

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
September 25, 2014
10:30 a.m.

BOARD MEMBERS PRESENT:

ROBERT "BOB" JONES, Chair

WILLIAM H. DIETZ, JR., Vice Chair

GERRY EVENWEL
ALEJANDRO "ALEX" MEADE (absent)
JERRY ROMERO

*ON THE RECORD REPORTING
(512) 450-0342*

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
CALL TO ORDER, ROLL CALL CERTIFICATION OF QUORUM	3
PUBLIC COMMENT	--
PRESIDENT'S REPORT	3
Tab A: Homeownership Finance Report Tab B: Development Finances Report Tab C: Monthly Budget and Investment Reports	
 ACTION ITEMS IN OPEN MEETING:	
Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on August 21, 2014.	6
Tab 2 Presentation, Discussion and Possible Approval of the 2014 Grant Awards for the Texas Foundations Fund	7
Tab 3 Presentation, Discussion and Possible Approval of a Resolution to Reappoint Mr. Russell Vandenburg to the Texas Foundations Fund Advisory Council Created by the Board of Directors of the Corporation and to Restate, Ratify and Affirm him as Vice-Chairperson of the Advisory Council to serve until his successor is elected and qualified or until his earlier removal or resignation.	18
Tab 4 Presentation and Discussion and Possible Approval of the Publication for Public Comment of the Guidelines, Scoring Criteria and Targeted Housing Needs for the Allocation of Qualified Residential Rental Project Tax Exempt Bond Funds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2015.	20
CLOSED MEETING	36
OPEN MEETING	36
ADJOURN	38

1 P R O C E E D I N G S

2 MR. JONES: The September board meeting of the
3 Texas State Affordable Housing Corporation is now called
4 into order.

5 William Dietz, vice chair.

6 MR. DIETZ: Here.

7 MR. JONES: Gerry Evenwel, member.

8 MR. EVENWEL: Here.

9 MR. JONES: Alex Meade, member.

10 (No response.)

11 MR. JONES: Jerry Romero, member.

12 MR. ROMERO: Here.

13 MR. JONES: And so we have a quorum.

14 Is there any public comment at this time?

15 (No response.)

16 MR. JONES: Any public comment?

17 (No response.)

18 MR. JONES: The lady in the back, do you have
19 public comment?

20 VOICE: I do not.

21 MR. JONES: Okay. At this time we'll have the
22 president's report with David Long.

23 MR. LONG: As always, you have staff reports
24 under tabs A through C regarding the Homeownership Finance
25 and Development Finance programs, as well as your monthly

1 budget, investment reports. A couple of quick updates:
2 Later in the meeting, on tab 3, you'll be -- excuse me --
3 under tab 2 you'll be hearing from staff regarding the
4 recommendations for the 2014 Foundations Fund awards, but
5 I wanted to kind of let you know that in addition to the
6 money that we normally contribute and raise, we had the
7 ability to have some additional funds contributed to the
8 fund. \$5800 came from the TAAHP golf tournament, and the
9 advisory council members themselves contributed \$300 as
10 well, so we have a little over \$340,000 we are making
11 awards for this year.

12 Upcoming donation events under the Affordable
13 Communities of Texas Vet Program: Thursday, October 23,
14 we'll be doing a donation home in El Paso, and on Tuesday,
15 November 11, which is Veterans Day, we'll be doing a
16 donation home in Pearland, Texas.

17 Under the single-family rental program --
18 remember, that's the program the board authorized us to go
19 out and access -- utilize some of our funds for
20 acquisition of single-family rental homes that we then
21 turn into affordable rental housing.

22 I'm proud to say that after the board's last
23 allocation of funding, we moved right away on that, and as
24 of yesterday, I signed closing documents to purchase two
25 new homes, one in Pflugerville and one in Buda.

1 Meetings and conferences and other
2 presentations: Paige and Sarah have been very active and
3 busy. They attended recently the Texas Association of
4 Realtors conference in San Antonio on September 7.

5 We continue to have ongoing legislative
6 meetings. Charlie Leal and Janie Taylor and I have been
7 meeting with individuals, and those include Texas
8 Association of Builders, Texas State Association of
9 Firefighters, Texas Apartment Association, and also any
10 legislative meetings we continue to have.

11 In addition to that, we had a chance to go down
12 for a fundraiser that's upcoming with one of our advisory
13 council members in the Valley, and Janie and I went down
14 there to film a commercial to announce the sponsorship of
15 a golf tournament that's being put on in the Rio Grande
16 Valley, and TSAHC and the Foundations Fund will be the
17 recipient of the proceeds from that golf tournament.

18 So we had the opportunity to go down and shoot
19 a commercial. It was hot, but it was nice.

20 On the audit, as you know, recently the board
21 members approved a new audit firm. The audit has begun
22 and is going smoothly. Maxwell, Locke and Ritter will be
23 in our offices in October to begin their internal process
24 when they're here actually sitting in and being in our
25 offices. And then in November you'll get your first

1 update from them for the November board meeting.

