

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,  
March 22, 2012  
10:08 a.m.

BOARD MEMBERS:

ROBERT "BOB" JONES, Chair  
JO VAN HOVEL, Vice Chair  
JERRY ROMERO  
WILLIAM H. DIETZ, JR.  
GERRY EVENWEL

*ON THE RECORD REPORTING*  
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PROCEEDINGS

MR. JONES: I call to order the Board meeting of the Texas State Affordable Housing Corporation. Let me say good morning to everyone, appreciate your efforts and what it takes to be here. Thank you very much.

Let's do roll call first. Jo Van Hovel, Vice Chair?

MS. VAN HOVEL: Here.

MR. JONES: William Dietz, Member?

(Not present.)

MR. JONES: Gerry Evenwel?

MR. EVENWEL: Present.

MR. JONES: Jerry Romero, Member?

MR. ROMERO: Here.

MR. JONES: Okay. We have a quorum.

Is there any public comments at this time? Any public comments at all?

(No response.)

MR. JONES: Okay. Then the Texas State Affordable Housing Corporation Board of Directors will go into closed session based on Texas Government Code, Section 551.074. It is now 10:10 a.m.

(Whereupon, at 10:10 a.m., the meeting was recessed, to reconvene this same day, Thursday, March 22, 2012, following conclusion of the closed session.)

MR. JONES: The Texas State Affordable Housing Corporation Board of Directors is called back into open session at 11:03.

All right. At this time, David, the president's report, please.

MR. LONG: Yes, sir. Members, good morning.

Quick update on a few things that we've been participating in. I was able to attend, by invitation of NeighborWorks America, a home ownership symposium in L.A. earlier this month. It was an opportunity to sit in on a roundtable in a pretty open forum discussion during what they call the NeighborWorks Training Institute. It's a week-long training that they do, and I was invited to attend a couple of training sessions there.

Several staff attended the Texas Association of CDCs conference that was held in Houston, along with Mr. Romero joined us for Wells Fargo.

Yesterday we had a great opportunity to meet with the Federal Home Loan Bank. They had called us and asked us if they could stop by and visit with us, and so several staff members and myself participated in a meeting with them.

As you might notice, Janie and Katie are not with us today. Ms. Howard and Ms. Taylor are attending here in Austin an Indiana University fundraising/training conference that will keep them out of the office for a week. It's a great opportunity, given the board's direction over the last several years and most recently with our current project with Corcoran to improve and enhance our fundraising plan that we have for the corporation.

I also might announce that the National Foreclosure Mitigation recently awarded the Texas Department of Housing and Community Affairs, under Round 6 of that funding for foreclosure counseling and mitigation,

\$366,000, give or take, and that fund is something that the corporation has partnered with the department on and administered on their behalf, and we're looking forward to continuing that relationship and working with them.

I also might just make sure you all know who's in the audience with us today. Pam Stein, you all know, she's with Greenberg Traurig as our general counsel firm. Jose Gayton is with Bank of Texas, he's here. Robert Johnson with First Southwest, our financial advisor firm. Chris Spelbring is here with Morgan Keegan, our underwriting firm. Tim Almquist with Bank of America is here. Mark Mayfield with the Texas Housing Foundation is here; he'll be speaking to you later on one of the tab items. And then Jill McFerrin is here with the Texas Department of Housing and Community Affairs.

And with that, Mr. Chairman, unless you have any questions on the specific tabbed reports that are provided in your board book, I will conclude my report.

I might add, you all should have gotten a copy of our little acronym list for you. I know this is sometimes we get a little free with our acronyms and uses and sometimes they're a little hard to catch up on as we flow through them, but if we do, I apologize, but hopefully this cheat sheet will help. And I appreciate the fact that Laura Ross put this together for you and hopefully we haven't missed anything.

MR. JONES: It's very good, and I appreciate that. And you've only got one page, the General Land Office Coastal Coordination Council has 2-1/2 pages of acronyms.

MR. LONG: Well, hopefully we provided everything, and if not,

we'll be more than happy to update it.

With that, Mr. Chairman, I'll conclude my president's report.

MR. JONES: Any questions from the board, any comments?

(No response.)

MR. JONES: We'll go into Tab Item 1: Presentation, discussion and possible approval of minutes of the Board meeting held February 9, 2012.

MR. ROMERO: Move to approve.

MR. JONES: Motion to approve.

MS. VAN HOVEL: I'll second, Mr. Chair.

MR. JONES: And a second. Is there any public comment regarding item 1?

MR. EVENWEL: Just one little thing. On paragraph 4 where it uses the word "began" --

MR. JONES: What page, sir?

MR. EVENWEL: First page: the economy began to recover. I was just thinking it sounded better if you say it begins to recover.

MR. LONG: We'd be more than happy to make that change, Mr. Evenwel.

MR. JONES: Yes.

MR. LONG: We'll make that change for you.

