

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
February 9, 2017
10:37 a.m.

BOARD MEMBERS:

ROBERT "BOB" JONES, Chair

WILLIAM H. DIETZ, JR., Vice Chair

GERRY EVENWEL, Member

ALEJANDRO "ALEX" MEADE, Member

JERRY ROMERO, Member

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
CALL TO ORDER, ROLL CALL CERTIFICATION OF QUORUM	3
PUBLIC COMMENT	none
PRESIDENT=S REPORT	3
Tab A: Homeownership Finance Report	
Tab B: Development Finance Report	
Tab C: Annual Asset Oversight and Compliance Reports	
Tab D: Quarterly Compliance and Resident Services Reports	
Tab E: Monthly Financial Reports	
ACTION ITEMS IN OPEN MEETING:	
Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on December 15, 2016.	14
Tab 2 Presentation, Discussion and Possible Approval of Guidelines for the Corporation=s Participation in Development Partnerships Formed for the Purpose of Building or Rehabilitating Affordable Multifamily Property that Meets or Exceeds the Requirements of the Corporation=s Multifamily Tax-Exempt Bond Programs Policies.	15
Tab 3 Presentation, Discussion and Possible Approval of a \$700,000 Loan to the Texas Housing Foundation for the Acquisition of the Sagebrush Apartments in Brady, Texas.	29
Tab 4 Presentation, Discussion and Possible Approval of the Texas State Affordable Housing Corporation=s 2017 Annual Action Plan.	40
Tab 5 Review, Discussion and Possible Approval of the 2016 Annual Performance Review of the President of the Corporation and related actions.	44
CLOSED MEETING	45
OPEN MEETING	45
ADJOURN	47

P R O C E E D I N G S

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

5 William Dietz, Vice Chair?

6 (No response.)

7 MR. JONES: Gerry Evenwel, Member?

8 MR. EVENWEL: Present.

9 MR. JONES: Alex Meade, Member? Is he
10 scheduled to come?

11 MR. LONG: I don't know, sir. I'll follow up
12 with him after today.

13 MR. JONES: Jerry Romero, Member?

14 MR. ROMERO: Here.

15 MR. JONES: And I am here, so therefore, we
16 have a quorum.

17 Is there any public comment at this time?

18 (No response.)

19 MR. JONES: At this time we'll have David Long
20 with the president's report.

21 MR. LONG: Good morning, Mr. Chairman. Thank
22 you, members, Mr. Evenwel, Mr. Romero.

23 The program and financial reports are listed
24 under tabs A through E in your board book, as always.
25 There are no exceptional items to report on the financial

1 reports, however, I would like to note that under tab C
2 you'll find your annual asset oversight and compliance
3 report. That's an annual report, you normally don't have
4 that but once a year so that's in there for you. And then
5 also, the compliance reports are under tab D. You should
6 have gotten a new tab D handed out to you, so that was to
7 take care of some corrections that we had to make on that,
8 so I wanted to make sure you were aware of that.

9 Also, under one of the properties we had listed
10 under tab D for Gateway showed that it had an exceptional
11 item outstanding. And the history on that to date was
12 that Gateway, which is one of the properties we most
13 recently funded under our bond transactions, was not fully
14 occupied in 2016 so the management had not offered all of
15 the resident services, and they were required to offer six
16 residents services, however, they'd only offered four, but
17 we have received word from them that they've corrected
18 that situation.

19 Also, we had a compliance issue regarding Rita
20 Blanca. The history on that was management had previously
21 occupied a unit with an ineligible household. They had
22 found them to be noncompliant at the time, however, they
23 have since brought that property back into compliance and
24 have provided us with satisfactory documentation.

25 MR. JONES: How did they determine that?

1 MR. LONG: Well, it's income eligibility, and
2 so if the borrower didn't meet the income eligibility and
3 we noted that they had not met the set-aside requirement,
4 and then they had to wait for the unit to become vacant
5 and then filled it with a tenant that met that income
6 eligibility requirement, thus bringing them back into the
7 set-aside requirements for income eligibility.

8 MR. JONES: I'm trying to figure out how you
9 would know. They weren't falsifying anything?

10 MR. LONG: No. We monitor the properties, they
11 go out and look at the files. That's what Celina and
12 James do on an annual basis, go out and monitor all the
13 properties, and they do a review and provide that
14 compliance report back.

15 MR. JONES: Okay, good.

16 MR. LONG: Under the Single Family Rental
17 Program, on January 17, using the Board's continued
18 authority to acquire additional properties, the
19 Corporation acquired property on Breezy Meadow Lane which
20 is in Manor, Texas, a three-bedroom, two-bath house. With
21 this purchase, the program now has 19 total units,
22 consisting of 16 single family properties, one duplex and
23 one condominium. All are leased to eligible income
24 families at 80 percent or below of the area median family
25 income. And effective tomorrow, that unit will be leased,

1 the tenant is coming in tomorrow to lease, which again
2 puts us at 100 percent occupancy in our Single Family
3 Rental Program.

4 The Loan Committee met yesterday to review the
5 existing portfolio of loans. Mr. Romero serves as the
6 Board's representative on that. Appreciate Mr. Romero's
7 participation. We considered two loans, one of which is
8 under tab item 3 for the Board's consideration today. Mr.
9 Danenfelzer will be making a presentation on that agenda
10 item later in the meeting.

11 Fundraising activity. In January the
12 Corporation received a \$10,000 grant from J.P. Morgan
13 Chase in support of our Texas Statewide Homebuyer
14 Education Program trainings which are being administered
15 by the Corporation. In fact, we have one going on this
16 week.

17 Homeownership activities since the last Board
18 meeting, as I just mentioned, the TSHEP training started
19 for this year, the first one is going on right now in
20 Austin, it's being held this week. It's fully subscribed,
21 and per my notes from the staff, 34 participants are
22 participating in that, representing 31 organizations from
23 17 cities across the State of Texas, which I think
24 continues to show just not only the demand for the
25 training but also the diversity of the people we're able

1 to provide that training to.

2 With the success of the consumer webinars that
3 were conducted last June during Homeownership Month, staff
4 has decided to continue them on a quarterly basis, and
5 Joniel recently concluded one on January 25 with 76
6 participants, showing again continued strong demand for
7 that.