2 I also always like to introduce our guests that
3 are in the audience. As usual we have our general counsel
4 representative. Today Bill Gehrig is here with us, and
5 Greg Casas is also here. He'll be giving us an update in
6 executive session.

7 Tim Nelson is here. You may remember Tim; he's
8 been with us before. Tim was originally with our
9 underwriting firm. Now he's with First Southwest, our
10 financial advisor firm.

11 And I would be remiss if I didn't let you know
12 that Bob Wilkinson with the Governor's Office is here, and
13 Allison Winney is here with the Speaker's Office.
14 Allison? Here she is. She's here with the Speaker's
15 Office.

16 So with that, Mr. Chairman, I'll conclude my
17 reports unless you have any questions.

18 MR. JONES: Is there any questions?

19 (No response.)

20 MR. JONES: Gerry, you sure?

21 MR. EVENWEL: I'm positive. No questions.
22 Good report.

23 MR. JONES: Speak now or forever hold your
24 peace.

25 Thank you, Mr. President. Let's go on to tab

1 item 1, presentation, discussion, and possible approval of
2 the minutes of the August 21 board meeting.

3 MR. EVENWEL: I move the approval of the
4 minutes of August 21.

5 MR. DIETZ: Second.

6 MR. JONES: Moved and second. Any further
7 comment or discussion?

8 (No response.)

9 MR. JONES: Is there any public comment?

10 (No response.)

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

12 (A chorus of ayes.)

13 MR. JONES: Tab item 2, presentation,
14 discussion, and possible approval of the 2014 grant awards
15 for the Texas Foundations Fund.

16 MS. BAYLESS: Good morning, Mr. Chairman and
17 members. I'm Liz Bayless, executive vice president, and I
18 am -- tab 2 is an action item requesting your approval of
19 the advisory council's recommendations for the 2014 grant
20 awards from the Texas Foundations Fund.

21 I'd like to start our discussion by asking
22 Katie Claflin to give an overview of the process.

23 MS. CLAFLIN: Katie Claflin, senior development
24 coordinator. As you know the Texas Foundations Fund is a
25 grant-making program in which we partner with nonprofit

1 organizations and rural government entities across Texas
2 to support high-quality programs addressing the critical
3 housing needs of very low income families and individuals.

4 To date we have completed six award cycles of
5 the Texas Foundations Fund, awarding 43 grants totaling
6 \$1.55 million in total funding.

7 The grant award sizes range from 15,000 to
8 50,000. The 2014 Texas Foundations Fund guidelines were
9 released to applicants in April this year, and we
10 implemented an online application cycle, receiving 54
11 applications for funding consideration.

12 The deadline for proposals was Friday, June 6,
13 at 5:00 p.m. In the writeup you can see a list of all 54
14 applications that we received this year.

15 We did receive 29 applications for critical
16 repair services and 25 applications for supportive housing
17 services. And you can see a definition of each of these
18 eligible activities in the writeup itself.

19 Staff first conducted a thorough threshold
20 review of all proposals to determine whether each
21 applicant met our organization, program, and financial
22 requirements.

23 If there were questions about an applicant's
24 eligibility, we did give each applicant the opportunity to
25 clarify the questions via email. We then determined that

1 48 of the 54 proposals met our Texas Foundations Fund
2 eligibility requirements.

3 It is important to note that at least two
4 applications in each region were considered qualified and
5 eligible for awards. So each region was competitive for
6 awards.

7 Next staff scored all 48 eligible proposals,
8 giving weight to the applicant's commitment and past
9 experience with similar housing activities, good project
10 design, the anticipated quality, timeliness, and impact of
11 the completed project, staff proficiency and
12 effectiveness, leveraging any more matching funds to the
13 Texas Foundations Fund grant, and evidence on partnerships
14 on past projects.

15 Staff met with the advisory council on
16 Wednesday, August 27, to evaluate the proposals, discuss
17 scoring, and finalize funding recommendations to present
18 to the board of directors.

19 I would now like to hand it over to Liz, who's
20 going to present the advisory council recommendations.

21 MS. BAYLESS: As executive vice president of
22 TSAHC, I serve ex officio on the advisory council, and I'd
23 like to thank the entire advisory council, including the
24 board representative, Mr. Romero, for their hard work and
25 diligent efforts in making recommendations for this year's

1 awards.

2 I'd also like to say that we could not have
3 done this without Katie Claflin's many, many hours of
4 diligent effort. She did an absolutely outstanding job of
5 managing the process from beginning to end.

6 So this year the advisory council is
7 recommending that 13 applicants be awarded. We are happy
8 that a significant portion of the funding we are
9 recommending being awarded is going to new applicants who
10 had not applied to the Foundations Fund before. Six of
11 the 13 will be first-time awardees.

12 Also we are pleased that we achieved our goal
13 for greater geographic diversity among awardees. We are
14 making recommendations that include at least one applicant
15 in each of the eight Texas regions.

