

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
October 11, 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 October 11, 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
Jerry Romero, Member
Gerry Evenwel, Member

Members Absent

Jo Van Hovel, Vice Chair
Bill Dietz, Member

Staff Present

Betsy Aldrich, Senior Accountant
Tim Almquist, Single Family Compliance Manager
Liz Bayless, Executive Vice President
Cynthia Gonzales, Office Manager and Assistant Corporate Secretary
Mindy Green, Senior Multifamily Analyst
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

Howard Herring, Patterson & Associates
Don Mikeska, Mikeska Monahan & Peckham, PC
Pam Stein, Greenberg Traurig

Public Comment

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

President's Report

Mr. Long provided the board with a report regarding meetings, conferences and trainings that staff had attended over the last month, as well as upcoming events staff would be attending in October. Mr. Long also informed the board that staff was in the process of redesigning TSAHC's website and hoped to launch the new site in January. He then announced that the Corporation had received a grant from Bank of America for \$30,000 in support of the Texas Statewide Homebuyer Education Program (TSHEP).

Mr. Long informed the board that the Corporation had hired a new staff member, Ms. Delia Davila, to work with Mr. Almquist on the single family compliance program. She would start working in November.

Mr. Long introduced the professionals and guests in attendance at the meeting. He then referred the board of the staff reports in the board packets. Turning to the next board meeting, Mr. Long suggested that it be scheduled for the Thursday, November 15, 2012 to allow staff time to prepare financial information and reports.

Mr. Evenwel referred to the first page of the Investment Report where it talked about the state of the economy. Mr. Herring with the Corporation's Investment firm, Patterson & Associates, provided an update and information on the economy. Further discussion on the investment report was deferred to Tab 3.

Mr. Long ended his report by making the board aware of a correction that was made to the August Board Meeting Summary of Minutes. He noted that in the motion for Tab One of those minutes it referred to the August minutes when it should have stated July. Mr. Long noted that the correction was at the direction of Ms. Stein and added that he wanted the Board to be aware of the change and to have the change noted in the record. Mr. Long stated that the amended minutes would be posted on the Corporation's website.

Staff Presentations

Ms. Bayless, in the absence of Dave Danenfelzer, began the staff presentations by talking about multifamily bonds. Ms. Bayless informed the board that the Corporation had the statutory authority to issue tax-exempt private activity bonds to develop affordable multifamily housing. Since 2003, the Corporation had issued approximately \$170 million in multifamily private activity bonds that created or preserved almost 4,400 units of affordable rental housing across the state. Ms. Bayless referred to Tab B in the board packets, a report that provided an overview of TSAHC's multifamily bond activity, as well as a map of where properties financed under the programs were located. Ms. Bayless noted that the Corporation was one of only two statewide issuers of multifamily bonds and the board had approved four specific housing needs to address with our multifamily bonding authority: 1) preservation and rehabilitation of existing affordable properties, 2) financing properties in smaller urban areas or in rural areas, 3) financing properties that served seniors or special needs households, and 4) financing properties in areas impacted by

recent natural disasters. Ms. Bayless pointed out that the targeted areas fulfilled our mission to provide underserved populations with affordable housing.

Ms. Bayless briefly discussed the two multifamily bond transactions that had been approved by the Board in 2012. She noted that Dalcor Affordable Housing I had closed on September 21st. She refreshed the board's memory that the Dalcor transaction involved the acquisition and rehabilitation of six different multifamily properties across Texas. Gateway Northwest was the other transaction approved in 2012. A few days prior the board meeting Gateway had received HUD's approval of their FHA mortgage so the transaction was moving forward with the expectation to close in January.

Mr. Romero inquired as to the timeframe for closing applications under the bond programs and Ms. Bayless stated that it took anywhere from 6 months to a year, depending on the size of the transaction and the complexity of the financing. Mr. Jones commented that due diligence was never sacrificed and Mr. Long agreed noting that the Corporation had flexibility when it came to timing so as to ensure due diligence was forthright, consistent and complete before closing.

Mr. Romero inquired if there was a way to determine the level of activity every year. Ms. Bayless explained that the market was a major factor in the level of activity and demand for the program which limited staffs ability to determined demand. Mr. Romero asked about marketing the program to developers. Mr. Long noted that not all applications received met our program guidelines and offered for staff to share with the board when applications were received that did not qualify.

Ms. Green made a presentation to the board on Asset Oversight and Compliance Program (AOC). She explained that every year the asset oversight and compliance staff visited each property financed under the Corporation's multifamily bond programs to ensure that they were being maintained financially and physically and to ensure they were meeting their tax compliance set asides. In addition, properties were required to submit monthly compliance reports showing that they were meeting IRS requirements set forth in the bond documents. On a quarterly basis, staff reported to the board regarding compliance of the properties and on an annual basis, staff presented the board with a findings report listing all compliance and asset oversight deficiencies at the properties. Ms. Green briefly spoke of the revenue earned by performing Asset Oversight and Compliance services. She explained that these fees supported the AOC and their activities. Mr. Jones confirmed that asset oversight and compliance was a requirement set forth in the bond documents that ensured the properties were being maintained at a high standard.

