

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
August 21, 2014
10:37 a.m.

BOARD MEMBERS PRESENT:

ROBERT "BOB" JONES, Chair

WILLIAM H. DIETZ, JR., Vice Chair

GERRY EVENWEL
ALEJANDRO "ALEX" MEADE
JERRY ROMERO

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P R O C E E D I N G S

1
2 MR. JONES: It is 10:37, and the August meeting
3 of the Texas State Affordable Housing Corporation Board of
4 Directors is now called into order.

5 I need advice. It says Audit Committee before
6 call to order, roll call and certification of quorum.

7 MR. LONG: We're going to move that down ahead
8 of my president's report.

9 MR. JONES: Okay. But I still need to call to
10 order, do roll call and quorum before the Audit Committee.
11 Right?

12 MR. LONG: That's correct.

13 MR. JONES: I don't want the attorney on my
14 back.

15 MR. LONG: And then we also would like to move
16 up the financial audit, tab 4, just after tab 1.

17 MR. JONES: Just after the minutes?

18 MR. LONG: Yes, sir.

19 MR. JONES: Okay. So the meeting has been
20 called to order.

21 William Dietz, Vice Chair?

22 MR. DIETZ: Here.

23 MR. JONES: Gerry Evenwel, Member?

24 MR. EVENWEL: Present.

25 MR. JONES: Alex Meade, Member?

1 MR. MEADE: Here.

2 MR. JONES: Jerry Romero, Member?

3 MR. ROMERO: Here.

4 MR. JONES: And I am here and we have a quorum.

5 How do you want this, Mr. President, do you
6 want the audit Committee next or do you want to go into
7 public comment? Is there any public comment at this time,
8 first and foremost?

9 (No response.)

10 MR. JONES: Okay. Hearing none, instead of the
11 president's report you want to move to tab 1 and then
12 bring up tab 4?

13 MR. LONG: I'd like to do the Audit Committee
14 first.

15 MR. JONES: All right. At this time the chair
16 calls on Bill Dietz, the vice chair and the committee
17 chair of the Audit Committee for his report.

18 MR. DIETZ: The Audit Committee met at 9:29
19 a.m. this morning, and heard from the new auditor, but
20 also reviewed the budget for next upcoming fiscal year,
21 and we approved that budget for presentation to the Board
22 of Directors.

23 MR. LONG: You can take it as agenda item 3
24 after that, we don't need to go to it now.

25 MR. DIETZ: Okay, great.

1 MR. JONES: And that will be presented to us
2 today for presentation, discussion and possible approval.
3 Correct?

4 MR. DIETZ: Exactly. And that's the only
5 action that the Audit Committee took during its meeting
6 this morning.

7 MR. JONES: Is there any public comment
8 regarding the presentation of the Audit Committee report?

9 (No response.)

10 MR. JONES: Hearing none, we will go to the
11 president's report.

12 MR. LONG: Thank you, Mr. Chairman.

13 Last month I informed you that we had hired a
14 new staff member. She started this month, and I would
15 like to introduce Celina Mizcles. She is here serving as
16 our senior multifamily analyst, working with James Matias.
17 We're excited to have Celina. She comes with strong
18 skills, background and we look forward to her working with
19 us and getting more informed. She's been able to walk
20 around and meet with most of the staff and get a little
21 bit of background, so we hope to have her settled in
22 rather quickly, and I know she's actually already been out
23 on a couple of property visits. So she's hit the ground
24 running with us.

25 As always, staff reports are available to you

1 under tabs A through C. If you have any questions, I will
2 either work to answer those or have staff come up and help
3 me.

4 A couple of other items. The Corporation
5 received a \$25,000 grant from Bank of America in support
6 of the TSHEP program, Texas Statewide Homebuyer Education
7 program. You all have a copy of the newly released 2013
8 annual report in front of you. We're very excited to have
9 that out. Special thanks go out specifically to Laura,
10 Katie, Janie and Charlie for the work in coordinating with
11 all the other staff in putting that report together. I
12 think you'll find it's a very nice looking document, as
13 well as very informative.

14 MR. JONES: Who do the people on the cover
15 represent?

16 MR. LONG: Well, you see on there Jo Ropiak,
17 one of our staff members, and that's one of our partners,
18 and I'm assuming that's the family at one of the homes we
19 donated.

20 MR. DIETZ: It is the family of the home that
21 was donated in Waco, Texas.

22 MR. LONG: That's right.

23 MR. JONES: You were there. Right?

24 MR. DIETZ: I was there, yes, that's correct.

25 MR. JONES: That's why you know.

1 MR. DIETZ: Yes.

2 MR. JONES: And some of our partners. Right?

3 MR. LONG: Yes, our banking partners, as well
4 as some of the other developer partners.

5 MR. JONES: Very good. I'm looking forward to
6 looking through this.

7 MR. LONG: Speaking of the Homebuyer Education
8 program, the final round was held August 4 through 8 here
9 in Austin. It was a great success; Sarah and Paige
10 administered the program and NeighborWorks was our
11 training organization that provided the training for those
12 courses. We taught lending basics for homeownership
13 counselors, credit counseling for maximum results and
14 building skills to financial confidence. There were a
15 total of 50 counselors in attendance that represented 35
16 organizations, and those 35 organizations work in 20
17 cities across the state of Texas. A hundred percent of
18 those attendees recommended that they would advise other
19 counselors to take that training as well, and our plans
20 for the 2015 training sessions are already underway.
21 Again, I want to thank Sarah and Paige for all their work
22 in making that successful. We were very successful with
23 three trainings this year, and I think a lot of that goes
24 off so smoothly that we really don't even think much about
25 it, but that's a lot of Sarah and Paige putting that

1 together and coordinating with NeighborWorks and making
2 sure all those trainings are set up properly, that all the
3 accommodations are made and scholarships are done,
4 registrations are filled out and the training goes off.
5 It's been very positive in the response we've gotten from
6 the people being trained, as well as our working
7 relationship on that. So thank you to them for that.

8 Other single family homeownership program
9 updates, marketing efforts are taking place to educate and
10 inform lenders, realtors and consumers about our new FHA
11 Fannie Mae preferred loan option, it's a conventional loan
12 program. Staff met with Mortgage Guaranty Insurance
13 Corporation, or NGIC, and Radian Guaranty Insurance
14 Corporation. These are both mortgage insurance companies
15 and they hope to help us further promote the program.

16 Staff also attended the Grand Prairie Homebuyer
17 Fair last weekend, and at that there were 200 individuals
18 who had the opportunity to learn about TSAHC's single
19 family home ownership programs.

20 Staff have also completed, in relation to the
21 Texas Foundations Fund, our annual application, and they
22 completed the review process on that. The next step on
23 that will be to meet with the advisory council. They're
24 scheduled to meet with them on the 27th of this month here
25 at our offices, and then the advisory council will review

1 staff's scoring and recommendations and be working towards
2 presenting final decisions to the Board here hopefully at
3 our September Board meeting. So we're moving right along
4 with that program, and as you know, we've given away over
5 \$1.5 million in support of other nonprofits across the
6 state utilizing our resources, and we're very excited to
7 be having another round, and I appreciate the Board's
8 continued support in allowing us to utilize some of our
9 resources to fund that program.

10 Just a quick note, I think I mentioned to you
11 last time that Katie Claflin was going to be kicking off a
12 weekly blog for us, and we started those weekly blogs this
13 month. They're being released every Friday and the newest
14 one will be out tomorrow, and it will feature our newest
15 employee, Celina. I think she did a really good job
16 responding to the questions that we posted. But please, if
17 you guys have an opportunity, we would invite you to go
18 sign up to receive the blog, as well as go out to our
19 website, and you can always give Katie a call and she can
20 give you any information on the blogs or talk to you about
21 what might be a good opportunity to put information in the
22 blog.