MR. EVENWEL: And not being here, that was all I noticed.

MR. LONG: Okay. We'll be more than happy to make that change, and thank you for your comments on it.

MR. JONES: Yes, that's true.

Any other comments or corrections?

(No response.)

MR. JONES: Is your motion with the change?

MR. ROMERO: Yes. I'll amend my motion with the change.

MR. JONES: And your second?

MS. VAN HOVEL: I'll second that.

MR. JONES: Okay. Public comment?

(No response.)

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

(A chorus of ayes.)

MR. JONES: It is approved. Thank you.

Tab Item 2: Presentation, discussion and possible approval of supportive services related to the corporation's single family programs. David.

MR. LONG: Mr. Chairman, members. The corporation, in an effort to kind of ensure that we have the related supportive services that are required as the single family programs morph in the current market, we're just asking that the board approve our ability to expand where we need to, to ensure that we are providing not only the best program and product but also the best services related to supporting those programs.

And with that, Mr. Chairman, I think you'll find that Tab 3 relates to this and it ensures that we have the budget amendment to go along with it. But for Tab 2, it's basically to ensure that we have the capacity and scope to move along and provide that support service where necessary.

MR. JONES: Okay. Is there any comment or discussion?

Any public comment?

(No response.)

MR. JONES: Hearing none, all in favor?

MR. ROMERO: I move to approve.

MR. JONES: Oh, I'm sorry.

MR. EVENWEL: Second.

MR. JONES: Is there a motion.

MR. ROMERO: I move to approve.

MR. JONES: Move to approve.

MR. EVENWEL: Second.

MR. JONES: And second from Mr. Evenwel.

Any additional comment? Any public comment?

(No response.)

MR. JONES: Hearing none, we'll take a vote. All in favor signify by saying aye.

(A chorus of ayes.)

MR. JONES: It's unanimous.

Tab 3: Approval of an amendment to the corporation's 2012 operating budget to provide for changes to the corporation's programs and services offered.

MR. LONG: Mr. Chairman, again what we're proposing there is as we need to reallocate resources for budget line items, the corporation would propose and the staff would propose that the board approve us being able to

amend that budget based on the presentation and information that's been provided, and as a result, would ask that you approve us being able to move forward with that budget amendment.

MR. JONES: Any discussion? Any public comment?

(No response.)

MR. JONES: All in favor signify by saying aye.

MR. ROMERO: We need to make a motion. I'll motion to approve the amended 2012 budget.

MR. JONES: I'm having trouble. I was in Houston last night.

MR. EVENWEL: Second.

MR. JONES: It's been moved and seconded. Any public comment?

(No response.)

MR. JONES: Hearing one, all in favor signify by saying aye.

(A chorus of ayes.)

MR. JONES: Any opposition?

(No response.)

MR. JONES: Item 3 carries.

Item 4: Presentation, discussion and possible approval of a resolution regarding the submission of a calendar year 2012 application for allocation of private activity bonds in the amount of \$15 million, notice of intention to issue bonds and state bond application to the Texas Bond Review Board and declaration of expectation to reimburse expenditures with proceeds of future debt for the Gateway Northwest Apartments Project.

The coatless Mr. Danenfelzer.

(General laughter.)

MR. DANENFELZER: Good morning. David Danenfelzer, manager of Development Finance.

The project before you is one of our first bond projects for this year. It's a new project that is being proposed in the City of Georgetown. I actually have asked the developer representative, Mark Mayfield, to come and sit with me today so you could ask him questions and get to know him a little bit.

But essentially, this is a 180-unit project up in Georgetown. It is covered under the corporation's rural and small urban areas based on where it's located. It is located outside of the metropolitan statistical area of Austin-Round Rock which makes Georgetown eligible for our small urban areas, and Georgetown is a city of under 50,000, it fully qualifies for that set-aside.

We also really like this project because it is going to be located in what we generally considered a high income census tract, and as one of the corporation's goals to affirmatively further Fair Housing and build housing in higher income census tracts and give people more fair choice and better choices of housing, we think this is an ideal project in order for us to do that.

I'm not sure if there's any other specifics I can provide you other than we will be asking for a total of \$15 million under the inducement. This is very typical, although the small table that you see in the write-up shows that they requested \$12 million in bonds, we always ask for a little bit more in our inducement because under the Bond Review Board's rules, we can always go down from what we ask for in our inducement but we can never go above. So

let's say we asked for the exact amount and we find out that because of the pricing or because of the market we needed an extra \$100- or \$200,000, we couldn't actually go up based on the inducement.

So our bond counsel, Bob Dransfield, with Fulbright & Jaworski, always advises us to ask for about a million or two extra to give us that little cushion that we need in order to have any changes or meet with any kind of bumps that come along on the road. But we do anticipate that this will be very close to the \$12 million mark; in fact, it may actually come down, if the housing tax credit equity which is proposed and the rates for that are increased, that would reduce the need for bonds a little bit on the project.