16 Total amount of funding that is available for
17 this year's awards is \$343,000. So let me explain where
18 that comes from.

19 \$300,000 is the original commitment TSAHC made
20 in the budget that you approved for this year. The
21 advisory council members were responsible for a total of
22 \$15,500 in additional funding; that includes \$5,800 from
23 the golf tournament sponsored by the Texas Association of
24 Affordable Housing Providers.

25 No, that doesn't include -- the golf money is

1 in addition to the 15,500, so it is actually a total of
2 \$21,300 that was provided by the efforts of the advisory
3 council.

4 TSAHC promised to match all of the funds that
5 the advisory council raised, so TSAHC contributed an
6 addition \$21,300, which brought the funding to a total of
7 \$342,600, so TSAHC committed the extra \$400 to round it up
8 to an even thousand, \$343,000.

9 So the advisory council, in order to ensure a
10 more equitable distribution of awards, recommended that no
11 more than \$75,000 be awarded to any one geographic region.

12 And to further affirm TSAHC's commitment to the
13 two priorities that we established in our guidelines, the
14 advisory council also recommended that the highest-scoring
15 applicants meeting each of those priorities receive each
16 \$50,000 in funding, and just to remind you, those two
17 priorities are, first, serving persons with disabilities
18 and, second, serving a rural community.

19 So after the \$50,000 each to the two highest-
20 scoring applicants meeting those priorities, we
21 recommended the remaining funding be awarded to the
22 highest-scoring applicants in each geographic region.

23 Now, the exact amount of the award we are
24 recommending is determined by the applicants' relative
25 scores, as well as considering the amount of money that

1 has been awarded in that particular region.

2 So you will see, behind tab 2 and behind the
3 blue sheet of paper, is a memo that lists the 13 awardees
4 and the dollar amount that we are recommending for each.
5 You will see that Green Doors in the Central Texas region
6 is the highest-scoring applicant meeting the priority to
7 serve persons with disabilities, and Buckner Children and
8 Family Services in East Texas is the highest-scoring
9 applicant meeting the priority to serve a rural community.

10 So we are recommending each of those two for 50,000.

11 And then if you have any questions about the
12 other applicants, the other award amount recommendations
13 or anything else related to the advisory council's
14 recommendation --

15 MR. JONES: Well, I have a question. Obviously
16 we expressed an interest -- because board members raising
17 5,000 apiece, you know, to take money out of their
18 communities and put it other places is probably involved
19 in your expansion of regions -- correct? -- and
20 justifiably.

21 Does the award -- to make sure they go to every
22 region, does that supersede someone who could have been
23 awarded had they - had we not had to stretch it out among
24 regions? Did it free up some pretty qualified -- some
25 individual -- let's say one region scored like maybe four

1 people really high, higher than some of these other guys,
2 but because of the process of trying to get more regions,
3 they actually lose out. Well, they don't lose out, but
4 they have to reapply for a future grant. Is that how it
5 works?

6 MS. BAYLESS: Yes, sir. That did happen.

7 MR. JONES: Okay. But understanding our
8 mandate was to spread it out as wide, because that does
9 have a problem if you got somebody from North Texas and
10 they're on the board and they're raising thousands of
11 dollars, and it doesn't matter that they get all that they
12 raised back, but as long as something is awarded in their
13 various areas.

14 Okay. Thank you.

15 MS. BAYLESS: Yes, sir. Since TSAHC's mission
16 is to serve the entire state of Texas, we feel, and we
17 agreed with the advisory council and the board that it was
18 important to try to ensure geographic diversity among our
19 awards.

20 MR. JONES: But I think the other side of this
21 is that it brings more people in, brings more people to
22 the table and encourages the board -- this is -- I think
23 the board has raised more this time than any future
24 board -- past boards. Right?

25 MS. BAYLESS: Exactly right. This is more

1 money than we've ever had to give away, but we also had
2 more applicants this year from all parts of the state than
3 we have had.

4 MR. JONES: Okay. So we got the ball rolling.

5 MR. ROMERO: Mr. Chairman?

6 MR. JONES: Okay

7 MR. ROMERO: Quick question: I'm trying to
8 understand what you're saying. Are you saying that if
9 somebody raises -- one of the board members raises money
10 in their area, those monies can be designated just to that
11 specific area?

12 MR. JONES: Well, it can, but it can go to
13 other areas, too.

14 MR. ROMERO: No, not if it's designated just
15 for that area by --

16 MR. JONES: Well, I don't think we're talking
17 about the designation. Right?

18 MS. BAYLESS: Well, it is the case that the
19 advisory council's monies were able to be retained in the
20 geographic area that they designated, if they so
21 designated.

22 MR. ROMERO: Right.

23 MR. JONES: Okay. All right. That's a little
24 carry-out over there on the side. But all board members
25 don't feel that way. Right?

