

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
July 19, 2018
10:30 a.m.

BOARD MEMBERS:

WILLIAM H. DIETZ, JR., Chair
VALERIE CARDENAS, Member
LORI COBOS, Member
ROBERT "BOB" JONES, Member
JERRY ROMERO, Member

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P R O C E E D I N G S

1
2 MR. DIETZ: It is 10:30, according to Apple,
3 and the July 19 Board meeting of the Texas State
4 Affordable Housing Corporation is called to order.

5 We will go through roll call first. William
6 Dietz, I am here.

7 Bob Jones, Member?

8 MR. JONES: Present.

9 MR. DIETZ: Jerry Romero, Member?

10 MR. ROMERO: Here.

11 MR. DIETZ: Lori Cobos, Member?

12 MS. COBOS: Here.

13 MR. DIETZ: Valerie Cardenas, Member?

14 MS. CARDENAS: Present.

15 MR. DIETZ: Okay. We are all in attendance so
16 we do have a quorum. I'd like to welcome our two new
17 board members, Lori and Valerie.

18 Is there any public comment before the board
19 meeting begins?

20 (No response.)

21 MR. DIETZ: Hearing none, let's go straight
22 into the president's report.

23 MR. LONG: Thank you, Mr. Chairman, members.
24 I'd also like to welcome our new board members, Lori Cobos
25 and Valerie Cardenas. I had the pleasure of meeting with

1 them both prior to the board meeting today and sitting in
2 on the board member training. I appreciate you taking the
3 time to complete that so we could have you here today.
4 That training was conducted by Ms. Kennard, our general
5 counsel. So welcome and thank you very much for serving
6 on our board.

7 Moving on to programs and financial reports
8 listed under tabs A through D in the board book, there are
9 no exceptional items to reference under any of those tabs,
10 but if you have any questions, we'd certainly be happy to
11 answer any questions you might have.

12 As always, the Corporation's loan committee met
13 yesterday on July 18. The committee did not consider any
14 new loans, however, we reviewed reports on the existing
15 loan portfolio and discussed items related to the loan
16 portfolio.

17 Mr. Romero, I always like to ask if you have
18 any other comments or input.

19 MR. ROMERO: Again, we meet and we kind of go
20 over what we've been reviewing for the last couple of
21 months, but I think it's a really good venue for us to
22 continue to improve our processes. We had a good
23 discussion yesterday around interest rates and so forth,
24 so we'll continue to do that as we move forward.

25 MR. LONG: All right.

1 I'd like to give you an update on some of our
2 program areas, so under the Homeownership Program, the
3 Homeownership team conducted Overcoming Down Payment
4 Hurdle classes and webinar classes for over 120 Realtors
5 and housing counselors this last month. Sarah and Delia
6 attended and managed our booth at the Affordable Homes of
7 South Texas Annual Homebuyer Fair in McAllen last month.
8 Staff facilitated the Housing Connection training last
9 month in San Antonio at the San Antonio Branch of the
10 Federal Reserve Bank of Dallas. We had 39 counselors and
11 affordable housing developers attend that. Those
12 counselors and developers represented 31 different
13 organizations from 20 different communities across Texas.

14 I'd like to thank again, I always like to thank
15 them for their participation. The Federal Reserve Bank of
16 Dallas has been a fantastic partner with us in that and we
17 really appreciate their continued support of TSAHC.

18 Single Family Homeownership team also welcomed
19 a new staff member, Frank Duplechain. Frank come on board
20 May 1 and has already become an integral part of our team
21 during his short time with TSAHC, and while Frank was not
22 able to attend the meeting last month and be introduced,
23 we don't ever want to miss the opportunity to introduce
24 him and embarrass him, so we're going to do that here in a
25 minute. So, Frank, please stand and be recognized there

1 in the back.

2 Frank is a self-proclaimed Texas Cajun. He has
3 a BA from Louisiana State University and his background
4 includes account management, mortgage lending, field sales
5 and staff training with both Capital One Bank and Regions
6 Bank. And I'd invite you to take a minute to get to know
7 him because when you do you'll find out that he's a
8 natural presenter, he's got a great personality, and he
9 will be working very closely with Joniel and Sarah in
10 creating program awareness and continuing the Housing
11 Connection training programs and making sure they're
12 successful as they have been.

13 (General talking and laughter.)

14 MR. LONG: Regarding marketing and business
15 development, TSAHC was excited to receive a \$100,000 grant
16 from the Meadows Foundation earlier this week in support
17 of our home repair grants provided through the HEART
18 disaster recovery program. These funds will be matched by
19 \$100,000 from the Rebuild Texas Fund. Total grants
20 available under that program on TSAHC's behalf are a total
21 of \$550,000 and that includes the original \$250- we got
22 plus the \$100,000 match we'll have, we also have \$100,000
23 from the Meadows Foundation I just mentioned, and then
24 \$100,000 that the Corporation's board approved in support
25 of that program as well. So I'd like to thank the staff

1 and congratulate them on getting that award.