Ms. Green the addressed the goals and strategies in the Strategic Plan that were specific to Asset Oversight and Compliance. Ms. Green reported that she and Mr. Danenfelzer were currently in the process of developing Standard Operating Procedures for the ACT program. Ms. Green stated that the fee structure for multifamily development programs associated with asset management, compliance and asset oversight was evaluated in 2011 and only minimal changes were made to the policy. She added that it would be evaluated again in 2012. Another related strategy in the Strategic Plan was to identify and create a listing of nonprofits that could provide resident service-type activities to properties financed by TSAHC at little to no cost. She explained that a lot of the properties had financial constraints and staff was putting together this listing to help them provide good quality services at a low cost to the property and free to the residents. Continuing with the Strategic Plan, Ms. Green also explained that staff was responding to RFPs that were aligned with TSAHC's functions. In 2011 and 2012, staff had responded to

the Project Based Contract Administrator (PBCA) RFP put out by US Department of Housing and Urban Development (HUD). Due to issues at HUD, to date an award had not been issued. Staff will continue to monitor this application opportunity.

Mr. Romero inquired about the monthly compliance reporting and Ms. Green explained the information submitted each month by the properties was verified when staff visited the properties. Not only were files reviewed but units were also inspected to ensure they were being maintained. Any deficiencies found were included in a report that was sent to the owner of the property. Additionally, she added that the board was given a listing of those findings annually.

Mr. Jones asked about plans to expand the program and increase the number of units who received asset oversight and compliance inspections and Ms. Green explained that all properties and associated units included in transactions closed under the Development Finance programs were added to the properties receiving site visits. In addition, staff was exploring the idea of partnering with local issuers who might not have the expertise or overhead to take on this function internally, to provide oversight for their properties. Ms. Green explained that usually 3-5 site visits were conducted every month.

Ms. Omohundro made a presentation regarding the Corporation's housing counseling and education initiatives. She noted that these services and programs helped the Corporation achieve two of the strategies outlined in the strategic plan: to define our role in foreclosure prevention, and to explore options of developing an online homebuyer education resource.

Ms. Omohundro began with an overview of the Texas Financial Toolbox, a website created by Corporation for consumers that contained a directory of organizations and their specific programs and services regarding home ownership programs, homebuyer education classes, and foreclosure prevention services, all searchable by county or city. Ms. Omohundro provided the board with a flyer about the Toolbox that also showed a snapshot of the website. She noted that it was a standalone website and could be reached directly or through a link on our website. Mr. Jones suggested that the legislators be informed of the creation of the site and Ms. Omohundro reported that letters had been sent by Mr. Leal to legislators about the website. Ms. Omohundro briefly spoke about how organizations were able to list and access their information on the website.

Ms. Omohundro then made a presentation on foreclosure prevention. She reported that TSAHC supported families at risk of losing their homes to foreclosure by ensuring they have access to a network of HUD approved housing counseling agencies that provided free foreclosure prevention counseling services. She explained that by using federal funds and private donations, TSAHC reimbursed housing counseling agencies for the services they provided to these homeowners. Under this banner, TSAHC continued to partner with TDHCA under the National Foreclosure Mitigation Counseling Program (NFMC). She explained that the NFMC program was a federal program that funded foreclosure intervention counseling services performed by HUD approved housing counseling agencies. NFMC was in the sixth round of funding and under this round, TDHCA and TSAHC were partnering with 11 housing counseling organizations covering 11 MSA's across the state. Funding received under this round, a little over \$360,000, had the potential to serve 1,100 at-risk homeowners. Ms. Omohundro also noted that TSAHC was an active member, fundraiser and partner of the Texas Foreclosure Prevention Task Force on which Mr. Long served as co-chair. She briefly explained that the Task Force was a statewide initiative working to create and sustain affordable housing by informing at-risk homeowners of the options available to them and linking them with local housing counseling agencies in their

area. She explained that TSAHC had partnered with the Task Force to host events across the state that linked agencies with consumers in need of counseling. In a study released in 2011 by the Urban Institute, it was concluded that homeowners who received foreclosure prevention counseling were 70 percent more likely to avoid foreclosure. Since 2008, more than 5,000 at risk families had been helped through events and funding provided by the Task Force.

Mr. Jones asked if there was way to measure success of the program. Referring to the latest round of funding under NFMC, Ms. Omohundro reported that to date 28% of the families helped had avoided foreclosure by participating in the foreclosure prevention counseling and 42% were in negotiation with their servicer or at some other step in the process.