I'll let Mark introduce himself.

MR. MAYFIELD: Again, appreciate the opportunity to be here before this board. Again, my name is Mark Mayfield. I'm with the Texas Housing Foundation.

The Texas Housing Foundation is a regional public housing authority, very unique organization. We're not, like most public housing authorities that deal and manage and run public housing projects, ours is basically an affordable housing organization. We've been very actively engaged throughout the State of Texas in the development of affordable housing. We work primarily with for-profit developers in joint ventures which is a good way, we feel, to put affordable housing developments on the ground.

And we're excited about this development in Georgetown. We were brought into the City of Georgetown by the city itself, and we weren't out kicking the tires there, they came and kicked our tires and brought us out there,

which was a unique twist in this business.

But we're very excited about the possibility of getting this property on the ground there in Georgetown. Great market. I've lived in Marble Falls my whole life and I've watched the City of Georgetown come from a little small ranching community really to just a booming area, and a great market. So we're excited about this development, and look forward to working with David and David on this. They're both very good friends of mine. And I appreciate this opportunity.

MR. JONES: 180 new units. Is this a complex or is this single family? This is not single family. Right?

MR. MAYFIELD: It's multifamily, yes.

MR. JONES: It's multifamily.

MR. MAYFIELD: One, two and three bedroom units.

MR. JONES: And I'm looking at the picture. You said it's higher income?

MR. DANENFELZER: The census tract in which this is located, and a census tract is the geographical boundary that the Commerce Department determines, and I'm not exactly sure how they do that --

MR. JONES: And I'm looking at which it really seems like it's on the outskirts.

MR. DANENFELZER: It is actually a little bit north of sort of the downtown area, it's off of the I-35 corridor. There's a very large sort of single family residential subdivision to the west, as you can see northwest.

MR. JONES: Which you said is high end.

MR. DANENFELZER: The income ranges that the census data provide show that this is actually above the median income for Williamson County, this census tract.

MR. JONES: And under staff's recommendation, you say you have to hold public hearings, in light of the fact that the city asked you to come in to do this, you don't think it's going to be a problem in public hearing where out here they create this whole area of affordable housing, so to speak?

MR. MAYFIELD: No, sir, I don't.

MR. JONES: No problem in public hearings or anything?

MR. MAYFIELD: No. We've already had multiple, multiple public meetings with the City of Georgetown on this development. It's actually a part of a larger planned unit development by a large developer there within the City of Georgetown, and we're very excited with this major retail development that the Wolf Properties -- David Wolf, if you're familiar with the Wolf Ranch property, he's doing a major development there on a 69-acre tract, and we're very excited that affordable housing now is a part of this equation. And as we've gone through the PUD process with the planning and zoning with the city council and all, this has been bantered about in public meetings already multiple times.

MR. JONES: So it shouldn't be any problem.

MR. MAYFIELD: I don't see any issues at all, none whatsoever.

MS. VAN HOVEL: Mr. Chairman.

MR. JONES: Yes, ma'am.

MS. VAN HOVEL: I have a question.

MR. JONES: Go ahead.

MS. VAN HOVEL: I must have missed somewhere along the line here, but are these going to be for sale or for rent?

MR. MAYFIELD: No. They're rental, multifamily apartment complex, one, two and three bedrooms that will all be rental properties.

MS. VAN HOVEL: And so what is the rent going to be? Do you know?

MR. MAYFIELD: There's going to be a range from the rent schedule that we have of one bedroom units, the 30 percent of median run at about \$344 up to market units, a three bedroom market unit would be \$1,000 a month, but that's a market unit.

MS. VAN HOVEL: Is that three bedrooms?

MR. MAYFIELD: Yes, that would be a three bedroom.

MR. ROMERO: I think it's important to note that this is actually a mixed income development more than anything else.

MR. MAYFIELD: It is.

MR. ROMERO: You know, affordable housing has a bad connotation sometimes.

MR. JONES: People think that affordable housing would lower property values.

MR. ROMERO: But actually in this case it's a mixed income development. And I'll be honest with you, it's refreshing to know that you, as a developer, are going to defer your fee because that doesn't happen very often.

So again, I think for the purposes of this discussion, this is just merely an approval from us to let you go out and get the inducement on the bonds, and then you'll come back after you've done the full analysis and underwriting to see if we want to proceed with the project. Right?

MR. DANENFELZER: That's correct, and that is an important thing to understand with our inducement process. The inducement resolution grants the authority to the corporation to move forward with its investigation and underwriting of the project. It allows us to reserve volume cap from the Texas Bond Review Board for this project, and then move through the entire process. Once the reservation process -- once we reserve the volume cap for this, we'll get very into underwriting all of the inducement resolutions, all of the documents that really make up a bond transaction will be drafted.

MR. JONES: I must have missed it. Where does it say defer his fees?

MR. DANENFELZER: It's in the table on the second page.