8 Sarah conducted two Overcoming the Down Payment
9 Hurdle courses, one in Brownwood which was held this week,
10 and then one in Plano last month. We also announced our
11 top three loan officers and our top three mortgage
12 companies.

13 MR. JONES: Excuse me. When they attend, do
14 they participate?

15 MR. LONG: It's a training.

16 MR. JONES: They actually receive the training?

17 MR. LONG: Yes -- well, no. I'm sorry. I
18 thought you meant the participants. Our staff conduct the
19 training, we conduct the training and the people that are
20 attending are receiving the training from us.

21 MR. JONES: Because we know that they attend
22 but sometimes we don't know why, whether they're getting
23 training or whether they're giving training.

24 MR. LONG: We're providing the training to the
25 participants on a specific activity in relation to in this

1 case Overcoming the Down Payment Hurdle is a training for
2 lenders to understand how to best serve the borrowers.

3 MR. JONES: I understand. I didn't know if we
4 were getting it or we were giving it.

5 MR. LONG: We're giving it.

6 MR. JONES: And that's important.

7 MR. LONG: Yes, sir, in all instances. And our
8 staff have been certified and they're very good at what
9 they do.

10 MR. JONES: Oh, I understand that. I've had
11 them at meetings, I've been there.

12 MR. LONG: Okay. As I said, we announced our
13 top three loan officers and our top three mortgage
14 companies, and I have a release that I can hand out to
15 each of you to show you who those were.

16 I also wanted to just kind of give you a brief
17 update on our master servicer. Currently the Corporation
18 utilizes U.S. Bank as our master servicer for its
19 relationship regarding our Single Family TBA and our MCC
20 homeownership programs. Over the past several months the
21 Corporation conducted an extensive evaluation of our
22 master servicer providers and comparable options that may
23 be available to ensure the Corporation's homeownership
24 programs are meeting the market demands and providing
25 eligible borrowers with the best product. The evaluation

1 and search included securing the services of a third party
2 consultant firm, as well as numerous discussions with
3 potential providers by Corporation staff. And I would add
4 that Ms. Bayless conducted most of those and she's been a
5 major lead in this, along with Tim and Joniel, working
6 through that process.

7 In addition, the Corporation had several
8 meetings, conference calls with U.S. Bank regarding its
9 master servicer responsibilities and related costs, fees
10 and borrower credit requirements. After comparing all the
11 potential master servicer options related to fees, costs
12 and credit requirements, staff has determined that one
13 provider would be able to better meet our expectations and
14 to provide an improved suite of services. As a result,
15 the Corporation began negotiations with Lakeview Loan
16 Servicing to assume the master servicer responsibilities
17 for the Corporation's Single Family homeownership
18 programs.

19 Staff has been working closely with the
20 Corporation's general counsel, Greenberg Traurig,
21 specifically Mr. Bill Gehrig, during the negotiation
22 process. While agreements and documentations are still
23 being reviewed and finalized, it is anticipated that that
24 transition of the Corporation's master servicer
25 responsibilities from U.S. Bank to Lakeview Servicing

1 could be finalized within the next few months. Staff will
2 continue to work closely with legal counsel throughout
3 this transition and will provide the Board with the final
4 terms at the next Board meeting.

5 That's all of our Single Family updates. A
6 couple of other things in terms of recent presentations
7 and events we've attended.

8 MR. JONES: Is there any comments about this
9 last statement since it was lengthy?

10 MR. ROMERO: I was just going to ask you is
11 there any Board action required on that.

12 MR. LONG: No, there's not at this time. I
13 could go back and show you that in prior resolutions the
14 Board authorized myself and the executive vice president
15 to make any and all necessary selections and changes
16 related to the master servicer relationship as we may need
17 to for the support of the programs, and we're following
18 that rule under the prior approval the Board gave us.

19 MR. ROMERO: All I would ask is when you do
20 make your decision one way or the other, if you do move
21 forward with this, if you could just provide us with a
22 sample of how that's going to impact the Corporation.

23 MR. LONG: We certainly will. And as I said
24 before in my presentation, it is our expectation that we
25 would bring that back to the Board for your consideration,

1 if anything, just to show what we've completed and
2 whatever the legal documents end up being, we can have
3 that, if you will, as a ratification to what we've been
4 able to accomplish. And we'll include in that the summary
5 that you just requested, Mr. Romero.

6 MR. JONES: So that officially comes back to
7 the Board when you're ready to close it?

8 MR. LONG: No. We will have already finalized
9 all the documentation because you've given us that.

10 MR. JONES: You'll say this is what we've done?

11 MR. LONG: This is what we've done, and you
12 would basically have it as a ratification, I would think,
13 unless counsel tells me otherwise.

14 MR. JONES: We couldn't negate it. Right?
15 What would the ratification do?

16 MR. LONG: Just shows that you've authorized
17 it.

18 MR. ROMERO: We're just approving the actions
19 that the staff took.

20 MR. LONG: Under our prior authorization that
21 you gave us.

22 MR. JONES: Understood.

23 MR. LONG: As you aware, the 85th Legislative
24 Session began last month. TSAHC staff, myself and Michael
25 specifically, have continued to attend legislative

1 meetings, specifically with the Governor's Office staff,
2 Lieutenant Governor's Office staff, and other legislative
3 offices to include those of members of the Senate IGR and
4 the House Urban Affairs committees, our two oversight
5 committees.

6 Mr. Romero, Cynthia Leon and Michael Wilt
7 attended the most recent Texas Community Capital Board
8 meeting which was held on January 12. Again, Mr. Romero
9 and Ms. Leon serve as our Board's representatives to that
10 corporation, and Mr. Wilt served in my stead since I was
11 out of town.

12 Mr. Romero, do you have any updates on that or
13 do you think we need to go over anything on that?

14 MR. ROMERO: No. Michael did a wonderful job
15 stepping in for you.

16 MR. LONG: Good. Thank you.

17 Tim Almquist and I recently attended the
18 National Council of State Housing Agencies HFA Institute
19 in Washington, D.C. When we attend these, it's always a
20 great opportunity to network with other state HFAs, but
21 also we get an opportunity to meet with our national
22 partners like Fannie Mae and some of the other
23 organizations that we do business with while we're in
24 Washington, D.C., and so we were able to accomplish that.

