: Correct.

9 MR. DIETZ: -- Board members.

10 MR. LONG: Change.

11 MR. JONES: Correct.

12 MR. DIETZ: Correct. Yes.

13 MR. LONG: Yeah. Correct.

14 MR. DIETZ: Any public comment?

15 (No response.)

16 MR. DIETZ: Okay. Hearing none, all in favor

17 of tab item 5, please say aye.

18 (A chorus of ayes.)

19 MR. DIETZ: Any opposed?

20 (No response.)

21 MR. DIETZ: Okay. Well, that will lead us on

22 to tab item 6, which is the presentation, discussion and

23 possible approval of a resolution regarding an application

24 for the conversion of reservation for allocation of

25 private activity bonds to mortgage credit certificates and

1 containing other matters incident and related thereto.

2 MR. ROMERO: I'll make a motion to approve,
3 also with the recommended change.

4 MR. DIETZ: Great.

5 MR. EVENWEL: Second.

6 MR. DIETZ: Any public comment?

7 (No response.)

8 MR. DIETZ: Any questions or conversations?

9 MR. JONES: Yeah, you said the first one was,
10 what, 20 million 800 and --

11 MS. CRIM: Yes, sir. So the tab item is
12 225 million in private activity bonds --

13 MR. JONES: 225 million?

14 MS. CRIM: -- in private activity bonds that
15 would convert to roughly 56,250,000 in MCC value.

16 MR. DIETZ: Great. Okay. It's been moved and
17 seconded. All in favor?

18 (A chorus of ayes.)

19 MR. DIETZ: Any opposed?

20 (No response.)

21 MR. DIETZ: Okay. The tab item 6 has passed.
22 Tab item 7, which is the presentation, discussion and
23 possible approval of a resolution regarding an application
24 for and the conversion of reservation for allocation of
25 private activity bonds to mortgage credit certificates and

1 containing other matters incident and related thereto.

2 Is there a motion?

3 MR. ROMERO: Motion.

4 MR. EVENWEL: Second.

5 MR. DIETZ: It's been moved and seconded. Any
6 public comment?

7 (No response.)

8 MR. ROMERO: What's the total on that one?

9 MS. CRIM: So 925 million in volume cap that
10 would convert to 231,250,000 of MCC value.

11 MR. ROMERO: Thank you.

12 MR. JONES: Does the motion have to say post-
13 August 14, 2018, since it's in the resolution and on the
14 item?

15 MS. TAYLOR: Actually, the resolution has to
16 say post --

17 MS. SMITH: The resolution does say that.

18 MR. DIETZ: Yeah, that wording is in the
19 resolution --

20 MS. SMITH: No, that is in the resolution.
21 You're asking if the --

22 MR. JONES: That it's in the resolution and
23 it's listed in the tab item. He made the motion, but we
24 just -- we never said the rest of the line. Does he --

25 MR. DIETZ: I left out the date, so --

1 MR. JONES: -- say, pre-August 7, 2018 or --
2 MS. SMITH: Okay.
3 MR. DIETZ: -- I'll add it.
4 MR. JONES: -- August --
5 MS. SMITH: There you go.
6 MR. DIETZ: Post-August 14, 2018.
7 MR. JONES: And that will be retroactive to the
8 one we passed earlier. Right? Because they're important,
9 aren't they? Okay.
10 MR. LONG: The date? Yeah.
11 MS. SMITH: The date is -- yeah -- important.
12 Yes, sir.
13 MR. DIETZ: Okay. Did we -- we got motion and
14 a second. Any public comment?
15 (No response.)
16 MR. DIETZ: Okay. Any conversation or
17 questions?
18 (No response.)
19 MR. DIETZ: No? All in favor?
20 (A chorus of ayes.)
21 MR. DIETZ: Any opposed?
22 (No response.)
23 MR. DIETZ: Okay. It is approved.
24 (Sound of gavel.) Boy, that was fun.
25 MR. JONES: He really rubbing it in, ain't he?

1 MS. SMITH: Thank you, gentlemen.

2 MR. LONG: Thank you.

3 MR. DIETZ: Okay. Thank you very much.

4 MR. ROMERO: Bob, you never did that.

5 MR. DIETZ: On to tab item 8, the presentation,
6 discussion and possible approval of a resolution
7 authorizing the Corporation to negotiate a partnership
8 with Affordable Central Texas or related entities,
9 including the possibility to establish one or more
10 subsidiary entities for the purpose of owning real
11 property to expand affordable housing options within the
12 City of Austin and surrounding counties.

13 MR. DANENFELZER: Good morning. Dave
14 Danenfelzer, senior director of Development Finance
15 Programs. We're here today to talk about a program, sort
16 of an expansion of -- a combination of our programs under
17 Development Finance.

18 And I have here today David Steinwedell, who is
19 with Affordable Central Texas, and we're looking at doing
20 is a little bit more formally establishing the ability --
21 or asking your permission to move forward with an idea of
22 forming more formal partnerships with Affordable Central
23 Texas and its finance arm, Austin Housing Conservancy, to
24 explore possibilities of development partnerships
25 involving multifamily properties here in the Central Texas

1 region.

2 Predominantly they'll focus initially in the
3 Austin market, but we may be able to grow a little bit
4 beyond that based on where the Austin Housing
5 Conservancy's kind of reach goes. These are very similar
6 to what we looked at before and have approved in updated
7 policies through our development partnerships related to
8 bond transactions.

9 It's also very, you know, similar and falls
10 directly underneath our accessible -- our Affordable
11 Communities of Texas Land Banking Program and Land Trust.

12 In these partnerships, the Corporation would act as
13 either a general partner or managing member, depending on
14 the legalese that we're going to be using in the form of
15 Corporation, and the Austin Housing Conservancy would be
16 the investor of record, so a limited partner or limited
17 member under the formation.

18 They would provide the equity, or financing in
19 the form of equity. We could also in partnership go out
20 and look for financing through banks, financial
21 institutions, other entities that provide financing to
22 affordable housing, all with the goal of securing
23 properties in the Central Texas area, preserving their
24 affordability that's currently existing in those units,
25 and then expanding upon it over time through, you know,

1 capping of rent increases on an annual basis, lowering of
2 the operating costs through our partnership and then other
3 ongoing, you know, ways to kind of bring those properties
4 and maintain them long-term, but also secure their
5 affordability long-term.

6 I'll actually go ahead and turn the mic over to
7 Mr. Steinwedell at this time for him to introduce himself
8 and to provide a little background on Affordable Central
9 Texas and the goals that they have. We find this is an
10 exciting partnership, and I'll just go ahead and turn it
11 over.

12 MR. STEINWEDELL: Mr. Chairman, members of the
13 Board -- excuse me -- I'm David Steinwedell. I'm CEO and
14 president of Affordable Central Texas. Affordable Central
15 Texas is the sponsor and investment manager of the Austin
16 Housing Conservancy, and the Conservancy is a private
17 equity fund that was -- has been established on an open-
18 end basis so -- to bring in capital from high-net-worth
19 individuals, foundations, banks, other potential
20 investors, and as has been stated, to buy and preserve
21 existing multifamily communities and preserve them as
22 affordable to middle-income or work-force members of our
23 community.

