TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
July 18, 2013
10:10 a.m.

BOARD MEMBERS:

ROBERT “BOB” JONES, Chair
WILLIAM H. DIETZ, JR., Vice Chair
GERRY EVENWEL
ALEX MEADE
JERRY ROMERO

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P R O C E E D I N G S

MR. JONES: The July meeting of the Texas State Affordable Housing Corporation Board of Directors is now called to order.

Bill Dietz, Vice Chair?

(No response.)

MR. JONES: Jerry Evenwel?

MR. EVENWEL: Present.

MR. JONES: Alex Meade?

MR. MEADE: Present.

MR. JONES: Jerry Romero?

MR. ROMERO: Here.

MR. JONES: And of course, I think I'm here. Okay, we have a quorum.

We held up the meeting a little bit waiting for the Vice Chair William Dietz. He's on his way, he's not here yet, so we're going to proceed without him at this time.

Okay. Public comment. I believe we do have some public comment here. Our time allocation for public comment is three minutes, however, we can extend it up to five, if you so desire to speak longer.

First for public comment regarding advocacy is Magdalena Brodnax.

MS. BROWN: We're together.

MR. JONES: Okay. So she doesn't want three to five minutes to speak? It says “I am appearing”, so you're just here to support.

MS. BROWN: We're together.

MR. JONES: All right. So she'll make no comment but she's just here to support.

Okay. Jean Brown, advocate on low value properties. You have three minutes; if you need more, we can extend it to five for you.

MS. BROWN: I think three will be fine. Thank you.

We're here advocating for non-profits around the state, and our issue is TSAHC's policy --

MR. JONES: For the record.

MS. BROWN: Oh, sorry. Jean Brown. I'm executive director of Plano Housing Corporation and Green Extreme Homes, CDC.

MS. BRODNAX: I'm Magdalene Brodnax, executive director for Rebuilding Together Greater Dallas.

MS. BROWN: So we're here today advocating for non-profits around the state, and our issue is TSAHC's policy of selling donated properties for cash has created the disparate -- and when I talk about properties, I'm talking about low value properties -- a disparate impact to the community because of the inability of non-profits to provide housing to very low income residents.

Prior to TSAHC becoming manager for NCST for most of Texas, local non-profits received these properties directly and utilized volunteers and grants to rehab and provide these houses to very low income individuals. TSAHC's actions have negatively impacted local non-profits' abilities to fulfill their missions and raise necessary funds needed to survive.

This has been a point of contention for quite some time, and we weren't able to come to a resolution with TSAHC. They were getting the donated low value properties and either wanted to do revenue-sharing with the local non-profits or we buy them for 50 percent of the value from them. Most of these properties we use community volunteers, and they started selling these properties for cash in our neighborhoods, and that's what caused most of the strife.

I have prepared some packets that have some information in it that have some properties that were recently sold by TSAHC for cash from the MLS listings that they didn't even try to sell to low income.

And what we're asking for, I know that it's not against TSAHC's policy to do this, that their policy allows them to do this, our feelings are this is not what the lenders intended for these properties, and as a community coordinator for the trust, they intended these properties to be facilitated through the non-profits. And we don't feel like, after months and months and months of trying to plead our case to TSAHC, that there was any change on it, so the cities of Dallas, Garland and Plano wrote letters to the trust on our behalf, and now we're working directly with NCST in our markets and bypassing TSAHC. So we're asking that this policy be addressed around the rest of the state too.

It really became an issue in January because we just stopped trying to do anything on the low value properties with TSAHC. Wells Fargo migrated to the trust and we weren't able to get those properties anymore either, and Maggie couldn't fulfill her missions for the low value properties for veterans, so we basically had to fight to take our territory back. And we're asking that this policy be addressed so that other non-profits around the state don't have to endure what we had to endure.

And there's some correspondence in here.

MS. BRODNAX: Am I allowed to say a few words?

MR. JONES: You have the three minutes, she has to have her three to five, and I think you waived your three to five but you could have spoken separately, but you need to finish your time.

MS. BROWN: That's okay. I'm finished. Maggie brought some books that she put together and her brochure, and in this book it shows low value properties and what her organization does, and Wells Fargo participates in these, we bring volunteers from corporations and communities, and we haven't had enough properties in our market of this because they were sold for cash. But she's got booklets here for you to look at and see what the community does with these low value properties. And then I have booklets here.

And thank you for the opportunity to be able to come forward with this.

MR. JONES: Thank you. I appreciate you taking the time to come before the board. One of the staff members will pick up the materials for distribution later to the board.

MS. BROWN: Okay. Thank you.

MR. JONES: Thank you again.

Is there any other public comment at this time?

(No response.)

MR. JONES: Okay. I'll go back to the amended roll, Mr. Dietz has arrived, so we have a full board.

At this time we'll go into the president's report.

MR. LONG: Mr. Chairman, thank you. A quick introduction of our professionals that are here. Don Mikeska with Mikeska, Monahan and Peckham, our external auditors, is here. And then I also wanted to introduce Katy Livingston, who is with Greenberg Traurig out of the Austin office. She is here with Bill Gehrig, who is also with Greenberg Traurig. Pam Stein, as you remember, had been coming to our meetings, serving as our general counsel in the past, and Pam is no longer going to be working with us in that capacity, and Katy Livingston in the future, I think, will be representing us at these meetings. So Katy, if you don't mind raising your hand. And then Bill is right there.

Regarding some updates on things, as you know, we met the last time in May, so since then the 83rd Legislative Session has ended. There will be a discussion under tab 4 by Charlie and Janie when that comes to the point on tab 4. I would like to thank Charlie and Janie for all their exceptional work during the session. I think you'll find in their update that we had a very successful session, and as a result of their efforts and the combined efforts of any of the board members that attended meetings and the staff that helped them prepare information, it was a very successful session.

We also will be looking under tab item 2 at some Single Family Program changes that were a result of legislation that took place. And under tab items 5 and 6, we're going to have Liz make a presentation and update on the Texas Foundations Fund.

The Single Family Rental Program, if you remember, at the March 21 board meeting, the board approved the Corporation utilizing some of its resources to acquire either an additional office building and/or rental residences that we could start using to create affordable housing across our MSA, and to date I would let you know --

MR. JONES: Just for the purposes of new board members, MSA, acronym?

