

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

10:27 a.m.  
Thursday,  
February 9, 2012

Conference Room  
2200 East Martin Luther King Blvd.  
Austin, Texas

COMMITTEE MEMBERS:

ROBERT "BOB" JONES, Chairman  
WILLIAM H. DIETZ  
JERRY ROMERO  
GERRY EVENWEL (not present)  
JO VAN HOVEL (not present)

STAFF PRESENT:

DAVID LONG, President

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P R O C E E D I N G S

MR. JONES: I'd like to call to order the Board meeting of the Texas State Affordable Housing Corporation and say good morning to everybody. Good morning, y'all.

Hey, is it cold enough in here, everybody? It won't get cold, will it?

VOICE: It's still warm.

MR. JONES: I know. And we're in South Texas; it'll be 80 in a couple of days.

Okay. Let's take the roll.

Jo Van Hovel, Vice Chair?

(No response.)

MR. JONES: William Dietz, member?

MR. DIETZ: Here.

MR. JONES: Gerry Evenwel, member?

(No response.)

MR. JONES: Jerry Romero, member?

MR. ROMERO: Here.

MR. JONES: And Bob Jones, here. Here we have a quorum. Okay.

Is there any public comment at this time?

(No response.)

MR. JONES: Okay. David Long, would you give us your President's report.

MR. LONG: Yes, sir, Mr. Chairman. Good morning, members.

VOICES: Good morning.

MR. LONG: Just a quick update on a couple of things. We just had working it seems like in our Board planning session so not a lot of new updates. Staff continued to attend several of the committee and/or functional organizational meetings that we're attending regarding the Disability Advisory Work Group, Texas Interagency Council for the Homeless, Housing and Health Services Coordination Council; also some meetings related to the analysis of impediments for fair housing.

We're going to continue to participate in all those meetings and we'll keep the Board updated as things change and affect the corporation. Staff will continue to have, and are moving forward with, our relationship with Corcoran and Company. Janie and staff have had meetings and follow-ups with them since their last participation in the Board meeting in January.

We have completed our application with the National Foreclosure Mitigation Council that was due at the end of the month. Katie and Laura did a phenomenal job in working with TDHCA staff and getting that done. Application was, I think, for over \$900,000 in funding support counseling

for borrowers at risks.

Staff will be attending the Texas Association of CDCs Conference the first weekend in March which is in Houston. You remember that TACDC is our tenant over here. And I will be attending a symposium at the end of this month by NeighborWorks in Los Angeles. They invited me and paid my registration to attend that on basically reclaiming the vision of homeownership. It's one of their institute training sessions they're putting on.

With that, Mr. Chairman, I'll conclude my comments. You do have your reports for Asset Oversight, the other program areas we've already -- Single Family, Finance Development, and, as I mentioned, Asset Oversight and Compliance, and then also you have a report for investments and our budget.

If you have any questions on these items, myself or staff will be more than happy to make a presentation on that.

And, in addition, before we move on to the President's report, Mr. Chairman, I would like to have Linda Patterson come up, Linda Patterson of Patterson & Associates. They are our investment management firm that we work with and Linda is here to give you kind of a broad overview update on the investments strategy as well as kind of the economic

conditions that we're working in.

So do y'all have any questions regarding the reports?

(No response.)

MR. LONG: Any questions, Mr. Chairman?

MR. JONES: Ms. Patterson, good morning.

MS. PATTERSON: I'm, as David said, Linda Patterson, of Patterson & Associates, your investment advisors firm. And David and Melinda thought that it would be a good idea for you to get a little update on what's happening in this sterling market that we have to work with currently. It's really tough out there and obviously, you know, the rates are low -- great, for some purposes, not so great for the investment side.

You should have a handout with just a few slides to see. I think it gives you a little better idea of what's going on as you can see the numbers in front of you. Just to put it in perspective, as you know we've had a very difficult market the last two years, two years plus, with the rates very, very low. It's looking -- I'm probably a little bit more optimistic than most folks in the economy. I think that, you know, it's still going to take a long time.

Housing is going to continue to be a drag, generally, on the economy. We'll probably have an overhang

inventory of at least two-and-a-half or three years on housing in the country in general. So that's going to continue to drag us down.

As far as inflation is concerned, there is basically none out there. Mr. Bernanke refuses to see any that is out there but there's very little. Now, that will come into play when the economy starts to coming there and all the factors fall into place because then we fully expect inflation to take off, which means your rates will also take off. We have an unusual situation generally because Iran and their saber-rattling, and, of course, the geopolitical situation.

I'm sure you heard this morning that Greece has come to an austerity agreement.

MR. JONES: I think it said that they're negotiating, say.

MS. PATTERSON: Yeah, it's like every day, Greece has got an agreement.

MR. JONES: Yeah.

MS. PATTERSON: This time we think that they probably have taken enough of a step to get the national loan which will probably keep them in the European Union because that could be very -- even though they're the size of Delaware to the United States --

MR. JONES: Question. If they're in the Union, are they in the eurozone --

MS. PATTERSON: Yes.

MR. JONES: Okay. But that's different because it's only about the 26 countries in the Union -- only 17 are in the eurozone --

MS. PATTERSON: Exactly. Exactly.

MR. JONES: -- which is why that's --

MS. PATTERSON: If they had to break out, what would be almost a mind-boggling kind of situation is that they had to pull out of the euro and they could still be in the zone, but if they had to pull out of the actual currency and go back to the drachma, that would be the situation that could be absolutely disastrous for them and potentially for some of the other countries because they would -- you know, obviously, the money would flow out and it would reflate the euro and almost demolish the drachma to start off with.

MR. JONES: What --

MS. PATTERSON: So, you know, we just compound their problems so even though the bank is not -- the ECP is not set up to actually provide this kind -- it wasn't structured in. They thought they could get to it later. They're having to come together with these private loans and some venture and some -- the central bank loans.