24 You are probably all aware of the housing
25 challenges that have been faced, not only at the low and

1 very low income, but now how our growth in Austin has
2 created a challenge for people who are nurses, teachers,
3 bank tellers, a whole variety of folks that fall into the
4 middle-income category, or 60 to 120 percent of median
5 income.

6 So we formed our 501(c)(3) in June of last year
7 and launched our fund at the end of last year to begin to
8 buy and preserve these properties. We just put our first
9 property under contract. Actually, we did it Monday. It's
10 a 300-unit property that's on the north side of town.
11 It's -- you know, when we finish doing some upgrades and
12 some renovations, we'll be serving residents in the 60 to
13 70 percent range of affordability.

14 Over time, what we hope to achieve is providing
15 affordability across all sectors of Austin. So you're not
16 going to see -- if you look at a map our fund, in three to
17 five years' time, we're not going to be concentrated in
18 one particular part of town.

19 In fact, our -- one of our objectives is to
20 have, you know, affordability provided across all parts of
21 town. You know, while we're initially starting in the
22 city of Austin, our long-term goal is to be working
23 probably in the four- or five-county region, you know,
24 Georgetown to San Marcos, and you know, now that we're
25 beginning to export our affordability challenges to places

1 like Elgin and Dripping Springs, probably moving in those
2 directions as well.

3 Our first property we're buying in partnership
4 with the Housing Authority of the City of Austin, and so
5 what we're looking at trying to do with the organization,
6 is similar to what they've done. They're trying to
7 concentrate both in the city of Austin and on larger
8 properties.

9 I think we have an opportunity here to address
10 affordability across a broad spectrum of properties and
11 locations beyond what we could have done with the Housing
12 Authority of the City of Austin, and really accomplish our
13 funds goals, you know, in a more effective way if we have
14 partnerships with housing authorities like TSAHC, and able
15 to then apply what we're trying to achieve in terms of
16 maintaining and preserving affordability, you know, across
17 the entire spectrum of housing types, you know, smaller
18 properties all the way through something that could be as
19 large as four or 500 units, depending on what availability
20 is out there. Thank you.

21 MR. DANENFELZER: So the other thing I'll close
22 with here is just to remind you all that, much like a bond
23 transaction and many of the deals that we bring together,
24 what we're asking for your permission right now is to kind
25 of move forward with the exploratory phase of this

1 partnership.

2 It's not really to, you know, just
3 automatically do a deal here in the next couple of weeks.

4 We just want to start working on this. We also wanted
5 the Board to understand that it doesn't fit 100 percent
6 within one program or another, and so just like our
7 Development Finance -- or our bond finance and development
8 partnership policies, we are required to come to you and
9 get an inducement resolution as well as a partnership,
10 kind of, approval, and so we followed that path here, and
11 you know, we're hopeful, you know, we can answer all your
12 questions this morning and get your approval on the
13 resolution.

14 MR. DIETZ: If I understand correctly, we're
15 entertaining doing something a little bit different than
16 what we've done in the past. Rather than simply
17 facilitating a transaction financially in some way --

18 MR. DANENFELZER: Right.

19 MR. DIETZ: -- we're actually participating in
20 the transaction as one of the partners or principals. Is
21 that accurate?

22 MR. DANENFELZER: Yeah. I think that's very
23 accurate, and it's -- like I said, the -- you know, our
24 land banking activity allows us to directly participate as
25 an owner of property, but in those transactions, we

1 generally are -- we're not forming a formal partnership or
2 legal partnership, but we are, kind of, hiring and
3 bringing in what we call local partners to redevelop those
4 sites, market them to low- and moderate-income households,
5 and sell those homes, typically.

6 We have in some cases rented those homes that
7 we've been the legal owner of, but they have been sort of
8 a ground lease agent for us. Under the Bond Program,
9 it -- we've got the authority to inform a more formal
10 partnership, but the program rules right now are really
11 kind of directed and designed to marry a development
12 partnership with a bond transaction, and we don't intend
13 these to be bond transactions, not at this time.

14 We're looking at predominantly smaller
15 properties as our interest, properties that are generally
16 not going to be, you know, highly attractive to bond
17 developers, people who are looking for the 100-, 200-,
18 300-unit properties to redevelop.

19 We're looking at the smaller-market properties
20 so that we can reach into those areas that are probably an
21 older property, something in the '70s, '80s, '90s period,
22 but something that doesn't attract the enormous investor
23 interest that large properties do, so we can compete a
24 little bit better.

25 MR. DIETZ: So you would come back to the Board

1 with a specific transaction request --

2 MR. DANENFELZER: Correct. If we -- and once
3 we find those transactions requests, we'll likely come
4 back to the Board. If there's any need for additional --
5 any capital insert as a partner, we would come back to the
6 Board.

7 You know, we don't really have an example right
8 now. We don't have like an ideal transaction in front of
9 us, but once we do and once we have a better idea of what
10 that will look financially, and also through partnership,
11 responsibility-wise, we'll come back to the Board and
12 we'll get your authority to move forward with that.

13 MR. JONES: I think the key thing that I see
14 here is you didn't say create, but you used the term
15 establish --

16 MR. DANENFELZER: Right.

17 MR. JONES: -- one or more subsidiary entities
18 for the purpose of owning the properties. So --

19 MR. DANENFELZER: Right.

20 MR. JONES: -- you're talking about creating
21 some new programs or a new entity to facilitate --

22 MR. DANENFELZER: It really is --

23 MR. JONES: -- an existing program?

24 MR. DANENFELZER: -- yeah, and that's a great
25 point to have. We are looking at creating subsidiary

1 entities, wholly owned and controlled by the Corporation,
2 which would then become owners of these properties in the
3 future.

4 One of the key discussions we've had internally
5 here over the last couple months with counsel has been
6 about limiting liability and risk of the Corporation,
7 particularly in its management of owned property.

8 One of the key ways to do that is to create
9 either limited liability corporations or partnership
10 entities which act as our interest in that partnership,
11 but we wholly control it and our tax exemption, our other
12 501(c)(3) benefits flow down to that entity.

13 That's the common form of entities and
14 structure we see by many of the bond developers and tax
15 credit developers that we interact with, and in fact, the
16 City of Austin's Housing Finance Corporation, Austin's
17 Housing Authority and other public entities that are
18 moving into this realm have been doing that as well,
19 creating subsidiary entities that control the property
20 directly and create somewhat of a liability barrier
21 between the parent and the individual property.

22 MR. JONES: Which could include using existing
23 programs, participating in a new subsidiary or a new
24 entity created to give the overall TSAHC protection?

25 MR. DANENFELZER: Correct.

1 MR. JONES: Okay.

2 MR. DANENFELZER: Yeah.

3 MR. ROMERO: So --

4 MR. DIETZ: Go ahead.

5 MR. ROMERO: -- this potential for opportunity
6 is also potential for liability, but I don't see where
7 you're talking about where you're going to have a formal
8 partnership agreement before you bring any project back to
9 us, or is it intent to bring a project to us, and that's
10 going to be one individual project that's a partnership?