MR. LONG: Oh, I'm sorry. Metropolitan Statistical Area. It's kind of like the jurisdiction around Austin, suburbs around Austin, so we were talking about Austin, Pflugerville, Round Rock, Leander, Cedar Park, Buda, Manor, Elgin, those types of areas, for us looking for not only rental properties but we were also talking about a building up the street that we were interested in buying for additional office space. The building up the street obviously did not take place, but we have begun purchasing properties for single family rental that we are using, and I'm proud to announce that since we got your permission on June 6, we closed on a property in Pflugerville, and on June 28 we closed on a property in Round Rock, and I'm also proud to say that both of those properties are currently rented to people who meet our affordable income limits.

Lender trainings, if you remember under our Single Family compliance and Single Family programs, we started doing lender trainings. Since the last board meeting, we've had four lender trainings, and those are done on a webinar and we've had 200 lenders attend those trainings, which I think is phenomenal.

TSHEP, the Texas Statewide Homebuyer Education Program -- the first week in August we're having another training for TSHEP, and that will be held, like I said, in Dallas. Sixty-four people are already registered to attend that. That's the maximum amount, we actually went over our limit. We're very pleased to have that. I think Sarah and Paige did a really good job of getting that attendance level up. During that training we're going to be offering three courses, and those courses include: Homeownership Counseling Certification; Financial Coaching: Helping clients reach their goals; and Transitioning Consumers: Counseling Clients to take the next step.

On another front, the National Foreclosure Mitigation Council, if you remember, we participate in conjunction and administer for the Texas Department of Housing and Community Affairs, the foreclosure mitigation funds. Round 6, we're proud to announce, has been completed. In that round the total award was $366,712. Eleven sub-grantees participated and we served eleven MSAs throughout Texas, with over 1,100 homeowners counseled. Round 7 has begun. Round 7 is anticipated to be the last round of funding that we'll be participating in, however, Round 7, we've received $327,000 and we have ten sub-grantees who are participating in that with us.

In regards to NFMC, I would like to thank Laura for her completion of not only Round 6 but gearing us and working in Round 7. Laura Ross does a phenomenal job. If you remember, when we started that, it was kind of something where we didn't have staff assigned to it, and we kind of all chipped in and Katie Howard did a phenomenal job of getting us kicked off on that, and since Katie has taken on additional roles towards grant writing and fundraising, now we are having Laura Ross do that, and she was able to help us complete Round 6, close it out, and then coordinate with TDHCA to get Round 7 started and off the ground.

Several meetings we've attended, I will kind of run down them real quick so that we don't waste any time. I was able to participate and attend the executive board meeting for the Texas Association of Realtors, the board meeting for the North Texas Housing Coalition. I serve on the boards of those organizations. Tim and I were able to participate in and Tim made a presentation at the recent Texas Association of Realtors Housing Initiatives webinar. We were invited to participate, and Tim gave about a 30-minute webinar presentation to the Realtors across the state that participated in that.

Jo Ropiak today is attending the National Development Council housing development training, the NDC training that goes on, and I think that's in Philadelphia or Pittsburgh. Jo Ropiak, myself and Charlie Leal attended the North Texas Housing Coalition TACDC annual housing summit. I think Jerry Romero was there as a participant as well.

Mindy Green attended the Texas Interagency Council for Homelessness meeting at TDHCA earlier this week. Mindy and I will also be attending the National Alliance to End Homelessness conference in Washington, D.C. That's in regards to the role that I was asked to play by the Governor's Office to be facilitator for the State of Texas in regards to homelessness.

The Texas Community Capital Board had a meeting last week on the 11th. Jerry Romero and Cynthia Leon serve as board members from Texas State Affordable Housing Corporation's representation on that. And Jerry, I don't know if you have any updates on that at all, but the meeting was held last month. Really, we're updating and keeping the board members informed on a new program we're creating which is the Small Dollar Loan Program, kind of a program we've been working on and developing through Matt Hull's efforts to try and come up with an alternative to the payday lending.

MR. ROMERO: If I could just add to that. In your markets if you have fairly large employers, just let us know. We'd be happy to go out and reach out to them because it is a program that's designed to tie in with the large employers in the community to provide their employees with an alternative to payday lending, title lending, those types of things. It gives them an opportunity to hopefully get back on their feet if they are having issues. More importantly, it's something that will help them with their credit, and it's payroll deduction so there's not a lot of worries on their part having to make those payments.

The other thing is that they don't have to really qualify through an application. As long as they're employed and the employer verifies it, for the most part they will be approved.

MR. JONES: so sort of like an employer lending program?

MR. ROMERO: Well, the lending comes from the non-profit organizations across the state that are signed up for the program. The employers really just do the back shop operation.

MR. JONES: They do the deductions.

MR. ROMERO: Right, that's it.

MR. JONES: Automatic deductions, lowest interest rates. Okay.

MR. LONG: Thank you.

The board members should have all received a copy of the 2012 Texas State Affordable Housing Corporation Annual Report. I hope you had a chance to look at that. If you did not, I would encourage you to do so. It's a very, very well put together, very informative report, and I think Janie Taylor deserves a lot of credit for helping put that together. It looks phenomenal, it's a very, very professional looking document.

For the board’s information, tomorrow is our staff development day. Every year the staff has a development day outside the office, and tomorrow is our day to do that. So our offices will be closed tomorrow, but we will be working, kind of.

The next board meeting, Mr. Chairman, we're looking at August 15. We can talk about that a little later, but we will be hopefully looking at approving the budget for next year at that meeting, so it's pretty important that we have that meeting sometime next month.

And with that, I'll conclude, unless you have any questions.

MR. JONES: Are there any questions on any of the tab items in the president's report, A, B or C, or comments?

MR. ROMERO: Is the budget in there? I mean, I've seen the budget. I had a question on the budget, if I can ask.

MR. LONG: Sure.

MR. ROMERO: There were some items that were really out of line, and I've seen the explanation for them, but the question is: Is there a big effect on the approved budget from the prior year?

MR. LONG: I'm not sure. Can you repeat the question, Mr. Romero?

MR. ROMERO: Well, we obviously approved a budget last year for the corporation.

MR. JONES: Would you point out what item or any page?