1 MR. ROMERO: No, no. A lot of board members
2 will just donate to the fund. But if a board member is
3 out seeking dollars for their particular area of the
4 state, the person donating those dollars can actually
5 designate those dollars to stay in that part of the
6 state --

7 MR. JONES: Okay.

8 MR. ROMERO: -- and not be used for any -- for
9 distribution outside of that area.

10 MR. JONES: I think we did talk about that.
11 Right?

12 MS. BAYLESS: That's correct.

13 MR. JONES: Okay. So some can designate it --
14 some may put it in a pool, but either way we spread it
15 out, more people are aware, and as the fund grows and the
16 participation grows, we can do more for more people of
17 Texas.

18 MR. ROMERO: Correct.

19 MS. BAYLESS: Exactly.

20 MR. JONES: Bottom line. Okay. I got it.

21 Any other questions or comments?

22 Thanks, Jerry.

23 Is there any public comment on this item, tab
24 item number 2?

25 (No response.)

1 MR. JONES: Okay. Hearing none, I'll entertain
2 a motion.

3 MR. ROMERO: I'd like to make a motion to
4 accept the recommendation of the advisory council for the
5 Texas Foundations Fund for 2014.

6 MR. JONES: Accept and approve?

7 MR. ROMERO: Accept and approve.

8 MR. JONES: Okay. Is there a second?

9 MR. EVENWEL: Second.

10 MR. JONES: It's been moved and seconded. Any
11 further discussion?

12 (No response.)

13 MR. JONES: All in favor say aye.

14 (A chorus of ayes.)

15 MR. JONES: Any opposition?

16 (No response.)

17 MR. JONES: It passes. Thank you. Job well
18 done.

19 MR. EVENWEL: I think it's fantastic that we
20 put into the communities \$1.5 million that would not have
21 been there otherwise.

22 MS. BAYLESS: I think it's wonderful.

23 MR. EVENWEL: I mean, do you have any
24 feeling -- are there any groups that we've helped that
25 might have failed without our help or --

1 MS. BAYLESS: I guess it's always hard to know
2 that, but I've got to believe that awards of 15-, 20-,
3 30-, and \$50,000 are very meaningful to a lot of these
4 small organizations.

5 MR. JONES: And we have had that discussion
6 that if they couldn't get the maximum, did a little bit
7 help them, or was a little bit nothing, and we said every
8 little bit helps.

9 MS. CLAFLIN: And several organizations this
10 year will be receiving for the first time, so we're very
11 excited.

12 MR. JONES: What's the least amount?

13 MS. BAYLESS: 15,000 -- well, actually this
14 year the smallest award was 16,000.

15 MR. JONES: What community nonprofit couldn't
16 use 16,000.

17 MR. ROMERO: And we've asked Katie and Janie to
18 put together a one-page information sheet that we can use
19 as board members, so that when we go out and solicit funds
20 from organizations or corporations in our area, it really
21 talks about the impact we're having in that area, the
22 number of families, you know, affordable housing we
23 create, and those kind of things; really give us some good
24 information to solicit the dollars that are going to be
25 needed to increase the fund.

1 MR. JONES: Again, thank you for a job well
2 done.

3 Item number 3, Presentation, Discussion and
4 Possible Approval of a Resolution to Reappoint Mr. Russell
5 Vandenburg to the Texas Foundations Fund Advisory Council
6 Created by the Board of Directors of the Corporation and
7 to Restate, Ratify and Affirm him as Vice-Chairperson of
8 the Advisory Council to serve until his successor is
9 elected and qualified or until his earlier removal or
10 resignation.

11 MS. BAYLESS: Hello again. Mr. Chairman, tab 3
12 is an action item related to the makeup of the advisory
13 council that assists staff in managing the Texas
14 Foundations Fund.

15 The resolution behind tab 3 is to reappoint
16 Russell Vandenburg to the advisory council to continue to
17 fill the position representing the El Paso area. The
18 resolution also affirms that Russ will continue as vice
19 chair of the advisory council. This will be Russ's second
20 three-year term, and his term will expire on September 30,
21 2017.

22 Russell Vandenburg, for those of you who do not
23 know him, is president and CEO of TVO North America, a
24 real estate investment and property services company. Mr.
25 Vandenberg oversees all administrative aspects of the

1 company, including long-range planning, budgeting,
2 personnel, and property management platforms.

3 Russ has over 30 years' experience in the real
4 estate industry. Russ earned his bachelor's degree from
5 the University of Texas at El Paso, or UTEP, where he
6 played intercollegiate football, and he serves as chair of
7 UTEP's leadership council.

8 He currently is a member of the Urban Land
9 Institute and the National Apartment Association, as well
10 as serving on the board of the National Multi-Housing
11 Council.

12 Russ has been an engaged and extremely helpful
13 member of the advisory council, and we are delighted that
14 he is interested and willing to continue to help us with
15 Texas Foundations Fund by serving another three-year term.