MR. JONES: What's that -- you seem up on this. Great Britain, the United Kingdom, is not in the zone.

MS. PATTERSON: Right.

MR. JONES: And that's why --

(Pause.)

MS. PATTERSON: But even as there's a -- the zone controls the currency --

MR. JONES: Right.

MS. PATTERSON: -- so everybody in the zone has the same currency so Greece, for instance, has the same currency but England still uses the pound. But they're in the trading euro so they have the same ability, which was kind of the first step -- the whole eurozone was to make sure that you broke down some of the trade barriers between the countries.

But the best part of that is when you are all using the same currency, but that only involves those 17 --

MR. JONES: But two things: Didn't Merkel and Sarkozy keep Britain out of the talks because they don't participate in the money? And what is the chances of the euro being --

MS. PATTERSON: You know, earlier on, I would have given you a 50-50, but I think the euro's going to survive now.

MR. JONES: Okay.

MS. PATTERSON: As much anything because of the timing because if they tried to break out the euro now and return to the franc and the mark, then you would even more seriously impact the recession that Europe's going through.

MR. JONES: The stronger countries would stay strong and the weaker ones would suffer with the --

MS. PATTERSON: Plus, you know, you have to be a student of history here. It's not like Texas and Oklahoma fighting.

MR. JONES: Understood.

MS. PATTERSON: These are countries that for years and years -- I was just saying this morning there's no --

MR. JONES: Okay.

MS. PATTERSON: So it's a lot of, I think -- I studied [indiscernible] Switzerland and Germany and I really think that Europe, in and of itself, will never psychologically let that go and let Germany be a strong --

MR. JONES: But you said that the situation in Iraq does not necessarily affect our oil prices but the situation with Greece and the euro would affect our rates and the economy here?

MS. PATTERSON: It'll affect -- because it

affects the value of the dollar. What's happening with Iran and Iraq is that, you know, that's affecting energy prices more than anything, and when that happens it makes the dollar --

MR. JONES: Of course, by the way, my favorite book of all time was The Peloponnesian War by Thucydides. I loved that book.

(Laughter.)

MR. JONES: That's because they do a lot of talking.

MS. PATTERSON: Yeah, they do.

MR. JONES: Any other questions on this?

(No response.)

MR. JONES: You can go ahead.

MS. PATTERSON: Okay. The next page -- of course, the European situation is very, very murky right now and Der [indiscernible] came out yesterday. It's one of the main publications in Germany and they are taking the position as, at most, enough is enough. But the recession over there is going to continue for a while. In fact, they're starting to use the D word a little bit.

I think what's telling about everything is [indiscernible] long and short-term rates. It tells a lot about what's been going on and you can see as the curve has

come down. The whole shape of the curve is very much a story of what's happening here.

After the one year, one to the two-year area right now, which is where most of your investments are, it is totally flat. There's just no value there at all. And the reason for that is because that's the safety -- when When there's concern in the world -- the rest of the world may not like us in the U.S. for some of the things we do, but they sure do love our permanency and our strength and our credit quality.

And so all of the money -- if you figure that money market funds, which I'm sure you use yourselves -- money market funds can only go out 13 months so that 13-month period is where everybody in the world is trying to put money just to hold it safe. We've actually had a couple of options lately where brand-new three-month bills came out in a negative yield.

And what that means is, I'll give you your money and I'll pay you just to hold it. And that's how important it is for that part of the curve. That's what, unfortunately, until you can get some money from an -- out of the money fund, out of this safety kind of provision, you're not going to see your rates on the portfolio go up very much.

And the middle part of the curve, from the 2 to

really about the 7 has been affected dramatically in the last couple of months. You can see that green one is down at the bottom and that's because of the Quist program. This is the newest of the quantitative easing and what they're trying to do is buy into that intermediate portion of the curve so it keeps rates lower, obviously, to keep the economy going but also because they're selling some -- buying some others.

And one thing that's affected this particular part of the curve is that the agencies, Fannie Mae, Freddie Mac, are not issuing in the two-to-five year area right now. So the supply's gone; that makes the demand even greater. And when the prices go up, of course, the rates go down. So that's what's happening in the middle part of the curve. That will continue as long as Bernanke wants to keep his rates down.

The long end of the curve, after 30-year area, is because the fed is doing everything that they can to keep housing and mortgage costs down. So that's why you see it going from 4-1/2, 4 percent down to -- there are two --

So that's what's keeping up there and until you start to see some movement in the economy, in the geopolitical situation, not just here in the United States but it's all around the world, it's going to be difficult to move that curve.

On the next page, Quarterly Summaries, I brought

in three different time periods here, a month ending in August which was the end of your fiscal year, and then the first quarter ending in November, and then I just thought I'd bring it up to date to December. That last column on the right is just one month.

You can see that the money stays pretty stable. It's fluctuated 5.6- up to 6.1- and back down again. But over a period of time it stays right about averaged about 5.96 million. The rates on it -- well, going down that list the gain/(loss), you always have some nice gains on there which -- and since that's positive, means that if you had to sell the entire portfolio, you would get the value of the portfolio plus the fourteen hundred three thousand -- whatever it is at that point in time.

Been pretty stable -- we're keeping it at about 170 days which is extended for this kind of environment but as soon as we think that interest rates are going to move up, if we think they'll move up very quickly, we'll see a shortening that WAM a little bit, pulling it back in again, letting things mature so that we can move out --

The rates -- just hard to look at. Point four nine; it's rounded to 5, and I can't imagine how excited I'll be when I can actually come and tell you about something left of the decimal. But it closed at December at .39, is actually

higher than the average of .4 and .5. And then Quarterly Earnings, of course, are low because of the rates being so low.