11 Or are you going to continue with an overall
12 partnership that is going to include a lot of different
13 projects?

14 MR. DANENFELZER: I think what our plan
15 internally from the staff's perspective is to --

16 (Mobile phone rings.)

17 MR. ROMERO: Sorry.

18 MR. JONES: Hello?

19 MR. DANENFELZER: -- is to establish sort of
20 the boundaries of partnership, whether it's a formal
21 partnership from a legal perspective, or it's simply a
22 memorandum of understanding or memorandum of agreement at
23 this time.

24 That's where we'd like your permission to move
25 forward on that side of this resolution, but we also

1 believe that the experience is that in order to act
2 quickly, we do need to have some legal entities in place
3 that can go ahead and submit contracts, sign off on things
4 and move forward with the actual, kind of, process of
5 looking into properties, before we came back for more
6 formal authority on an individual property or project.

7 MR. ROMERO: Okay.

8 MR. DANENFELZER: So we want to be able to
9 react quickly to the market, move forward. It's kind of
10 raising it up a level. In the Land Banking Program, you
11 know, Joe brings projects to me and we both look at them.

12 We underwrite them, but we don't sign off on purchase
13 contracts.

14 We bring them to David or Janie. In this
15 level, though, we've decided that we're going to look at
16 it internally as staff, and bring those final contracts
17 and agreements back to you guys to say, yeah, we think
18 this is a good investment. This is something we should
19 move forward on.

20 MR. ROMERO: So when does the partnership come
21 into play?

22 MR. DANENFELZER: You know, I think we'll begin
23 working over the next month or so to get the sort of
24 memorandum or partnership kind of boundaries kind of
25 defined better. Staff will work internally on how we go

1 ahead and create those subsidiary entities and get that
2 moving, but then finally we need to find a property.

3 So --

4 MR. ROMERO: I guess, David, is what I'm trying
5 to get at is are we jumping the gun and saying that we
6 want to create a process where we can go out and find
7 properties and then create the partnership? Or are those
8 properties going to be TSAHC properties and then you'll
9 work within the scope of what you're trying to partner up
10 with this organization?

11 MR. DANENFELZER: I don't think we're jumping
12 the gun, but I do think, you know -- the advice we've
13 received from counsel is to get this resolution in place
14 so that we can go ahead and more formally explore the
15 potential partnerships down the road.

16 Without it -- that's where we looked at the
17 other resolutions we have in place for these programs, and
18 it seemed to be a little bit of a gray area of -- do we
19 have the authority as staff to move forward with more
20 formal MOUs, or even creating the subsidiary entities, and
21 that's why we wanted to bring this resolution to you.

22 MR. JONES: Well, wouldn't it say, then,
23 explore the partnership instead of negotiate one, because
24 you -- I mean, you've got a lot of parts to the move. I
25 see the parts, and I see how they would come together.

1 We'd have to, in one instance, approve an entity.

2 MR. DANENFELZER: Yeah.

3 MR. JONES: We're going to create a limited
4 liability company here. The other thing is we've got to
5 find property. What are we going to do? The other thing
6 is, we need to have our partnership with them.

7 MR. DANENFELZER: Yeah.

8 MR. JONES: So does -- the parts would have to
9 come together, so would you really be negotiating a
10 partnership, or will you be -- I mean, is that the best
11 word to use?

12 MR. DANENFELZER: I would unfortunately have to
13 defer, really, to counsel. They're the ones who used the
14 language and that wrote it. It was not a --

15 MR. JONES: Because it sounded like you're
16 going to negotiate the partnership --

17 MR. DANENFELZER: Right.

18 MR. JONES: -- and then come back with us to
19 approve the terms of the partnership. Is that really the
20 first step? Is that a viable first step?

21 MR. DANENFELZER: I think it is. I think --
22 because we're negotiating sort of the boundaries of the
23 partnership and we will --

24 MR. JONES: Okay.

25 MR. DANENFELZER: -- be forming legal

1 partnership in the future, but we also do need the
2 authority to form --

3 MR. JONES: Which we have to approve when you
4 bring it back anyway, so we would have to see what he
5 brings back.

6 MR. DANENFELZER: Right.

7 MR. ROMERO: So again, so that's my question,
8 and I'm sorry if I'm belaboring the point here.

9 MR. DANENFELZER: That's okay.

10 MR. ROMERO: You're asking us to give you the
11 authority to go out and create a partnership, which -- you
12 brought an organization here so that you can be partners
13 with them, but yet we don't have any documentation as to
14 what that is going to entail. Am I correct, or am I
15 missing something?

16 MR. DANENFELZER: I think -- at least from our
17 perspective we were looking at this as more like the
18 inducement resolution as I noted before.

19 You know, we know that we want to partner with
20 AHC and ACT. So I think when we imagined this, we were
21 really looking at, you know, moving with the development
22 of partnership roles and responsibilities, getting
23 authority to create subsidiary entities --

24 MR. ROMERO: So let me --

25 MR. DANENFELZER: -- but before we actually

1 committed --

2 MR. ROMERO: Let me stop you there, just so I
3 can --

4 MR. DANENFELZER: Right.

5 MR. ROMERO: I'm trying to wrap my mind around
6 it. So in forming these partnership entities, are you
7 talking about additional nonprofit organizations, or are
8 you talking about specific projects?

9 MR. DANENFELZER: Well, and I hate to parse
10 words, but it's not the partnerships I'm talking about,
11 but rather we're asking authority to form subsidiary
12 entities of the Corporation, which then can become
13 partners with AHC.

14 MR. ROMERO: But AHC doesn't have to be part of
15 that process.

16 MR. DANENFELZER: Well, it does --

17 MR. ROMERO: If we're --

18 MR. DANENFELZER: -- have to be part of the --
19 but they're part of the driving force behind the eventual
20 partnership.

21 MR. ROMERO: Okay. So if we do create an
22 entity, what role would AHC play?

23 MR. DANENFELZER: They would be the limited
24 partner and investor.

25 MR. ROMERO: Okay. So where are the guidelines

1 around who's going to -- whose core responsibilities are
2 there for the individual partnerships?