MR. ROMERO: I'm looking at the comparison to budget to actual, May 31, 2013. There's some really large variances, like for instance, on principal and interest, I understand the notes behind it and I get that. But my big question is: Did this impact the budget enough where to we should have done an amended budget?

MR. LAWRENCE: Nick Lawrence, controller.

We talked about it but it's so close to the end of the year, we decided not to.

MR. JONES: Decided not to what?

MR. LONG: Request the board to approve an amended budget.

MR. JONES: And the reason was, as Jerry was saying, it wasn't a significant enough amount to do so, or was it just a timing issue?

MR. LONG: We looked at it as a timing issue. I mean, we could have asked you to amend the budget at this meeting which would have been July, and then we'd be presenting next month's budget to you, so we felt it was maybe a little late timing-wise. I mean, obviously we understand the concern in terms of the variation, but I could tell you that we didn't feel it was so extreme in a negative manner that we felt it was appropriate to bring it to the board for an amendment to the budget.

MR. ROMERO: So these are May numbers, we're now in July.

MR. LONG: Right.

MR. ROMERO: So how far off on the end-of-year projections will we be? Do you have an idea?

MR. LONG: Given the explanation on that specific item, principal and interest on notes payable --

MR. ROMERO: I've seen the explanation, David, I'm fine with the explanation. It was just the total number. For instance, the Single Family Bond Program had a variation of 4,000 percent. We went from 41,000 to a million six. I mean, that is, to me, a significant change, and I would assume that it would impact what our end-of-year budget is going to look like.

MR. LAWRENCE: That was because we had to front all of the DPA.

MR. ROMERO: Right, that down payment assistance. That's not something that we had anticipated at the first of the year, and I know it's not something that we did internally that was an error. I understand that part. I'm just wondering how it impacts our overall budget at the end of the year. Are we still going to have a positive ending of the year, or are we going to have a negative? That's all I'm asking.

MR. LAWRENCE: Because that money is a receivable and we're guaranteed to get it back, it doesn't really have an impact.

MR. LONG: It will be a positive because of the excess revenue that's coming in from the program and it will be shown as a receivable. It wouldn't have a negative impact on the budget, if that's what you're asking.

MR. ROMERO: We're not going to show a loss at the end of the year.

MR. LONG: Based on these numbers, no, sir.

MR. ROMERO: Okay.

MR. JONES: So a budget change is not required to provide funding for items beyond the original budget. Is that what they said?

MR. ROMERO: Well, just looking at this particular item, the Single Family Program.

MR. JONES: Well, yes, you're talking about almost a million bucks more than your budget and you have the flexibility and the cash to do that without requiring a budget amendment. Because usually you can approve something, but if you have to change the budget to fund it, you can't fund it, so how did that happen?

MR. LONG: Well, the board approved the program as it was structured, so we had the cash to manage the DPA requirements. So there really wasn't an approval to allow so much cash out the door that was different than what we had already approved, because once it got out, it started revolving. But in the DPA program, we do have a maximum amount that can go out the door, we've just had an increased volume. In other words, it's a positive. We have greater demand for our program than we've ever had and we're having to front DPA to a greater level than we ever have.

But to answer your question, the board approved the program, and if it's an error on my part, when Nick and Melinda talked with me about it, we made the decision that as long as it wasn't negatively impacting our ability to do our job and the other budget items, that we felt it was consistent with moving forward with the program as approved.

I know what Mr. Romero is referring to with the big negative at the bottom of the page there. Nick, I don't know that that's necessarily what we're going to end up with at the end of the year, but it depends really on the receivables at the time. Correct?

MR. ROMERO: You almost had to have a different budget item for this because it changed on us. I understand that. In other words, before when we closed we would fund what we were closing at that time. This now has to be there in an account ready to be funded.

MR. LONG: It's a liquidity requirement that we have to maintain based on our volume, and every month -- actually even more than that -- every time an investment comes due, Nick and Melinda and I get together and make a determination whether or not we need, based on demand for our programs and other outlays we might have, whether it be to purchase a single family property or to fund some of the stuff that goes on in ACT or the DPA program, we make a determination as to how much money would be reinvested versus held for liquidity purposes. And that's kind of the impact we have.

MR. ROMERO: If I could just clarify. I wasn't trying to imply that something was done incorrectly.

MR. JONES: No, no, no, no. That was just an aside on my part.

MR. ROMERO: I just wanted to make sure that we weren't going to show a negative at the end of the year.

MR. LONG: I think your concern is, is that number at the bottom of the page going to go away.

MR. ROMERO: Well, it was that and several other things, but I was aware of the fact that we were going to pay the building off early and those kind of things.

MR. LONG: Right. And I think, in the big picture of things, given that we did pay the building off early, that we did have those liquid funds available to do that and were able to save any additional interest payments that would have gone towards that building over the life of that loan, given the investment strategy that we have of paying our interest rate on the loan versus the rate of return we were getting on our investments, it was a reasonable swap, if you will, for us to pay off the mortgage and to not have to worry about those funds being invested with such a low return.

In that expenditure, as well as the demand for our programs, which we view as a very positive turn, and the additional income those programs are now generating, we think is a net gain for the corporation. I think what you're looking at here, Mr. Romero, is a timing of outlay of cash versus it being returned.

Would that be correct from your assessment?

MR. LAWRENCE: Correct.

MR. ROMERO: And thank you for the notations. I really like the footnotes.

MR. LONG: I mean, we do recognize that when we're out of whack we do need to explain to you, and that's why we have the footnotes and notations for that. I can't tell you that it's always timely enough. Like you said, we're looking at May and we're in July, but we give you the numbers that we have from our financial institutions and the statements that we receive, so we typically run 45 to 60 days behind.

MR. ROMERO: Okay.

MR. JONES: Any other questions or comments?

(No response.)

MR. JONES: I want to go on record here as saying I wasn't just wandering around the street, got tired, looked for a chair and found this one in my casual state of attire, but Jerry never dresses casual, Mr. Dietz doesn't know how, evidently Mr. Meade has to catch a plane and get off and go to an important meeting, and Gerry over here is never sure when Janie is going to take a picture of him. So I'm the only one casual, even though some of the staff did get the memo.

You're not going to take a picture today. Right? He said he's never sure when she's going to take a picture.

MR. EVENWEL: That's right. She just shows up.