23 Scheduled meetings and conferences and
24 presentations, we continue to be very active in that. As
25 I mentioned before the Homeownership staff attended the

1 Grand Prairie Homebuyer Fair. Sarah is currently at a
2 NeighborWorks Institute training this week; she'll be out
3 the remainder of this week and part of next week. Charlie
4 and I are continuing to schedule meetings with legislative
5 and/or other organizations that we do business with and
6 try and prep for the next legislative session, and we'll
7 keep you informed as we move along with all of that.

8 As always, I'd like to inform you of some of
9 the professionals that we have in attendance with us.
10 Lila Vasquez and Bill Gehrig are here with Greenberg
11 Traurig. Robin Miller is here with First Southwest, our
12 financial advisor firm. Chris Spelbring is here with
13 Raymond James, our underwriter firm. You'll get a chance
14 to hear from Ashlee Martin and Dena Jansen with Maxwell
15 Locke & Ritter, our new auditor firm. And always, I'd
16 like to make sure I embarrass him, but Bobby Wilkinson
17 from the Governor's Office is here as well.

18 And with that, Mr. Chairman, I'll conclude my
19 remarks, unless you have any questions regarding my
20 report.

21 MR. JONES: I'd like to say again, just so Mr.
22 Meade knows, the Board doesn't ask for consent to ask
23 questions or whatnot, as long as we're courteous to each
24 other, so I respect each and every one of you, so does
25 anybody on the Board have any questions, comments for the

1 president?

2 MR. LONG: And in most instances, to be
3 courteous you don't ask.

4 MR. JONES: President's rule.

5 (General laughter.)

6 MR. LONG: I'm kidding. Anything you have I'd
7 be more than happy to answer.

8 MR. JONES: Any comments about the president's
9 report?

10 (No response.)

11 MR. JONES: Okay. Hearing none, thank you.

12 We'll move to Tab Item 1: Presentation,
13 discussion and possible approval of minutes for the Board
14 meeting held on July 17, 2014. Tab Item 1.

15 I've got one question. When we talked about
16 the NHP Foundation, reading the minutes, for the life of
17 me I couldn't remember what NHP stood for, and it's an
18 acronym and it's not in here anywhere that I can see.
19 What does it stand for? I mean, we do BRB in parenthesis
20 for Bond Review Board, but I just didn't remember what it
21 stood for.

22 (General talking.)

23 MR. LONG: The name that we have of record is
24 NHP Foundation but we don't know what that acronym stands
25 for.

1 MR. JONES: And I was asked.

2 MR. LONG: And I apologize. When Laura works
3 on the minutes and she gives them to me, and since we have
4 the transcripts that are posted to the website, I tend to
5 downsize this so it's a little bit more digestible and the
6 acronyms are a little easier.

7 MR. JONES: And it's just for people who would
8 read our minutes and who would discuss this, especially
9 some of our new members. Like you say private activity
10 bond, you put in parenthesis PAB, but acronyms should be
11 kind of spelled out for us. But anyway, that's not a
12 major change. Well, it was just a question, I'm not
13 asking for the minutes to be changed. It could be
14 National Housing Project since they've got like 13 states.

15 MR. DIETZ: I'm on their website and they don't
16 have any reference to what that stands for at all on their
17 website.

18 (General talking and laughter.)

19 MR. JONES: Any additions or corrections for
20 the minutes? If not, I'll entertain a motion.

21 MR. EVENWEL: I move we approve the minutes.

22 MR. MEADE: Second.

23 MR. JONES: There's a motion to approve; Mr.
24 Meade seconds it. Is there any public discussion?

25 (No response.)

1 MR. JONES: Hearing none, all in favor say aye.

2 (A chorus of ayes.)

3 MR. JONES: With the permission of the Board,
4 we'd like to move Tab Item 4 up in place of Tab Item 2,
5 which would then make that 3. By the time we get down to
6 5, 5 will be 5. Is there any opposition?

7 (No response.)

8 MR. JONES: Then at this time we'll have
9 Presentation and discussion of the annual financial audit
10 for fiscal year ended August 31, 2014.

11 MS. SMITH: I just wanted to introduce our
12 auditors.

13 MR. JONES: For the record.

14 MS. SMITH: Melinda Smith. I'd like to
15 introduce our new auditors, Dena Jansen and Ashlee Martin,
16 and they're going to give you an update on the audit.

17 MS. JANSEN: Thank you so much. I am Dena
18 Jansen, partner with Maxwell Locke & Ritter here in town.

19 MS. MARTIN: I'm Ashlee Martin, manager with
20 Maxwell Locke & Ritter, the manager of you audit
21 engagement.

22 MS. JANSEN: We were pleased to be invited to
23 come -- well, first, we were pleased to be selected as
24 your new auditors, so we appreciate that. We appreciate
25 the trust that you're going to instill in us to bring

1 forth our knowledge and expertise in the auditing
2 profession to the Corporation, so we're really excited to
3 have been selected and to start our work.

4 We were able to this morning at the Audit
5 Committee meeting kind of present in detail more of the
6 actual audit plan and our responsibilities versus
7 management's responsibilities for the audit, so that is in
8 the minutes of that meeting. So we really just wanted to
9 take this opportunity to just introduce ourselves and to
10 let you know that we're already scheduled to come out in
11 November to meet all of the time requirements for the
12 audit, so the November 20 deadline to really have a draft
13 to the State and then the December 20 final deadline.

14 We were graciously welcomed to come in and
15 perform what we call interim work in July, so we
16 appreciate that, and especially in a year of transition
17 it's wonderful for us to have been able to get into the
18 field early to start the planning procedures and to just
19 start gaining an understanding and actually just putting
20 faces with names and understanding their roles and
21 responsibilities here.

22 We also would love to have in the minutes that
23 we appreciate Don Mikeska, the prior auditor, being very
24 gracious in the transition of the engagement, basically
25 allowing us to come in and review prior audit work papers

1 and offering himself to be available to us as we might
2 have questions throughout the transition, so we appreciate
3 that.

4 And really at that point, I left a business
5 card for each and every one of you. The thing that I
6 mentioned at the Audit Committee meeting is that we will
7 have required communications that we will bring to you,
8 the committee and then the Board, but we are available at
9 any time for questions that you might have. And if at any
10 point for whatever reason there was something that would
11 be required to be communicated to you, it is my assurance
12 to you that we would do that timely and to not allow any
13 surprises to happen throughout, even though I do not
14 expect any. In a time of transition we just want you to
15 know that you can reach out to us and call at any point.
16 You are the ones who we're reporting to and we appreciate
17 that responsibility.

18 Any questions?

19 MR. JONES: And you're Dena?

20 MS. JANSEN: I'm Dena, the partner on the
21 engagement.

22 MR. JONES: And she is?

23 MS. MARTIN: I'm Ashlee Martin.

24 MR. JONES: Ashlee?

25 MS. MARTIN: Yes, sir.

1 MR. JONES: Can we hear from Ashlee? I know
2 you didn't bring her up for window dressing.

3 MS. JANSEN: If you'd like you can maybe talk
4 about the new standard.

5 MR. JONES: Although you make nice window
6 dressing.

7 MS. MARTIN: Again, I'll be the manager of your
8 engagement and I focus primarily on not-for-profits and
9 governments in our audit practice.