16 I ask your approval of the resolution
17 appointing him.

18 MR. JONES: Comments?

19 (No response.)

20 MR. JONES: I'll entertain a motion.

21 MR. ROMERO: I'll make a motion to approve the
22 reappointment of Russell Vandenburg to the advisory
23 council as vice chair.

24 MR. JONES: Is there a second?

25 MR. EVENWEL: Second.

1 MR. JONES: So you know him?
2 MR. ROMERO: Yes, I know Russ.
3 MR. JONES: So you would endorse him. Okay.
4 All right. Is there any public comment on this
5 item?

6 (No response.)

7 MR. JONES: Okay. All in favor of the motion
8 say aye.

9 (A chorus of ayes.)

10 MR. JONES: Any opposed?

11 (No response.)

12 MR. JONES: The motion carries.

13 Item 4, Presentation and Discussion and
14 Possible Approval of the Publication for Public Comment of
15 the Guidelines, Scoring Criteria and Targeted Housing
16 Needs for the Allocation of Qualified Residential Rental
17 Project Tax Exempt Bond Funds under the Multifamily
18 Housing Private Activity Bond Program Request for
19 Proposals and the 501(c)(3) Bond Program Policies for
20 Calendar Year 2015.

21 Mr. Danenfelzer.

22 MR. DANENFELZER: Yes. David Danenfelzer,
23 Manager of Development Finance. Every year around this
24 time we come back to you with an updated RFP, or request
25 for proposals, and policies related to the multifamily

1 bond programs.

2 There is a requirement that we update our
3 policies and RFP annually, by statute, and we take some
4 time every year, then to look at different types of
5 statistics and information about housing markets across
6 the state and determine what are the most sort of targeted
7 housing needs that we feel as a corporation will have the
8 greatest impact for bond programs.

9 As you know, we are a statewide issuer of
10 multifamily bonds, and we've been tasked by the
11 legislature to try to target those housing needs which are
12 not commonly provided for through the bond finance
13 program.

14 So this is really a little bit of an update to
15 our existing policies. We still feel that the targeted
16 housing needs are quite important, that within the market
17 we feel that housing preservation is one particular need
18 which is pressing, as housing markets continually
19 regenerate and are growing.

20 There is increased pressure, especially on
21 existing multifamily properties, to get out of affordable
22 programs and sell because of the value of those units in a
23 very rapidly growing and very tight rental market that we
24 live in in Texas today, as well as the other housing needs
25 which we do target, including special-needs housing,

1 housing for the elderly, housing in disaster areas, and
2 also rural and very small urban markets.

3 I've got a few changes here I'd like to note
4 based on research we've done and some just kind of overall
5 changes to programs nationwide.

6 The first one is that we are adding a specific
7 reference to the rental assistance demonstration program,
8 which is sponsored and run by the U.S. Department of
9 Housing and Urban Development.

10 This is a program which is taking Section 8
11 housing -- I should say actually taking public housing
12 units and converting them into long-term contract
13 properties.

14 The public housing is generally funded simply
15 through continual grants and funding from the federal
16 government. The U.S. Department of Housing has decided
17 that they'd like to stop that sort of continual capital
18 funding of these programs and shift them more into the
19 free market rental property, so they'll actually be able
20 to use the rents and income that they earn from those
21 properties to sustain and maintain those properties long
22 term.

23 This is a large demonstration program, and it
24 is going on throughout the United States. The City of El
25 Paso has a very large RAD program grant, so they're

1 looking at converting several thousand units actually in
2 and around El Paso. The City of Austin has a RAD grant
3 that is targeting over a thousand units, and there'll be
4 several other cities in the years to come that will be
5 looking to convert public housing into sort of regular
6 Section 8 or supportive low-income housing. So we wanted
7 to add that specific program to the list.

8 The other small change that we have is staff is
9 stepping up a little bit and wanted to clarify our ability
10 to go into properties that are going to be targeted for
11 rehabilitation. We want to be able to look and do full
12 inspections of those units prior to the board awarding the
13 bond funds.

14 And this is just kind of clarifying that and
15 formalizing that process that we'll be taking to look at
16 those properties before we award the bonds.

17 Underwriting procedures. Really this is a
18 little cleanup. The Department of Housing and Community
19 Affairs, which issues tax credits in Texas, we have
20 generally tracked their underwriting guidelines through
21 the years, because they have to award tax credits to most
22 of the deals that we finance with bonds. We feel it's
23 fair to the applicant to have similar or the exact same
24 rules; no reason to have them different and to have an
25 overly complicated system.

1 But the State does have kind of a rolling
2 system where they update the rules in the Texas Government
3 Code each year -- or the Administrative Code, so one year
4 it's in Section 10, and the next year it's in Section 9,
5 and they keep flipping it back and forth, so instead of
6 continually flipping this every year, I decided to just
7 normalize that language and tie it just to the current
8 underwriting standards for the Housing Tax Credit Program.