3 MR. DANENFELZER: And that's what we need to
4 negotiate.

5 MR. ROMERO: Okay.

6 MR. DANENFELZER: And start --

7 MR. ROMERO: Specific to them?

8 MR. DANENFELZER: Specific to them and the
9 partnerships we would have with them.

10 MR. ROMERO: Okay. So that's --

11 MR. DANENFELZER: Not just overall
12 partnerships.

13 MR. ROMERO: Okay. So that's what you're going
14 to bring back. Because it sounds to me like you want them
15 to sign that we're going to be partners, but we don't have
16 any documentation that says -- tells us, as a board --

17 MR. DANENFELZER: Right.

18 MR. ROMERO: -- these are the responsibilities
19 of this partner, and these are the responsibilities of us.

20 MR. DANENFELZER: Correct. And we want the
21 authority to move forward and negotiate that.

22 MR. STEINWEDELL: And maybe I can just help a
23 little bit, that --

24 MR. JONES: Negotiate, explore, develop --

25 MR. ROMERO: Yeah.

1 MR. JONES: -- any of those words.

2 MR. DANENFELZER: Right.

3 MR. STEINWEDELL: The -- one of the challenges
4 in the marketplace today is that you have to move
5 extremely fast when --

6 MR. ROMERO: Yeah.

7 MR. STEINWEDELL: -- you find an opportunity,
8 so I look at this as all the pre-work, so that we're not
9 playing around, trying to put something together while
10 we're trying to then move forward to negotiate with a
11 third party to buy a property.

12 So this allows us to have basically our ducks
13 in a row. We -- it allows us to negotiate the vast
14 majority of terms of a partnership. You know, each
15 individual property, because of its individual works, may
16 require a little bit of a tweak here and there, but what
17 we'll have is the framework that we can then say we're
18 ready to go.

19 I'll be able to get my board approval. You can
20 come get your Board approval, and then we can move forward
21 on a transaction, because unfortunately the market doesn't
22 wait for --

23 MR. ROMERO: Sure.

24 MR. STEINWEDELL: -- anybody today, and we're
25 just trying to make sure we've got all our work done

1 beforehand.

2 MR. DIETZ: So essentially you're asking us to
3 give you the approval to lay out the framework in a
4 negotiated --

5 MR. DANENFELZER: Correct.

6 MR. DIETZ: -- manner of how those future
7 partnerships will look, and then those future
8 partnerships, you'll be coming back to the Board --

9 MR. DANENFELZER: Correct.

10 MR. DIETZ: -- to specifically approve?

11 MR. DANENFELZER: Yeah.

12 MR. JONES: But -- and the problem I see that
13 Jerry had is, you're trying to do an all-inclusive, one-
14 size-fit-all --

15 MR. ROMERO: Yeah.

16 MR. JONES: -- in one resolution, because
17 you're saying negotiate a partnership with Affordable
18 Central, and we understand your strength and viability,
19 but then it also says, or related entities. Related to
20 them, or similar to them, or -- and then it says,
21 including the possibility of establishing one or more --
22 establishing, creating.

23 So there's a lot of moving parts.

24 MR. DANENFELZER: Well --

25 MR. JONES: But you're going to bring back the

1 layout. You're going to be -- propose --

2 MR. DANENFELZER: Right.

3 MR. JONES: -- this is what we intend to do.

4 This is the entity. You just want approval of the Board
5 to move forward to explore this effort?

6 MR. DANENFELZER: Correct.

7 MR. LONG: Yeah, if I might chime in again?

8 You're correct, Mr. Jones, and Mr. Romero, you're correct
9 as well.

10 I think what -- as David Steinwedell just
11 pointed out, similar to what we do in a single-family
12 transaction, where we ask the Board to give the executive
13 the authority based on the transaction we presented to
14 you -- the authority to go out and negotiate the final
15 terms of that, and then we bring it back for formal
16 approval -- it's the exact same thing we're asking you to
17 do here.

18 We don't know what all -- every project is
19 going to look like. We don't know what every -- what our
20 terms might be for each project, whether that be just a
21 partnership where we're signing on as a limited partner,
22 if we're having capital injection, and they may vary based
23 on site, structure, location.

24 But giving us the authority to go out and
25 negotiate that transactional up-front look and then

1 knowing, as we just said here a minute ago, that then we
2 would be racking each and every individual transaction,
3 and they may require that we then have an individual LLC
4 with each and every one of them, so that we are creating
5 the limited liability portion that we're talking about.

6 MR. JONES: So it's fair to say that, while we
7 don't know what the related entities might be or the
8 subsidiary entities you might create, we do know we want
9 to do it now at least with Affordable Central Texas?

10 MR. LONG: That's correct.

11 MR. DANENFELZER: Correct.

12 MR. LONG: That's correct.

13 MR. JONES: We do know that they weren't --
14 they --

15 MR. LONG: This is specific to the relationship
16 sitting at the table.

17 MR. JONES: Right.

18 MR. ROMERO: I think the difference is that
19 when we have a bond inducement, you guys ask us --

20 MR. LONG: Yeah.

21 MR. ROMERO: -- to go, move forward --

22 MR. LONG: Right.

23 MR. ROMERO: -- and you'll bring us back with
24 the final outcome.

25 MR. LONG: Yeah.

1 MR. ROMERO: We know the partner. We know the
2 project.

3 MR. LONG: Correct.

4 MR. ROMERO: We know what's going to -- the
5 outcome is, where right now, we don't.

6 MR. LONG: Right. And the related entities
7 really is this organization sitting right here --

8 MR. ROMERO: Yeah.

9 MR. LONG: -- so --

10 MS. TAYLOR: Well --

11 MR. LONG: -- when you talk about related
12 entities, it may -- pardon?

13 MS. TAYLOR: The Austin Conservatory --

14 MR. JONES: I can't hear.

15 MR. DIETZ: Can she go on the record or
16 something?

17 MR. JONES: Yeah, yeah.

18 MR. LONG: Janie Taylor.

19 MR. DIETZ: Okay.

20 MS. TAYLOR: Okay.

21 MR. JONES: And what is she saying?

22 MS. TAYLOR: David, what is the same of the --

23 MR. DANENFELZER: Austin Housing Conservancy.

24 MS. TAYLOR: Thank you. Really, what we meant
25 by related entities is the Austin Housing Conservancy,

1 which is the investment fund that they've created. That's
2 really what we meant by related entities. That --

3 MR. JONES: Should it have said that?

4 MS. TAYLOR: I'm sorry?

5 MR. JONES: Should it have said that?

6 MS. TAYLOR: Well, I mean, we could have, but
7 that's -- this is how our bond counsel -- not the counsel
8 that's sitting here, but our bond counsel created that
9 resolution and the agenda item, but in addition to the
10 subentities -- that's us -- that's TSAHC-related -- that's
11 TSAHC creating subentities as a possibility, and what
12 we're asking you to do is to give us -- give David and I
13 the authority to hammer out a -- what our relationship
14 will be with David Steinwedell, his organization.

15 MR. JONES: What --

16 MS. TAYLOR: How -- what we feel comfortable
17 with, what kind of projects we feel comfortable with, what
18 size, what our role would be, we're asking you to give us
19 that authority to hammer out those details for, you know,
20 whether it's one property or several of them, but we know
21 that, as part of that, we will have to -- if we do move
22 forward with a property, we're going to create entities.

23 So you know, instead of coming back and saying,
24 okay, give us permission to create entities, we're just
25 letting you know that that's going to be part of it too

1 when we do find a property that we want to partner with.