MR. ROMERO: Actually, it's in the writeup on the bottom.

MS. VAN HOVEL: It would still be good to know what we're projecting.

MR. JONES: So deferred means you'll collect them but not up front.

MR. DANENFELZER: Right. They'll be amortized over the next ten years on the project, so they'll essentially get a payment out of the cash flow after all the debt service and everything.

MR. JONES: Okay.

MR. DANENFELZER: In other words, they're up front costs but it still ensures that the developer gets the profit that they need in order to do more of these deals in the future.

But yes, we'll be coming back to the board after the reservation of the funds one more time to do the final bond resolution, and at that time we'll have very much more specifics on the underwriting of the project, what the exact rents and incomes are going to be, the cash flow projections for the project, as well as the debt and income projections for everything.

So at this time it is required of us under statute to go ahead and do an inducement resolution in order to get authority then to reserve bond cap on behalf of this project.

MR. JONES: Any additional questions or comments?

(No response.)

MR. JONES: Is there any public comment on Tab Item 4?

(No response.)

MR. JONES: Hearing none, we'll call for a motion.

MR. ROMERO: I move to approve the resolution regarding submission of a calendar year 2012 allocation of private activity bonds for this project, Gateway Northwest Apartments.

MS. VAN HOVEL: Mr. Chair, I second.

MR. JONES: Okay, that's the whole thing, you said everything.

MR. ROMERO: Pretty much, just skipped a few things.

MR. JONES: As written. Right?

MR. ROMERO: As written, yes.

MR. JONES: Okay. And you second it, Jo?

MS. VAN HOVEL: Yes.

MR. JONES: Any further discussion?

(No response.)

MR. JONES: All in favor signify by saying aye.

(A chorus of ayes.)

MR. JONES: Thank you, David.

MR. MAYFIELD: Thank you, members.

MR. JONES: And thank you, sir.

Tab Item 5: Presentation, discussion and possible approval of a resolution regarding the submission of a calendar year 2012 application for allocation of private activity bonds in the amount of \$75 million, notice of intention to issue bonds and state bond application to the Texas Bond Review Board and declaration of expectation to reimburse expenditures with proceeds of future debt for the Dalcor Affordable Housing I Texas Affordable Housing Pool Project.

Mr. Danenfelzer.

MR. DANENFELZER: Again, David Danenfelzer, manager of Development Finance.

This is very similar to the last bond deal, in the sense that it is a bond deal and that we are asking for your authority, again, to go ahead and reserve volume cap from the Bond Review Board. One thing different about this, this is more like the projects we've done the last two bond deals where they have been pooled transactions, meaning there are more than one apartment

complex included in the financing.

In this particular financing it includes six properties in six different cities with a total of 1444 units. They range from all the way up in Wichita Falls down to Beaumont, Texas. The properties are all currently owned and managed by CED Capital and Concord Management based out of Florida. These properties were developed with bonds and housing tax credits 15 years ago. And this is very customary that at the 15-year point with the Housing Tax Credit Program properties at that time need some capital infusion, and so it is very common that we see refinancings of those deals.

In this particular case, the owner of the original properties is really wanting to get out of the Tax Credit Program and remove the affordability restrictions on these properties. So Dalcour has stepped in and is looking at purchasing the entire portfolio which would preserve them for an additional 15 to 30 years as affordable units. The corporation's allocation of bonds would, obviously, be part of the overall \$114 million financing for this project, and we are still working on sort of the -- again, we're still going to be working on all the numbers and everything after we get this authority to move forward with a reservation.

One unique aspect of this project is that at this time the corporation does not have sufficient volume cap to do the full \$75 million. We're allocated about \$53 million for the calendar year, we had an additional \$7.5 million in carryover from our last project that was money that was not allocated to that project and we're able to use that for another two years.

But what we've talked to the developer about is two potential

strategies. One wherein they take one or more of the properties out of the portfolio and run that through another issuer -- potentially South Texas Housing Finance Corp, I know, has been discussing this with them, as well as Dallas Housing Finance Corp -- and that basically allows us to do just the properties that we have volume cap for.

The other potential avenue, and one that we think is very feasible, is to wait to reserve the allocation until August 15. On August 15, under State Bond Review Board rules, all of the volume cap for multifamily housing that's allocated by the BRB collapses into one giant pool and any issuer within the state has the ability to draw down additional cap at that time. We believe there will be sufficient cap at that time to completely do this project, the full \$75 million. We know that the Bond Review Board at this time only has three projected projects on their agenda until August, if we include these two in that number, so there's only one other potential project within the State of Texas that's asking for volume cap at this time.

And we also think that it will just be much simpler if we do it as one large project for the full \$75 million rather than trying to coordinate two separate issuers and issuers' counsels and all that to try to get a deal done. But it is up to the developer, and so we're open to doing it either way.