9 We have a little bit of other changes.
10 Resident guidelines need to be updated based on some
11 staffing changes, and then we also updated the scoring
12 component, Section 7(a), because of increases to housing
13 cost, construction. We hadn't updated that in a little
14 while, we wanted to make sure that was more in line with
15 markets and construction costs.

16 That's about it. So are there any questions
17 from anyone?

18 MR. JONES: This RAD, RAD again is --

19 MR. DANENFELZER: It's the Rental Assistance
20 Demonstration program.

21 MR. JONES: So how does that work if it's
22 public housing going to the private sector? I mean,
23 funded by -- I mean, how does that work if you have a
24 project?

25 MR. DANENFELZER: Well, really what has

1 happened over the years is the housing-scape, what we
2 consider public housing or Section 8 housing has been --
3 has evolved in a number of ways through time and has
4 become sort of layered.

5 There's -- on a scale or on a continuum, there
6 is public housing, which is owned and operated by a public
7 housing authority, and it receives funding for capital
8 improvements directly from the federal government every
9 year, and those funds are based on need and condition of
10 properties.

11 But those programs and properties are all so
12 controlled that all -- there is no income from those
13 properties for the public housing authority that can draw
14 down some funding that had been support from the federal
15 government directly to support the operations.

16 But on the other side of the scale, there are
17 units and housing that is supported by contract grants
18 which say if you have a qualified Section 8 household in
19 the unit, we will cover their rent for the portion that
20 they can't afford, and those units then need to be
21 maintained based on the money that is received for that
22 client in that unit.

23 And those operate much more like a for-profit
24 or a market-rate apartment, because money comes in, the
25 management has to use that money wisely. They have to

1 maintain the property and maintain it from a market
2 perspective as well as from housing quality standard.

3 And HUD has decided that the public housing
4 world in the US needs to become more like those units
5 which are based on market needs, have to be maintained for
6 that. It incentivizes -- or maybe disincentivizes public
7 housing agencies from allowing public housing just to get
8 the very minimal and bare-bones rehab, because now there's
9 a market component which now tenants can say, Well, I'm
10 going to move to a Section 8 housing unit down the street,
11 because it's in much better shape; it may be newer.

12 And it will also free the federal government
13 from having to continually support low-quality public
14 housing. You know, we still have public housing units in
15 the United States and even here in Austin that were built
16 in the 1930s. And we continually spend a lot of money to
17 remove asbestos, maintain those properties, when what
18 might be more economically feasible is to, you know,
19 remove those from the portfolio, build new units, and run
20 them through the Section 8 project-based rental system.

21 MR. JONES: Is this existing units or for new
22 units?

23 MR. DANENFELZER: These are only for existing
24 units, the RAD program. So there are a number of
25 limitations on it. Those oldest properties that are

1 really not feasible to refinance and restructure in this
2 way will likely be lost through time.

3 At this moment the federal government has said
4 they're not going to eliminate funding for those
5 properties which can't be helped at this time, but the
6 trend has been, for the last 20 years, that HUD has
7 continued to push more and more into market-rate reality
8 for all of Section 8 housing, and now this is the move to
9 push public housing into that realm.

10 MR. JONES: But it's still government money,
11 though. Right?

12 MR. DANENFELZER: Well, there is still
13 government support to the projects, but I will say that it
14 is much different because, one, the tenant does actually
15 need to bring something to the table in Section 8 housing,
16 whereas in public housing the tenants are not required to
17 pay anything.

18 There is much more onus on the tenant to go
19 ahead and, you know, to bring something to the table in
20 Section 8, because their voucher will support them, but
21 the voucher system has also pushed people in that --
22 unless you are fully disabled or an elderly individual,
23 it's pretty hard to not pay towards your rent on Section 8
24 properties.

25 MR. ROMERO: If I could add real quickly to the

1 program itself, one of the biggest components of this is
2 that housing authorities don't own the properties; they
3 manage the properties for HUD. HUD is allowing them to
4 now use the property as collateral when they go out to the
5 open market to solicit financing and start doing the rehab
6 of these projects, which is something they couldn't do
7 before because they didn't have collateral.

8 MR. LONG: The other thing I might add, Mr.
9 Chairman, is this is a demonstration program; i.e., I
10 think it's about 66,000 units nationally that are
11 currently being brought under this new program, and it's
12 locked in at that amount. There is a waiting list of over
13 120,000 units of people who'd like to get in this program
14 if additional money is allocated to it at the federal
15 level.

16 MR. JONES: Oh, sure.

17 MR. LONG: So right now we're bringing it into
18 our program guidelines as an optional --

19 MR. JONES: I know why you're doing it; I just
20 wanted to know more about --

21 MR. LONG: But it's not something that's
22 currently going to be available to us until funding is
23 even available at the national level and the program is
24 expanded.