2 MR. DIETZ: Well, and related entities could
3 also be some entity they create for --

4 MS. TAYLOR: Exactly.

5 MR. DIETZ: -- a specific project --

6 MS. TAYLOR: Exactly.

7 MR. DIETZ: -- and we're creating --

8 MR. JONES: Mr. Chair, I'm willing to move
9 forward and their -- it's really an exploratory effort.
10 I'm willing to move forward and see what he brings back,
11 personally. That's just my opinion.

12 MR. ROMERO: And I'm fine. I just wanted to
13 make sure that we identified the properties in general,
14 because now Janie is talking about the Conservancy, but we
15 have here Affordable --

16 MR. DANENFELZER: Well, and --

17 MR. ROMERO: -- Central Texas organization,
18 so --

19 MS. TAYLOR: (Away from microphone.)

20 MR. ROMERO: Well, I understand that, but
21 there's --

22 MR. DANENFELZER: Right.

23 MR. ROMERO: -- they're interconnected, and
24 that's what I'm --

25 MR. DANENFELZER: Exactly.

1 MR. ROMERO: -- asking. Where are the
2 guidelines --

3 MR. DANENFELZER: So --

4 MR. ROMERO: -- to the infrastructure that
5 we're going to be looking at, that we're going to
6 approve --

7 MR. DANENFELZER: Right.

8 MR. ROMERO: -- because I'll be honest with
9 you. Your -- what you just said, Janie, was give us the
10 authority to pick what we want to do, but I think it's the
11 Board's responsibility to make the final decision and say
12 whether we want to go that route or not.

13 MR. DANENFELZER: Right. And --

14 MS. TAYLOR: Well, that's exactly what Dave
15 said, is that we will be coming back to you, once we've
16 hammered out what we feel comfortable with, what staff
17 does -- feels comfortable with, we'll be coming back to
18 you with our recommendation of what we feel is the right
19 framework for moving forward with a partnership with them.

20 MR. ROMERO: For Board approval?

21 MS. TAYLOR: Absolutely.

22 MR. DANENFELZER: Correct.

23 MS. TAYLOR: That's coming back to you for
24 approval.

25 MR. JONES: Because I see what you -- you say

1 negotiate. That means actually do the partnership --

2 MR. DANENFELZER: Yeah.

3 MR. JONES: -- without known ground rules --

4 MR. DANENFELZER: Yeah.

5 MR. JONES: -- but negotiate -- it doesn't say
6 pending, or upon final approval of the Board -- is what
7 he's saying.

8 MR. DANENFELZER: Okay.

9 MR. JONES: I understand. We understand what
10 you're doing, but the point is, you know --

11 MR. DIETZ: I guess the intent was to say
12 negotiate the partnership, not finalize the partnership.

13 MR. DANENFELZER: Right.

14 MR. DIETZ: Right?

15 MS. TAYLOR: It does not say finalize the
16 partnership.

17 MR. DIETZ: Yeah, yeah.

18 MR. JONES: Okay. We'll see what they bring
19 back if we move forward, and you know the precautions and
20 the concerns of the Board. Right?

21 MR. DANENFELZER: Yes.

22 MR. JONES: Okay.

23 MR. DIETZ: Yeah. Very good questions. Thank
24 you both. Any other conversation or questions?

25 MR. JONES: Move to approve.

1 MR. ROMERO: Second.

2 MR. DIETZ: Okay. The motion has been moved
3 and seconded to approve a resolution authorizing the
4 Corporation to negotiate a partnership with Affordable
5 Central Texas or related entities, including the
6 possibility to establish one or more subsidiary entities
7 for the purpose of owning real property to expand
8 affordable housing options within the city of Austin and
9 surrounding counties. Is there any public comment?

10 (No response.)

11 MR. DIETZ: Okay. Hearing no public comment,
12 all in favor?

13 (A chorus of ayes.)

14 MR. DIETZ: Any opposed?

15 (No response.)

16 MR. DIETZ: Okay. The motion passes.

17 MR. ROMERO: A question to you all. Do you
18 just do this around the counties that are around Austin?

19 MR. STEINWEDELL: Yeah, we're Central Texas.

20 MR. ROMERO: Okay.

21 MR. STEINWEDELL: And it's purposefully not
22 exactly defined yet. We're starting with the city of
23 Austin and expanding from there for Travis County.

24 MR. JONES: The --

25 MR. ROMERO: We are statewide, you know.

1 MR. STEINWEDELL: Yeah. Our hope is what we're
2 doing can be lifted out and done in other cities, but
3 we're proving the case here.

4 MR. ROMERO: Midland. Midland's -- MR.
5 JONES: Now, are you an investment group, the one that she
6 named?

7 MR. ROMERO: Conservancy?

8 MR. STEINWEDELL: So our intent to have -- you
9 know, raise \$30 million and close on \$100 million worth of
10 properties this year, and then replicate that on a
11 \$50 million a year base thereafter. I made the public
12 statement that we're trying to raise \$500 million in ten
13 years, so we'll see if I'm still around in 10 years and
14 have to live up to that.

15 MR. DIETZ: Well, thank you. Thank you, David,
16 and David, and David.

17 MR. STEINWEDELL: You knew this had to work
18 because of that.

19 MR. DANENFELZER: Yeah.

20 MR. STEINWEDELL: Thank you.

21 MR. DIETZ: Okay. On to tab item 9, which is
22 the staff presentation and overview of Multifamily
23 Oversight Department. I think this is a portion of
24 fulfilling the Board's request that staff periodically
25 update on different projects or divisions and their

1 ongoing responsibilities and actions. Is that right?

2 MS. STUBBS: That's correct.

3 MR. DIETZ: Great.

4 MS. STUBBS: Good morning, Board Chair and
5 Board members. I am Celina Stubbs, the manager of Asset
6 Oversight and Compliance.

7 MR. MATIAS: I'm James Matias. Good morning.
8 I'm the senior manager of Asset Oversight and Compliance.

9 MR. DIETZ: Let's pause one second while a
10 couple of Board members grab a bottle of water, since this
11 leaves us without a quorum, temporarily.

12 (Whereupon, at 1:33 p.m., there was a short
13 recess.)

14 1:34 p.m.

15 MS. STUBBS: Okay. We'll get started.

16 MR. DIETZ: Thank you. So we are here today to
17 provide you with an overview of the Multifamily Oversight
18 Department. Our department is responsible for managing
19 two areas. We manage the asset oversight and compliance
20 of properties that are financed through tax-exempt private
21 activity bonds and the Impact Fund.

22 We also the Multifamily and Single Family
23 Rental Programs, but today, we will be discussing the
24 responsibilities to asset oversight and compliance of bond
25 finance properties. So after the Board approves the

1 issuance of bonds to qualified rental developments and
2 properties are occupied, James and I began to monitor the
3 asset oversight and compliance of each property.

4 To date, our department monitors a portfolio of
5 30 multifamily properties, which is approximately 4,628
6 units. In order to ensure program compliance, we conduct
7 an annual on-site visit and perform monthly and quarterly
8 monitoring reviews.

9 I am going to discuss the compliance report
10 process and James will follow by reviewing the asset
11 oversight report. So during our annual on-site visit, we
12 ensure that the property is compliant in five critical
13 areas for the compliance report.