You can see on the next one with the pie charts. We're going to look at the portfolio to see what the breakdown is, to make sure that we're trying to diversify as much as possible, though it's very difficult in these particular kinds of times.

You see back in February that we were using CDs but there was also a lot of money sitting in the pool, so pools have continued to drop in rates and the money markets funds and the money market accounts at some of the banks are offering more than the pools so you have the same liquidity. So we've been switching over for that.

In May we started with buying municipal bonds, the state municipal government bonds. We've stayed to general obligation bonds. I just think that's safer for you instead of the revenue bonds. That particular Muni that came popping in in May and we're looking at some new ones now that look very, very promising. That was for [indiscernible] of Ohio.

And then as we've gone through the year, really the only thing that's new being, appreciably, is the money market funds. They're up a little bit now and that's money market funds and money market accounts at the banks where the

banks are offering some pretty good value.

On the next page is the Maturity Analysis -- You see it's getting a little shorter there in August. That's when the agency started to pull back and not issue at all again. So that take a large part out of what we would do.

But now we're actually seeing a lot of governmental, state, and local governments issuing because of the very low rates and there's at least a feel in the market that we'd better do it now because we don't know when we'll be able to do it at these rates. So you're going to see a lot more issuance.

We're looking -- I just bought bonds yesterday, a GO, in the one-year area for .85 and that's very good. And so you're going to see us, as you see in November there, trying to move it back out again, pickup of just a little bit more. And, you know, the Quarterly Maturity analysis, as I said, the WAM with the weighted average maturity fluctuates with what we think is happening.

Back in February, you can see the low bar there so we were thinking that the economy was going to pick up. If you remember this time last year, everybody was very optimistic and so you pull the WAM in a little bit, let things stay liquid a little bit in the hopes that you can move up with the rates. It hasn't happened so we moved to --

The next graph is Performance Versus Benchmark and, of course, on your benchmark we used the three months in and six months on your reports. This one -- the printing on mine at least is a little bit low but you can see that TSAHC is the navy blue and that you have consistently over-performed your benchmark at the six month and the twelve month. And this goes back to '07 and we just went back all the way and said, above your benchmark what is your earnings and it averages just under \$200,000 for that entire period.

The final thing to look at on the portfolio is the Diversification Limitations. You have policy limits by your investment policy where we use certain different money market segments. This looks at it as of the end of December and you can see that we're using the banks quite heavily and start to add to Munis, and I put the rate on the bottom of that slide to give you an idea of what draws us in those areas.

The Muni is at 1 percent; the CD, where you can get them, which is very difficult -- banks are just lush with money and they just don't want CDs, but we're able to place them just under the \$250,000 insurance so they run about 66 on a day.

And then the Agencies at .55 and then it drops off but .36 in your money market funds and accounts in NOW accounts is better than what we'd be getting in the pools because the

pools are down; actually they're down below the .2 now and so we try to stay out and minimize what's sitting in the pools and what's sitting, totally what would depress the total. The liquid portion out there is just --

That gives you an idea what we do with it, and I'll be glad to answer any questions.

MR. JONES: I want to know if the money guys have any comments or questions.

MR. DIETZ: I'll start. So we're -- you're managing about a \$6 million portfolio for us on a discretionary basis.

MS. PATTERSON: Well, I don't ever say totally discretionary for the funds because -- and all the funds, we run about 5.5 billion total and I don't typify any of it discretionary, and the reason I say that is because your money is money that's moving through all the time.

So we have wide discretion in what we bring as value to you but we don't ever buy anything without talking to Nick or to Melinda because your cash flow is what really controls you so it has to be on discretionary.

MR. DIETZ: I see. Is the performance reflected a net or a gross performance?

MS. PATTERSON: That's net.

MR. DIETZ: Okay.

MR. JONES: Which makes it look even better, huh?

MS. PATTERSON: I really will be so excited when we go to the left of the decimal. I just can't wait for that.

MR. ROMERO: Linda, you show that Logic was making .209. Is there any reason why we had such a large concentration in that in February?

MS. PATTERSON: Part of it was --

MR. ROMERO: I'm sorry, May.

MS. PATTERSON: In May, part of it was because they were outperforming the banks and so we move back and forth. They are now -- the banks are stepping up and they're actually a little bit better right now than that the pools. The pools definitely come down at this point in the year because of all the taxes that are paid.

And the pools are Texas governmental entities so all of that money, all that tax money created just takes them at least until they get it reinvested. So this is a bad time of the year for them.

One of the things that's very effective right now, and y'all are using it, is the earnest credit rate at the bank because, you know, if you can get a .5 to .7 at the bank and have it pay --

MR. LONG: Mr. Romero, another thing I would add is when we use certain types of those accounts be sure that

we haven't quit any needs that we might have or, you know, if we have to contribute funds on a bond program yet the cost efficiency needs come up. Those can be in the hundreds of thousands of dollars --

So we have to manage and make sure they're through Linda and well as Nick and Melinda that those cash-flow needs are met but we may not need that on a regular basis. We might need that on a specific instance and so we're trying to give Melinda and Nick enough heads up so that Linda can associate the level of money we have in the specific of account to allow for that cash flow so it doesn't affect the investment.

MS. PATTERSON: That goes back to your discretionary versus non-discretionary.

MR. LONG: Yeah, exactly.

MS. PATTERSON: It's very important. In fact, you saw the value going from 5.9 to 6.1 to 5.9. That's a normal kind of flow, what it can be, but it can be a half-million dollars too so we have to be in communication with them constantly.

MR. DIETZ: And I guess we pay an annual-percentage-based fee?

MS. PATTERSON: No, you pay a flat fee. Well, traditionally, of course, money management was on assets, and for something like pensions, that makes a lot of sense but

I have over the years discovered that most boards don't speak basis points.

MR. DIETZ: Uh-huh.