25 MR. JONES: I just have a hard time seeing how

1 people have something to bring to the table when there's
2 92 million unemployed, but I guess if I had somebody to
3 bring something to the table --

4 MR. LONG: Well, this program is an option, as
5 Mr. Romero said. It is a way --

6 MR. JONES: I know why we have it; I understand
7 that, and I think it's -- we've got to have all
8 components.

9 MR. LONG: That's right. And all we're doing
10 is bringing in that additional component for
11 rehabilitation of properties, should that become available
12 in Texas for us to use as part of our program. So I just
13 wanted to make sure you understood it's not something
14 we're going to be able to access right away, even if that
15 was the case.

16 MR. JONES: No, I understood that. I just
17 wanted to take the time to pick Mr. Danenfelzer's brain,
18 because I know he will know.

19 MR. LONG: Yeah. No problem.

20 MR. JONES: And what he missed, Jerry would
21 throw in.

22 MR. LONG: And the other thing, this is the
23 board approval of the guidelines to go out for public
24 comment, so these will be back in front of you at a later
25 date.

1 MR. JONES: Okay.

2 MR. JONES: Any other comments or questions?

3 MR. EVENWEL: Just a couple on the document
4 itself. On page 15, at the very, very top, second line --
5 first line, there appears to be an extra period there that
6 shouldn't be there.

7 MR. LONG: Okay.

8 MR. EVENWEL: Do you see it?

9 MR. JONES: Of, after the dollar sign?

10 MR. EVENWEL: One percent or .1000 per
11 thousand.

12 MR. LONG: Yeah, I got it.

13 MR. EVENWEL: I mean, it's not a big thing.

14 MR. LONG: I will definitely look at that. We
15 can make that change. Yes, sir. Thank you, Mr. Evenwel.

16 MR. EVENWEL: A couple -- one other thing I
17 had, on number 17, closing of the development, it says it
18 has to have the approval of the corporation. I guess I
19 should step back, and toward the beginning of the document
20 you talk about a couple of things the board is going to
21 do, and then all of a sudden it's the corporation doing
22 things, so I assume that's synonymous, the corporation and
23 the board are synonymous.

24 MR. DANENFELZER: It is. What we try and make
25 sure, though, is that when we request the resolutions for

1 approval, you grant your authority to sign and execute
2 those documents to the corporation and its officers.

3 So when there are specific actions which only
4 the board can take, we mention the board, so --

5 MR. EVENWEL: I see.

6 MR. DANENFELZER: And later when it becomes the
7 corporation, then it is whatever authority you granted to
8 the officers of the corporation.

9 MR. EVENWEL: Okay. And back on number 17,
10 closing of the development, there are apparently two
11 additional groups that are involved in this: Texas
12 Attorney General and the Bond Council. I don't remember
13 any resolutions that we've approved that had codicils like
14 "and these will be approved by" or "and pending the
15 approval by" or "we recommend that these groups" -- I
16 mean, is that something --

17 MR. DANENFELZER: Yeah. I --

18 MR. EVENWEL: -- we're missing in our -- just a
19 question.

20 MR. DANENFELZER: I'll bring that up to our
21 bond counsel. What I suspect the reasoning is is that
22 oftentimes we're one of the first in line to approve the
23 bonds.

24 MR. EVENWEL: Okay.

25 MR. DANENFELZER: Once we approve it, we bring

1 it to the Bond Review Board for their approval, and the
2 Attorney General must also approve the bond documents; not
3 really the issuance but the structure of the documents
4 need to meet state law requirements.

5 I'll have our bond counsel look at that, but
6 what I suspect the thing is is that the Bond Review Board
7 wants to know that we have approved it without condition
8 and granted the corporation the authority to sign all the
9 documents.

10 If we condition it upon their approval, then it
11 becomes a Catch-22, where, well, who's approving what?
12 The Bond Review Board wants our approval before they want
13 to approve it.

14 MR. EVENWEL: So we don't have to say something
15 like we're sending this on to that group or anything?
16 That doesn't have to be part of our resolution?

17 MR. DANENFELZER: No. It's never been part of
18 our --

19 MR. EVENWEL: It stops with us, and then you do
20 something with that --

21 MR. LONG: The process is defined in how those
22 approvals are done, and the first process, as Mr.
23 Danenfelzer said, is to have our board approve a
24 resolution that allows us to move forward with the process
25 which includes approval and presentation to the Bond

1 Review Board and then the Attorney General would bless the
2 documentation as the deal was structured.

3 MR. EVENWEL: So we don't have to put that as
4 part of our motion.

5 MR. DANENFELZER: No. We've never put that in
6 our motion before. I'll certainly ask bond counsel,
7 though, to think about that. It's a very logical question
8 to ask. I'm surprised we've never --

9 MR. JONES: What we do is approve the document
10 to be forwarded, but it doesn't have to say that; that's
11 just the course of action.

12 MR. DANENFELZER: Correct.

13 MR. LONG: Correct.

14 MR. EVENWEL: You come back to --

15 MR. DANENFELZER: Yeah, at some point we will
16 come back to you with a final document.

17 MR. LONG: We do the inducement.

18 MR. DANENFELZER: We come with the inducement,
19 and then we come with the final bond resolution.

20 MR. JONES: And that carries the Attorney
21 General's approval on the document and all that stuff, and
22 then you come back for final passage here.