10 One thing we did talk about at the Audit
11 Committee earlier, but I can bring to your attention now,
12 is the implementation of GASB 65, which I'm sure your
13 prior auditor mentioned in the report last year. What
14 this is going to do is just change the accounting of bond
15 issuance costs. Prior to GASB 65 you were allowed to
16 amortize those costs over the balance sheet, amortize
17 those over the life of the bonds. Post implementation of
18 65 you now have to expense those bond issuance costs. So
19 what you'll see in the audit report this year is a prior
20 period adjustment because of the implementation of this
21 new standard.

22 MR. JONES: But you're managing it.

23 MS. MARTIN: Yes, sir.

24 MR. JONES: Okay. All right. Any questions or
25 comments from the Board?

1 Audit Committee, it seems like you've done a
2 good job. So what do we need to do on this item? Just
3 discussion. Right? Okay. Thank you very much and we
4 look forward to your analysis report.

5 MR. DIETZ: Thank you.

6 MS. JANSEN: Thank you.

7 MS. MARTIN: Thank you.

8 MR. JONES: Is there any public comment
9 regarding this item 4?

10 (No response.)

11 MR. JONES: Okay. Hearing none, let's move on
12 to item 3, formerly item 2: Presentation, discussion and
13 possible approval of a resolution regarding the submission
14 of one or more applications for allocation of private
15 activity bonds, the notice of intention to issue bonds and
16 state bond application to the Texas Bond Review Board and
17 declaration of expectation to reimburse expenditures with
18 proceeds of future debt for the Palladium Midland
19 Apartments project.

20 Now, who's going to explain all that to us.
21 Mr. Danenfelzer.

22 MR. DANENFELZER: Yes, sir. David Danenfelzer,
23 manager of Development Finance. Back again, second month
24 in a row for Bond Review approvals.

25 This particular project is the Palladium

1 Midland Apartments in Midland, Texas, and I'll give you
2 just a brief overview again, as I did last month. But an
3 inducement resolution is the authority that the staff asks
4 from our Board to move forward with investigating,
5 researching and beginning the process of issuing bonds.
6 We're not asking for any specific dollar amount or
7 approval to issue those bonds at this time; we will be
8 back to you in a couple of months, or a few months at
9 least, with the full underwriting, the structure of the
10 bonds or other details before we get your actual approval
11 to issue those bonds.

12 But this is an important first step for the
13 developer, as well as the Corporation in that it sets up
14 some of the federal timelines to issue bonds. It also
15 allows the developer to begin spending some money and
16 getting credit and reimbursement for those expenses with
17 bond proceeds if those bonds are issued. So it's
18 important that we do this and that's why we're here.

19 So let me jump into the details of the project.

20 The project is, as I noted, in Midland, Texas. Midland
21 is sort of halfway between Fort Worth and El Paso, and it
22 is a small metropolitan area. It's considered a small
23 metropolitan statistical area by the Census Department
24 with Odessa and Midland together. In the two counties
25 that make up that MSA there's over 200,000 people, but

1 most importantly, and particularly over the last five to
2 six years, this area has become a boomtown again. It was
3 a boomtown back in the '40s and '50s and it is a boomtown
4 again because of gas exploration and oil again.

5 Midland itself, though the population
6 statistics right now are very uncertain because there's a
7 lot of what they call transitional jobs, a lot of oilfield
8 workers who are not necessarily recording that as their
9 permanent residence, has grown significantly. The housing
10 market has gone extremely expensive. In fact, they are
11 the fastest growth in cost for housing markets in the
12 entire state of Texas.

13 But probably one of the bigger things that
14 economically is really telling is that in the 2000 census
15 the median family income for a family of four was around
16 \$39,000, in 2014 it is estimated at over \$70,000. Median
17 wages are over \$15 an hour and it has created a
18 significant gap particularly between oilfield workers and
19 the ability for those workers to pay for and rent housing,
20 and in all sorts of housing, but also it has left a
21 significant portion of the population, those people who
22 are in service industry jobs and even in some government
23 service jobs and education jobs are not able to afford
24 housing anymore because of the fast growth in
25 appreciation.

1 MR. JONES: So that's like saying because of
2 the boom and they're paying more money to the oilfield
3 workers who have just come into town on a bus, the housing
4 costs are so high it is eating up what they make.

5 MR. DANENFELZER: Right. And so an oilfield
6 worker who may be earning between \$80- and \$100,000 is
7 able to pay a premium price for housing and so they're
8 able to walk into an apartment and say: I really need an
9 apartment; yes, I'll pay you \$1,500 a month. Now, in 2008
10 that apartment may have actually only cost \$500 a month,
11 and it is a significant issue for those people who are
12 teachers or grocery store clerks or others who work in the
13 area that only make \$10 an hour and were able to afford a
14 \$500 apartment and are no longer able to find those \$500
15 apartments because oilfield workers and others are able to
16 outbid them in the market.

17 MR. JONES: Is there any kind of caps on
18 prices? That seems a little predatory but it's also what
19 the market will bear.

20 MR. DANENFELZER: It is what the market can
21 bear and the Texas Constitution prohibits any type of cap.

22 MR. JONES: So they take it as far as they can.

23 MR. DANENFELZER: Right. Whatever the market
24 will bear is what the Texas Constitution allows, so an
25 individual property owner, if they decide that the

1 property is now -- if you get to your lease renewal and
2 they believe that they can get three times what you paid
3 in your previous lease, they can ask that, and if you
4 don't want to pay it, you just find another place to live.

5 MR. JONES: Which is kind of fair in that when
6 the economy goes down they lose a lot.

7 MR. DANENFELZER: It's a significant risk to
8 the developers if the economy goes down, then they need to
9 reshift and rethink about it.

10 MR. JONES: Which makes the necessity for
11 affordable housing for the other sectors of the population
12 more important. I got it.

13 MR. DANENFELZER: Yes. So getting back on track
14 here, the community is growing fast and there has not
15 really been a lot of multifamily development going on in
16 the Midland area. It is starting to pick up and there is
17 some interest, there are more permits. Single family
18 housing is being built very rapidly. The majority of new
19 multifamily housing actually has been built not as
20 apartment units but actually as hotel units.

21 It's actually very common in these boom areas
22 that the individuals or hotel companies can come in, build
23 150-unit hotel and then master lease that to one of the
24 oil service companies or one of the large oil companies
25 for three to four years and basically have all nights paid

1 for those three to four years. It's a great deal for the
2 hotel owners but it's not creating long-term sustainable
3 quality housing. And this is why we're here with
4 Palladium.

5 I'm not going to touch too much on Palladium
6 really, there's some details in the writeup, but I have
7 here several staff members from Palladium USA. They are
8 the North American arm of the Palladium Group which is
9 actually an international development corporation. It
10 works in Western Europe, Saudi Arabia, and the U.S., as
11 well as North America.

12 Tom Huth is here, who is the president of
13 Palladium USA, and he can give you more background about
14 Palladium, about why they're looking at the Midland
15 market, and why this deal is a good deal. So Tom, I'll
16 hand it off to you.

17 MR. HUTH: Thank you, sir. Tom Huth. I'm the
18 president and CEO of Palladium USA International. I'm
19 very glad to be here this morning. I've got several of my
20 executive staff with me as well. And it's refreshing to
21 be in front of a crowd of friendly faces. So much time is
22 spent in front of city council that is opposed to what we
23 try to do, so we're very grateful to be in front of
24 friendly faces today. I'm here to answer any questions
25 you have about either Midland, us as a company or the

1 development.