I apologize the developer was not able to come today. It was really a miscommunication on my part on timing and whether or not I'd need them here. But they were and are very excited about doing this project. They did come and visit with me last week with their tax credit and bond purchaser, and I think this is a very capable group that has amazing experience in

commercial real estate and apartment real estate, and in fact, has a very great likelihood of carrying this thing across the line and making a great project for the corporation.

MR. JONES: You say the public benefit that this deal would preserve 1,444 units of affordable housing. If the projects are allowed to continue without a new financial plan, the units are likely to be refinanced as market rate. Why would that assumption be there?

MR. DANENFELZER: Well, because the properties have reached the end of their minimum affordability rate under their previous financing, so at this time the owner has the ability to opt out of the Housing Tax Credit Program and make these all market rate units and refinance them.

MR. JONES: But could he sell them to do that?

MR. DANENFELZER: He could either sell them to a market rate buyer or he could refinance them and make them market rate.

MR. JONES: Is there a market for market rate?

MR. DANENFELZER: Oh, there is a market for market rate.

MR. JONES: That's the key.

MR. DANENFELZER: In most of these markets, specifically the larger markets including Dallas, Houston and really to a certain extent, the Bryan-College Station market, there is actually a real growth in market rate apartments right now. I haven't looked that thoroughly at the Beaumont and Wichita Falls markets yet, and frankly, the Huntsville market I'm really not all that familiar with. But there is a large growth in commercial apartments.

MR. JONES: Because what I want to do is make sure that what

we're doing is we really are providing or saving or maintaining affordable housing units. It's definitely a yes in the Dallas market.

MR. DANENFELZER: And really, I actually don't think that in either case, even if someone were to come in and buy them, they would still waive their tax credit compliance requirements under a new owner, they wouldn't have to honor that commitment if they sold these out. And we know that this particular owner is interested in pulling out of the Texas market, this is their entire portfolio, so they're going to sell it to the highest bidder they can get for this deal.

In this particular case, it's really a sense where they know this group, they know each other, so I think they're getting a pretty good deal, actually, on a per-unit cost for these properties, given the fact that they're only 15 years old and they're all, from what I've seen, in very good condition, but the tax credits and bonds are definitely going to preserve these units. I would see at least half, if not all, of this portfolio going market rate in the next year if we don't do this financing.

MR. ROMERO: I have a question. So we get \$53 allocated to us, you said we had \$7 million carryover from the prior year?

MR. DANENFELZER: Right.

MR. ROMERO: So that's \$60-. We just granted \$15- on the previous deal.

MR. DANENFELZER: Correct.

MR. ROMERO: So that leaves us with approximately \$45 million left to allocate.

MR. DANENFELZER: Yes. And that's essentially where the discussion comes in: we either wait till August 15 where we can get additional cap and do the entire deal, or the developer is looking at options of parsing out a couple of the properties so that we can get \$45 million under us and then the balance, whatever, \$30-some million under the other.

MR. ROMERO: So how are we supposed to approach this? You're seeking approval for \$75 million so we're going to wait till August?

MR. DANENFELZER: Well, what I'm saying, again, it's up to \$75 million so if we come back -- and we'll update you on a monthly basis -- but if we decide to split the portfolio, we still have authority then to go out and ask for just the \$45 million from the Bond Review Board.

MR. ROMERO: But from the Bond Review Board perspective, if you go out there for \$75 million, they're going to know you have to wait till August.

MR. DANENFELZER: No, not necessarily. Frankly, this is very common and many issuers do this. In fact, the City of Dallas did this last year and asked for \$120 million for three projects and they didn't actually do any of the projects.

We can actually combine inducements in certain cases and we could have done one inducement for the whole amount if we wanted to, but we tend to want to do things project-by-project so we don't over-allocate our cap and we don't over-commit. This gives us the flexibility where if this project decides to go forward, we can wait or we can do it now. The other thing it gives us is if there is a third applicant who may come in, then we can also induce that

now and we're not committing our volume cap to this deal, we're just saying that we can allocate up to \$75 million on August 15 if we have that amount available.

MR. JONES: When is the last time we had to give something back? Because if you guys under, what, TDHCA wanted to see if we could pick up an extra \$200-something million, we took what we could, knew we could actually do, and that's the regular TSAHC, they only do what they think that they can do. So if he says up to \$75 million, then that's what they believe they can do, whether it takes us to August 15 or not. And that's what you're asking for, just the ability to do.

MR. DANENFELZER: Right.

MR. ROMERO: And I think it's also important to note that should these units go to market rate, the people or the person or the organization that purchases these doesn't necessarily have to put any more money into them. By doing this, we're doing some rehab on some of the units that are needed.

MR. DANENFELZER: Yes. And at the very minimum, they will meet our \$15,000 per unit. They've told me that they're looking at doing more than that, but they're committing to do the minimum amount of \$15- per unit.

MR. JONES: And again, we're basically a pass-through on this.