14 So first is a set-aside requirement. We make
15 sure that the election made by an owner at the time of
16 application is maintained throughout the compliance
17 period, which is how long the bonds are outstanding. The
18 election options are, A, 20 percent of more of the units
19 must be occupied by individuals whose income is 50 percent
20 or less of the area median income, or B, 40 percent or
21 more of the units must be occupied by individuals whose
22 income is 60 percent or less of the area median income.

23 Secondly, we also look at additional applicable
24 federal and state regulations. So this means we go out
25 there and we review required documentation. We review and

1 analyze their written policies and look at their
2 compliance procedures to make sure that the language is --
3 the required language is within their policies and that
4 there is no discriminatory language.

5 We also make sure that they use the required
6 income certification and our TSAHC health and safety form,
7 as well as look at households, income and asset
8 calculation to make sure that they are doing it properly.

9 We also look at resident services.

10 Owners are required to provide at least six
11 resident service activities per quarter, unless they elect
12 to provide more. Services offered must encourage economic
13 self-sufficiency and/or promote homeownership
14 opportunities.

15 So James and I make sure that they are offering
16 qualified services. We look at the frequency of services,
17 and if there's any attendance. We also look at the
18 management space. We make sure that their occupancy
19 qualifications are readily available for applicants, as
20 well as review the office to make sure that the required
21 Fair Housing posters are in the management office.

22 Lastly, we review at least 20 percent of the
23 low income tenant files to ensure proper calculation of
24 income and assets, proper use and execution of required
25 forms, ensure timely completion of annual certification,

1 and to determine whether the property needs additional
2 training to ensure program compliance.

3 At the end of our on-site visit, we conduct an
4 exit interview with property management staff to go over
5 any observations or findings that we noted. We go over
6 any rules that have changed in the last 12 months, and we
7 also just kind of have an open dialog if they have any
8 questions for us at that point.

9 On a monthly basis, owners and managers are
10 also required to submit a unit status report and a
11 resident service report. The unit status report is a list
12 of units with detailed household information like income,
13 asset -- I'm sorry -- income, rent payment and number of
14 household members.

15 And what we do with that is, we look at it to
16 make sure that on a monthly basis, they are maintaining
17 the correct number of low income units at the property.
18 With the resident service report, we just look at that
19 monthly to ensure that they're providing the services and
20 that they're meeting their quarterly requirement.

21 So that is what we do for the compliance
22 report.

23 MR. ROMERO: I have question, quick.

24 MS. STUBBS: Yes, sir.

25 MR. ROMERO: On the total number of projects

1 that we -- you all manage, do you all maintain the list of
2 how many units are accessible?

3 MS. STUBBS: We don't maintain a list, but we
4 have that information.

5 MR. ROMERO: Okay. And do you verify that the
6 person in that unit is actually needing an accessible
7 unit, or is just someone that they rent it to?

8 MS. STUBBS: If we choose that unit, we're able
9 to tell that off of the form that we use. The income
10 certification form will have that information on it.

11 MR. ROMERO: Okay.

12 MR. MATIAS: We don't actually manage the
13 property.

14 MR. ROMERO: Right.

15 MR. MATIAS: The manager should be determining
16 their accessibility status.

17 MR. ROMERO: So you have rely on the
18 management?

19 MS. STUBBS: Correct.

20 MR. MATIAS: All right. Asset oversight. As
21 Celina mentioned, on an annual basis, we visit multifamily
22 rental properties who have received bond financing through
23 TSAHC.

24 During the site visit, we make sure the
25 property is complying with the bond requirements. In

1 addition, we do a physical and financial evaluation of the
2 property. We refer to this as an asset oversight review.

3 Here's a condensed overview of the 15 areas we look at
4 when we do an asset oversight inspection or writing a
5 report.

6 So I'll quickly run through these items for
7 you. There's about 15 of them and I condensed that into
8 like seven or eight subcategories. Exterior and physical
9 inspection. During the physical inspection of the
10 property, we examine the grounds, buildings, stairs,
11 fences, dumpsters, windows, roofs, foundations, sidewalks
12 and all the common areas.

13 Security program. We review three months of
14 911 call logs for the community and we inquire with the
15 manager about things being done to control crime at the
16 community. Office, common area and key control. We
17 review the office to make sure that proper items are
18 posted, such as the emergency contact number and office
19 hours.

20 We review the common areas such as the
21 playground, pool, business center and larger facility to
22 make sure they are clean and accessible. We evaluate the
23 key tracking system to make sure the keys are properly
24 secured and checked out.

25 Maintenance program and unit inspections.

1 Celina and I monitor how quickly work orders are
2 completed. We do this by looking at reports provided to
3 us by the management company. We inquire about the
4 preventive maintenance, and we examine the property for
5 extended vacancies and check to see if the property is
6 turning vacant units in a timely manner.

7 We select units for physical inspection based
8 on the community size and the amount of vacancies. We
9 conduct unit inspections for the selected units and review
10 the units for safety and health issues as well as needed
11 maintenance and cleanliness.

12 We review any completed capital improvements
13 such as parking lot resurfacing and we inquire about any
14 upcoming capital improvements for the next budget year.
15 Marketing and lease renewals: We inquire about the
16 various marketing activities the property is doing to keep
17 the occupancy high.

18 We monitor the turnover at the community and
19 discuss the reasons that people are moving out of these
20 units. In addition, we converse with the manager about
21 the things that are being done to maintain a high resident
22 retention rate.

23 Budget management, variance reports and
24 revenue. We obtain financial reports and monitor the
25 amount of revenue the property is collecting. We compare

1 the property budget with the actual expenses to make sure
2 they are aligned, and the reviewers, Celina and myself,
3 monitor the property for any negative financial trends,
4 such as sharp decrease in revenue or an increase in
5 expenses, and why.

6 Accounts payable and delinquency. Based on
7 current reports provided by the manager, the reviewers
8 make sure the property is paying its bills and does not
9 have a large amount of unpaid invoices. We also monitor
10 the delinquency report to make sure that rent collection
11 and eviction policy is being followed and the community
12 does not have a lot of unpaid rent.

13 Personnel and owner participation. We discuss
14 the property staffing, recent turnover, and the training
15 that the staff has received or needs. We also discuss the
16 owner's participation and involvement in the property's
17 performance.

18 After a site visit is conducted, a thorough
19 report is written describing how the property is
20 operating. The report explains inadequacies of the
21 property's performance and suggests possible improvements
22 for the operation of the property.

23 Like the compliance report, the report is
24 posted on the website and sent to the property manager and
25 owners and stakeholders. Just like the compliance

1 reporting, asset oversight also has reoccurring monthly
2 and quarterly reporting.

3 In addition to conducting the asset oversight
4 review, we also obtain and review the financial reports,
5 monthly and quarterly, from each property. The financial
6 reports include cash flow statements, income statements
7 and balance sheets.