2 MR. JONES: How many units are you talking
3 about bringing online for affordable housing?

4 MR. HUTH: 264 units. Approximately 73 percent
5 affordable units with a market rate component.

6 MR. JONES: Okay. So you have to have some
7 market rates to make it work.

8 MR. HUTH: Well, we like the market rate. With
9 the 9 percent program we did market rate as well because
10 we like to be able to provide housing for basically anyone
11 who needs it in the marketplace, and so often when it's
12 100 percent affordable, then there is not only a stigma
13 that's somewhat attached to it, we lose the percentage of
14 the resident base that need the market rate component. In
15 Midland specifically there's a need for both, there's a
16 dire need for both affordable housing which is significant
17 but also in the market rate as well.

18 MR. JONES: So 73 percent of 264 units would
19 be?

20 MR. HUTH: That's right, so 209, plus or minus.

21 MR. JONES: I'm looking on page 2 of 3 in our
22 Tab Item 2, and it says access to affordable rental units
23 is limited in the Midland market. The State's Department
24 of Housing lists only 755 total subsidized housing units
25 in Midland County, with only two vacancies currently

1 available. Is this considered subsidized housing?

2 MR. DANENFELZER: I do roll this into what's
3 considered subsidized. What we consider subsidized and
4 what the State's Department of Housing does is anything
5 that receives tax credit allocation funds, HOME or federal
6 grant funds from the federal government through the State,
7 as well as anything that receives Section 8 housing.

8 MR. JONES: To help keep the rents low.

9 MR. DANENFELZER: Right. Anything that lowers
10 the cost of either financing or the rents and caps them at
11 a certain level which makes them affordable.

12 MR. JONES: Right. And number 2, with 755
13 total units of affordable housing and only two
14 vacancies -- and they're probably gone already -- how soon
15 does your 209 affordable housing units come online if
16 everything goes according to your timetable?

17 MR. HUTH: According to the timetable, we hope
18 to be under construction by the first quarter.

19 MR. JONES: Of next year, 2015?

20 MR. HUTH: That's correct. We are fast-pacing
21 this. We've contracted on the land. That was done back
22 in May, I believe, early June, and we're full steam ahead
23 with it.

24 MR. JONES: Well, maybe the reason you see
25 friendly faces here is because we're tasked by the

1 legislature to do exactly what you said you want to do.

2 MR. HUTH: Yes, sir.

3 MR. JONES: Any other questions or comments at
4 this juncture, or Mr. Danenfelzer can continue.

5 MR. EVENWEL: Well, just to go back to your
6 story about wages going up, does that push like the
7 Walmart workers' wages up too, and does that mean we
8 change our threshold for people who are eligible for this?

9 MR. DANENFELZER: There is obviously that wave
10 effect. Because there's a large splash of these higher
11 income individuals coming into the market for these jobs
12 in oil and gas, it is creating ripples and it is helping
13 to raise up some of the incomes of other service industry
14 workers. Obviously a service industry worker, if someone
15 is working a register at Walmart and they have the ability
16 to go into the oil service job, they're going to take it,
17 but there are many that may not have the ability or even
18 the opportunity to apply for those jobs and get into that
19 area.

20 So it has raised wages significantly. Fifteen
21 dollars is actually much higher or somewhat higher than
22 the state average per capita hourly rate. However, it's
23 not on balance with the significant increases in rents and
24 cost of housing. Additionally, as we look at setting
25 rents and capping them, we will use the federal

1 guidelines, and HUD does annual surveys, investigates not
2 only what rent caps and rent values are in an area but
3 what the incomes are, and generally the rent caps are
4 going to be based upon those incomes.

5 So in 2000 it may have been that the 50 percent
6 rent cap was considered that one-third of \$40,000 a four-
7 person household could earn in pay, one-third of that
8 income they would have to pay towards housing. Now it's
9 like \$70- but it still becomes whatever 50 percent of that
10 \$70- is and one-third of that, so it's much higher than it
11 used to be, but at the same time, HUD is really the one
12 that generates those numbers for us and guides us and we
13 will still be able to capture and help those people who
14 are in service industries and support jobs.

15 And it ranges because you have lots of new
16 people coming to an area, they do tend to bring their
17 families, so you have a lot of support jobs for them that
18 we support all those individuals, you know, daycare
19 workers and restaurant workers. So it's an amazing thing
20 for the economy but it obviously creates some unique
21 stresses on the housing market that most areas don't see.

22 MR. EVENWEL: So these kind of areas normally
23 end up to be a little bit of a bubble during this
24 expansion. What is our long-term ROI on something like
25 this? Is this something that sustainable for 10 years or

1 20 years? What would we be involved in this and what is
2 our ROI?

3 MR. DANENFELZER: That is a really great
4 question and it's something that I've been dealing with
5 for the last several years as the oil and gas boom has hit
6 Texas. We've looked at a number of deals and talked to a
7 number of developers about projects in Crystal City along
8 the border where there's different plays in this oil and
9 gas industry. We've looked at North Texas and the
10 Panhandle as well. What we've generally found in many
11 areas is in communities where the number of new units that
12 we would be adding is a much higher percentage than in
13 this case of the total housing units, we get a little bit
14 worried about that, because if we're adding 264 units to a
15 market that may only have 100 affordable units and only
16 1,000 total units, that's a significant increase.

17 In Midland we're talking about a much larger
18 community, and so it makes much more sense, as well as the
19 fact that Midland itself has not caught up with its
20 growth. It's growth has been rapid but it has been a
21 fairly stable community, there's over 40,000 people in the
22 city, the county is over 100,000, and they only have 750
23 units of actual affordable units, so adding 264 we're not
24 going to be pushing our market risk very much.

25 We actually probably would look at this deal,

1 if it made financial sense, without the oil boom simply
2 because the need for affordable housing was high before
3 the oil boom, it's just become exacerbated and magnified.

4 MR. HUTH: And additionally on that comment, we
5 look at what the discount is not only to the affordable
6 rents to the market but also market to market since we
7 have a market rate component in there. For instance, our
8 one-bedroom units on our affordable side, we're 53 percent
9 lower than the market rate for one-bedrooms in the
10 marketplace. That's huge. On our two-bedrooms we're 60
11 percent below market on the affordable side. On the
12 market rate side for our two-bedroom units, we're at 27
13 percent below the market.

14 So we're not underwriting it where the market
15 is today even for our market rate units. So we know that
16 Midland will kind of ebb and flow, there will be cycles,
17 and so we're underwriting as conservatively as we can on
18 the market rate component. Our three-bedroom units are 28
19 percent below where the market is today in Midland, and
20 these rents on the market rate side, \$1,050 for a one-
21 bedroom unit, that's regardless of what city that we're in
22 today, that's pretty standard across the board. For the
23 two-bedroom units it's \$1,275; again, that's a pretty
24 normal two-bedroom market rate. On a three-bedroom,
25 \$1,500 is fairly normal across the board.

1 So we're not underwriting this at where Midland
2 rents are today because we've been doing this for a very
3 long time and we know that not only Midland goes through
4 cycles but the U.S. goes through cycles as well, so we're
5 very conservative in our underwriting approach.

6 MR. ROMERO: So that was my question. If you
7 were to underwrite this deal taking the market rate
8 component out of it, would the financial picture still
9 work?

10 MR. HUTH: It would still work, yes, sir.

11 MR. ROMERO: Even with the market rate.

12 MR. JONES: Because?

13 MR. HUTH: Well, because two things. One is
14 the price of the land we got was relatively affordable,
15 right at \$2.25 a square foot, so for Midland I don't say
16 it's inexpensive but it's on the low end of the spectrum.
17 Additionally with the demand model, the demand model
18 shows about 5,000, 4,500 units of demand today. With the
19 limited number of units that we're going to build, we
20 think that absorption will be I won't say immediate but it
21 will be very short-term absorption for that.