25 Michael and I also recently attended the

1 quarterly Texas Interagency Council on Homelessness
2 meeting which is held here in Austin. As you remember, I
3 serve as the Governor's pleasure to be the liaison in the
4 U.S. Interagency Council in that role, and so we attend
5 and continue to participate as an affiliate member related
6 to that organization. And I appreciate Michael's
7 continued support of being there with me and helping me
8 with presentations. During that meeting we were able to
9 make a presentation on the newly released U.S. ICH
10 criteria and benchmarks for achieving the goal of ending
11 youth homelessness.

12 With that, Mr. Chairman, I'm done with my
13 remarks on programs and updates. I would like to, as
14 always, introduce our professionals that we work with.
15 Tim Nelson and Eric Pike are here with Hilltop Securities.
16 Bill Gehrig -- and also I think most of you had a
17 chance -- Bill Gehrig and Ms. Karen Kennard are here. Ms.
18 Kennard will be serving ongoing as the representative from
19 Greenberg Traurig as our general counsel firm. We're very
20 happy to have Ms. Kennard onboard.

21 If you want to say anything, Ms. Lennard, go
22 ahead, and if not, just introduce yourself. You've met
23 everybody, I think.

24 MS. KENNARD: I think I've met everybody, and I
25 look forward to working with you and your staff. Thank

1 you.

2 MR. LONG: Thank you. And I have copies of her
3 resume I'll make sure that each of you have.

4 And with that, our next meeting is scheduled
5 for March 9, and I will again coordinate with the Board
6 and staff on that. And with that, Mr. Chairman, any other
7 comments or discussion?

8 MR. ROMERO: I've got a question. On that HFA
9 that you guys attended, was there any discussion on that
10 HUD inspector general report that has been floating out
11 there for a while?

12 MR. LONG: There was not, and we actually hoped
13 that there would be some significant discussion on that.
14 I know there continues to be some overlays between the
15 different HFAs, NCSHA, NALFA, as well as the HUD OIG and
16 HUD itself, and we'll keep you posted on that as it may or
17 may not affect our programs.

18 MR. ROMERO: Thank you.

19 MR. JONES: Okay. Thank you.

20 Is there any public comment regarding the
21 president's report?

22 (No response.)

23 MR. JONES: Thank you.

24 Tab item 1: Presentation, discussion and
25 possible approval of minutes of the Board meeting held on

1 December 15, 2016. Any comments, any changes, any
2 motions?

3 MR. EVENWEL: I move they be approved.

4 MR. ROMERO: I second.

5 MR. JONES: Moved and seconded to be approved.

6 Any further discussion?

7 (No response.)

8 MR. JONES: Any public comment regarding this
9 item?

10 (No response.)

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

13 (A chorus of ayes.)

14 MR. JONES: Item 2: Presentation, discussion
15 and possible approval of guidelines for the Corporation's
16 participation in development partnerships formed for the
17 purpose of building or rehabilitating affordable
18 multifamily properties that meet or exceed the
19 requirements of the Corporation's Multifamily Tax-Exempt
20 Program policies.

21 MR. DANENFELZER: Good morning. David
22 Danenfelzer, senior director of Development Finance.

23 This agenda item really is mostly geared to
24 providing additional information to developers and the
25 general public about how the Corporation will work as a

1 general partner in potential developments in the future.
2 Based on our current statute and also our policies, the
3 Corporation already does have the right to own and operate
4 affordable housing, as we do with our single
5 family and multifamily properties. These guidelines will
6 provide some additional detail for potential partners that
7 would bring us larger scale developments under our
8 Multifamily Bond Program, and so really the purpose of
9 this is to provide that guidance and better clarity and to
10 hopefully potentially attract some development
11 partnerships in the future.

12 One of the things that as we went through this
13 over the last several months, and I would say we've really
14 been talking about how to deal with this for over a
15 year -- you may remember there was a project up in the
16 Dallas area, the Simpson Stewart Apartments, which we
17 initially had looked at doing a general partnership. For
18 various financial reasons and political reasons that
19 project never did move forward, however at that time the
20 Board did give us guidance to move forward and sort of
21 begin planning these guidelines at that time -- but staff
22 has kind of come to the point of looking at the types of
23 developments that we want to target.

24 First and foremost, we want to continue to
25 support the targeted housing needs that we already have in

1 our Multifamily Bond Program, so rural and small
2 communities, senior and supportive housing projects,
3 preservation projects and projects that impact cities or
4 communities where recent disasters have occurred. On top
5 of that, we've decided that because these general
6 partnerships also allow us to pass on and provide our tax-
7 exemption to the property, which has certain financial
8 benefits, we wanted to increase the affordability and also
9 the sort of public benefit that these properties should
10 have.

11 In particular, in the very first subsection of
12 the guidelines, when we deal with eligible developments,
13 we've added in developments must also reserve at least 10
14 percent of their housing for service-enriched housing for
15 persons with disabilities or permanent supportive housing,
16 and those are a lot of kind of jargon terms but
17 essentially that kind of does relate to units that are
18 extremely low income, targeted to people with
19 disabilities. Often these can be units for elderly or
20 disabled citizens who are on Social Security Disability
21 income or have extremely low incomes.

22 Yes?

23 MR. JONES: When you first began, you said
24 these are tailored to higher end projects. What you meant
25 is the dollars to do the unit, what do you mean higher

1 end?

2 MR. DANENFELZER: What I meant really is our
3 larger type projects that we typically do under the bond
4 program. Where the Rollins Martin Apartments which the
5 Corporation owns and operates is only 15 units, the
6 typical bond project that we see is anywhere from 100 to
7 250 units, and so these are much larger scale, not
8 necessarily higher end as far as like Class A versus Class
9 B or C. But we typically are looking at projects like
10 those we've financed in recent history, like the Gateway
11 Northwest in Georgetown which is a new construction
12 property, the THF Palladium project in Midland.

13 MR. JONES: The dollar range of?

14 MR. DANENFELZER: And those may be projects
15 between \$20- and \$30 million, so very large scale projects
16 in that sense.

17 MR. JONES: Okay.

18 MR. ROMERO: Real quick, service-enriched
19 housing, what is the actual definition and where does the
20 wording come from?