8 Each property is also required to submit annual
9 budgets prior to the beginning of the next calendar year
10 and audited financials three to four months after the end
11 of the previous calendar year. Some properties with a
12 history of high crime or poor security are required to
13 submit monthly crime reports to TSAHC. We store and
14 monitor the crime reports to identify negative trends at
15 the community.

16 In conclusion, in addition to the site visits,
17 written reports and monthly and quarterly reporting,
18 Celina and I also provide regular support to property and
19 regional managers as well as owners and asset managers.
20 Support includes training, compliance assistance and the
21 financial and operation advice.

22 That concludes our presentation. Thank you for
23 your time.

24 MR. JONES: How many properties do you do that
25 on?

1 MS. STUBBS: A total of 30 right now.

2 MR. MATIAS: It's the same --

3 MR. JONES: In your portfolio?

4 MR. MATIAS: -- the same number that she stated
5 earlier.

6 MR. JONES: It keeps --

7 MS. STUBBS: Uh-huh. So it's a portfolio of
8 30.

9 MR. JONES: -- it keeps y'all pretty busy, huh?

10 MS. STUBBS: Yes.

11 MR. MATIAS: Yeah.

12 MR. DIETZ: And who's --

13 MR. MATIAS: We select a --

14 MR. DIETZ: -- who's physically going up there?

15 MR. MATIAS: -- percentage to go out there --

16 MR. DIETZ: Right.

17 MR. MATIAS: -- you know. We don't --

18 MR. DIETZ: Okay.

19 MR. JONES: You don't do everybody every year?

20 MR. MATIAS: -- right. If a community has
21 100 units, we don't walk into 100 units.

22 MS. STUBBS: We go to a property every single
23 year and only select 20 percent of files and a handful of
24 units to visit, but we do go to the property every single
25 year.

1 MR. DIETZ: Who's that going to the property?

2 Is that you, both of you?

3 MS. STUBBS: Yeah.

4 MR. MATIAS: Yeah.

5 MS. STUBBS: Yeah.

6 MR. MATIAS: The only two.

7 MR. DIETZ: Okay.

8 MR. ROMERO: And I know we don't manage the
9 property ourselves, but do you all have a process for
10 incident reports, significant things that have happened on
11 the property that we were made -- notified of --

12 MR. MATIAS: Well, the --

13 MR. ROMERO: -- fires that --

14 MR. MATIAS: -- go ahead.

15 MS. STUBBS: Correct.

16 MR. MATIAS: Yes.

17 MS. STUBBS: So when there is a fire, they
18 immediately tell us so that we're aware. We have to
19 create that -- well, that unit will now be a down unit, so
20 we just kind of -- we just -- we don't manage it, but --

21 MR. ROMERO: Right.

22 MS. STUBBS: -- they keep us in a loop of
23 what's happening, where the tenants were, if they were
24 displaced, and when the building has been restored.

25 MR. ROMERO: And when you have a unit that

1 you've had issues with and you brought it before -- then
2 before -- how long do you -- I mean, I know that we can't
3 really do anything about it, but normally, when you have a
4 longstanding issue, what happens?

5 MS. STUBBS: We just continue to follow up with
6 them.

7 MR. MATIAS: It depends. If they're not
8 striving to make that unit ready, like if they had a fire
9 in the building and they're not -- if they're working
10 things out with insurance, they've just go to keep that
11 dialog with us, let us know why things are taking as long
12 as they are.

13 Now, if it's just an extended vacancy and
14 they're not doing anything to make that unit ready, you
15 know, then it would be an issue that we would need to
16 discuss with them further.

17 MS. STUBBS: And it would also create a
18 finding, and so they've got 90 days of a corrective action
19 period, and if they don't cure it by then, which has not
20 been the case in several years, if not ever, there are
21 fees that are associated to that, if it's just not
22 resolved.

23 MR. ROMERO: Okay.

24 MR. MATIAS: We used to have other portfolios
25 that are no longer in our -- in us that had issues with

1 extended vacancies, that we used to have to keep track of
2 a down-unit log, and the -- how long they've been down and
3 whatnot.

4 MS. STUBBS: Uh-huh. Any other questions?

5 MR. DIETZ: Good presentation.

6 MS. SMITH: Okay. Thank you.

7 MR. DIETZ: Thank you. I think that's
8 really --

9 MR. MATIAS: Thank you.

10 MS. STUBBS: Thank you for your time.

11 MR. DIETZ: -- really helpful for us to hear
12 that.

13 MR. MATIAS: Appreciate it.

14 MR. DIETZ: Appreciate it. Yeah. I think --
15 did y'all like hearing that?

16 MR. ROMERO: Uh-huh.

17 MR. DIETZ: Yeah?

18 MR. JONES: Yeah.

19 MR. DIETZ: Okay.

20 MR. JONES: I thought it was impressive.

21 MR. DIETZ: Great. Well, no action is needed
22 on that tab item, so we'll move on to our final tab item
23 for this Board meeting, which is the presentation and
24 recognition of Gerry Evenwel, Board member of the Texas
25 State Affordable Housing Corporation.

1 MR. LONG: Thank you, Mr. Chairman. Before the
2 Board members get a chance to say anything, we'd like to
3 just, as a staff -- if I may, Mr. Evenwel, thank you for
4 your time. For the record, Mr. Evenwel signed his oath
5 office to serve on our Board in early January 2012.

6 So he has served well. He has served over six
7 years and we greatly appreciate your time and your
8 attendance to all the meetings. You are always available,
9 and you've always made yourself available to me via phone
10 call.

11 You've served on the committees, as well as
12 being a reviewer of expenses, and we greatly appreciate
13 your technical as well as your oversight due diligence
14 that you provide us. It's been a really nice opportunity
15 to have the learning from your experience and your
16 knowledge, as well as having you guide us and help the
17 Board more active for what we need to be doing, and I
18 would tell you, in six years, we've come a long way.

19 So thank you for being a big part of that.
20 Obviously, we want to give you a few things to say thank
21 you. So if they're here. Here they are. We wanted to
22 recognize Mr. Evenwel with a couple of gifts. First, we
23 have a card signed by the staff we wanted to give Mr.
24 Evenwel.

25 MR. EVENWEL: Thanks.

1 MR. LONG: And then we have a proclamation from
2 the Governor's Office signed by Governor Abbott.

3 MS. TAYLOR: Can I read it?

4 MR. LONG: And I will read it, because Janie
5 told me to.

6 MS. TAYLOR: Yes.

7 MR. LONG: It says, Governor, by the Governor,
8 "To all who these presents shall come, readings, know ye
9 that this official recognition is presented to Gerry
10 Evenwel in recognition of and appreciation for your years
11 of meritorious service to the State of Texas a member of
12 the Board of Directors of the State Texas Affordable
13 Housing Corporation, 2012 to 2018," signed by Governor
14 Abbott.

15 So thank you for that.

16 (Applause.)