22 Plus, additionally, our site selection, it's
23 all about location. Our location is the first thing we
24 look at. We're just right on Interstate 20 on the east
25 side of Midland, southeast side right on Interstate 20,

1 great visibility so there's not going to be any issues
2 finding where our development is. One thing that we
3 decide for both our market rate and our affordable
4 properties is location, it's everything in real estate,
5 and in this case there's no exception, it's great
6 visibility, it's a great location, the site works well,
7 the amenities within the site and within a one-mile radius
8 are immense, it's easy to get to. All the attributes are
9 there that we look for.

10 MR. JONES: And again, an inducement is to
11 begin the investigation to put all those pieces together,
12 and that's what you're asking us to do today, allow the
13 staff to go ahead with their investigation.

14 MR. DANENFELZER: Exactly.

15 MR. ROMERO: I have one more question. Who
16 else is in the market now that's doing housing?

17 MR. HUTH: NRP finished a 9 percent asset about
18 a half mile from us. Their lease-up took about three
19 days. In fact, when we shopped them about three months
20 ago -- we shop all of our competitors, we shop both
21 affordable and market rates, and when we shop them, of
22 course, we don't dress like this because we don't want
23 them to come right out and say you make too much, or
24 assume we do, because we really want to get the feel, we
25 really want to know what's going on in the market -- and

1 when they say we'll have something for you so come back in
2 14 months, the market out there, the demand out there is
3 huge today, on the ground today.

4 MR. ROMERO: That's my followup question: How
5 many units will come online in the next 18 months? Do you
6 know more or less?

7 MR. HUTH: There is a market rate development
8 which is in downtown Midland which is great to see. We're
9 big proponents of the regeneration of downtown growth,
10 whether it's in Midland or any other city. It's a small
11 number of units that's coming online. Most of the growth
12 in Midland has been to the northwest, that's where the
13 traditional market rate growth has been. Where we are on
14 the southeast side there is one market rate development
15 which is under construction today and so they will have
16 their market rate rents which are very high rents, and
17 then that's, that's all that we know about that's there
18 today.

19 MR. DANENFELZER: I did contact the building
20 department in Midland and talked to them about oncoming
21 units. While the units that he mentioned are there, it
22 was extremely surprising to me that more multifamily is
23 not coming online. They talked a lot about single family
24 development in particular. However, one of the things
25 that they've also seen is that generally in the immediate

1 outskirts of town, outside of where the city code and
2 building plans are required, there is a considerable
3 number of what we would generally call more informal
4 housing, a lot of informal RV parks and sort of camps,
5 really to a certain extent, that are being developed.

6 This is very common, though, along much of the
7 oil boom areas. We've seen it all the way from South
8 Texas to North Texas where people are coming in and
9 outside of city limits they'll put in a large septic tank
10 and then they'll put in 10 to 15 old mobile homes and
11 they'll hook them up and rent them for \$2,000 a unit. But
12 the oilfield workers need places to live so they're paying
13 \$2,000 for a rundown mobile home.

14 MR. JONES: It seems to me, because I've been
15 in the area a number of times, you're talking Midland but
16 Midland-Odessa is sort of like a microcosmic version of
17 Dallas-Fort Worth Metroplex, but I don't hear you
18 referring to Odessa at all.

19 MR. DANENFELZER: We do look at Odessa.

20 MR. JONES: Because you live in Midland-Odessa,
21 it's synonymous, synchronous, or whatever.

22 MR. DANENFELZER: And I did look at the Odessa
23 market and there are some new units going into Odessa.
24 There was a tax credit and bond deal that went in last
25 year or started last year. But a very similar thing where

1 it is much more common for the informal housing to be
2 being generated right now than for developers coming in
3 and building real long lasting housing.

4 MR. JONES: But there could be additional
5 demand from Odessa residents to commute.

6 MR. DANENFELZER: There is demand for Odessa as
7 well. Odessa has the same exact problem that Midland
8 does, but they also are having the same really kind of
9 slow reaction from mainstream developers.

10 MR. JONES: I could see people from Odessa
11 leasing there and just commuting.

12 MR. DANENFELZER: Oh, it could totally happen.

13 MR. HUTH: And that will be part of our
14 outreach. The cities are closer even than Dallas and Fort
15 Worth are.

16 MR. JONES: Well, that strengthens your
17 argument.

18 MR. HUTH: It does, and the gratifying part for
19 this development from that standpoint is that they're two
20 separate counties. Midland is in Midland County and the
21 Midland County average median income is over \$70,000.
22 Odessa's county is much lower. So we do not think we
23 could get a 4 percent deal done in Odessa, even though
24 they're five minutes apart. Just because of how we have
25 to structure our maximum rents under the program, we could

1 not make those rents high enough to offset the high cost
2 of construction.

3 And so as far as long-term look at this, which
4 is something we look at very hard, is where are we going
5 to be in 15 years, what are the markets going to look like
6 in 15 years, and where things stand today, the Midland
7 demographics as far as income are higher than they are in
8 Odessa. So we don't think that over the short-term
9 anyway, that the competition in the 4 percent bond program
10 in Odessa will be there.

11 MR. JONES: Any other questions or comments
12 from the Board?

13 (No response.)

14 MR. JONES: Any other final comments, David?

15 MR. DANENFELZER: No, sir. I'm here for any
16 questions that you have.

17 MR. JONES: Okay. Is there any public comment
18 on this item?

19 (No response.)

20 MR. JONES: Hearing none, Tab Item 2 which is
21 now Tab Item 3 as stated, is there a motion?

22 MR. ROMERO: Move to approve as stated.

23 MR. EVENWEL: Second.

24 MR. JONES: Moved and seconded. Any further
25 discussion?

1 MR. GEHRIG: (Speaking from audience.) You
2 need to ask the public if there's any comment.

3 MR. JONES: I did, I said, Is there any public
4 comment on this item.

5 MR. GEHRIG: (Speaking from audience.) I
6 thought maybe you didn't.

7 MR. JONES: Okay. I'll do it again. You need
8 to make sure I say that.

9 Again, is there any public comment on this
10 item, Tab Item 3 which was formerly Tab Item 2?

11 (No response.)

12 MR. JONES: Hearing none, any more comment or
13 discussion by the Board?

14 (No response.)

15 MR. JONES: Okay. It's been moved and
16 seconded. All in favor say aye.

17 (A chorus of ayes.)

18 MR. JONES: It's unanimously approved. Thank
19 you, sir.

20 MR. DANENFELZER: Thank you.

21 MR. JONES: And thank you, Counsel. I'd rather
22 say it twice.

23 Okay. Formerly Tab Item 3 which is now 4:
24 Presentation, discussion and possible approval of the
25 fiscal year 2015 operating budget.

1 MS. SMITH: Good morning. My name is Melinda
2 Smith, and we are presenting the 2015 operating budget.
3 Basically, the budget is around \$7 million and it was
4 presented this morning to the Audit Committee, and the
5 Audit Committee approved the budget. And I would be happy
6 to present it any way you would like, if you would like
7 for me to go through the individual schedules, or if you
8 just had specific questions, or if you'd just like me to
9 highlight some for the major changes during the year. Do
10 you have a preference?

11 MR. JONES: Let's ask the money men.

12 MR. ROMERO: I'd like to just get a summary on
13 the changes in the budget from 2014 to 2015, especially on
14 the revenue side.

15 MS. SMITH: Okay. You'd like to just look at
16 the changes?

17 MR. ROMERO: Yes. We had a budget of \$8
18 million in 2014, we actually came in where we're at a
19 budget of basically \$9,400,000 that we've generated, but
20 you're putting that 2015 budget of a million dollars less
21 for 2015. So if you could just explain the differences.