MS. PATTERSON: And so it's easier for them to budget so we go on a flat fee. And it's kind of -- to me, there are certain costs in there anyway, with the reporting and the monitoring that I can live with that. Otherwise, your costs would be going up and down, up and down.

MR. DIETZ: Right. How is that calculated or do we have -- I guess we have that somewhere?

MS. PATTERSON: It's a flat fee.

MR. LONG: It's a flat fee and it's not changed for -- it's a long amount of time and we thank Linda for being so --

MS. PATTERSON: I don't think ever.

MR. LONG: -- patient with us on that because she has -- it's been a very, very positive working relationship and she's never changed her fee with us.

MR. ROMERO: I think the question was what -- how did you come up with that flat-fee number?

MR. LONG: It's been so long I don't remember the calculation we used back when we were --

MS. PATTERSON: Off the top of my head, I don't know.

MR. LONG: I really think that we can go back and get that information for you, Mr. Dietz, if you'd like, but it's been as long as they've been working with us.

MS. PATTERSON: Since '07.

MR. LONG: Yeah, '07, so four or five years now.

MR. DIETZ: I'm interested to know what it is, what our fee is.

MR. LONG: 1500.

MS. PATTERSON: 1500 -- 1500?.

MR. LONG: 1500, flat fee monthly.

(Pause.)

MR. JONES: So off the top of your head, 1500 a month flat fee and performance figures and dollars -- that would appear to be a good trade? Okay.

(Pause.)

MR. JONES: Somewhat inexpensive for the performance that we get.

MS. PATTERSON: Well, you figure that they --

MR. JONES: I just wanted to say that on record. That's all.

MS. PATTERSON: Well, for comparison, if you are going into a money market fund you're paying probably five-line, 20 basis points. A money manager for a pension fund -- I wouldn't know that -- 2 percent maybe? And you're

paying about three basis points -- pretty efficient.

MR. LONG: But, again, we greatly appreciate the relationship we have with Linda. We think she's doing a phenomenal job in not only keeping us informed on what's going on and making herself available -- she's done a good job of managing our money. We feel like we've improved considerably in our investment strategy as well as our portfolio growth.

But at the same time she keeps us informed and helps us make decisions along the way. So we really enjoy the relationship, so we hope you guys continue to do so as well.

MS. PATTERSON: Well, and just for your information, we also do policies, procedures, internal controls, your banking -- we're like extended staff. That makes us understand your operation better, which makes us better managers.

MR. JONES: Any other questions or comments?

(No response.)

MR. JONES: Thank you very much. I appreciate it. I always like talking to you. And David looks at me like, Come on, you're going to go into politics; come on. But it's fascinating.

MR. LONG: Mr. Chairman, I did want to add one more thing to the presentation on my report, and I forgot, and it's

not intentional by any means, but I wanted to let you all know that the Corporation has had a relationship with Meadows Foundation.

About two and a half years ago received a \$250,000 grant for foreclosure prevention activities and Katy and Janie have been working with them to receive an additional award from them and we received an additional \$100,000 from them. So that will go towards our foreclosure prevention activities that we work with internally in the Corporation.

So we're very excited to have that and I wanted you to know that they had worked very hard to get that done and it's an exceptional award for us to get to continue that relationship with Meadows Foundation.

MR. JONES: Which adds to the amount of money that we received --

MR. LONG: Yes, sir.

MR. JONES: -- because that category was always being worked at to improve the amount of money that we could receive because we're nonprofit status.

MR. LONG: Right. And it's, you know, you've been meeting and talking with and hearing from us about the Corcoran relationship; the goal is to improve that strategy and that relationship so that we can grow that --

And with that, Mr. Chairman, I've completed my

presidential report.

MR. JONES: Okay. Thank you.

And thank you again, Ms. Patterson.

Item 1, Presentation, Discussion and Possible Approval of Minutes of the Board Meeting from January the 12th.

Any comments or questions? I have a few, but any from any of the other Board members?

(No response.)

MR. JONES: I was doing a class the other day and I was trying to tell the students that impact was not a verb; it was a noun. So -- but we still use that in our verbiage, how we were making an impact by promoting foreclosure counseling.

When I saw Ms. Howard's name on that line -- this is page number 2 -- should we not -- if somebody's reading that --

I know we have -- the minutes are on line.

MR. LONG: Actually, the transcripts are on line.

MR. JONES: I mean the transcripts are on line, but a lot of the people, including some of the people in the Senate and the Legislature and all, really look through this. I know it's abridged, maybe even expurgated, but I want to make sure that when there is -- when we simplify that we make

sure that key Board input is reflected in the printed ones.

MR. LONG: Okay.

MR. JONES: Okay? I know when -- for instance, in this big paragraph on page 2 -- I mean, 1, 2, 3, 4, I guess, referring to the reports in the Board packet, it says Ms. Howard spoke about how we were making an impact, but shouldn't it have said, Ms. Howard "comma" Senior Development Coordinator, because that's what she does on the minutes. She comes up and says who she is.

Now, I said, Ms. Howard, who was that? Then I went back and looked at who was in attendance to realize. I said, oh, and I felt stupid but when they announce themselves -- I don't know. It's not that much more work, is it, just to --

MR. LONG: Well, we'll do it however you like.

MR. JONES: Well, I don't know. I just -- I'm not asking that you change this.

MR. LONG: But at the front end when we give reference to everybody that's in attendance and --

MR. JONES: You'll just have to refer to it.

MR. LONG: -- their title, we felt like that simplified the process so that if someone wasn't sure, they could go back and make reference, rather than every time someone's name came up, you would have to give that title? It would be more problematic because --

MR. JONES: Yeah, but I --

MR. LONG: -- Ms. Howard's name's mentioned four or five times in that paragraph along with mine, so every time you did you, would you want her --

MR. JONES: No, not necessarily, but I -- you know, it would just keep -- I'm talking about --

I guess it'll come -- on page 3, for instance --

MR. LONG: Uh-huh.