(General laughter.)

MR. JONES: Okay. The next item is Tab Item 1: Presentation, discussion and possible approval of the minutes of the board meeting held May 9, 2013. Are there any additions or correction or a motions in regard to same? Any public comment?

MR. EVENWEL: I move we approve the minutes of May 9.

MR. ROMERO: I second.

MR. JONES: Moved and seconded, and having no public comment, all in favor say aye.

(A chorus of ayes.)

MR. JONES: It's unanimous approved the minutes.

Item 2: Presentation and discussion of recent updates to the corporations Single Family homeownership programs.

(General talking and laughter.)

MS. OMOHUNDRO: Good morning. I am Paige Omohundro.

MR. ALMQUIST: And I'm Tim Almquist, Single Family compliance manager.

MS. OMOHUNDRO: And Tim and I want to talk to you about -- this is just a discussion item but we felt it important enough because we have some important enhancements to tell you about regarding our homeownership programs. And if you looked at the reports this month, you will see that we had a record June. We originated over $31 million in our down payment assistance program alone in June. That is a record for TSAHC. So we are serving more and more homeowners and our programs are becoming even that much more popular to Texans. And we think these enhancements will also help to further help more Texans and Texas.

So the first important enhancement to talk to you guys about is we now allow for refinances with our program. In the past it was only for first time homebuyers and then we made a move to allowing individuals that were not first time homebuyers to use our down payment assistance program. Well, now an individual can refinance their existing mortgage and get closing cost assistance to help them do so, so we're making that a product available out there.

They have to meet all the other requirements of our programs, so nothing else has changed. They still need to meet, if it's under our Heroes program, the income limits, credit requirements and so forth, but it's an important product we felt we needed to make available to Texans out there.

MR. JONES: Just off the top of your head, income limits for the program is in what ballpark?

MS. OMOHUNDRO: Well, they can be high, it just depends on what county it is. For example, here in the Travis County area, for a household of one or two, it's around -- I think it's $64,000, around that range, for a household of one or two, so that's pretty high. But I will tell you this, although those income levels are high, our average income -- and I do put that in the board report for you -- is around $45,000 a year. So we're serving very much those households that are 80 percent AMFI here in Texas.

The second enhancement that we've made is we now offer two different types of rates and two types of assistance. So you'll see, in your board packet, option 1 which we're just calling our standard product because it's what we've been offering all along, a fixed rate product with five points of down payment assistance. And by five points, I mean 5 percent of their loan amount is given to them as a grant to use towards down payment and closing costs, and they never pay that back. And that's a really big incentive and something that not all homeownership programs allow; that grant is very key to our particular demographic.

The other option they have is they can choose a lower rate product, but with that lower rate product they only get -- well, I shouldn't say only -- they get 3 percent of the loan amount as a down payment grant to them. So they have the option of choosing, say they have a little bit of down payment assistance and they want a slightly lower interest rate, they can choose that second option instead.

And to give you an example of what we're offering today, because our interest rates can vary on a daily basis, our five-point product, our standard product, the interest rate today is 5 percent, the interest rate on our second option is 4.5. So there is a pretty big difference in the interest rate, but also a difference in the down payment assistance, so the borrower just has the option of choosing which product is best for their household.

And lastly, and this is something that I'm sure Janie and Charlie will be talking to you in more depth about, but as you may recall, we've had the Professional Educator program and the Homes for Texas Heroes program. Well, under the legislative session they have now combined those two programs and we refer to them solely as the Homes for Texas Heroes program. So all the educators that qualified under the Professional Educator program now fall under the Heroes program.

And the other addition that was made to the Homes for Texas Heroes program is we are now allowed to serve veterans, so that's a very exciting marketing opportunity for us here at TSAHC.

And I will now pass it over to Tim, who can kind of give you some statistics on how the programs are doing and how these products have helped us.

MR. DIETZ: Just a quick question. Do I understand all the new purchase and refinances are full 30-year loans, and they're all for primary residences. Right?

MS. OMOHUNDRO: Yes, absolutely.

MR. DIETZ: That's what I thought.

MR. ALMQUIST: And we talked about that, especially related to refinances. We didn't want to have any streamlined refinances because we wanted the full doc, full credit, full everything, full appraisals on these loans. We don't want any streamlined type stuff, and our servicer doesn't want that either, so we're still making sure that we're serving our constituents and doing the best for them.

MR. ROMERO: Hold on one second. Can this program be used for investment property?

MS. OMOHUNDRO: No.

MR. ROMERO: Okay. On the veterans side, how do we compare with the other programs that are already out there in existence, as far as rates?

MS. OMOHUNDRO: As far as rates? Well, that's a great question. There are other programs out there for veterans, particularly a program that's offered by the Veterans Land Board. They offer an extremely low interest rate product to veterans, however, there's no down payment assistance tied to that particular product. So it's important for veterans to explore all the options they have available and then make the best decision for their household.

MR. ALMQUIST: Let me continue with the fruits of our labor. As Paige said, we put these new changes in place, what was it, about a month ago, three weeks, something like that?

MS. OMOHUNDRO: I've lost track of time, but something like that.

MR. ALMQUIST: About three weeks ago. Since that time, we've taken 156 reservations for loans under our programs. Only twelve are utilizing the 3 percent down payment option, so the majority of our homebuyers are still choosing to take that full 5 percent loan amount for the DPA grant, and they're willing to accept a little higher interest rate to do that. And we expected that, but we wanted to have two options out there just to serve more of our constituents and give them more options to choose from.

We have not seen a refinance yet under the program, but we're really not in the refinance market. As Paige said, we've very much impacted by market movements. Over the past couple of months we've seen interest rates, market rates move up over a point, so back when we were talking about implementing this stuff, interest rates were about 3.5 percent and we were in a good refinance market, so we thought it made sense to offer this. Now we're up over a point from that point, and you know, nobody is really taking advantage of 5-1/4 percent refinance. But we want to keep it out there. You know, we are very much impacted by the market. When rates move back down or we get more into a refinance boom type period, we think we'll see some refinances coming in.

So just overall, as Paige said, the program is really rocking. Since January we've seen progressively increasing volume under our program, and that's what we really anticipated and what our goal has been. So month by month we've seen our down payment assistance program go from $13 million in January, $14- in February, $18- in March, $20- in April, $29- in May, and as Paige said, all the way up to $31 million in June of this year.