MR. DANENFELZER: Right. We don't buy the bonds, we don't invest in the bonds, we are simply the conduit issuer. I like to say we're blessing these bonds as tax exempt and saying that these are affordable and they are meeting that, but we also do ongoing asset oversight and compliance,

we will maintain monitoring of these units for the full life of our bonds, and we'll continue to go out there at least once -- well, for the first few years at least once a year, after a while we start to go a little less often sometimes.

But we really do look at these properties. We make sure they're held up and they're painted and cleaned and maintained. We also look at their financial statements every year and we also ensure that the compliance is met regarding affordability so that each household is actually a qualified household and has earned the right to live in these apartments.

MR. JONES: Any other questions?

(No response.)

MR. JONES: Okay. Is there a motion on the floor?

MR. ROMERO: I make a motion to approve the resolution as presented.

MR. EVENWEL: Second.

MR. JONES: Any additional questions? Any public comment on this item?

(No response.)

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

(A chorus of ayes.)

MR. JONES: Any opposition?

(No response.)

MR. JONES: Thank you again, David.

MR. DANENFELZER: You're welcome.

MR. JONES: It's approved and carried.

And the final item, Tab 6: Presentation, discussion and possible approval for the corporation to acquire a property in Plano, Texas for the Affordable Communities of Texas Land Trust Program.

Again?

MR. DANENFELZER: Yes, me again.

MR. JONES: What, the day you don't bring your coat?

MR. DANENFELZER: I know.

(General laughter.)

MR. JONES: But you look nice.

MR. DANENFELZER: Beating myself up on my ride in today; I can't believe I forgot it.

This is the first land trust project that we've brought to the board. Under our Affordable Communities of Texas Program, the board has granted us authority to do both land banking and land trust activities. As you know, the primary activity that we've done over the last three years has been our federally funded NSP land bank, or Neighborhood Stabilization Program land bank, and in that program we purchased properties using federal funds and our local partners redeveloped those properties for affordable housing.

This particular proposal is only slightly different in the fact that land banking is generally a shorter term hold. Under NSP rules and in our land banking program, we can hold up to ten years but then the corporation must sell or release the property in some manner.

Under a land trust proposal, the corporation would continue to own the property or the ground underneath an affordable housing complex and

maintain compliance and affordability monitoring of that through our ground lease agreement. But one of the real benefits this provides for the project is that as a property tax exempt entity, the corporation's ownership of the land eliminates taxes on the land but for the local taxing authorities they can still tax the improvements, the homes, the apartments on top of the land. And so while the tax return for the local entity may be reduced, it still is ongoing and the corporation also has a much stronger hold rather than just a simple loan agreement would have over compliance and oversight of the long-term affordability of these properties.

This particular project was brought to us by one of our local partners, Green Extreme Homes, based out of Dallas, Texas. Green Extreme is actually a relatively new nonprofit corporation, however, it's principals have been involved in real estate development and housing construction for a number of years. Green Extreme was actually a partner with the City of Dallas's NSP program and purchased and rehabbed over 30 homes and sold those to low income households in the City of Dallas. They also were a partner contracted with Enterprise Community Partners to do areas outside of the City of Dallas in a similar manner to acquire and rehab affordable housing.

Now they've come to us and brought us a project which is an old public housing authority site that was built in 1954. The public housing authority closed this in 2004 based on a proposal by a for-profit developer to redevelop the site as affordable housing. There's been two other potential redevelopments of that over the last six or seven years but none of those have come to fruition.

We're now looking at purchasing this site and using it as a land trust site. We would do up to 36 units of affordable housing on it. We're looking at both rental and home ownership opportunities. A home ownership opportunity would likely be like a condominium style project where there would be town homes. The owners would have control of their own unit but then they'd also pay a small ground lease fee to us as the owner of the land.

The corporation essentially is asking for permission to really allocate some of our funding --

MS. VAN HOVEL: David?

MR. DANENFELZER: Yes.

MS. VAN HOVEL: When they purchase that, are they getting the land too?

MR. DANENFELZER: No. They won't the land.

MS. VAN HOVEL: So is it going to be a lease or what?

MR. DANENFELZER: It would be like a 99-year lease, and it is not uncommon, especially in very urban areas where land is controlled by a corporation for condominiums and then the condominiums are individually sold and owned.

MS. VAN HOVEL: Right.

MR. DANENFELZER: We're basically following that same model where instead of having essentially a homeowners association or a condo owners association own the land and having each unit sold separately, we would actually be the ones who would own the land and then the condo owners association would maintain it while the corporation would continue to

provide --

MS. VAN HOVEL: So we would always own it.

MR. DANENFELZER: We would always own the land underneath.

MR. JONES: And the mineral rights?

MR. DANENFELZER: We have not checked into whether or not mineral rights are available on this property.

MR. JONES: Well, this is Texas, you know.

MR. DANENFELZER: It is Texas, and that will be something we'll look.

