BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
Held at the offices of
Texas State Affordable Housing Corporation
2200 E. Martin Luther King Jr. Blvd.
Austin, TX 78702
August 16, 2012 at 10:00 am

Summary of Minutes

Call to Order, Roll Call
Certification of Quorum

The Board Meeting of the Texas State Affordable Housing Corporation (the "Corporation") was called to order by Bob Jones, Chair, at 10:05 am, on August 16, 2012 at the offices of Texas State Affordable Housing Corporation, 2200 E. Martin Luther King Jr. Blvd, Austin, TX 78702. Roll Call certified that a quorum was present.

Members Present

Bob Jones, Chair
Jo Van Hovel, Vice Chair
Jerry Romero, Member
Bill Dietz, Member *(joined the meeting at 10:15am)*

Members Absent

Gerry Evenwel, Member

Staff Present

Betsy Aldrich, Senior Accountant
Tim Almquist, Single Family Compliance Manager
Liz Bayless, Executive Vice President
David Danenfelzer, Manager of Development Finance
Cynthia Gonzales, Office Manager and Assistant Corporate Secretary
Mindy Green, Senior Asset Oversight and Compliance Specialist
Katie Howard, Senior Development Coordinator
Nick Lawrence, Controller
Charlie Leal, Government Relations Specialist
David Long, President
Paige Omohundro, Homeownership Finance Manager
Jo Ropiak, ACT Program Coordinator
Laura Ross, Corporate Secretary
Melinda Smith, Chief Financial Officer
Janie Taylor, Manager of Development and Strategic Communications

Special Guests

Paul Braden, Fulbright and Jaworksi, LLP
Edwina Carrington, Chair of the Texas Foundations Fund Advisory Council
Dale Dodson, Dalcor Affordable Housing I, LLC

Bob Dransfield, Fulbright and Jaworski, LLP
Cody Mayfield, Texas Housing Foundation
Mark Mayfield, Texas Housing Foundation
Robin Miller, First Southwest Company
Ron Murf, Dalcor Affordable Housing I, LLC
Pam Stein, Greenberg Traurig
Kathy Yaeger, Dalcor Affordable Housing I, LLC

Public Comment

No public comment was given at the beginning of the meeting.

President's Report

Mr. Long introduced the professionals in attendance at the meeting including Mr. Dransfield and Mr. Braden, the Corporation's Bond Counsel; Mr. Miller, the Corporation's Financial Advisor; Ms. Stein, the Corporation's General Counsel; and Ms. Edwina Carrington, Chair of the Texas Foundation's Fund Advisory Council.

He summarized the recent activities and events staff had participated in including outreach events, conferences and meetings. He noted that Mr. Danenfelzer, Mr. Romero and Mr. Long had attended the Texas Affiliation of Affordable Housing Providers (TAAHP) conference where Mr. Danenfelzer had been a presenter. He also stated that Mr. Danenfelzer and Ms. Ropiak had hosted a Neighborhood Stabilization Program (NSP) training presented by the Texas Department of Housing and Community Affairs (TDHCA) that was well attended by many of the Corporation's local partners under the Affordable Communities of Texas (ACT) program. Regarding the Corporation's NSP program, Mr. Long informed the board that TDHCA had conducted and audit of the program earlier in the week. He noted that in previous audits of the program there had been no findings.

Mr. Long informed the board that he and Mr. Leal met with Ms. Talerico, Executive Director of Texas Association of Local Housing Finance Agencies (TALHFA) and added that staff continued to participate in workgroups formed by the Senate Intergovernmental Relations Committee (IGR). Mr. Long concluded by informing the board of ongoing meetings with Austin Habitat for Humanity.

Mr. Long informed the board that Round 5 of the National Foreclosure Mitigation Counseling (NFMC) Program had concluded and staff was currently working with TDHCA to release NFMC Round 6. He noted that TDHCA had received an award of $366,700 under Round 6 and that the Corporation would be administering the program, providing funding to the 11 counseling agencies participating in the program.