17 MR. LONG: And then also --

18 MS. TAYLOR: Do you want me to say?

19 MR. LONG: You can do it, Janie.

20 MS. TAYLOR: Sure. So -- gosh, I'm trying to
21 remember the --

22 MR. LONG: The story behind it?

23 FEMALE VOICE: There's something on back.

24 MS. TAYLOR: It's on the back? Okay. So this
25 is called, Ode to ATX, which is the acronym for Austin,

1 Texas.

2 MR. EVENWEL: Oh.

3 MS. TAYLOR: We're not sure how much, you know,
4 you're going to be coming back to Austin, now that you're
5 not going to be on our Board or any other board, State
6 board, that I'm aware of. So we thought we would give you
7 this painting from a local artist so you can remember the
8 skyline, all the important -- Stevie Ray Vaughan, the
9 Tower, the Capitol, of course, for Austin, all the other
10 condos that keep going up, and the bat on the other side.

11 And so we just wanted to give you this so you
12 can remember your time, your trips to Austin, all these
13 years, and it is signed by the artist in the bottom, and
14 there's a -- his name. His name is Jake Bryer, and it's a
15 first edition.

16 MR. EVENWEL: Wow.

17 (Applause.)

18 MR. LONG: And even though we want to let y'all
19 speak, just for the record, we have a luncheon afterwards
20 in recognition of Mr. Evenwel. I know we always are at
21 you guys' lunch. We kind of went and did a little more
22 than we normally do, so we could have this opportunity
23 with Mr. Evenwel.

24 MR. EVENWEL: Well, it's been fun to be here,
25 and I've enjoyed every minute of it. It's been an area

1 that I'm not -- my background is not in finance, so it's
2 been a challenge for me, but it's been full all at the --
3 and all of you are great people to work with. Thank you.

4 MR. LONG: Thank you.

5 (Applause.)

6 MR. JONES: I want Mr. Evenwel to know that I
7 knew that this was going to be his last meeting, and I
8 combed through all the documents to find that one typo,
9 that one period, and I found that period instead of a
10 comma, and I purposely did that to show how hard it is,
11 and that nobody's going to take your place in that area,
12 of making sure that we're right on script, and we say
13 things the right way, and doing the right way, and all
14 those little dots and i's. Did you check the Governor's
15 thing?

16 MR. EVENWEL: That's my next item.

17 MR. JONES: That's your next item on the --
18 make sure. But no. It's been a pleasure. You know, your
19 personality. I don't know if people know that he's really
20 funny. I sit next to him. The stuff he says to me is
21 really comical.

22 But no, it's been a pleasure and an honor to
23 have known and served with you, sir.

24 MR. EVENWEL: Thank you.

25 MR. DIETZ: Now, we might give you a hard time

1 sometimes about finding those little details, but what do
2 they say? The devil's in the details and it's really
3 important, and so we are all really grateful that you have
4 served that role of really helping us to focus and keep
5 our attention on those details that really matter, and so
6 thank you.

7 MR. EVENWEL: Thank you.

8 MR. ROMERO: It's been great working with you.
9 It's been great sitting here on this end of --

10 MR. EVENWEL: This is Jerry?

11 MR. ROMERO: -- on the same end of the table,
12 and you know, they're going break up the Jerry group now.
13 I don't know what I'm supposed to be doing.

14 MR. DIETZ: Yeah.

15 MR. ROMERO: It makes me -- it's been great
16 working with you and sitting next to you, and coming to
17 these meetings and being able to, you know, work on the
18 substance and work at TSAHC are more important, your
19 comments as well as your presence here.

20 MR. EVENWEL: Thank you. Thank you. Thank you
21 all.

22 (Applause.)

23 MR. DIETZ: Okay. If the Board wouldn't mind
24 hanging around just a little bit after the meeting to make
25 sure that we can get a picture with Mr. Evenwel in it?

1 And I don't think there's any reason for us to go into
2 closed meeting. Is that correct?

3 MR. LONG: There is not, Mr. -- yeah.

4 MR. DIETZ: Okay. I'll just say that I'm
5 grateful and excited about the opportunity to play a
6 little different role on this Board. I've been on the
7 Board -- I think I got on Mr. Jones' first meeting as
8 Chairman, so --

9 MR. JONES: Right. I came on 2008 and became
10 Chair in 2009 --

11 MR. DIETZ: Right, right.

12 MR. JONES: -- and there you were.

13 MR. DIETZ: Right. So we've got quite a
14 history together, and I'm looking forward to our continued
15 service on the Board. I'll remind everybody that our next
16 Board meeting is on the 19th. Is that correct?

17 MR. LONG: That's correct.

18 MR. DIETZ: Thursday, July 19, and that we are
19 officially in our summer dress code, so July -- June, July
20 and August, you may optionally opt not to wear a coat and
21 tie, or business casual.

22 MR. JONES: Did he ever come in casually? Do
23 you remember Mr. Dietz --

24 MR. DIETZ: That's why I said it's optional.
25 It's optional. So --

1 MR. JONES: That is his casual attire.

2 MR. DIETZ: Well, is there any other public
3 comment or any other business that we need to discuss?

4 MR. LONG: There is one thing.

5 MR. DIETZ: Yes.

6 MR. LONG: And he's going to be mad at me for
7 saying it, but we need to recognize Mr. Romero today, not
8 to take away from our recognition of Mr. Evenwel, but
9 today is Mr. Romero's birthday --

10 MR. DIETZ: Oh.

11 MR. LONG: -- and so --

12 (Applause).

13 MR. LONG: -- I won't talk about age or
14 anything like that. I'm going to let you know that he's
15 always going to be older than me.

16 MR. ROMERO: Thank you. Thank you.

17 MR. LONG: But anyway, just to let you know
18 that today is Mr. Romero's birthday and we wanted to
19 recognize it, and happy birthday, Jerry.

20 MR. ROMERO: Thank you. I appreciate it.

21 MR. DIETZ: Great. Okay. Well, it is 12:20,
22 and what -- my first action as Chairman is going to be
23 request that we get that clock synchronized --

24 MR. LONG: With your phone?

25 MR. DIETZ: -- with the real time. Yeah.

1 MR. LONG: I mean, I can use your phone time if
2 you want.

3 MR. DIETZ: Sorry. Yeah. So I -- it is
4 10:26 a.m., and --

5 MR. JONES: Well, it's --

6 MR. DIETZ: -- what did I say? 12:26.

7 MR. LONG: 12:26.

8 MR. DIETZ: 12:26 a.m. --

9 MR. EVENWEL: A.m. or p.m.?

10 MR. DIETZ: -- our meeting is officially --

11 MR. LONG: P.m.

12 MR. DIETZ: -- adjourned -- p.m. -- 12:26 p.m.

13 And our meeting is adjourned.

14 (Whereupon, at 12:26 p.m, the meeting was
15 adjourned.)

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MEETING OF: TSAHC Board
LOCATION: Austin, Texas
DATE: June 14, 2018

I do hereby certify that the foregoing pages,
numbers 1 through 113, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Elizabeth Stoddard before
the Texas State Affordable Housing Corporation.

DATE: 6/22/2018

(Transcriber)

On the Record Reporting &
Transcription, Inc.
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Austin, Texas 78752