We anticipate seeing a little bell curve action going on because we're entering the non homebuyer season, the later in the year we get, the less we're going to see, but truly a great year for us and we're really happy in the Single Family Division.

MS. OMOHUNDRO: Definitely. And I think Tim and I would both say that we have amazing staff. Sarah, Ellinor and Delia Davila, and Delia is not in the room, but Sarah, please raise your hand over there. Delia is actually giving a lender training, as we speak, so couldn't be with us in the room. But these two fine ladies have done such a good job and have made Tim's and my life so much easier and they're really a true asset to TSAHC.

MR. ALMQUIST: I don't really have to do anything anymore, so I'm very grateful.

MR. JONES: Let me say this in regards to veterans, Jerry, while TSAHC initiated the consolidation of the programs, some other legislators felt that regardless of whether there was other programs, they wanted veterans to have the option for whatever program is going on, even though they had others, and that was included in legislation. And it's to TSAHC's credit that they gladly and willingly folded that in and are offering it, so it wasn't their thing that it happened. But I look at them taking advantage of some other program, but they do have that option.

Are we servicing any of this stuff?

MR. ALMQUIST: No.

MR. JONES: Not at this point yet?

MR. ALMQUIST: No. We farm it all out to U.S. Bank.

MR. DIETZ: What does the geographic distribution look like?

MS. OMOHUNDRO: Well, I think it's getting better and better. Well, unfortunately, in the board reports, the way our system is working now, I'm not able to give you the snapshot that I used to be able to give you by breakdown of counties, and we're working on that, we have to work with our software provider for our reservation system. But I would say that we're hitting more and more markets, so there is a very good distribution. And then part of Sarah's and my responsibility is to market the programs and we are making a very big effort to go out to those areas that have never heard of us before, and we do that lender and Realtor trainings.

So if you'd like that, I can certainly work on a separate report for next month's meeting so that you can see that distribution.

MR. ALMQUIST: And on the marketing side, you know, Paige said they go out and they talk to Realtors, they talk to lenders. We now have 64 lenders across the state participating in our program, and we have over 1,500 individual loan officers, loan processors, underwriters that have access to our system to reserve loans, approve compliance packages and things like that. So we're gearing up. We had two new lenders sign up -- or three over the past couple of weeks, I think.

MS. OMOHUNDRO: This week.

MR. ALMQUIST: So lenders are coming on. We feel, you know, we've got the best program in the state and we just see it moving and moving and growing and growing. So again, good job, Paige.

MR. ROMERO: Some other non-profits in the state also developed programs similar to ours and we really haven't seen an impact on our numbers. Right?

MR. ALMQUIST: No. We don't even worry about those. I think there are three or four local programs, South Plains up near Lubbock, North Central Texas, I think has one South East Texas has one, but we haven't seen any impact to our volume.

MS. OMOHUNDRO: I think that their volumes are probably not at our levels, but I think that there's enough need out there, and just talking about options, it's just good that Texans have so many options and we're just happen to see that they're choosing our program.

MR. DIETZ: What other entities are there offering programs like this?

MS. OMOHUNDRO: Well, you have the Texas Department of Housing and Community Affairs which is the state's housing department, they have homeownership programs, and then we have what are called local issuers, so counties and cities can issues bonds as well, and they have homeownership programs, and there's quite a few out there, actually.

MR. ROMERO: El Paso is looking at a program to start themselves as well.

MS. OMOHUNDRO: But they have always been in existence as well.

MR. ROMERO: Sure. They serve the local markets is what they basically do.

MR. JONES: Okay. Thank you. Appreciate it.

MS. OMOHUNDRO: Thanks.

MR. ALMQUIST: Thank you.

MR. JONES: Figured it was time to get Tim up to the table.

MS. OMOHUNDRO: I know. Right? He did a good job, didn't he?

MR. JONES: He did good his first time out.

MR. ALMQUIST: Some of it was true.

(General laughter.)

MR. JONES: At this time we'll go to Tab Item 3: Presentation and discussion regarding the Gateway Northwest Apartments project in Georgetown, Texas. Mr. Danenfelzer.

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

We just wanted to give you a report item on the Gateway project. As you know, we've been working on this project for the better part of a year. The board, in the spring, approved an amended resolution regarding this project and an extension and we reapplied for the bond cap for it. We've actually gone through all the steps, the statutory steps for bond approval on the project, however, as Tim mentioned in the previous discussion, rates have been changing, particularly bond yields, and because the long-term mortgage of these bond projects are tied directly to treasury rates and other ongoing rates, this project has run into a problem where the shift in rates has created a gap, an unanticipated gap in the financing structure.

So where we were originally looking just even two and a half months ago at interest rates for the project right around 4 percent or below 4 percent, in the last six weeks those rates have gone up almost a full point and we're actually looking a rate of about 4.7 right now. So we've got a significant gap, therefore, in the permanent financing of the project. The developer is working to close that gap. We continue to hope that the spread on the ten-year treasury, in particular, which is one of the driving factors of these rates, will come down, but at the same time, there are a number of options.

And we do have some time, some wiggle room on this project. September 21 is the official deadline for closing on the bond side. If we need to, and if the developer chooses, we can also extend that deadline by doing a new application to the Bond Review Board. We don't think that will be a problem if we have to go that way, but we'd prefer not to because it does save some fees. Every time we apply to the Bond Review Board there are more fees and more costs that the developer has to undertake.

Probably the best news, though, is that the short-term bond rates, the rates that will be on the bonds that we have, have not really shifted very much in the markets. Short-term rates continue to remain below 1 percent, and in fact, this morning they were between .39 and .52, so we actually are not a hurdle at all to this project getting done. The bond rates are very strong, it's the longer term rates that are creating a problem right now.

That's all I have, unless there's questions.

MR. JONES: So the anticipation is that they're going to stay there? I mean, unexpected drop in housing construction, the feds are going to keep the interest rates low and all, but the point still stays up?

MR. DANENFELZER: You know, it's very hard.

MR. JONES: Was that individual market census here in

Texas?