MR. JONES: -- we're talking about the 360 review and it says, Discussion followed. I don't know how to condense it or how much would be too much but if there were any relevant questions or discussion by a Board member, not necessarily the entire discussion, but any relevant question and response, I thought it kind of should be reflected, especially on key things like that.

MR. LONG: Okay. Well, we weren't asking --

MR. JONES: I'm just saying that Tab 3 is really abbreviated to some of the key things that were discussed, a key question that an individual Board member raised. If I'm sitting over there, other than listening to the transcript, the recorded there, and I pick this up, I mean, I don't know that any of the Board members have anything much to say about any of this.

MR. LONG: Okay. Well, what we can do, Mr.

Chairman, is we can make sure these printed Board minutes are a little bit more reflective of any, as you just stated --

MR. JONES: Board input.

MR. LONG: -- Board input that may be impacted.

MR. JONES: Effected.

MR. LONG: Again, we were trying to keep this as simplistic as possible, knowing that the transcripts were available on our website as well, but we will make sure that we do a better job of incorporating Board input as well as the --

MR. JONES: I'm not talking about ad nauseam.

MR. LONG: I agree, and I'm not suggesting that either. I'm just suggesting that we will make an effort to be a little bit more inclusive of Board comment and input as well as other staff comments rather than their being two paraphrased or too shortened and condensed for the effort of --

MR. JONES: And that's something -- because you see these before they go here. Right?

MR. LONG: Yes, sir, I do.

MR. JONES: So all I'm saying is is that, at some point, you'd have to decide which was enough to reflect that the Board is actively involved --

MR. LONG: Most definitely.

MR. JONES: -- and especially on key business that comes before the Board because there's nothing when I read these that suggests it. I'm not asking for any changes here.

MR. LONG: Gotcha.

MR. JONES: I mean, would you concur?

MR. LONG: And I -- we'll do that going forward.

MR. ROMERO: I see what you're trying to get at. I mean, you're -- it's almost like you all made a presentation to the Board and we just sat here and listened to it and didn't have any input on our part.

MR. LONG: I understand.

MR. JONES: Yeah, exactly. And that's not true. But how much is too much; how much is not enough. I mean, that's your discretion.

MR. LONG: Over the next several months, Mr. Chairman, what we'll do is Laura and I will work to make sure that we keep the minutes in here and if you would like, I can continue to monitor that as well if we have suggestions going forward, we'll keep going till we get to the level you all want.

MR. JONES: Okay. And I think the Board members would appreciate the fact that --

MR. LONG: Certainly.

MR. JONES: -- their work on the Board is

reflected somewhat in the printed --

MR. LONG: And I appreciate your comments on it.

MR. JONES: Okay.

MR. LONG: We'll take the initiative to make that happen.

MR. JONES: All right. But I'm not recommending any changes --

MR. LONG: Okay.

MR. JONES: -- to the minutes as they are currently.

Is there any other comment or question?

(No response.)

MR. JONES: I'll entertain a motion.

MR. ROMERO: Move to approve the minutes as presented.

MR. JONES: Move to approve.

MR. DIETZ: Second.

MR. JONES: There's a second.

Any further discussion?

(No response.)

MR. JONES: Any public comment?

(No response.)

MR. JONES: Hearing none, all in favor of approving?

(A chorus of ayes.)

MR. JONES: Any opposition?

(No response.)

MR. JONES: Okay. It's approved. The Board minutes are approved.

Tab 2, Presentation, Discussion and Possible Approval of Minutes of the Board Planning Session held on January the 12th.

(No response.)

MR. JONES: I know. It's real short.

MR. LONG: That's why I'm laughing, comment.

Mr. Romero, I'm laughing a bit because I know that if you had comment on the first meeting, then this would --

But, again, on this, this could have been literally multiple, multiple pages long and it was not -- the meeting was not intended to -- there was no decisions made; there were no Board rules required. It was really more of a strategic planning session and so we felt the transcript really did a good job, and if you feel like this is too short, I'll be more than happy to ask -- Laura and I'll work on getting it more extended but it is literally two and a half hours, three hours, so --

MR. JONES: Which is why I suggested that you look for any key Board input --

MR. LONG: Right.

MR. JONES: -- or, as I said, on this other page, any relevant question that was posed or something to show that the Board is taking an active part --

MR. LONG: Right.

MR. JONES: -- in what happens.

MR. LONG: Well, this was drafted by Laura with my guidance and I actually told her specifically that we should keep this rather short, so I apologize if this is not what you were looking for. Given the transcripts, again, are on our website, we felt like this would be a good summary for the Board.

But, again, we recognize, Mr. Chairman, that in some instances there's feedback and input that you want other people who might read these to take the initiative to show Board interaction with the staff along with that. So we --

MR. JONES: As well as Board members. I had a discussion at home. I was talking to my wife and she says, what do you do up there?

So what I did was I went on line and I printed out a transcript and she read it. She said, well, how do you know about all those things.

I said, first of all, the staff informs us. And then they make the presentation, and I said a lot of the

questions that I might ask is based on logic, is based on common sense, and based on what they say in the words that they use.

And she says, oh, you do all that?

I said, well, we try. But most people don't understand what the Board does and I know they're always going to do the short end but that's just at your discretion, David.

MR. LONG: Okay.

MR. JONES: All right.

MR. LONG: Thank you, sir.

MR. JONES: Any other comment?

Okay. We'll entertain a motion to approve, Board to approve.

MR. ROMERO: Move to approve.

MR. DIETZ: Second.

MR. JONES: Moved? All right. Moved and second. Again, any public comment, regarding Item 2?

(No response.)

MR. JONES: All right. Hearing none, all in favor of approving, signify by saying aye?

(A chorus of ayes.)