22 MR. JONES: You're saying with \$8 million
23 budget and \$9 million actual, why is it lower than the \$8
24 million before, because it looks like it might come in
25 higher.

1 MR. ROMERO: Yes. And I think I know what it
2 is but I wanted you to let us know.

3 MR. JONES: We want it from the horse's mouth,
4 so to speak.

5 MS. SMITH: There are a number of factors that
6 have affected those numbers. Our single family program,
7 we're budgeting a little less for the TBA program. Our
8 federal programs are winding down so we will not have the
9 NFMC and the NSP programs any longer.

10 MR. JONES: Which means?

11 MS. SMITH: Those are federal programs.

12 MR. JONES: I'm talking about the acronyms for
13 Mr. Meade.

14 MS. SMITH: Oh, I'm sorry. The Neighborhood
15 Stabilization Program.

16 Additionally, we're not receiving as many
17 donated homes, the foreclosed homes that we're running
18 through the ACT program. Those are homes that we were
19 receiving from a couple of different banks across Texas,
20 Wells Fargo and Bank of America.

21 MR. DIETZ: Is that because there are fewer
22 foreclosures, or is that because the banks have stopped
23 doing it?

24 MS. SMITH: They've stopped. We're literally
25 not receiving as many donations.

1 MR. LONG: They're relational: fewer
2 foreclosures, therefore, fewer donations available.

3 MS. SMITH: That's my understanding as well.
4 There for a while we were getting several a week and now
5 it's really dropped down to not that many at all.

6 Let's see, those are pretty much the major
7 things.

8 MR. JONES: And the total of that would mean it
9 would lower the budget by how much?

10 MS. SMITH: We're budgeting around a million
11 dollars less this year.

12 MR. JONES: Because of those programs that you
13 just listed, or the cessation of them.

14 MR. ROMERO: Go ahead.

15 MS. SMITH: What Bill is referring to is just
16 during 2014 we did have some income from one of our
17 multifamily properties, South Texas. It was sold and we
18 had a rather large receivable from them, around \$1.2
19 million, and we received it during the year and we will
20 not receive that, of course, in the current year.

21 MR. ROMERO: That was extraordinary. So I
22 guess my question goes back to the grants and donations as
23 well. That's a significant drop.

24 MS. SMITH: That is primarily when you look at
25 actual, what we had budgeted to receive a \$500,000 PRI

1 from I believe Meadows, maybe, and we did not receive that
2 during the year. We have put it back in the budget for a
3 PRI of \$500,000 for 2015, and we feel very positive that
4 we will receive one in 2015.

5 MR. ROMERO: Okay.

6 MR. LONG: Does that answer that question, Mr.
7 Romero? The individual PRI we were seeking, we were
8 specifically told that it was best for us to take a break
9 and come back later, and so that's what we've done. Even
10 though we budgeted it, it didn't happen, but they
11 suggested we come back the following year, and so that's
12 why its in the 2015 budget again.

13 MS. SMITH: I was trying to see if there was
14 anything else that stuck out to me in the revenue, and I
15 really don't see anything specific. Of course, our
16 servicing revenue, which is the first line item, that's
17 just sort of declining over time because that's primarily
18 the old down payment assistance loans that we had on the
19 books for a very long time, and they're just going down
20 over time.

21 On the expenditure side, we tried to be very
22 frugal in our budgeting for the year, and we were able
23 to -- this was one of the things that we spoke about at
24 the Audit Committee meeting quite a bit was the fact that
25 with this year's budget we have been able to budget all of

1 our program expenses through the current year's revenue,
2 and that's also something that we've been able to do for
3 several years in a row, and we've been very fortunate that
4 we haven't had to look to any other source, debt or
5 anything else, to fund any of our programs or
6 expenditures.

7 MR. ROMERO: The only other question I had was
8 on the expense side, the budgeted professional services.

9 MS. SMITH: Pardon?

10 MR. LONG: What's the question, Mr. Romero?

11 MR. ROMERO: The legal fees, is that due to the
12 actions that we've been taking this year?

13 MR. LONG: It is. Normally we would hold that
14 line relatively steady because we kind of have an
15 estimated. We've recognized two things: one, the item
16 that you're referring to, and two, that we would be going
17 into a legislative year for a portion of this year, so we
18 try and just take into consideration the potential for
19 discussions with our counsel on that stuff. But that's
20 the reason that item is larger. We hope not to have to
21 spend that money, but again, as Melinda said, we would
22 prefer to be conservative on that rather than
23 underestimate it and find out that we were wrong.

24 MR. JONES: In fact, if I'm correct, I think
25 this morning we're going to go into a closed session

1 dealing with legal again.

2 MR. LONG: We are.

3 MS. SMITH: The only other item in professional
4 services that's really gone up is for single family
5 compliance, and that's simply because we're going to be
6 purchasing an additional module for that program to do the
7 compliance monitoring for our single family loan program.

8 MR. ROMERO: That will be a one-time hit as
9 well.

10 MS. SMITH: Yes.

11 MR. ROMERO: Okay. I'm good.

12 MR. JONES: Anyone else, questions or comments
13 for Melinda?

14 MR. LONG: Mr. Evenwel and Mr. Dietz had the
15 opportunity to hear this in full detail earlier.

16 MR. JONES: Okay. So they all know already.

17 MR. EVENWEL: Let's go through it one more
18 time. There's \$7.1 million in revenue and \$7.0- outgoing.
19 That's a razor amount of money. Is there anything that
20 could go wrong in either the revenue or the expenditure
21 part that would -- I mean, then we go in the reserves is
22 what you're saying?

23 MR. LONG: I would suggest to you two things.
24 One, anything can always go wrong, so you know, that is a
25 possibility. I would suggest to you that we try and do

1 when we put this together -- and Melinda and I have been
2 doing this budget for a lot of years -- we've taken the
3 approach that we're always very conservative on not
4 overestimating the revenue and being very conservative on
5 not underestimating the expenses. So if anything, I would
6 suggest to you that we've probably underestimated the
7 revenues and overestimated the expenses so that if there
8 are variances, that margin down below of \$62,000 is
9 probably what we'd love to hit.

10 MS. SMITH: And we also budget as a nonprofit
11 organization. We try and budget so that the revenue we
12 are bringing in we are plowing back into a program and not
13 profit for the company because our goal, of course, is not
14 to accumulate a lot of money but to serve the people of
15 Texas.

16 MR. JONES: Not necessarily profit but excess.

17 MR. LONG: It's excess revenues over expenses,
18 but again, we use those funds. Similar as you see under
19 2014 actual, we'll end up with a rather larger number
20 there at the bottom of the page but that will go back into
21 investment in our programs and acquisition of real estate
22 for our single family rental program and charitable
23 organization donations that we'll make, and those things
24 help us fund our programs.

25 The single family TBA program, as an example,

1 requires us to maintain anywhere between a million and a
2 million and a half.

3 MR. JONES: TBA meaning?

4 MR. LONG: To be announced. It's the single
5 family financing structure that's currently being used,
6 and it basically allows us to price in the market daily
7 the interest rate that we utilize, but it also requires
8 that we fund the wires that go out to cover the down
9 payment assistance every day, and we at any one day can
10 have a million or a million and a half dollars outstanding
11 in wires that have gone out to fund the down payment at
12 closing, and when the loan closes we get that money back.