MR. DANENFELZER: Yes. As far as the market for the property and project, it's still there, it's the national interest rate issue, and you know, it's arguable why it jumped in the last six weeks. Many people actually claim it was because of certain words that the president of the Federal Reserve said saying that they would peel back the quantitative easing process that the treasury does.

MR. JONES: But then he came out and said he wouldn't, so it could go down, or no?

MR. DANENFELZER: It could go down, and in fact, because he did say that, I guess, yesterday or the day before, there was a little bit of dip in the interest rate, it dropped below 2.5 on the ten-year treasury after he said that. So the bond deal markets are one of those things where literally one person, Mr. Bernanke, can say either the right or wrong thing, depending on your perspective, and bond rates will change dramatically. So it's one of those things where we kind of joke about it.

We'd love to be able to give interest rates -- and I know Tim and I talk about rates a lot because as rates climb, we expect that the volume of single family mortgages will decline as well. We haven't seen that for the last few weeks, but those higher interest rates mean families can borrow less and they can buy less when it comes to housing. That doesn't change when you become a developer and you're trying to do a deal like this, as rates go up, you can do less.

The developer is working hard, though, to fill those gaps and find some way or some strategy that they can fill that gap and still get the deal done here before September.

MR. JONES: Any other comments or questions from any of the board members?

(No response.)

MR. JONES: Thank you, sir.

MR. DANENFELZER: You're welcome.

MR. JONES: Item 4: Presentation and discussion regarding legislation passed during the 83rd Texas Legislative Session. Mr. Charlie Leal.

MR. LEAL: Good morning, Mr. Chairman, members of the board. Charlie Leal, Government Relations Specialist.

MR. JONES: You too, huh?

MR. LEAL: Me too.

MR. JONES: Tie, suit.

(General laughter.)

MR. LEAL: I would have worn my hat if you had told you were going to bring it.

I'll briefly go over four bills that were passed this legislative session that have somewhat significant impact on TSAHC and our programs. First is Senate Bill 286 by Senator Juan Hinojosa, sponsored by Representative Greg Bonnen, reauthorizes the TSAHC profession-specific homeownership programs. As Paige mentioned, it does that by adding everything eligible under the Educators program to the Homes for Texas

Heroes Home Loan Program.

MR. JONES: Mr. Meade, are you familiar with when he said Educators what it all includes?

MR. MEADE: Yes. I actually read the stuff.

MR. JONES: You are? Because it's a lot. Everything from school nurses.

MR. MEADE: Right. Basically everything in the school districts.

MR. LEAL: It's a series of public school employees and nursing.

MR. JONES: See, because they assume we all know everything, but we don't know it like they do.

MR. LEAL: As I've said, everything eligible under the previous Educators program is now eligible under the Homes for Texas Heroes Home Loan Program creating a single program. It also officially adopts the name Homes for Texas Heroes Home Loan Program in statute. That program had a long listed name, basically, it listed everybody eligible under the Heroes program by profession, so we officially adopted the name that we have been using before.

The bill also eliminates the division of the 10 percent bonding allocation previously necessary for the separate programs. It also eliminates the end date for the programs in statute, effectively tying those programs to our sunset date which is 2023 in statute.

The next bill is Senate Bill 1553 by Senator Eddie Lucio, sponsored by Representative Joe Farias, and it also reauthorizes the profession-specific homeownership programs, with the exception that it does make U.S. military veterans, as Paige mentioned earlier, eligible for this program, and I'd be happy to answer any questions on that, but basically, it's the same bill and it goes further by adding veterans to that.

MR. JONES: Let me just say this Paige, Mrs. Omohundro did a great presentation in Corpus Christi at a housing conference, and one of the comments that came as a result of her presentation was that the head of the department for the city said that they were really thrilled and excited to know that we consider teachers and EMS and educators as much heroes for the quality of life for Texans because you only hear veterans as heroes -- well, there was a time when you didn't hear that -- but that these people are heroes because most of them don't't' get commensurate salaries like a basketball player and all, and very important to the future and vitality and quality of life in Texas. And she was excited to hear that we consider these people to be heroes, and to add the veterans is a plus, but they are heroes.

MR. LEAL: Exactly. I agree.

MR. DIETZ: Can I ask you a question about the veterans?

MR. LEAL: Yes, sir.

MR. DIETZ: It says specifically here U.S. military veterans, but would that also include Texas- specific military veterans, like a Texas State Guard?

MR. LEAL: If they qualify under the Veterans Land Board definition which is the standard for the entire state as what qualifies as a veteran, they would. Actually, it's in the Natural Resources Code that they list it. I'd be happy to look into that for you. I would imagine that they would, being that if they've ever been called to active duty, they would be qualified as a military veteran. I imagine they would but I'd have to confirm that.

MR. JONES: That would be good to know. I know Jerry Patterson, as land commissioner, chaired the Land Board and it's funded through the Land Commission, but that would be interesting to know if the Guard is included as veterans.

MR. DIETZ: Or any other Texas-specific military.

MR. LEAL: I think there is a part of it that says they must be active at some point during their Guard career, but I'll look into that.

MS. OMOHUNDRO: Ninety days active duty.

MR. JONES: Ninety days active, and is that still the Texas resident for at least five years or more?

MS. OMOHUNDRO: No.

MR. JONES: So anybody can move to the state and qualify?

MS. OMOHUNDRO: Paige Omohundro. The definition is they have to be active duty for at least 90 days and then here in Texas there is a stipulation that they had to have registered -- that's probably not the right word -- enlisted -- thank you, Janie -- here in Texas or they have lived here for at least a year.

MR. JONES: Oh, one year now. We may get a big influx of veterans now.

MR. LEAL: Okay. If there's no further questions on that, I'll move on to TDHCA's sunset bill, House Bill 3361, by Representative Harold Dutton and sponsored by Senator Brian Birdwell. The sunset bill did allocate twelve years and makes a number of significant changes to their statute. Specific to TSAHC, the bill changes the application threshold requirements for applicants of the 4 percent Low Income Housing Tax Credit Program administered through the Department, in conjunction with the Multifamily Private Activity Bond Program, including TSAHC's program. Applicants will have to provide notice of intent to file an application to the governing body of the municipality or the county in which the proposed development is located.

It makes a number of other changes, and until we have full implementation by TDHCA, the bill provides them rulemaking authority to implement all those statutory changes, we won't know exactly how that's going to impact our program directly.