21 MR. DANENFELZER: So I cannot provide you with
22 a hard and fast source of where that definition comes
23 from, but over the years the Corporation has sat on a
24 committee that's established in statute called the Housing
25 and Health Services Coordinating Council -- I used to go

1 to those meetings regularly, Michael goes for the
2 Corporation now, Michael Wilt -- and there has been a
3 couple of revisions to the definition but essentially it
4 targets housing for people with disabilities and extremely
5 low income persons which also provides supportive services
6 which directly relate to any special needs that supports
7 and builds those families up.

8 When we look at projects that we've partnered
9 with and worked on before, we look at the Willows
10 Apartments here in Austin where most of the units are
11 occupied, if not all of them, by persons with
12 disabilities, and they provide direct services to those
13 individuals to help them. Whether it's access to job
14 training, access to medical services and other things,
15 they are tailored specifically to those special needs that
16 those individuals have.

17 MR. JONES: Seems like that would affect not
18 just getting people housing but getting people to do
19 programs for those who are in the houses. That just adds
20 another burden, necessary maybe, to develop a project.

21 MR. DANENFELZER: It certainly can, and many
22 developers, I'll admit, don't like -- I shouldn't say
23 don't like supportive housing, but they find it difficult
24 because their expertise is primarily providing housing,
25 not the services. But we have worked with and we do

1 continue to work with a number of developers who have
2 found good partnerships with service providers. Our Texas
3 Foundations Fund often provides additional funding to
4 owners and operators of housing to provide special
5 services to their tenants and clients.

6 And we think that overall when we look at the
7 types of housing that are developed, we've had permanent
8 supportive and service-enriched housing as one of our
9 targeted housing needs in our bond program for close to
10 ten years now and we have never actually financed a
11 project, primarily because it does add additional costs,
12 they are difficult, and there's not many developers
13 interested. But through this general partnership program
14 and the ability of us to bring some additional tax
15 benefits or tax exemptions to the properties, we're hoping
16 that those developers who do target those properties will
17 find there is a financial benefit of partnering with the
18 Corporation and making those units possible.

19 MR. ROMERO: My question was -- and I
20 appreciate that -- I don't have an issue with the 10
21 percent, it's more the language. I just kind of want to
22 figure out how do you anchor that to something that's
23 being used consistently and not open to interpretation by
24 others because you didn't include everything in there.

25 MR. DANENFELZER: I appreciate that, that's a

1 good comment, and I will say we have a little bit more
2 detail within our actual multifamily bond policies of what
3 we mean by service-enriched, but I'll look at expanding
4 upon that in future versions.

5 MR. ROMERO: Maybe just a footnote or something
6 to identify so that people can't come say, well, to me
7 this is service-enriched housing, but it's not in the
8 definition.

9 MR. DANENFELZER: Absolutely. And I think
10 that's an excellent point. We'll work on that.

11 MR. JONES: I remember sitting on a
12 transportation authority board and they went from
13 handicapped to disabled to physically challenged. This is
14 basically the same thing, this sounds like it's expanding.

15 MR. DANENFELZER: Yeah, and we deal with it
16 because this is the language or the type of wording that
17 people are using today and that is often used by the
18 HHSCC, as I described, and other state agencies, and we
19 want to make sure that we use those familiar terms. But
20 you're right, we need a better definition within the
21 guidelines.

22 MR. JONES: Okay.

23 MR. DANENFELZER: So to continue where I left
24 off, we also are looking at the project's to also attain
25 really a standard that was set by the Fair Housing rules

1 for accessibility back in 1993 but oftentimes are
2 overlooked because of certain loopholes. We are requiring
3 that especially new construction on ground floor units be
4 made accessible but we also would ask that existing
5 properties look at making sure that those units are at
6 least visitable, meaning there's a no-step entry and that
7 there's at least one bedroom and bathroom on the first
8 floor so that households can live there if they do have a
9 disability in the future or even just move in initially.

10 Typically projects are only required to set
11 aside five percent of their units but we're not asking
12 them to set aside these units, just to make sure that
13 people can visit them and utilize those if they need them.

14 MR. ROMERO: I have a question for you on that.
15 You said five percent. Is that the norm or is it three?

16 MR. DANENFELZER: Well, the federal law is that
17 they have to design at least five percent of the units
18 that meet physical accessibility standards. At least two
19 percent of those five need to be accessible for people
20 with hearing and visual impairments. Oftentimes what we
21 find, though, is older projects the developers will say,
22 well, we only have three units out of 100 that are
23 accessible, we're going to ask for a waiver. They're
24 often granted that waiver, but we would like to make sure
25 that we're not just passing that over as a loophole and

1 making sure that if we're, again, providing a significant
2 financial benefit to these properties by partnering with
3 them, that we're also reaching a higher standard than
4 they're required to without our help.

5 MR. JONES: This may be beyond the scope of
6 what we're talking about, but how do you do a unit for
7 somebody with hearing?

8 MR. DANENFELZER: One of the ways actually is
9 simply to have fire alarms with lights on them, so a smoke
10 alarm or a fire alarm would also have a light actuated
11 event. For hearing, there may also be doorbells or other
12 access that has visual cues to make sure they know that
13 there's someone at the front door because the lights are
14 flashing. They might have a flashing bulb in lamps. A
15 lot of those retrofits today are actually quite easy.
16 They can actually get wireless systems where you can plug
17 in a lightbulb in every room that will flash when the
18 doorbell rings, which makes it extremely easy to retrofit
19 existing homes.

20 So I was going to say that the rest of the
21 guidelines, I think, are a little bit detailed, but again,
22 the purpose of the rest of the guidelines is to show
23 developers and potential partners what we plan to do, how
24 we plan to structure these partnerships, and to give also
25 a guideline on how we want to move forward. We feel that

1 that's a really important thing. We've talked with a
2 number of developers over the last couple of years who
3 have wanted to do these projects and the lack of
4 guidelines has often allowed them to kind of propose these
5 coordinations rather than allowing us to kind of drive the
6 discussion by planning in advance.