Mr. Jones briefly noted that the staff presentations scheduled for today would be postponed until the next Board of Directors Meeting so that Mr. Evenwel could be present.

Referring to the development finance programs report, Mr. Romero asked about potential program opportunities in the Rio Grande valley. Mr. Danenfelzer explained that the report in the board packet highlighted bond financed properties and currently the bond programs targeted housing in rural areas, elderly housing and housing for persons with disabilities. Mr. Jones asked if any of the other development finance programs addressed the Rio Grande Valley and Mr.

Danenfelzer confirmed that other programs did address the Rio Grande Valley. Mr. Romero suggested that the Corporation communicate with Affordable Homes of South Texas and CDC Brownsville about the possibility of collaborating on future opportunities. Mr. Danenfelzer stated that they would continue to talk with these organizations about the options available.

Ms. Van Hovel complimented staff on the 2011 Annual Report. Mr. Long thanked Ms. Taylor and staff for their hard work on the project.

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on July 19, 2012.

Referring to page three under staff reports, Mr. Jones pointed out that the type of financing being used for the TBA program had not been noted in the minutes. Mr. Long stated that he would revise the minutes to reflect that the TBA program was financed by the sale of mortgage backed securities.

Mr. Romero made a motion to approve the minutes of the July Board Meeting with suggested changes. Ms. Van Hovel seconded the motion. Mr. Jones called for public comment and none was given. A vote was taken and the motion passed unanimously.

After the vote was taken, Mr. Dietz joined the meeting.

Tab 2 Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (The Gateway Northwest Project) Series 2012, a Trust Indenture, a Financing Agreement, a Bond Purchase Agreement, an Asset Oversight, Compliance and Security Agreement, a Regulatory Agreement, a Preliminary Official Statement and a final Official Statement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the bonds; and other provisions in connection therewith.

Mr. Danenfelzer recalled that the board had passed an inducement resolution for the Gateway project in March. He provided an overview of the project, noting that it would involve the construction of 180 units of affordable housing in Georgetown Texas. The land for the property bordered industrial and commercial properties, as well as a residential neighborhood. He added that there were plans to develop vacant land north of the proposed site for both residential and commercial uses. He stated that the property would be located in an area that was well above the median income for Williamson County with very low unemployment rates and rental percentages. He added that the project would meet the Corporation's goal to put affordable housing in high opportunity areas supported by job growth, good schools and facilities.

Mr. Danenfelzer explained that the developer, Texas Housing Foundation, had been able to secure a 4 percent housing tax credit allocation in addition to the private activity bonds. Mr. Danenfelzer explained that the private activity bonds for the project would be issued on a short term basis. The bonds would be outstanding for a three to four year period and would be repaid by the first lien mortgage insured by the Federal Housing Administration (FHA). The mortgage would then become the long-term financing for the project. He explained that tax exempt bonds historically had lower interest rates than taxable bonds; however in the current economic climate the opposite was true. As a result, the taxable FHA insured financing would

provide the developer a better interest rate compared to a similarly priced tax-exempt financing. Mr. Danenfelzer stated that tax-exempt private activity bonds were necessary for the project in order to secure the 4 percent tax credits. Mr. Danenfelzer explained that other transactions across the country had been approved with a similar financing structure, specifically deals in Louisiana and North Carolina.

Mr. Romero made a motion to approve the resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (The Gateway Northwest Project) Series 2012. Mr. Dietz seconded the motion. Mr. Jones asked for public comment and none was given. A vote was taken and the motion passed unanimously.

Tabs 3 Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Dalcor – Pine Club Apartments Project), Series 2012, an Indenture of Trust, a Loan Agreement, a Bond Purchase Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the bonds; and other provisions in connection therewith.