MR. ROMERO: Charlie, does that require -- for instance, in El Paso our MSA is the county and the city, would that require approval of both entities?

MR. LEAL: If the proposed development is within an ETJ of a municipality, it requires --

MR. JONES: ETJ meaning?

MR. LEAL: Extra territorial jurisdiction, meaning surrounding area of a city. If it's in the ETJ, they must provide notice to the county as well.

MR. JONES: So the bottom line is it affects us how?

MR. LEAL: Well, we won't know exactly until full implementation is made by the Department.

MR. JONES: Do you anticipate how it would affect us?

MR. LEAL: At this time we do not.

MR. JONES: Can't really tell because they have to do the rulemaking.

MR. LEAL: They have rulemaking authority to establish the time and manner of which all the submissions of all this.

MR. JONES: So until then, nothing changes, in effect?

MR. LEAL: Yes. And we don't anticipate any significant impact to our programs because many of the things listed in there are already done by our programs. But again, we won't know exactly until they fully implement the legislation.

MR. JONES: So you would suggest that the legislature, that when they reauthorized them for twelve more years, basically didn't do a lot of changes or modifications, or is this a major change?

MR. LEAL: I specifically mentioned this one because it would directly relate to us. There are a number of others within the bill that I did not go over.

MR. JONES: But it doesn't affect us.

MR. LEAL: Exactly.

MR. JONES: Understood.

MR. LEAL: The last one of note is Senate Bill 7 by Senator Jane Nelson and sponsored by Representative Diane Patrick, regarding the delivery and quality of certain health and human services. It makes significant changes to the state's medical and long-term services and programs for individuals with intellectual and developmental disabilities covered by Medicaid.

Specific to TSAHC, it directs the Department of Aging and Disability Services to work with TSAHC, TDHCA, the Department of Agriculture, and the Intellectual and Developmental Disability System Redesign Advisor Committee to coordinate with federal and local housing entities to develop further opportunities for accessible and affordable housing for individuals with intellectual and developmental disabilities. And again, until that is fully implemented by HHSC, we won't know exactly how we're affected.

MR. JONES: Do you understand this?

MR. LEAL: I do understand this.

MR. JONES: I understand because we have the codes and all about spacing and entrance and all, but how do you design houses for intellectual disabilities? And I don't want to sound crude or crass, but what do you do, make sure you've got rooms with pads? I don't know.

MR. ROMERO: This isn't so much about ADA as it is about having complexes available for individuals that have these types of disabilities. It's like a group setting.

MR. LEAL: Yes, increasing the opportunities for affordable housing for this community, the opportunities for access to affordable and accessible.

MR. JONES: Okay. Wait and hear what you find out.

MR. LEAL: I will let you know. And the Redesign Advisory Committee is included because it does incorporate a lot of stakeholders within that community, so they included them as well. Even though the name does sound like it would be incorporating many design changes, that may be ultimately a part of it.

MR. JONES: Its' not really you or them, it's just that they added the term "intellectual disability" to requirements for housing. I just don't get it. That's okay, don't worry about me. I'm the only guy dressed casual up here.

MR. LEAL: That's the term that the legislature used in statute.

MR. JONES: Okay.

MR. LEAL: And that concludes my briefing on that, and I'd be happy to take any questions.

MR. JONES: Good job, Charlie.

MR. LEAL: Thank you, sir.

MR. JONES: Okay. Any other questions or comments for Mr. Leal?

(No response.)

MR. JONES: Okay. Item 5: Presentation and discussion of Texas Foundations Fund 2013 funding activities. Ms. Bayless.

MS. BAYLESS: Liz Bayless, executive vice president.

Mr. Chairman and members, as you know, we are presently working through the process of our 2013 funding cycle at the Texas Foundations Fund. Katie Howard is managing the day-to-day operations of that, and so I first want to let her give you a briefing on where we stand.

MS. HOWARD: Katie Howard, senior development coordinator, and I'm going to give you a brief update on our 2013 Texas Foundations Fund activities.

As you know, the Texas Foundations Fund is our grant-making program through which we provide awards of up to $50,000 to non-profits or rural government entities that provide eligible housing services to very low income households, and we define very low income as those households earning at or below 50 percent of the area median family income.

And our applications for the 2013 round were due last Friday, July 12. This year we received 49 applications which is almost three times the number of applications that we received last year, so it's been a huge spike in applications for us. Many of these applicants were first-time applicants that had no prior relationship with TSAHC, and that shows us how much the word has really spread about our Foundations Fund program. We're very excited about that.

The applications were nearly even in terms of program requests. Twenty-five of the applicants requested funding to provide critical home repairs and accessibility modifications, while 24 applicants requested funding to provide supportive housing services, such as case management or adult education to residents of their housing facilities. And currently these are the only two services that are eligible for funding under the Texas Foundations Fund.

Geographically, the requests were very diverse. Applicants represent nearly 20 different communities throughout Texas, including communities in the Dallas-Fort Worth area, communities in North Texas along the Oklahoma border, Houston, San Antonio, South Texas and the Rio Grande Valley, El Paso, Austin, several areas of East Texas and the Texas Panhandle. Furthermore, we had multiple applications from applicants serving rural communities.

We're very excited about the increased interest in our Texas Foundations Fund, but it means we've had to revise our application review timeline. We initially expected to bring award recommendations with the advisory council to the September board meeting for your review, however, looking at the number of applications that we received, we didn't believe that we could properly review each application in that time frame, so staff met earlier this week to create a revised timeline. We now plan to bring our funding recommendations to the board at the October board meeting, which will give us enough time to thoroughly review each application. Liz has communicated with the advisory council about this change, and they are supportive of the change.

So that concludes my update, but I'm happy to answer any questions.

MR. ROMERO: On the original RFP, did the non-profits know what the timelines were?

MS. HOWARD: We did tell them in the guidelines that we anticipated finalizing award recommendations in September, however, we will communicate with each of the applicants about the revised timeline so that they know and can budget for that.

MR. JONES: Last time we broke it down, some got fifty, but we made some smaller to accommodate more people. Is that anticipated, as well as maybe having to raise more funds to award more, or we'll do it within the parameters that we already have and the funds we have?

MS. HOWARD: In the guidelines we committed $300,000 to the 2013 Texas Foundations Fund round, and I anticipate that that will be the number that we commit.