MS. VAN HOVEL: And we want them.

MR. DANENFELZER: Well, in downtown Plano I have a feeling we probably won't, but we've been surprised before.

In any case, what we're really asking for is authority to either commit the corporation's funds or borrow funding in some manner so that we can acquire the property now and allow our local partner some additional time in the next two years, basically, to go ahead and build out the property, finance it, get the permanent financing, and get back our initial investment in the form of ground lease fees and sales fees.

The corporation is looking at different options. We've looked at borrowing from the Federal Home Loan Bank, which we are a member and we have the ability to borrow at very preferred rates. In fact, I checked the two-year rate right now is .883 for secure connect loans that we can borrow, so very excellent rate. We would also collect ground lease fees from the

developer, Green Extreme Homes, during this period. So that would not only cover some of our holding costs but also essentially act as a bit of an interest rate buffer for us on that loan.

And we do know now, too, that in the last week we've gotten confirmation that the City of Plano's redevelopment board and commission has approved \$300,000 for demolishing the current structures on the property, as well as the Enterprise Community Partners has verbally and written an email, at least, committed to \$100,000 in pre-development funds which would allow us to do environmental reviews, planning, architectural design, surveys and title work on the property.

So this is coming together rather fast and I think it's an exciting project for us to do. As far as the asset itself, it's worth at least as much as we will pay for it at the current time, and so we think this is a really good investment even if we have to pull out later.

MR. JONES: So if you commit reserves as collateral and you said the interest is something like 2.8. Right?

MR. DANENFELZER: Well, interest right now, if we did it through the Federal Home Loan Bank, we could borrow funds at .8 percent, and we would actually have to commit security as collateral to the Federal Home Loan Bank in order to get access to that line of credit, but generally what we've done in the past is we've talked to our investment advisors and we purchase a security at the Federal Home Loan Bank which might pay .7 percent right now -- rates are really not great on investments right now.

MR. JONES: You say the second option is purchase the

property outright using our own capital.

MR. DANENFELZER: We could also do that, but at this time we would, I think, prefer to collateralize a loan through the Federal Home Loan Bank, simply because it gives us more freedom and it allows us to keep the funds in our investment accounts and just basically leverage those investments rather than having to reduce the amount of money we have invested.

MR. JONES: So it looks different on the balance sheet as opposed to spending that amount.

MR. DANENFELZER: Exactly. Instead of just pushing the cash out, it balances out.

MR. JONES: So that's the way you think you're probably going to go. Right?

MR. LONG: We're asking for either option, basically.

MR. JONES: I understand. But I just wanted to know the preferable one.

MR. LONG: I think the preferable one at this time would be to secure a loan and collateralize it by either a security or cash.

MR. JONES: But if that doesn't happen in a timely manner, then you'd have to do -- okay.

MR. DANENFELZER: And I think Nick is going to make us do this in the cheapest way possible. So we will definitely be looking at other options, but at this time that's the one we'd prefer.

(General laughter.)

MR. LONG: So basically, a commitment of our capital

resources up to an amount, whichever direction we decide to use it, whether it's a commitment of resources as collateral or a commitment of our resources for acquisition.

MR. ROMERO: Are you looking at this purchase based on the strength of Green Extreme Homes?

MR. DANENFELZER: Well, and I have looked at that, and Green Extreme Homes has built well over 30 homes in the last two to three years, they have a very good track record. Steve Brown, who is a principal of the organization, has been constructing homes and apartment complexes for over 30 years in Texas. He has a great track record as both an affordable and market-rate driven builder. He has personally also built a number of units for the public housing agency in Plano which is really how he found out about this property.

MR. ROMERO: Right. But I guess my question, David, is are we doing this because of Green Extreme, or are we doing this because this is part of our land trust program? This person could walk away at any point if we purchase it.

MR. DANENFELZER: They could walk away, but I think this is an excellent opportunity for our land trust to grow.

MR. ROMERO: So it's not necessarily because of the developer, it's because it's part of what we do.

MR. DANENFELZER: Yes, exactly. And we have a lot of faith, but we think this is a great project even without the developer.

MR. LONG: I might add, Mr. Romero, that this is not only an

opportunity for us to put a good project on the ground, but this is certainly in the direction of our mission, and it is an existing project that certainly puts us in a downtown corridor, on the transit corridor itself. This is three blocks from the train station, the rail, it's on the bus line. The opportunities here, in my opinion, are exceptionally positive for what we are trying to accomplish, not only related to our mission but the investment that we would be making, I think, would be well returned, regardless of the overall.

MR. JONES: And if not these people, it's still available to do it with someone else.

MR. LONG: That's correct.

MR. ROMERO: That was my concern. I just want to make sure we're doing this because this falls within the scope of our projects and services.

MR. LONG: Oh, most definitely.

MR. ROMERO: Not because of someone bringing it to say we need to do this deal right now.