Ms. Omohundro then turned to the Texas Statewide Homebuyer Education (TSHEP) program. She explained that TSHEP was created by TDHCA at the direction of the legislature in 1997 to ensure that families received high quality homebuyer education from housing counselors in Texas. She noted that TSHEP was the only statewide education program for housing counselors. To date, she reported that over 600 individuals had been trained as housing counselors. Ms. Omohundro reported that on September 1st, TSAHC had contracted with TDHCA to assume the administration of TSHEP. It was anticipated that the Corporation would hold trainings twice a year for housing counselors allowing them the opportunity to sharpen their skills and become certified homebuyer education providers. Mr. Jones inquired who could be trained under the program and Ms. Omohundro said those trained under TSHEP had to be employed by a non-profit housing counseling agency. In the past, lenders had also participated who were interested in becoming homebuyer education providers.

Ms. Taylor and Ms. Howard made a joint presentation to the board regarding the Corporation's Development Plan. To start, Ms. Taylor recalled for the board that the Corporation had hired a consulting firm, Corcoran and Company, with the ultimate goal of developing a fundraising plan that contained a strategy for how staff approached fundraising for each of the programs that lended themselves to private funding. She stated that four programs 1) TSHEP, 2) Direct Lending, 3) ACT, and 4) Texas Foundations Fund, were identified as having the potential for private investment and the fundraising and development plan contained goals for each program and steps for achieving those goals. Ms. Taylor and Ms. Howard provided a summary of the development plans for each of these programs.

Ms. Howard also updated the board on a recommendation to increase the Texas Foundations Fund Advisory Council membership from 5 to 10. She noted that this change would be presented to board at next month's meeting for their consideration.

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on September 13, 2012.

Mr. Evenwel made a motion to approve the minutes of the Board Meeting held on September 13, 2012. Mr. Romero seconded the motion. A vote was taken and the motion passed unanimously.

Tab 2 Presentation, Discussion and Possible Approval of a Resolution Regarding the Submission of One or More Applications for Allocation of Private Activity Bonds to the Texas Bond Review Board for Qualified Mortgage Bonds and Containing Other Matters Incident and Related Thereto

Ms. Omohundro explained that the resolution before the board would allow staff to seek additional authorization from the Bond Review Board (BRB) for additional funding under Corporation's the Mortgage Credit Certificate (MCC) program. She reported that the prior approval by the board to convert bonding authority to MCCs was close to being fully committed. Ms. Omohundro noted that the resolution before the board would allow staff to request additional bonding authority in the amount of \$100 million and the application would need to be submitted by November 15th.

Mr. Romero made a motion to approve the Resolution regarding the submission of one or more applications for allocation of private activity bonds to the Texas Bond Review Board for qualified mortgage bonds and other matters incident and related thereto. Mr. Evenwel seconded the motion. Mr. Jones called for public comment and none was given. A vote was taken and the motion passed unanimously.

Tab 3 Presentation, Discussion and Possible Approval of the Texas State Affordable Housing Corporation's Investment Policy

Ms. Smith introduced Mr. Herring with Patterson & Associates. Mr. Herring proceed with a presentation to the board that included a brief overview of the condition of the economy and how investments in the United States were affected by the national and global economy.

Turning to the Investment Report, Ms. Smith explained that Public Funds Investment Act which dictated how all public funds were invested, also required that the Investment Policy be approved by the board of directors on an annual basis. She noted that the policy provided specifics on the types of investments authorized and an overview of the investment strategy for the Corporation. Investment officers were listed along with training requirements for those officers. Referring to the Policy before the board, Ms. Smith noted that no substantive changes had been made.

Mr. Romero made a motion to approve the Texas State Affordable Housing Corporation's Investment Policy. Mr. Evenwel seconded the motion. Mr. Jones called for public comment and none was given. A vote was taken and the motion passed unanimously.

Tab 4 Presentation, Discussion and Possible Approval of the Texas State Affordable Housing Corporation's Broker Listing.

Ms. Smith noted that the only change to the broker listing was the addition of Cantor Fitzgerald. She added that the list needed to contain a minimum of three brokers and the brokers listed were used by Patterson & Associates to obtain bids for the Corporation's investments.

Mr. Romero made a motion to approve brokers 1-6 and 8-9 on the Texas State Affordable Housing Corporation's Broker Listing. Mr. Evenwel seconded the motion. Mr. Jones called for public comment and none was given. A vote was taken and it passed unanimously.

Mr. Evenwel made a motion to approve broker 7 on the Texas State Affordable Housing Corporation's Broker Listing. Mr. Jones seconded the motion. Mr. Jones called for public comment and none was given. A vote was taken. Mr. Romero abstained from voting. The motion passed.

Open Meeting

After discussion, the next board meeting was tentatively scheduled for November 15, 2012. Mr. Jones thanked the court reporter and staff for their attendance and hard work.

Adjournment

Mr. Jones adjourned the meeting at 11:45 am.

Respectfully submitted by _____
Laura Ross, Corporate Secretary