Discussion began with Mr. Danenfelzer's request that the board vote on Tabs 3-8 under one motion. Mr. Jones asked for the Corporation's general counsel's consideration and approval; Ms. Stein acknowledged that the board could vote on Tabs 3-8 under one motion as long as the motion specified that the board was voting on all of the resolutions collectively. Mr. Jones asked if they were identical resolutions, and Mr. Danenfelzer stated that they were except for the property names. Mr. Jones reminded the board members the Dalcor project was initially submitted as a single transaction.

Mr. Danenfelzer explained that in March, the board approved an inducement for a total of $75 million to the Dalcor Affordable Housing I Project. At the time it was approved as a pooled transaction; the six properties were to be financed together and cross collateralized. After months of developing the bond documents and working with certain parties on the project, the tax credit syndicator had requested that the properties be separated into six separate bond transactions, suggesting that the benefit to separating the transactions was that if one were to default, it would not cross default the other properties in the pool. Mr. Danenfelzer noted that the underwriting performed by staff on each property to determine each property stood alone and was able to operate without depending on the other properties in the pool to be feasible. Ms. Van Hovel noted that they were different properties and expressed her desire for separate presentations on each of the tab items.

Mr. Jones deferred to Ms. Stein who stated that the benefit of doing all six was that the board would be approving one very similar structure. She noted the properties would be located in different areas of the state but the financing behind the deals was the same. Mr. Jones stated that it was one project with multiple locations but it was the same people operating all six sites. Mr. Jones asked Mr. Danenfelzer to refresh the board's memory regarding the changes that were made to the original deal.

Mr. Danenfelzer had informed the board of this change in July so that they would understand what had happened and the new structure of the deal before staff asked for their final approval. He reiterated that while it was a significant change to the original structure of the project, there

was no change in the overall goals of the project. The properties, number of units and benefits to each community were still the same. Staff's confidence in the project remained, however to meet the tax syndicator's requirements the properties had to broken out into six separate bond projects which required six separate bond resolutions.

Mr. Romero asked if staff had any concerns that one of the properties would default when it was originally proposed as a cross collateralized deal. Mr. Danenfelzer stated that staff had not been concerned and he reiterated that even if it was a pooled transaction, staff would underwrite each individual property to ensure that each property met underwriting standards. Cross collateralization would have simplified the bond issuance process because instead of several bond issuances there would have only been one. He spoke briefly to it being a significant cost savings to the developer to do one deal instead of six and with the properties separated out, the developer would be paying a much larger overall fee.

Mr. Jones asked if there was benefit to doing them separately and Mr. Danenfelzer explained that for the tax credit syndicator, they would have the ability to place their tax credits in six different investment pools now as opposed to just one. It would allow them to get multiple rates of return based on the pools that the properties fit into and would allow them to target investors interested in specific areas of the state or nationwide. Mr. Jones observed that by separating the properties out into separate transactions, it would be easier to monitor the properties for potential issues. Mr. Danenfelzer emphasized that underwriting guidelines for the properties were the same, no matter if they were reviewed individually or as a pooled transaction. He explained that while it was different for bond counsel who would only have to create one trust indenture under a pooled transaction, staff would still need to review marketing reports, appraisals, underwritings and pro formas for all six properties to ensure that everything worked, whether it was pooled or done individually.

Ms. Van Hovel asked about fees related to the projects, and Mr. Danenfelzer stated that he anticipated the professional fees would increase by approximately 20% on the cost of issuance per bond. He explained that this was due to the additional documentation that would be required and reviewed by bond counsel. Mr. Danenfelzer added that after the change occurred staff had spoken with the bond counsel and our financial advisor and they had agreed to provide some discount.

Mr. Jones amended the item on the agenda to incorporate the discussion on Tabs 3-8.