MR. LONG: It is an exceptional opportunity within the scope of what we would look to do.

MR. ROMERO: Okay.

MR. JONES: Also, repaid on completion of redevelopment, so it doesn't matter when that is because we own the land as an investment, et cetera, et cetera.

MR. LONG: Correct.

MR. JONES: Any other questions?

MR. EVENWEL: So it sounds like some of the issues that are coming up right now, it's coming out of the staff believes and the corporation is hopeful range, it's becoming more firm? Not to pick on the words.

MR. DANENFELZER: No, no, exactly, and you're right.

MR. EVENWEL: It's getting firmer.

MR. DANENFELZER: Unfortunately, or fortunately, these things are very dynamic and when I wrote this last week, I had no idea there was \$100,000 from Enterprise Corporation.

MR. EVENWEL: So the touchy-feelies are getting better than hopeful.

MR. DANENFELZER: Yes, exactly. And in this type of development, any kind of business development, things change from day to day. We've done a lot of due diligence, talked to a lot of people. We actually received a call from a bank that we hadn't contacted asking if they could give us a loan for this project because it's a CRA, Community Reinvestment Act qualified census tract, and banks are really looking for those types of investments right now. We were just kind of shocked that they actually called us out of the blue because we hadn't contacted them and said we'd like to talk to you about a loan, they literally heard it through the grapevine that we were doing a deal in this area and they called us and said, Hey, we want to finance it. So this is a very desirable deal.

MS. VAN HOVEL: Some of us like the word "it appears." You could use that.

MR. DANENFELZER: Yes.

MR. JONES: All right. Any other questions or discussion from the board?

(No response.)

MR. JONES: Any public comment?

MS. VAN HOVEL: We need a motion.

MR. JONES: I don't know what's going on today.

In all fairness, I drove to Houston last night to pick up my wife. My daughter had twins. And I had to go pick her up and go back the same night, and then after working all day, I had to come up today, last night, so I'm a little bit out of it. But I got twins out of it. At my age you can't have grands all willy-nilly here and there, two or three at a pop.

(General laughter.)

MR. JONES: Okay. Is there a motion?

MR. ROMERO: I'd like to make a motion to allow the corporation to acquire some property in Plano, Texas through the Affordable Communities of Texas Land Trust Program, either through a financing instrument or through capital reserves.

MR. JONES: You've heard the motion from our designated motion-maker for today's meeting. Is there a second?

MR. EVENWEL: Second.

MR. JONES: It's been moved and seconded. Any public comment on this item?

(No response.)

MR. JONES: Hearing none, all in favor?

(A chorus of ayes.)

MR. JONES: Any opposition?

(No response.)

MR. JONES: And it passes. Again, Mr. Danenfelzer, you've been very busy today. Thank you very much.

Anything else?

MR. LONG: Mr. chairman, the only thing that we typically do at this point in the meeting is to discuss next month's meeting. The scheduled second Thursday would be the 12th. I would just inform the board that I will be out of town that week, and if you want to push it to the 19th, I will be back, but again, we typically use these as tentative dates, and again, it would be consistent and contingent upon preparation having items that the board needs to give consideration on. So if you want to look at the 12th.

MR. JONES: Let's anticipate later, better the 19th, and do as the staff normally does, take a poll of the board to see if the quorum or the majority of board members can attend and go from there.

MR. LONG: Thank you, Mr. Chairman.

(General talking and laughter.)

MR. JONES: Well, what they'll do is they'll send out, the staff will conduct all of us and try to get a consensus date.

MR. ROMERO: David, if we do have a meeting, can we get an update from the Corcoran group to see where we stand?

MR. LONG: Certainly will. We'll make a note to do that, sir.

MR. JONES: Now, are you gone that whole week?

MR. EVENWEL: I'll be gone to Orlando that week, and the following week I'll be in Panama City.

MR. JONES: You the man. Last time it was Hilton Head.

MR. EVENWEL: That's what you do when you have grandchildren.

(General laughter.)

MR. LONG: Well, we'll make sure, as Mr. Jones stated, that we coordinate and obviously determine what items we have available that would be coming to the board for their consideration.

MR. JONES: And if we have to meet in that time, then we'll just make sure we have a quorum.

MR. LONG: That's correct, Mr. Jones. And that's it.

MR. JONES: Okay. I thank everybody.

I don't have her name that's doing out recording for us today. Normally we get a little card of the person that's doing our recording.

THE REPORTER: Nancy King.

MR. JONES: Ms. King, thank you very much for your service here and for the closed session. We appreciate it.

The meeting is adjourned.

(Whereupon, at 11:52 a.m., the meeting was concluded.)

CERTIFICATE

MEETING OF: TSAHC Board  
LOCATION: Austin, Texas  
DATE: March 22, 2012

I do hereby certify that the foregoing pages, numbers 1 through 38, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas State Affordable Housing Corporation.

03/28/2012  
(Transcriber) (Date)

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