13 But it's a cycle where the funds come and go.

14 So those resources allow us to fund those
15 programs in a daily operation, as well as expanding other
16 programs. So we definitely put what we have, as Melinda
17 said, back into the programs. So even though there's a \$2
18 million excess revenue this year, the majority of which is
19 an extraordinary item that came in due to the sale of
20 South Texas, we will use that money immediately to go back
21 into our other programs.

22 MR. JONES: Sounds like good strategy:
23 underestimate revenue, overestimate expenditures. And
24 remember the budget is only a roadmap, it's only a guide
25 point.

1 Anybody else? Any other comment?

2 (No response.)

3 MR. JONES: Is there any public comment or
4 discussion on this item?

5 (No response.)

6 MR. JONES: Okay. Hearing none, on this item
7 is there a motion on item number 4, formerly number 3?

8 MR. EVENWEL: I move we approve the budget.

9 MR. MEADE: Second.

10 MR. JONES: Moved and seconded. All in favor
11 say aye.

12 (A chorus of ayes.)

13 MR. JONES: It passes unanimously, no
14 opposition.

15 Tab Item 5 which is item 5: Presentation,
16 discussion and possible approval of the Texas State
17 Affordable Housing Corporation's Investment Policy. Ms.
18 Smith, you'll continue. Correct?

19 MS. SMITH: Yes. We are required by law to
20 have an investment policy and we're also required by law
21 to have that policy approved annually per the Public Funds
22 Investment Act. So we asked Linda Patterson, our
23 investment advisor, to look over the policy, and of
24 course, we look over the policy. We usually ask our
25 auditors too, although I have to say this year we did not

1 do that because we were in the transition. We certainly
2 will next year. But at any rate, to look over the policy
3 and see if there's anything that we needed to update, and
4 there were only a couple of very small changes on pages 6
5 and 7 that Ms. Patterson, of Patterson & Associates,
6 recommended that we make that I believe are just simply
7 changes in the industry which were adopted in the
8 legislation last time.

9 So those are the two changes. On page 6 at the
10 top, we're leaving the Securities and Exchange Commission
11 registration, that language there, the investment officer
12 to provide evidence of financial industry regulatory
13 agency membership. We don't have to have both anymore.
14 And on page 7, if you're going to have collateralized
15 mortgage obligations -- which we do not have -- then
16 there's a certain Federal Reserve test that you have to
17 pass, and that doesn't really relate to us. So those were
18 the only two changes.

19 So we're asking that the Board adopt our
20 investment policy with those two changes.

21 MR. EVENWEL: So this is an interesting
22 question. Does this need to be called the 2015 Investment
23 Policy since there are changes from the '14 policy?

24 MS. SMITH: This is our 2015 Investment Policy.

25 MR. EVENWEL: But it doesn't say there.

1 MR. LONG: Should be stated specifically in the
2 header.

3 MS. SMITH: Oh, well, we certainly can do that,
4 yes.

5 MR. EVENWEL: Just a question. Since it's
6 changed from the '14 policy.

7 MS. SMITH: Absolutely.

8 MR. EVENWEL: And anybody would look at it and
9 say this is the policy.

10 MR. LONG: And I guess because we do it
11 annually we've never really headered it that way -- if
12 that's the term I'm looking for -- but because it's
13 approved annually, maybe it would just be assumed that if
14 this is the policy that's effective this year, the Board
15 would have approved it this year. We certainly can add
16 2015 Investment Policy. That is not a problem. In fact,
17 that's a good recommendation; we should do that.

18 MR. ROMERO: Couldn't you just put on the last
19 page revised on such-and-such a date?

20 MR. EVENWEL: Or even that.

21 MR. LONG: We can do it any way the Board would
22 prefer, so we'll leave that up to you and we'll make that
23 change.

24 MR. JONES: Whoever makes the motion, we'll do
25 that.

1 MR. DIETZ: There's a lot of pretty significant
2 restrictions. Are those all government mandated
3 restrictions?

4 MS. SMITH: Our policy basically, if you were
5 to pick up the Public Funds Investment Act and lay it down
6 next to our policy, you could match them up.

7 MR. DIETZ: That's where it all comes from.
8 Okay.

9 MR. JONES: The Public Funds Investment, that's
10 the legislature. Right?

11 MS. SMITH: Yes, sir.

12 MR. JONES: And we toe the line on it.

13 MR. LONG: Yes, sir.

14 MR. DIETZ: Do I understand correctly that Ms.
15 Patterson and her team basically manage everything on a
16 discretionary basis, we don't have a staff member that's
17 deciding what bond to buy, what bond to sell?

18 MR. LONG: They make recommendations to us and
19 then we will make a decision on that process, whether it
20 be that a CD is expiring and we need to renew it, or they
21 may come in and say they have got a better investment that
22 is paying a little bit more and it meets our weighted
23 average maturity strategy that the Board has given us
24 direction on. So she helps us not only look at the
25 investments as they come due and where to replace those

1 funds, but also because of the weighted average maturity
2 that the Board has given us direction on, and we then give
3 direction to her about we might need funds for this
4 acquisition or we need so much money for this activity.

5 MR. JONES: Which is mainly an advisory
6 capacity.

7 MR. LONG: She gives us direction and then we
8 make decisions and she makes the investment.

9 MS. SMITH: And one thing, this might maybe
10 give you some comfort, we work so closely with her, she
11 prepares our investment report for us, and so I give her
12 all of our bank statements and our investment reports and
13 we communicate on every single thing that is done
14 regarding any investment. She would know if we're doing
15 something that we should not be doing or if there was
16 something we could have done. And we give her all that
17 information monthly and she puts it in a report and turns
18 around and gives it to us, and then she also prepares a
19 quarterly report for us.

20 And then she further assists us at audit by
21 helping us write our footnotes for our cash investments
22 because there are some very specific things that we have
23 to put in there now that we didn't used to have to put in
24 there that we really have to have some expertise to know
25 what you're saying to write that. She assists us with

1 that. So she and I and Nick, we all work very closely on
2 that.

3 MR. DIETZ: And part of that process is staying
4 under the FDIC limits on our bank balances?

5 MS. SMITH: Yes.

6 MR. DIETZ: Do we go over that with specific
7 banks, or is it our practice to always stay under the
8 FDIC?

9 MS. SMITH: They all get a copy of our
10 investment policy and they have to sign a statement saying
11 that they've read it and understand it. And just this
12 week we were purchasing some CDs and securities where
13 Patterson was calculating every day, looking at it to make
14 absolutely sure we wouldn't exceed that. I hope that
15 answered your question.

16 MR. JONES: I kind of think that Mr. Evenwel's
17 suggestion that the cover sheet say 2015 Investment Policy
18 is probably the most pragmatic way to do it.

19 Is there any public comment on this item?

20 (No response.)

21 MR. JONES: Okay. Is there a motion?

22 MR. ROMERO: I make a motion to approve the
23 policy as presented with the two changes and the date on
24 the front.

25 MR. JONES: Is there a second?

1 MR. DIETZ: Second.

2 MR. JONES: Okay. All in favor say aye.

3 (A chorus of ayes.)

4 MR. JONES: It's approved. Thank you.

5 And now we're down to Item 6: Presentation,
6 discussion and possible approval of the Texas State
7 Affordable Housing Corporation's broker listing.

8 MS. SMITH: Along with the investment policy,
9 we have a broker listing.

10 MR. JONES: You've been here a long time.

11 MS. SMITH: Pardon?

12 MR. JONES: You've been here a long time but
13 you still have to say it.

14 MS. SMITH: Melinda Smith. I apologize, I
15 always forget.

16 MR. JONES: You don't have to apologize; you've
17 been here a long time.

18 MS. SMITH: Along with our investment policy,
19 we have to annually adopt a broker listing. Again, we
20 provide this to Linda and she is the one that bids all the
21 securities for us so she is recommending to us that we
22 eliminate Cantor Fitzgerald from our broker listing and
23 replace that firm with Raymond James. So that's what we
24 are requesting. And I notice that I actually did put a
25 date on this document.