Mr. Danenfelzer began discussion of the agenda items by explaining that the properties were located in Beaumont, Huntsville, Bryan, Wichita Falls, Houston and Dallas. He noted that all were financed in 1995 and 1996 using 9 percent housing tax credits. Mr. Danenfelzer informed the board that staff had visited the properties during the public hearings. Under the transactions, the developer was committing to spending at least $15,000 per unit in upgrades and rehab.

Mr. Danenfelzer noted for the board that the properties were at the end of their minimum affordability period. Fifteen years was the minimum qualified contract period for tax credits. After fifteen years, they could be sold as market rate apartments in which case they would lose their affordability restrictions. By refinancing and rehabbing the properties it would preserve the affordable nature of the properties for an additional 15 to 30 years.

Turning to the feasibility analysis, he pointed out that vacancy rates for the properties were very low and the management team would remain consistent in the transition. After performing stress

tests on the properties, Mr. Danenfelzer stated that the vacancy rates on the properties would need to increase significantly (almost double in most cases) for them not to meet the Corporation's underwriting requirements.

Mr. Dransfield, the Corporation's bond counsel, summarized that from a technical perspective the transactions would be submitted as six separate projects for review by the Attorney General's Office and receiving volume allocation from the Bond Review Board; however, they would function like one $71 million transaction. Mr. Dransfield noted that when being reviewed as a pooled transaction there was one set of documents; now that it was being reviewed as six separate transactions, although similar, there would be separate documents and functions associated with it. He reiterated that the only reason the properties were being separated was due to the request of the tax credit syndicator, but all six transactions would still have the same development team and the one difference between the six transactions was the name of the borrower which had been changed to illustrate what property was being purchased. Mr. Romero commented that they would now stand alone so any issues on one property would not transfer to another. Ms. Van Hovel stated her comfort with doing six separate transactions. Mr. Romero also surmised that by separating the properties out, staff was able to determine better that each property would be able to support their own debt.

Mr. Dietz made a motion to approve resolutions authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds as detailed in Tabs 3 though 8. Mr. Romero seconded the motion. Mr. Jones asked for public comment and none was given. A vote was taken and Mr. Dietz, Mr. Romero and Mr. Jones voted yes. Ms. Van Hovel voted no. The motion passed.

Tab 4 **Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Dalcor – Ridgewood West Apartments Project), Series 2012, an Indenture of Trust, a Loan Agreement, a Bond Purchase Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the bonds; and other provisions in connection therewith.**

A collective vote was taken under Tab 3 for resolutions under Tabs 3-8.

Tab 5 **Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Dalcor – Tealwood Place Apartments Project), Series 2012, an Indenture of Trust, a Loan Agreement, a Bond Purchase Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the bonds; and other provisions in connection therewith.**

A collective vote was taken under Tab 3 for resolutions under Tabs 3-8.

Tab 6 **Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Dalcor – Saddlewood Club Apartments Project),**

Series 2012, an Indenture of Trust, a Loan Agreement, a Bond Purchase Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the bonds; and other provisions in connection therewith.

A collective vote was taken under Tab 3 for resolutions under Tabs 3-8.

Tab 7 **Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Dalcor – Willow Green Apartments Project), Series 2012, an Indenture of Trust, a Loan Agreement, a Bond Purchase Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the bonds; and other provisions in connection therewith.**

A collective vote was taken under Tab 3 for resolution under Tabs 3-8.

Tab 8 **Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Dalcor – Woodglen Park Apartments Project), Series 2012, an Indenture of Trust, a Loan Agreement, a Bond Purchase Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the bonds; and other provisions in connection therewith.**

A collective vote was taken under Tab 3 for resolutions under Tabs 3-8.

Open Meeting

Mr. Long noted that in addition to the Board of Directors Meeting, an Audit Committee Meeting would also be scheduled next month to review and discuss the budget. Both meetings were scheduled for September 13, 2012. Mr. Jones thanked everyone for their hard work.

Adjournment

Mr. Jones adjourned the meeting at 10:55 am.

Respectfully submitted by_____
Laura Ross, Corporate Secretary