7 We've spent a lot of time with our legal
8 counsel, bond counsel, issuers counsel and others to get
9 guidance on this. We think we have a pretty flexible
10 system, we're not cornering ourselves too tightly, I
11 think, into one specific path, but I think we also have
12 answered about 90 percent of the questions that a
13 potential partner would have if they wanted to ask us to
14 be partners.

15 MR. ROMERO: Another question for you. Under
16 Section 4, line item e, Developer Fee: for participating
17 as a general partner, the Corporation will receive a
18 reasonable proportion 20 to 35 percent. Why the range?

19 MR. JONES: What are you looking at, Jerry?

20 MR. ROMERO: I'm looking at Section 4, line
21 item e.

22 MR. DANENFELZER: We did have a lot of back and
23 forth on that one in particular. Particularly we talked
24 about whether or not to have a minimum, whether or not to
25 have a maximum. What we were trying to do in there is to

1 say that this is what we consider reasonable for these
2 types of developments. We looked at a lot of different
3 options. There have been a number of these what I call
4 public general partnerships in the last several years, and
5 what we've found is that the range really is around that
6 20 to 35 percent. In rare cases there are others that do
7 higher or lower, but we kind of felt that we should set at
8 least a range initially for what we meant reasonable is.
9 That doesn't mean we can't try to negotiate for higher,
10 and it might also mean that we might lower it at some
11 point, but what we found is that those that are outside of
12 those ranges have additional circumstances where they may
13 be a public general partner and ultimately they're also
14 the developer so they're getting 100 percent of the
15 development fee.

16 MR. ROMERO: I'm not so much concerned about
17 the percentage, I'm just wondering are we picking winners
18 and losers. Is there subject criteria that we're looking
19 at that's going to dictate it should be 30 percent versus
20 25 percent?

21 MR. DANENFELZER: I hadn't really thought of it
22 in that perspective before. I think that our goal, again,
23 was just to set sort of a range so that people looking at
24 these guidelines that wanted to attract us as a general
25 partner would kind of know where our starting point was.

1 I kind of look at it as if, you know, if you're going to
2 try to kick a field goal and there's no goalpost to kick
3 through, what are you going to target. And so I think
4 with this it provides a target for potential partners, and
5 if we want to expand those goalposts at some point we can,
6 or if we want to shrink them we can.

7 MR. JONES: But I don't hear you saying that
8 you have the criteria that would determine that it would
9 be 20 or 35.

10 MR. ROMERO: This is the banker talking in me
11 because I'm looking at it as fair treatment. You know,
12 you've got two similar projects and one is going to be at
13 20 and one is going to be at 35. Why?

14 MR. DANENFELZER: Well, to that point I would
15 say it would really depend on -- it depends on a lot of
16 the other things that we're being asked to do. If we're
17 able to bring a much greater financial benefit through
18 providing the nonprofit general contractor, through the
19 Land Trust ownership and through other tax benefits to the
20 partnership, we'd likely probably say, hey, we should get
21 more. On the other hand, if we're looking at a much
22 smaller property that may be 50 units but is providing 20
23 or 30 percent of the units for extremely low income
24 households, we might also agree that because of the
25 additional public benefit, we should take a smaller

1 portion of that developer fee and make sure that we can
2 expand the mission over our financial return.

3 MR. ROMERO: And I think what you're saying
4 right now is kind of a precursor to developing those
5 guidelines so that you can get a better idea of where
6 you're going to get in with that fee.

7 MR. DANENFELZER: And until we actually do a
8 few of these deals, we really don't know what the
9 developers are going to come at us with. We've looked at
10 other projects but ultimately the bond markets, the
11 housing markets change rapidly, and we've seen in the last
12 few months that housing credit prices have gone from \$1.15
13 to 50 cents in some areas of the U.S., and we've seen
14 interest rates increasing and we just really don't know
15 what the developers are going to bring to us over the next
16 few years.

17 MR. JONES: But I do agree that the more weight
18 we put behind it, the more of the fee. Yes.

19 MR. DANENFELZER: Right. If we're putting more
20 into it, we should get more fee, but if we're putting less
21 into it or we want to expand our benefit, I think we can
22 all agree that we might be able to take a little less of a
23 cut to expand our mission.

24 MR. JONES: Like \$45 a door.

25 (General laughter.)

1 MR. DANENFELZER: May be.

2 Well, I was going to say that really concludes
3 my comments on the guidelines unless there's any more
4 questions.

5 MR. JONES: What's the next step?

6 MR. DANENFELZER: The next step really is that
7 we will go ahead and post these officially on our website
8 available for the public to view, and we'll use these as,
9 again, guidelines for our discussions with future
10 development partners. And I will admit my hope is that we
11 might review this in the fall when we look at our
12 policies, our annual policies for bonds, and we may try to
13 roll these into those policies. But there's always a
14 little balance: once you make it a policy, then it
15 becomes harder to kind of negotiate certain terms because
16 when we ask you guys to approve a policy, that means
17 that's the rule and there's really no bending or breaking
18 it. We want to be able to have as much flexibility when
19 we negotiate these things as we can, so that's why we
20 brought them as guidelines at this point.

21 MR. JONES: Any other questions?

22 MR. ROMERO: So based on comments from
23 developers, as we move this process forward hopefully
24 we'll start seeing some business out of this, but then you
25 can come back to us and say, okay, because we've discussed

1 this with developers on actual deals, we want to make
2 these types of changes.

3 MR. DANENFELZER: Exactly.

4 MR. JONES: Okay. Is there a motion to approve
5 these guidelines as presented in tab item 2?

6 MR. EVENWEL: So moved.

7 MR. ROMERO: Second.

8 MR. JONES: It's been moved and seconded. Any
9 further discussion or comment from the Board?

10 (No response.)

11 MR. JONES: Any public comment?

12 (No response.)

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

15 (A chorus of ayes.)

16 MR. JONES: Presentation, discussion and
17 possible approval of a \$700,000 loan to the Texas Housing
18 Foundation for the acquisition of the Sagebrush Apartments
19 in Brady, Texas.

20 MR. DANENFELZER: Again, David Danenfelzer,
21 senior director of Development Finance.

22 Today we're bringing you another loan. We've
23 had quite a flurry of activity in our loan programs in the
24 last few months, and we're quite happy about that. This
25 particular project is located in Brady, Texas, called the

1 Sagebrush Apartments. I think a lot of the background is
2 in the report that you were provided in the board book.
3 I'll note a few key points.