MR. JONES: It's unanimous.

All right. Tab 3, Presentation, Discussion and Possible Approval of Modifications to the Corporation's

Interim Construction and Acquisition Loan Program, the Multifamily Direct Lending Program and the Affordable Communities of Texas Land Banking Program regarding construction standards and the Americans with Disabilities Act.

Mr. Danenfelzer?

MR. DANENFELZER: David Danenfelzer, Manager of Development Finance. I brought this change here today based on some public comment that the Corporation received and discussions we've had with advocates and through our annual planning process.

We determined that it would be a good move for us to go ahead and provide some clarity within our policies regarding loan programs and the Land Bank program. Regarding updates to the Americans with Disabilities Act and the enforcement that Title 2 and Title 3 specifically have regarding accessibility in housing that is sponsored or funded by public entities, which nonprofits fall under that umbrella.

So we've always included ADA accessibility within our requirements for our developments but we are looking to sort of, like I said, clarify the roles of Title 2 and Title 3 within our development standards.

We actually do use the identical development

standard in all three of these programs and, as you'll see in the section here regarding development standards, we added the underlying sections to the existing policies. And so that flows into each of the relevant sections of each policy which is listed there towards the bottom of the page.

MR. JONES: Because all that's standard. I mean, you can't even get a permit unless you have the certification that -- expensive first floors and all those things need to -- and you're saying you're just putting it in here just to say it clearly. It wasn't said clearly before, huh?

MR. DANENFELZER: Yeah. And there -- one key change that happened back in 2010 is the U.S. Justice Department was asked to look at Title 2 and Title 3 of the American with Disabilities Act, and for a private homeowner and a private builder, those sections of the Act do not apply to construction.

It's really only the exterior buildings, sidewalks, driveways and other things which are considered public areas in private residences or commercial residences which need to be made accessible under ADA.

For example, you can't put in gravel in front of your yard. You're supposed to have a sidewalk that needs to be a certain width and a certain ramp level and quality. You couldn't just throw a bunch of river stone out there and say,

well, that's my sidewalk because that would violate ADA as a private landowner because sidewalks are consider public right of way.

MR. JONES: Are you saying that what this does is extend government standards to private builders and developers?

MR. DANENFELZER: No, it doesn't extend that but what it does is it further clarified what entities are considered public under the ADA and it also -- I mean, we've always enforced it ourselves but it does clarify some of the points under the Americans with Disabilities Act and accessibility standards that not only federal agency but both state and public nonprofit need to adhere to.

And so we just thought that it would be good because many architects and engineers look at ADA as more of a public access issue. They look at the sidewalks and streets and they're very familiar with that but ADA as an accessibility standard for the interior of homes has really not been something that's been pushed up until the last couple of years.

MR. DIETZ: So are we adding a compliance hurdle by saying that an inspector has to come out and provide us with that certificate? Is that something we were already doing or is that --

MR. DANENFELZER: That is something we've always -- generally, our developers provide our building plans and they have stamps and accessibility clarifications on there but we have elaborated on that, particularly because we've generally just required them to submit the certification.

And not everyone has an architect. Our forms have always said just the project architect but not everyone uses an architect. Some people just buy standard plans from architectural companies or engineering companies and so we've allowed them to use either the architect engineer or a third-party building inspector which often in cases, especially in rural areas, is more commonly available.

So they can get an inspector who's qualified with ADA and these other requirements for accessibility and they would simply sign off. More importantly, they also generally sign off on the International Residential or International Building Code requirements, or the local building code requirements that are in place so --

MR. JONES: You know, hypothetical is always -- we always use them but -- so somebody decides to redo two house privately. They're on the edge of a block that maybe has four houses.

MR. DANENFELZER: Uh-huh.

MR. JONES: Would that mean that if they're going to ADA-certified under these titles they would have to also provide curb cuts, or would that still be the responsibility of the city or someone else?

MR. DANENFELZER: Well, if the city does not require --

MR. JONES: You said sidewalks.

MR. DANENFELZER: Right. But if city does not require the installation of a sidewalk on a private property when it's remodeled or constructed, then there is no requirement for them to put that in under ADA.

MR. JONES: But if the sidewalk is there --

MR. DANENFELZER: But if there is a sidewalk and during the course of construction, they damage or cause a change in the sidewalk, but, say, they decide to plant a tree in the sidewalk --

MR. JONES: They would have to make it ADA-compliant.

MR. DANENFELZER: They would have to make any improvements --

MR. JONES: So it is another compliance or, in effect, it could be.

MR. DANENFELZER: Well, it's not another one because it's already there; it's already in existence for

private owners on sidewalks. The only thing additionally here that we could say is that for us we just need to make sure that the interior of a home now meets ADA as well.

I mean, we've always asked for that but we're trying to clarify it, and we're also --

MR. JONES: Width of doors, turning space, bath, kitchens, et cetera.

MR. DANENFELZER: Yeah. And I don't think this will change any of our builders' current plans. They're not going to have to upgrade things or spend money to change anything because ADA --

MR. JONES: But the question is --

MR. DANENFELZER: -- the standard for --

MR. JONES: I'm sorry. I didn't mean to interrupt you but the question is in the city building codes, whether they use International Building Code, whatever they use -- if it doesn't require everything in Title 2 and 3, this would, beyond whatever the city requires.

MR. DANENFELZER: Right. For our projects, projects we fund, yes.

MR. JONES: This would go to the federal level like the Davis-Bacon Act that makes you pay union wages in a right-to-work state, if you're going to do a federal project.

MR. DANENFELZER: Well, I mean, yeah, if you were using federal project -- our projects are not subject to --

MR. JONES: Yeah, but I'm saying, that's how the government works. You're saying that you're --

MR. DANENFELZER: Right.