1 MR. JONES: That's why I said what I said, I
2 saw it.

3 So what you have in red, you crossed out Cantor
4 Fitzgerald.

5 MS. SMITH: Oh, yes, I apologize. We modified
6 the Merrill Lynch since they are now, I guess, part of
7 Bank of America.

8 MR. JONES: So that will be a name change.

9 MS. SMITH: Right. Yes, sir.

10 MR. JONES: Mutual Securities will be number 8,
11 and then Raymond James which replaces Cantor Fitzgerald.

12 MS. SMITH: Yes, sir.

13 MR. JONES: Board, comments, questions?

14 (No response.)

15 MR. JONES: Then is there any public comment on
16 Tab Item 6?

17 (No response.)

18 MR. JONES: Hearing none, we'll entertain a
19 motion to approve the Texas State Affordable Housing
20 Corporation's broker list, as amended.

21 MR. EVENWEL: So moved.

22 MR. JONES: Moved.

23 MR. MEADE: Second.

24 MR. JONES: Second. All in favor say aye.

25 (A chorus of ayes.)

1 MR. JONES: Any who don't approve say nay.

2 (No response.)

3 MR. JONES: Any abstentions?

4 MR. ROMERO: I'll abstain.

5 MR. DIETZ: And I'll abstain.

6 MR. JONES: You too?

7 MR. DIETZ: Yes.

8 MR. JONES: Okay. All in favor say aye.

9 (A chorus of ayes: Evenwel, Jones and Meade.)

10 MR. JONES: Three ayes. Any no's?

11 (No response.)

12 MR. JONES: No nos.

13 MR. JONES: Any abstentions?

14 (Abstentions: Dietz and Romero.)

15 MR. JONES: Two. This is the most difficult
16 vote we've had in a while.

17 (General laughter.)

18 MR. JONES: Okay. On advice of counsel, we're
19 going into closed session based is it 551.071?

20 MR. LONG: Yes, sir.

21 MR. JONES: Okay. On Texas Code Section
22 551.071, consultation with legal counsel on legal matters.

23 It is now 11:43, and open session is closed, temporarily
24 adjourned, or something like that.

25 (Whereupon, at 11:43 a.m., the meeting was

1 recessed, to reconvene this same day, Thursday, August 21,
2 2014, following conclusion of the closed session.)

3 MR. JONES: It is 12:28, and the Texas State
4 Affordable Housing Corporation Board of Directors is back
5 in open session. We have concluded a closed session with
6 no action taken, subject to Government Code Section
7 551.071, and also Section 551.103.

8 Being in open session, is there any more
9 business before the Board, Mr. President?

10 MR. LONG: No, sir, there's not. The only
11 thing is always usually discuss that we will be looking to
12 hold a Board meeting in September, and the second Thursday
13 of the month is the 11th, I think.

14 But I wanted to do is ask this of you. In the
15 past we have always tried to ensure that we accommodate
16 all of our Board members. I know some of you have varying
17 schedules, some of you have scheduled meetings that fall
18 on top of other meetings, so if there's a need to be
19 flexible again, we may want to either discuss with the
20 Board an optional date in the future that we try and affix
21 to. Rather than the second Thursday, maybe the third
22 Tuesday or the second Wednesday, I don't know, but I'm
23 just trying to accommodate all the Board members as they
24 kind of come and go with their different schedules.

25 So is that going to be a problem if we try and

1 change it, or are you deadlocked on the second Thursday of
2 the month?

3 MR. ROMERO: Weren't we at Fridays at one point
4 as well.

5 MR. LONG: Yes, but Fridays are really hard
6 because it hard for people to travel on. And the other
7 thing is we try not to get too early in the month because
8 accounting can't pull together all the financial
9 information and we get a month behind. So it's kind of
10 that you walk that fine line how early in the month do we
11 get. So likely it would be, rather than going to a Friday
12 in the second week, it would be like the early part of the
13 third week. So not even Monday, but a Tuesday or
14 Wednesday of the third week.

15 MR. EVENWEL: But not for September.

16 MR. LONG: Not for September per se. I don't
17 know what we'll even need to have an agenda item for yet.

18 MS. BAYLESS: (Speaking from audience.) The
19 Texas Foundations Fund.

20 MR. LONG: Oh, in September the advisory
21 council will have concluded their recommendations and will
22 be making a presentation.

23 MR. ROMERO: So are we staying with the 11th?

24 MR. LONG: We'll stay with the 11th for now.
25 Alex, I know you can't make it on the 11th. Is there a

1 day in September that's better for you?

2 MR. MEADE: My Mondays are really it, because
3 once I'm gone, I'm gone.

4 MR. JONES: But Monday is a better day for you?

5 MR. MEADE: The best day for me.

6 MR. LONG: Well, let's see how that flies in
7 terms of timing, getting things scheduled and what agenda
8 items we have other than items that might require us to
9 push things back. Sometimes multifamily transactions,
10 David can't get them put together in time. We're just
11 trying to accommodate everybody here.

12 I really, really am excited about the makeup of
13 the Board and you guys all come to the table with varied
14 expertises that are really integral to us being able to
15 make good decisions and I appreciate that and I just would
16 like to have all of you available as possible. So we'll
17 send out an email like we do to see what dates we can get
18 and we'll go from there, taking into consideration Mr.
19 Meade's schedule as well. As long as we have a quorum, we
20 can get business done; beyond that, I'd like to have you
21 all here.

22 MR. JONES: And there is going to be a new
23 governor. I serve as chair at the pleasure of the
24 governor some would say at the 2015 time limit, some would
25 say at the pleasure because they can keep you as long as

1 they want. But in the event I move on, we've got a body
2 of knowledge here, Mr. Dietz is the vice-chair and we need
3 Mr. Meade to get up to speed so there's orderly
4 progression and succession. I think that's an important
5 part of being on this Board. And Mr. Meade is a busy
6 fellow; he's so busy he definitely can't take off his suit
7 and tie, but Mr. Dietz is the same way. It's taken me
8 five years to get Jerry to do it.

9 MR. ROMERO: I saw the weather forecast, it was
10 going to be hot and humid.

11 MR. JONES: In fact, I felt too under-dressed
12 today.

13 MR. LONG: With that, Mr. Chairman, we have no
14 other business.

15 MR. JONES: Okay. Again I want to thank the
16 staff. I'll say it after we're off the public record.

17 Ms. Bynum, I see you have a new listening
18 device here on our table.

19 THE REPORTER: I do.

20 MR. JONES: It's called the Conference Grabber,
21 so I'll just tell all the Board members be careful with
22 sidebar conversations because this looks high tech here.
23 I think it catches everything. Right?

24 THE REPORTER: It's good.

25 MR. JONES: So again, thank you, Ms. Bynum.

1 If there's no further business, this meeting is
2 adjourned.

3 (Whereupon, at 12:33 p.m., the meeting was
4 concluded.)

C E R T I F I C A T E

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3 MEETING OF: TSAHC Board
4 LOCATION: Austin, Texas
5 DATE: August 21, 2014

6 I do hereby certify that the foregoing pages,
7 numbers 1 through 59, inclusive, are the true, accurate,
8 and complete transcript prepared from the verbal recording
9 made by electronic recording by Penny Bynum before the
10 Texas State Affordable Housing Corporation.
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16
17 8/27/2014
(Transcriber) (Date)

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