4 This is a project that we did finance
5 originally when it was constructed in 2003. The
6 Corporation provided a loan to the project and it also
7 received 9 percent competitive housing tax credits. The
8 developer at that time was DF Affordable Housing, and they
9 continue to own the property at this time. The property,
10 though, is reaching its 15-year initial compliance period.

11 Tax credit developments generally look at refinancing or
12 potentially selling after 15 years because the tax credit
13 benefit at that point has generally been exhausted for the
14 developer and the development partners, so at this time it
15 is up for sale. This property, along with another one
16 that was done by the same developer in Stephenville is
17 available for sale to any eligible developers.

18 In this case for the Sagebrush Apartments, a
19 developer, Texas Housing Foundation, whom we've worked
20 with before, is looking to purchase and has submitted a
21 contract and offer to DF Affordable, the current owner.
22 We'd like to keep this property in our portfolio, frankly.
23 We know at the sale it would go out of the portfolio but
24 we'd like to continue to monitor and keep it affordable.

25 Brady is a great little town. Based on some

1 recent comments, I've added some mileage but it's about
2 130 miles northwest of Austin and about 70 miles southeast
3 of San Angelo. It is the county seat for McCullough
4 County, and there's actually quite a lot of activity, not
5 only because it's the county seat but they have some
6 interesting roles in the oil and gas exploration business.

7 They have one of the largest manufacturers of oil and gas
8 equipment that's actually used for fracking in the country
9 and they sell that equipment around not only the U.S. but
10 the world. And also, a rare source of silica used in
11 fracking is based in the Brady area, and they not only
12 mine that but also refine it for use in fracking and other
13 industrial purposes. It's one of those great little towns
14 you can drive through and think the only thing is a Dairy
15 Queen but once you really dig under surface, there's a lot
16 going on in Brady these days.

17 MR. ROMERO: Do they have a Taco Bell?

18 (General laughter.)

19 MR. DANENFELZER: I have a guest here as well,
20 Mark Mayfield, who is the executive director and president
21 of Texas Housing Foundation. You've met Mark before with
22 the THF Gateway Northwest property we did in Georgetown,
23 as well as the THF Palladium property we did in Midland.
24 Mark operates sort of a statewide public housing agency
25 and nonprofit builder-developer. And I'll actually give

1 him a moment now to tell a little bit more about him and
2 about this project.

3 MR. MAYFIELD: Thank you. I'm always humbled
4 when somebody says I'm a developer. I run a housing
5 authority, and just through years of doing this work
6 realized the pitfalls of trying to create housing out of
7 the urban areas into the rural areas, and it's a very
8 tough, tough thing to do. And because of that, we've just
9 really kind of focused on the more rural areas of the
10 State of Texas, primarily started out in Marble Falls. I
11 started originally as the director at the Marble Falls
12 Housing Authority and in June will be my 38th year there,
13 and the Texas Housing Foundation was birthed through the
14 work there at the marble Falls Housing Authority and just
15 primarily to become a good friend to developers and
16 lenders across this state and to meet the needs of housing
17 out in the rural areas within the state.

18 We are currently developing with a development
19 partner a new 72-unit 9 percent deal in Brady. I don't
20 know if that is what triggered the current owners of
21 Sagebrush to want to sell but about the time we broke
22 ground, closed our deal there in Brady and started
23 construction, we were told that this property, Sagebrush
24 Apartments, was on the market. We were approached by the
25 city, the mayor and the city manager actually asked if we

1 would try to purchase that property. We have a great
2 working relationship with them, and we do with multiple
3 communities across the state. And they wanted to keep it
4 affordable, they wanted to do the things that's being
5 done, and they knew the track record that we had as an
6 organization and they wanted to continue that into the
7 future.

8 So we began to start looking at it, and
9 frankly, we're struggling primarily because of our new
10 development going up. People were somewhat scared of the
11 Brady market, and then David contacted me regarding the
12 loan and that's kind of what brought us in here with you
13 guys, and very grateful to be here. I thoroughly,
14 thoroughly enjoyed working with your staff here. They're
15 not only people that I work with but they're good friends
16 of mine. So I appreciate the opportunity. We will do a
17 good job with that property.

18 We need a couple of years to where we can get
19 formal financing for it. The owner was kind of ready to
20 get it closed, and I said, Well, it doesn't quite work
21 that fast, it takes a little bit of time, but this is a
22 good 24-month period to where we can seek out that
23 financing and that will be had, and I think that by that
24 time our new property that's under construction will be
25 completed and leased up and people will know that the

1 Brady market is certainly a market that's worth their time
2 and their money.

3 So I appreciate the opportunity to be here, and
4 any questions you have I'd be happy to answer them, do my
5 best to answer them.

6 MR. DANENFELZER: Any questions about the
7 write-up?

8 MR. JONES: Well, I read everything in the
9 write-up, and I'm hearing him say two years and then
10 they're getting started. Is it minimum risk exposure,
11 especially for you because you guys will have your name on
12 everything, and then there's the loan part for us.

13 MR. DANENFELZER: Staff does see that our risk
14 for this, because it is a bridge loan, we're only going to
15 be in the project for two years, is relatively minimal.
16 Mark, as well as a lot of other developers, have used
17 bridge loans similar to this in the past to secure
18 properties while they work through more complicated
19 financing, particularly the FHA model that Mark is
20 proposing. But we've also worked through the FHA process
21 on a number of other transactions in the past. Many of
22 the bond deals we've looked at over the last several years
23 have included FHA financing, so it is a consistent process
24 and there's a good deal of understanding of it.

25 But as Mark noted, in this particular case the

1 developer wants to sell, they want to get out sooner than
2 later, and because the FHA process generally can take at a
3 minimum six to nine months but sometimes a year, it's just
4 not fast enough for the seller, and so this bridge loan
5 enables Mark and his investment partners to go ahead and
6 secure the property, get it and then move it through the
7 FHA process in a less strenuous process but also make sure
8 they can get it right.