MR. JONES: -- going to do our project and we're tied in with the government and HUD, and FHA, and whatnot, then it'd have to meet the federal standards of Title 2 and 3, whether or not the local municipality requires it or not --

MR. DANENFELZER: Correct.

MR. JONES: -- which could be another compliance or something to have to do, depending -- but we've always required it, you said.

MR. DANENFELZER: We've always required it so it's not going to change our current or past projects.

MR. JONES: It doesn't add anything; it just clearly states it.

MR. DANENFELZER: Right. Clarification, exactly.

MR. JONES: Okay.

Any other discussion?

Mr. Dietz?

(No response.)

MR. JONES: Okay. What are we asked to do here,

approve the modifications? Is there a motion to approve or disapprove? What's the motion?

MR. DIETZ: I'll move to approve the pending resolution.

MR. JONES: Okay. Item 3 as written. Is there a second?

MR. ROMERO: Second.

MR. JONES: Moved and second. Any public comment on the item?

(No response.)

MR. JONES: Hearing none, all in favor signify by saying aye.

(A chorus of ayes.)

MR. JONES: Any opposition?

(No response.)

MR. JONES: Carries unanimously. Thank you.

MR. DANENFELZER: Thank you.

MR. JONES: That wasn't the question about compliance hurdles.

(Pause.)

MR. JONES: Ms. Taylor, I guess, is here for Item 4, Presentation, Discussion and Possible Approval of the Texas State Affordable Housing Corporation's 2012 Annual Action Plan, which is indeed an action plan.

MS. TAYLOR: Yes, it is. We are required by statute to develop this annual action plan and the process of it is that it is included in a larger plan called the State Low-Income Housing Plan which is a plan that is prepared by the Texas Department of Housing and Community Affairs. The statute indicates that TDHCA has until -- has by March 18 for the Board to approve it and then their plan and our plan together have to go to the Governor's office and the Legislature 30 days after that.

So to comply with that, what we normally do is to prepare a draft which you approved in December to go for the comment. Our draft plan was open for public comment about a month from the end of December to the end of January. We also had a hearing on the plan. We didn't have any comment from the public at the public hearing.

We did receive written comment regarding the plan and we -- just to briefly explain what the public comment that we received -- it was from the Disability Policy Consortium Housing Committee and what they proposed is under the Multifamily Bond program we have one of the target areas that you as a Board approved for that program under guidelines.

One of them is that we would fund senior supportive housing developments, and then you had asked us to maybe add service-enriched counseling in there and make some

modifications to what you referred to as living development. We actually are not implementing those comments into the document, and the reason we are not is only because you actually already approved the guidelines for that program. And because our staff -- the guidelines have to be approved in a certain timeline.

And you approved the guidelines for that particular program back in, I think it was in December. And in the RFP, which is how we opened this program up for applications, it already has to -- some it just -- it did make sense that we would be doing that and the comments for that.

However, we are in communication with them and we do -- we are going take into consideration those comments for the actual guidelines for the Multifamily Bond program in November when we bring them to you for the actual public comment.

MR. ROMERO: Did you notify them of that?

MS. TAYLOR: I did. I notified them, phone call and email, to let them know that although we do consider their comments valid and we will consider those changes because that program guidelines, or that program have already been approved for this year, for this program year. We couldn't make those changes with an active RFP out already. And so, as a result, the annual action plan for that program is just

a representation of what that program does.

Now, in the other programs, such as our Texas Foundation Fund program and where we have more control over because it's not a statute program and it's not administered through statute, then we might consider making changes like that in the International.

Does that make sense?

MR. JONES: Uh-huh.

MS. TAYLOR: So -- and part of it, I notice that we don't have page numbers on the annual action plan.

MR. JONES: Right.

MS. TAYLOR: But just to point out to you what the actual changes that we did make from this one to the draft copy that you approved for public comment in December, the third-to-last page, on the very first paragraph, i.e., the public comment regarding the program target areas and guidelines as requested during the fourth quarter of 2011, the Board has formally adopted the following target housing needs, and willingly approved.

So I -- we added that just to clarify that with this program the guidelines have already been approved for --

MR. JONES: Okay. Well, this is third from the end. Right?

VOICE: Yeah. What's the top of the page thing?

VOICE: The top of the page --

MS. TAYLOR: The Corporation --

MR. JONES: Says the Corporation Board of  
Directors --

VOICE: Okay.

MR. JONES: -- qualifies --

MS. TAYLOR: Right. It actually includes the  
next sentence.

MR. JONES: Okay.

MS. TAYLOR: I did that -- just to clarify that,  
and you had already received public comment for this program  
and that you already had adopted these guidelines.

MR. JONES: Okay. If you go two more pages back  
in your loan production. You see the chart, Loan production?

MS. TAYLOR: Yes, I do -- for the direct lending  
program?

MR. JONES: Yeah. Total value of constructed  
properties. I think there is a comma missing in the number  
one hundred thirteen million four hundred and sixty thousand,  
I believe, you're trying to say. Right?

MS. TAYLOR: Yes.

MR. JONES: Well, I know you're going to turn  
these in but I --

MS. TAYLOR: No. We -- it hasn't been turned in

so, thank you.

MR. ROMERO: So on the direct lending program you only sent out \$11 million, approximately?

MS. TAYLOR: No. You mean in total value constructed?

MR. ROMERO: No, no, right above that.

MS. TAYLOR: Yes --

So, today, we're here to ask you -- obviously, we're going to make that change too, that number, but we're going to ask you for a vote on the approval of this --

MR. JONES: And then this gets added to the Texas State Low-Income Housing Plan.

MS. TAYLOR: Yes. And then that goes to --

MR. JONES: To the process that you described.

MS. TAYLOR: Yes.

MR. JONES: Okay. I like it when people ask me, what are you doing? I usually refer to this. It's an easy way to refer to it, to what we do.

Okay. Any other questions or comments?

Mr. Dietz?