23 MR. DANENFELZER: Actually, to be straight, the
24 inducement opens up the ability for us to --

25 MR. JONES: Right.

1 MR. DANENFELZER: -- work on the deal. Then we
2 bring it back to you for approval of the bonds, and then
3 to the Bond Review Board for approval of the transaction,
4 and the Attorney General also has to approve the
5 transaction.

6 MR. JONES: And it doesn't come back here
7 again.

8 MR. DANENFELZER: And it doesn't come back --
9 after the second time we bring it to you, it doesn't come
10 back to you again.

11 MR. GEHRIG: For the record, Bill Gehrig with
12 Greenberg Traurig. In this process, when the board
13 approves the bond documents represented, they're in
14 substantially final form, but they're not completely
15 final; they still have to go through the process of
16 getting approved by the AG ultimately, which happens very
17 close to the bond closing.

18 So in that process, after you approval them,
19 there still will be changes, and those are authorized in
20 the resolution.

21 MR. JONES: Authorizing the corporation to do
22 what's necessary.

23 MR. GEHRIG: That's correct.

24 MR. JONES: Thank you.

25 Any other questions, Gerry?

1 || (No response.)

2 MR. JONES: I think well done. Okay. We'll
3 entertain a motion.

4 MR. EVENWEL: So moved.

5 MR. JONES: As written. Correct?

6 MR. EVENWEL: Yes, sir.

7 MR. JONES: Is there a second?

8 MR. ROMERO: Second.

9 MR. JONES: Moved and seconded.

10 Is there any public comment on tab item number
11 4?

12 (No response.)

13 MR. JONES: Hearing none, all in favor of
14 approval say aye.

15 || (A chorus of ayes.)

16 MR. JONES: Any opposition? Oh, no, it's
17 unanimous. Okay. Thank you.

18 At this time do -- are we doing 1 and 2? Texas
19 Government Code 551.071 and .072 or just --

20 MR. LONG: Yes, sir

21 MR. JONES: The two of them correct?

22 MR. LONG: Yes, sir.

1 551.072, and I think there's an attorney disclaimer that
2 comes in first before she turns the machine off?

3 MR. LONG: Yes.

4 MR. JONES: Who's going to do that?

5 MR. LONG: We can recess.

6 MR. JONES: All right. Now it's 11:10.

7 (Pause.)

8 MR. GEHRIG: My name is Bill Gehrig. I'm with
9 the firm of Greenberg Traurig, general counsel to the
10 Texas State Affordable Housing Corporation. It is now
11 11:12 on September 25, 2014. The board will now hold a
12 closed executive session in accordance with Section
13 551.071 of the Texas Government Code.

14 Pursuant to Texas Government Code Section
15 551.103, this closed meeting held pursuant to Section
16 551.071 is not subject to being tape-recorded or
17 summarized by certified agenda.

18 (The board met in executive session at 11:12
19 a.m.)

20 MR. JONES: It is 11:44, and the Texas State
21 Affordable Housing Corporation closed session has ended,
22 and we're going back into open session. At the closed
23 session no action was taken.

24 Okay. We're now back in open session. Mr.
25 President.

1 MR. LONG: The only thing we have of record
2 that we just really need to discuss is always our next
3 board meeting. I was going to recommend to the board that
4 we not have a board meeting in October, the reason being
5 is we've checked with staff. There aren't any program or
6 specific items that require board attention, and because
7 we are so late in the month in September that I would have
8 any need to do that, and so we would have our next board
9 meeting on November 13, which is the second Thursday of
10 the month, and if we could do that, Mr. Chairman, that
11 would be great.

12 So we could have our next board meeting on
13 November 13, which is the regularly scheduled second
14 Thursday of the month, and then we would have -- our
15 auditors will be here to give you an update on the audit.

16 MR. JONES: That would be November 13?

17 MR. LONG: November 13.

18 MR. JONES: All right. And if something arises
19 that is necessary, we'll be notified by proper contact at
20 the proper time.

21 MR. LONG: That's right.

22 MR. JONES: Okay. Again I'd like to thank Ms.
23 Penny for her due diligence.

24 And any further business, any further comments?

25 (No response.)

1 MR. JONES: We want to thank our attorneys, and
2 it is now 11:46, and the meeting is adjourned.

3 (Whereupon, at 11:46 a.m., the meeting was
4 concluded.)

C E R T I F I C A T E

3 MEETING OF: TSAHC Board of Trustees

4 || LOCATION: Austin, Texas

5 DATE: September 25, 2014

I do hereby certify that the foregoing pages,
numbers 1 through 39, 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.

(Transcriber) (Date)

On the Record Reporting
3636 Executive Ctr Dr., G-22
Austin, Texas 78731