9 MR. JONES: Which in effect guarantees the
10 affordability of the units.

11 MR. DANENFELZER: And that helps to guarantee
12 that affordability long term. Exactly.

13 MR. JONES: Any other questions or comments?

14 MR. MAYFIELD: Excuse me.

15 MR. JONES: Go ahead.

16 MR. MAYFIELD: One of our biggest issues going
17 out into some of these rural areas is making a 48-unit or
18 a 60-unit property feasible, that's always a tough thing.
19 And also, to provide the level of resident services that
20 you were just speaking of, that's something that's very
21 much a part of what we do, we're very engaged in that.
22 And so building the 72-unit complex that's under
23 construction as we speak and adding the 60 just makes the
24 economy of scale so much easier for us. This is something
25 we're really excited about being part of, and appreciate

1 your participation.

2 MR. DANENFELZER: Before you move to the next
3 step, I would like to make two small amendments to staff's
4 recommendation that the Board has. The Loan Committee
5 during its review yesterday added two additional items
6 that they asked me to enter into the record.

7 MR. JONES: As part of the recommendation.

8 MR. DANENFELZER: As part of the
9 recommendation. In addition to the bullet points that are
10 in the recommendation and the recommendation for award, we
11 would like to add that quarterly payments of interest will
12 be due during the term of the loan, and that was something
13 we had pre-negotiated with THF and Mark, and so that is
14 acceptable to both the borrower and the lender.

15 In addition to that, the Loan Committee has
16 requested that we get additional financial details,
17 including but not limited to audits or other
18 documentation, to make sure that we can review some of the
19 details in THF's financial standing. THF is a very large
20 organization, they do get audits on each individual
21 property that they own and each partnership they're
22 involved in, but they get a compilation report of all
23 those separate audits as sort of encompassing of all their
24 business. And our loan committee had requested that we
25 get additional details on the compilation report, if not

1 directly in the form of an audit of all those activities.

2 MR. JONES: Just a separate audit or the part
3 that was audited before?

4 MR. DANENFELZER: Essentially what they do
5 right now is each individual property has an audit and
6 they get a compilation report of each of those audits.

7 MR. JONES: And you want to see the total.

8 MR. DANENFELZER: But we'd like to see further
9 analysis and audit of all the activities, the parent
10 entities.

11 MR. JONES: That's you.

12 MR. DANENFELZER: That's Mark.

13 MR. JONES: They want to do a total audit. Is
14 that time-consuming, is that expensive?

15 MR. MAYFIELD: Yes. We have always been --
16 we've just never done that, we felt like it wasn't money
17 well spent. Basically it would be the audit of audits.
18 Everything we do is a partnership and every partnership we
19 have is audited, and so our audit firm that audits all of
20 our partnerships puts together a compilation and that is
21 our financial report that we give to the groups that we
22 work with. I did, upon hearing that recommendation, get
23 our auditing firm to give us a quote of what they would
24 charge us to audit the entire deal, and it's \$30,000, and
25 even our auditing firm says you don't need to do that.

1 But if it's required, we will; we don't want to but we
2 will.

3 MR. JONES: And you want to audit the auditors
4 who audited each individual process. And what was the
5 reason? I understand the level of protection that would
6 give us.

7 MR. DANENFELZER: And I think the main
8 questions of the Loan Committee actually came that while
9 each of the sub-entities has their own individual audit,
10 we did not have understanding, because there's no audit of
11 the parent organization, where that most of that money
12 does flow and how that parent organization manages that
13 funding at the very top.

14 MR. ROMERO: We were asking in order to paint a
15 picture of the interactions between the parent company and
16 all the subsidiaries.

17 MR. JONES: So that's an added \$30,000 to the
18 cost of the project for that. Do we get it over time?

19 MR. DANENFELZER: We would work with them to
20 look at that over time. The Loan Committee recommended
21 that we get that during their next regular cycle or
22 sooner. That should come up in June is your next regular
23 audit?

24 MR. MAYFIELD: Well, generally our compilation
25 is prepared after all the audits are done at the first of

1 the year and then they'll do the compilation. We usually
2 receive that in June or July, so that would be the time
3 frame that the audit would be available.

4 MR. JONES: But everything moves forward
5 depending and hypothetically is not ready, then what
6 happens?

7 MR. DANENFELZER: I would go back to the Loan
8 Committee and executive to make sure what progress we've
9 already made and information we have is sufficient to
10 continue with the closing.

11 MR. ROMERO: If I'm not mistaken, the
12 discussion we had in the Loan Committee was that we didn't
13 want the request of audited financials to impede the
14 ability to close on this deal, but we did want to receive
15 financial audits at some point in time in the near future.

16 MR. MAYFIELD: And we can certainly have a
17 commitment for that audit to be forthcoming, it just would
18 not be available right away.

19 MR. ROMERO: We didn't want to impede the
20 process of actually closing on the deal.

21 MR. JONES: Well, I'm not in the meeting so I
22 have to ask now.

23 Anything else, Mr. Danenfelzer?

24 MR. DANENFELZER: No. That concludes my
25 comments.

1 MR. JONES: Okay. Jerry's got his hand and his
2 face in the place, I trust in you.

3 MR. ROMERO: I'd like to make a motion to go
4 ahead and approve the loan request as recommended by the
5 Loan Committee.

6 MR. EVENWEL: Second.

7 MR. JONES: Moved and seconded. Any further
8 questions, comments?

9 (No response.)

10 MR. JONES: Any public comment on this item?

11 (No response.)

12 MR. JONES: Hearing none, motion to approve,
13 all in favor say aye.

14 (A chorus of ayes.)

15 MR. MAYFIELD: Thank you very much.

16 (General talking and laughter.)

17 MR. JONES: Item 4: Presentation, discussion
18 and possible approval of the Texas State Affordable
19 Housing Corporation's 2017 Annual Action Plan.

20 MR. ROMERO: If I can make a recommendation so
21 we don't spend a lot of time on this, this is the same
22 thing we do every year, is there a lot of change from the
23 prior year?

24 MR. WILT: From the prior year?

25 MR. ROMERO: The last time we submitted it.

1 MR. WILT: Well, this was submitted as a draft
2 form at our December Board meeting.

3 MR. ROMERO: I'm sorry. To TDHCA for
4 incorporation last year into the action plan.

5 MR. LONG: This is part of that process.

6 MR. ROMERO: I know, but don't we do it on an
7 annual basis?

8 MR. LONG: Yes.

9 MR. ROMERO: So I'm asking the draft that we
10 have here, how different is it from the last one we
11 submitted to TDHCA?