MR. JONES: So that would be six $50,000 grants, or smaller ones.

MS. HOWARD: Potentially. When we meet with the advisory council, we will get their opinion on how the funding should be allocated based on the application scoring that the staff conducts, as well as the advisory council's review, and because we do have a precedent where we've awarded more awards but less than the $50,000 amount, we can take that into consideration.

MR. ROMERO: To your question, yes, the advisory council will be charged with trying to raise more money so we can give more out under this program for the future.

MR. JONES: My followup is if more people really are qualified and it's very close, what would be the option? You would come back to the board and ask if we could allocate a little bit more, or we would just stay with what we have and put those people back in the queue for future consideration? Less or future consideration?

MS. BAYLESS: Well, I don't anticipate changing the $300,000 amount this year because that's in the budget and that's also what we have told the applicants we have to give out. It would be wonderful if we could give away more in future years, and that's certainly our goal.

MR. JONES: And that's why you increased the board and everything else?

MS. BAYLESS: Right, exactly.

MR. ROMERO: But Bob, I don't believe that we would carry anybody over to the next round.

MR. JONES: No. I'm saying they would have to reapply.

MR. ROMERO: Right, yes, for those that didn't get it.

MR. JONES: Understood.

Any other questions or comments?

(No response.)

MR. JONES: Ms. Bayless, you didn't have to say much at all.

MS. BAYLESS: That's right.

MR. JONES: Good job.

MS. BAYLESS: Thank you, Katie.

MR. JONES: And Ms. Bayless hasn't gotten up, so presentation, discussion and possible appointment of a member to the Texas Foundations Fund Advisory Council that was created by the board of directors of the corporation.

MS. BAYLESS: Tab 6 is an action item related to the makeup of the advisory council that assists staff in managing the Texas Foundations

Fund. The resolution behind Tab 6 is to appoint Christopher J. Bergmann to the advisory council to fill the position representing the Houston area. The resolution also restates and affirms the current members of the advisory council.

Chris Bergmann has more than 25 years of experience as a real estate professional specializing in affordable housing. He is a former senior managing director for Trammell Crow Residential's affordable housing division. Prior to his time at Trammell Crow, Chris was the principal at the Shenandoah Group, a low income housing tax credit consulting firm. He has developed, constructed and financed over 16,000 affordable housing units. Now Chris is an affordable housing specialist with Apartment Realty Advisors in Houston where he assists clients in the disposition of affordable housing assets and provides consultative guidance for clients contemplating exit strategies for low income housing tax credit and HUD assisted properties.

We are pleased that Chris is interested and willing to help us with the Texas Foundations Fund by serving on the advisory council, and I ask your approval of the resolution appointing him.

MR. JONES: Comments, questions?

MR. ROMERO: So moved.

MR. DIETZ: Second.

MR. JONES: It's been moved and seconded. I want to note, though, that the staff has done an excellent job. We have somebody from the Austin area, El Paso area, at large, the West Texas Panhandle, Dallas-Fort Worth, and now Houston area. Excellent.

MS. BAYLESS: We're still looking for representatives from the San Antonio area and the Rio Grande Valley. Hope to have those before long.

MR. JONES: Okay. Well done.

Is there any public comment on this item tab 6?

(No response.)

MR. JONES: Hearing none, it's been moved and seconded. All in favor say aye.

(A chorus of ayes.)

MR. JONES: Okay. Passes unanimously.

MS. BAYLESS: Thank you.

MR. JONES: Thank you.

It is 11:12, and at this time the board will go into closed meeting under Texas Government Code Section 551.071, consultation with legal counsel on legal matters, and Texas Government Code Section 551.072, deliberation regarding purchase, exchange, lease or value of real property. We'll move into closed session.

(Whereupon, at 11:12 a.m., the meeting was recessed, to reconvene this same day, Thursday, July 28, 2013, following conclusion of the closed meeting.)

MR. JONES: It is 12:17, and the Texas State Affordable Housing Corporation Board of Directors is back in open meeting, having taken no action during the closed meeting. Attending the closed session were?

MR. LONG: David Long, Bill Gehrig, Katy Livingston, and the board.

MR. JONES: Okay. Thank you.

MR. LONG: We don't have any other action to be taken.

MR. JONES: Of course, they're our attorneys.

MR. LONG: Oh, I'm sorry. I announced them earlier as our attorneys.

In open meeting we don't have any other action to take other than just to commit to the board that August 15 is kind of the tentative scheduled next board meeting. The 1st is the first Thursday and that pushes us real hard for us to get our financial statements in and put together for the month, so if we could push it to the 15th, which I realize is the third Thursday.

MR. JONES: Okay. Also, under the public comment forms, one of the forms wasn't signed. Is that important to note?

MR. LONG: Well, they're supposed to sign it.

MR. ROMERO: It was just noted.

MR. LONG: It was just noted it wasn't signed.

MR. JONES: Yes, I just noticed it.

MR. LONG: Which one?

MR. JONES: Ms. Jean Brown wrote 18th day, didn't put the month, and then didn't sign, and one other commenter initialed.

MR. LONG: Okay. So we would tentatively suggest that the board meeting be on the 15th of August. I don't know if that's acceptable to all the board members, but we can certainly give you a heads up as we move forward, but as I mentioned before, the 15th we're proposing that we would present the 2013-2014 corporation's budget at that time.

MR. JONES: Okay. Any other business? Seeing none, any other comments from the board?

MR. DIETZ: I do apologize for being overdressed, because clearly the chairman is dressed appropriately.

MR. JONES: The last thing I said was make sure they all know, but these guys just can't.

MR. ROMERO: Is it still casual in August?

MR. JONES: August, September.

MR. ROMERO: Okay. I'll be casual.

MR. JONES: Again, I want to thank Ms. Penny Bynum from On the Record Reporting and Transcription for the fine job that she does for us.

Hearing no other business, meeting adjourned.

(Whereupon, at 12:25 p.m., the meeting was concluded.)

C E R T I F I C A T E

MEETING OF: TSAHC Board

LOCATION: Austin, Texas

DATE: July 18, 2013

I do hereby certify that the foregoing pages, numbers 1 through 47, 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.

07/19/2013
(Transcriber) (Date)

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