(No response.)

MR. JONES: Mr. Romero?

(No response.)

MR. JONES: All right. The floor's open for a

motion.

MR. ROMERO: Move to approve as presented with the changes suggested.

MR. JONES: Okay. Is there a second?

MR. DIETZ: Second.

MR. JONES: Any public comment?

(No response.)

MR. JONES: Hearing none, we'll take a vote. All in favor?

(A chorus of ayes.)

MR. JONES: And it's unanimous. There is no opposition.

Thank you, Ms. Taylor --

MS. TAYLOR: Thank you.

MR. JONES: Mrs. Taylor, I believe.

Okay. Under Item 5, Review, Discussion and Possible Approval of the 2011 Annual Performance Review of the President of the Corporation and related actions. I am going to move that we go into closed session under Texas Government Code 551.074, Personnel Matters. At this time it is 11:21.

(Whereupon, at 11:21 a.m., the meeting was recessed for closed session.)

MR. JONES: The Board meeting of the Texas State

Affordable Housing Corporation is called back into order. It is 11:53. Okay.

All right. Item 5, Review, Discussion and Possible Approval of the 2011 Annual Performance Review of the President of the Corporation and related actions.

Is there any discussion regarding that item?

(No response.)

MR. JONES: It involves you, David, and I think I'll ask Mr. Dietz to comment first.

MR. DIETZ: I guess I'll just say that the survey results that we got back from the various Board members were probably the most positive that I've seen in my tenure as a Board member and that accurate rule affects my judgment as well. So just very overwhelmingly positive conversation and we're proud to have you as our president.

MR. LONG: Thank you very much. I appreciate it.

MR. JONES: We've reviewed your skills and abilities in management of staff, grants, training, budget, donors, funders, public relations, Board interactions, across the board. And across the board, it ranked very highly, very, very highly in light of the fact of the last four years that I've been on the Board, I've seen the agency grow in stature, both publicly and privately, among entities --

I have seen the legislature, which has oversight over this agency, even though we receive no general obligation funds, move forward and show confidence in the agency under your tutelage by granting a ten-year extension under the Sunset review.

MR. LONG: Twelve year.

MR. JONES: Twelve year. I'm sorry. Why do I keep say ten? They was trying to give me six and then one wanted to give us two and one, one. We came out with twelve years in light of the fact that nonprofits are respecting us and in light of the fact that the staff and staff development, the qualifications of your management skills and all. I mean, we talked about it, in and out, pro/con, and it came off very, very highly.

Mr. Romero?

MR. ROMERO: Well, I think David has done a wonderful job in managing the organization on behalf of the Board of Directors. I think he's a great leader. He's done a lot with those people that work with him.

You've taken the Board's position to a much higher level than what it was when it first started. And I truly believe that you have a grasp of what needs to be done to keep the organization moving forward.

So I, myself, personally, I think, alone with the

other Board members, we feel that your warrant the type of praise that you've been receiving. You were rated very highly by everybody. I don't think it's misplaced; I think it's something that you continue to do on a day-to-day basis, and I think it's because of your leadership that this continues to be a good organization.

Having said that, I would like to make a motion to approve a 7 percent increase and I feel it's warranted.

MR. JONES: There's a motion on the floor.

MR. DIETZ: Second.

MR. JONES: And the motion is seconded. Any public comment?

(No response.)

MR. JONES: Hearing none, we'll take a vote.

All in approval of the motion, signify by saying aye.

(A chorus of ayes.)

MR. JONES: Any opposition?

(No response.)

MR. JONES: Okay. The motion carries. And congratulations, David, and thank you.

MR. LONG: Thank you very much for your consideration and your support. I appreciate it a lot. It means a lot to me.

MR. JONES: Okay. Having said that, I think that's it. Huh?

MR. LONG: Next meeting, Mr. Chairman, would be on the second Thursday of March. That is the 8th. It's early because it's early in the month. We obviously don't have an agenda posted yet for that meeting. We work towards that but if the Board members would allow us to go forward with the understanding that the 8th would be the next meeting, we'll certainly let you know based on agenda items needed for Board review and consideration as well as if we could poll the Board further down in the month as we get closer to the 8th. I think March is --

MR. DIETZ: And I personally can tell you right now, I'll be out of the state that week, that entire week, the second week of March.

MR. LONG: From a consideration standpoint -- we could push it back to the 15th and that would be reasonable for all of us as well, but, again --

MR. JONES: You want to make it tentative the 15th, pending whether --

VOICE: That's -- I had it on the 15th for some reason.

MR. LONG: We'll extend it to the 15th and what I'll do is Laura and I will make note that it's tentatively

the 15th. We'll consider Board items needed for consideration --

MR. JONES: If there is a meeting because there may not be a meeting.

MR. LONG: And then we'll also make sure that we call the Board members to make sure that they're available.

Mr. Dietz, you are available on the 15th?

MR. DIETZ: I believe so.

MR. LONG: Okay. All right. Then we'll go down the path.

MR. JONES: Okay. And again I want to thank the staff that presented this morning. As usual, it was thorough and we appreciate it.

Also, Ms. Bynum, we thank you again for what you do. Appreciate it very much.

And Mr. Dietz pressed on, and thank you for joining us so we could take of the business of the agency.

Any other comment?

(No response.)

MR. JONES: Melinda, thank you for the labor, what you did getting us the materials we needed to make a proper evaluation. Thank you very much.

And also, Pam, thank you for being there for us.  
Meeting adjourned.

(Whereupon, at 12:00 noon, the meeting was concluded.)

CERTIFICATE

MEETING OF: TSAHC Board

LOCATION: Austin, Texas

DATE: February 9, 2012

I do hereby certify that the foregoing pages, numbers 1 through 55, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas State Affordable Housing Corporation.

2/15/2012  
(Transcriber) (Date)

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