12 MR. WILT: Well, we haven't submitted anything
13 to TDHCA for the 2017 State Low Income Housing Plan. Are
14 you asking what changes have been made now?

15 MR. ROMERO: Yes.

16 MR. WILT: I can go through those real quick.

17 MR. ROMERO: Okay, good.

18 MR. WILT: I'll make it as fast as possible.

19 MR. ROMERO: That's okay. I was just wondering
20 because, I mean, it's really a lot of the same thing.
21 Right?

22 MR. WILT: Yes. There are four changes.

23 MR. JONES: As a rule, we normally go over
24 what's different from the last time.

25 MR. WILT: Right.

1 MR. JONES: Did you highlight these in the
2 thing?

3 MR. WILT: That's what about I'm going to go
4 through real quick. I'm Michael Wilt, by the way,
5 External Relations manager.

6 MR. JONES: Normally we get your changes in red
7 or blue. Right?

8 MR. ROMERO: This is not a redline copy,
9 though.

10 MR. WILT: It's not a redline copy. We wanted
11 it in final draft form.

12 On page 6, the number of homebuyers we assisted
13 in 2016 has been updated to reflect all of our activity
14 during the calendar year 2016.

15 MR. JONES: Are you talking about paragraph 2,
16 page 6?

17 MR. WILT: Yes. Paragraph 2, it's the 1,791
18 families. The prior number was only through October 31 of
19 2016.

20 On page 10, if you look at the chart at the
21 very top, the amount of loan funds approved, that 2016
22 number changed from \$2,950,000 to \$3,950,000. If you look
23 at the footnote at the bottom, that reflects the \$1
24 million loan that you approved for CDC Brownsville in
25 December. That's the only change on that page.

1 MR. ROMERO: Michael, going back, so the one on
2 top does that include The Chicon project?

3 MR. WILT: Yes, it does.

4 MR. LONG: That's correct.

5 MR. ROMERO: Thank you.

6 MR. WILT: That's for Chestnut Neighborhood
7 Revitalization Corporation.

8 On page 12, in the third paragraph, the
9 \$43,613,142 in Multifamily Private Activity Bond activity,
10 that number was changed, and it reflects the fact that we
11 did not move forward with the Brooks Manor West Columbia
12 deal in 2016.

13 MR. JONES: So it's changed from what to what?

14 MR. WILT: I don't have all the numbers.

15 MR. JONES: This is the changed number.

16 MR. WILT: That's the changed number. It was
17 upwards of \$4 million, maybe a little bit more. It's been
18 reduced by that number.

19 And then in the footnotes below you will see
20 that we do not reference Brooks Manor anymore. And the
21 total number of units has been changed as well, from 520
22 to 470.

23 And then on page 14, in the very last paragraph
24 at the bottom we have purchased and leased 15 single
25 family homes. As Mr. Long noted in his president's

1 remarks, we closed on a home in January, so that number
2 changed from 14 to 15.

3 That's it.

4 MR. JONES: You did good.

5 MR. WILT: In order to meet the deadlines for
6 submission to TDHCA and also to the elected officials,
7 we're asking for your approval today, and I'll take any
8 more questions.

9 MR. JONES: Board, involving item 4?

10 MR. ROMERO: I move to approve as presented.

11 MR. EVENWEL: Second.

12 MR. JONES: Moved and seconded. Any further
13 discussion or questions?

14 (No response.)

15 MR. JONES: Hearing none from the Board, any
16 from the public comment?

17 (No response.)

18 MR. JONES: Hearing none also, all in favor of
19 the motion to approve say aye.

20 (A chorus of ayes.)

21 MR. JONES: Thank you, sir.

22 MR. WILT: Thank you.

23 MR. JONES: Review, discussion and possible
24 approval of the 2016 annual performance review of the
25 president of the Corporation and related actions. What

1 time is it? It is 11:30, and under Texas Government Code
2 Section 551.074, personnel matters, this Board will go out
3 of session to go into closed session.

4 (Whereupon, at 11:30 a.m., the meeting was
5 recessed, to reconvene this same day, Thursday, February
6 9, 2017, following conclusion of the closed session.)

7 MR. JONES: It is 12:26, and the Board of
8 Directors of the Texas State Affordable Housing
9 Corporation is going back into open session. No action
10 was taken during our closed session meeting.

11 Item 5 is: Review, discussion and possible
12 approval of the 2016 annual performance review of the
13 president of the Corporation and related actions. Board,
14 what is your pleasure?

15 MR. ROMERO: Mr. Chairman, we've had an
16 opportunity to review the president's performance and
17 evaluation, and I'd like to go ahead and make a motion to
18 approve the review and recommend an increase in salary for
19 the president based on his performance.

20 MR. EVENWEL: Second.

21 MR. JONES: It's been moved and seconded. Is
22 there any more discussion of the Board?

23 (No response.)

24 MR. JONES: Is there any public comment
25 regarding item 5?

1 (No response.)

2 MR. JONES: Hearing none, all in favor of
3 approving the motion as made say aye.

4 (A chorus of ayes.)

5 MR. JONES: Any opposition?

6 (No response.)

7 MR. JONES: Thank you, gentlemen.

8 At this time, Mr. President.

9 MR. LONG: Again, Mr. Chairman, we have no
10 other items for closed session, and we don't have any
11 existing items outstanding, and therefore, I would just
12 remind you that our next scheduled Board meeting is
13 Thursday, March 9, the second Thursday of the month, and
14 we'll coordinate with staff and Board members to make sure
15 we'll not only have quorum but also that we have agenda
16 items appropriate for your consideration. And with that,
17 we're done.

18 MR. JONES: And also, I want to thank Ms. Nancy
19 King for dutifully recording our minutes.

20 And also, again I'd like to welcome Ms.
21 Randall.

22 MS. KENNARD: Kennard.

23 MR. JONES: See, I was looking for my paper.
24 You saw me panicking up here. And welcome aboard, and we
25 look forward to working with you.

1 Hearing no other business, this meeting is
2 adjourned. It's 12:28.

3 (Whereupon, at 12:28 p.m., the meeting was
4 adjourned.)