2 Each of you also has a copy of our 2017 annual
3 report. I'd encourage you to take some time to look over
4 this year's report, and I'd also like to thank staff,
5 Katie and Laura and other staff that worked on that.
6 That's a combination of all of our resources at work in
7 the State of Texas, and I think they did a really good job
8 putting that report together this year.

9 As I also mentioned earlier, TSAHC held the
10 housing counseling training in San Antonio last month.
11 Every year the training is generously supported by several
12 of our sponsors to recognize our funders. The development
13 team, Katie and group, coordinated presentations during
14 the training which gives our funders the opportunity to
15 meet the training participants and provide information
16 about the community development initiatives. The
17 presentations also gave TSAHC the forum to publicly thank
18 the funders for their support. Those included J.P. Morgan
19 Chase, BBVA Compass, and Insperity, which all had the
20 opportunity to make a presentation to the attendees at
21 lunchtime. We'd also like to recognize all of our housing
22 counselors and we do so in our eNews letter that we put
23 out.

24 Back to the HEART disaster recovery program, we
25 have been able to receive and make awards under that

1 program. Grantees will use 100 percent of their funds to
2 repair owner-occupied homes damaged by Hurricane Harvey.
3 To date the awards have been to Habitat for Humanity
4 Jefferson county, Habitat for Humanity Corpus Christi,
5 Fort Bend Habitat for Humanity, Meals on Wheels and More
6 of Central Texas, and also SUA International [PHONETIC].
7 Those awards range, the ones I mentioned to you range
8 anywhere from \$25- to \$50,000 per organization, so we're
9 excited to have not only the input and interest in the
10 program but being able to put those funds out really means
11 that we're helping give back to the communities that were
12 devastated by Hurricane Harvey.

13 I always like to recognize our professionals
14 and guests that are in attendance. Karen Kennard will be
15 here, it's my understanding she's running a little late.
16 Bill Gehrig and Josh Prywes are here with Greenberg
17 Traurig as well, general counsel for the Corporation. Tim
18 Nelson is here with Hilltop Securities, our financial
19 advisor. She's not going to get away with it, but Cindy
20 Leon is sitting behind me here. She used to be a TSAHC
21 Board member, she left us to go do bigger and better
22 things at DPS, but she also serves as the board
23 representative on the Texas Community Capital
24 organization, and we welcome her.

25 And as always, Mr. Chairman, I'd like to

1 recognize the fact that our next board meeting is
2 scheduled for August 16, and that will be our budget
3 meeting typically, so we will likely have a board meeting
4 in August to make sure we cover that.

5 And with that, I'll conclude my remarks unless
6 there's any other comments or questions from the board.

7 MR. DIETZ: Great. Thank you very much.

8 Any questions from the board?

9 (No response.)

10 MR. DIETZ: Okay. Then we'll move on to the
11 action items. Under tab 1 we have the Presentation,
12 discussion and possible approval of the minutes of the
13 board meeting held last month, June 14.

14 MR. JONES: I move to approve.

15 MR. ROMERO: Second.

16 MR. DIETZ: It's been moved and seconded that
17 we approve the minutes from the June 14 meeting. All in
18 favor?

19 (A chorus of ayes.)

20 MR. DIETZ: Any opposed?

21 (No response.)

22 MR. DIETZ: The motion passes. The minutes
23 from the board meeting held on June 14 are approved.

24 On to tab item 2 which is the Discussion and
25 designation of a vice chair for the Texas State Affordable

1 Housing Corporation Board of Directors. As I think all
2 the board members are aware, we currently do not have a
3 vice chair. I most recently served in that position
4 before I was appointed as the chair. And so it is board
5 decision to appoint a vice chair and typically we have
6 historically selected a board member with a significant
7 amount of tenure for that position. I might suggest that
8 Mr. Romero would be a very appropriate choice for that and
9 I would entertain a motion to that effect.

10 MR. JONES: I move that Jerry Romero's name be
11 submitted as a candidate for board vice chair.

12 MS. CARDENAS: Second.

13 MR. DIETZ: It has been moved and seconded. I
14 guess before we continue, I might ask Mr. Romero if he
15 would be willing to serve.

16 (General laughter.)

17 MR. ROMERO: I am.

18 MR. DIETZ: It's been moved and seconded, and
19 Mr. Romero is willing. All in favor?

20 (A chorus of ayes.)

21 MR. DIETZ: Is there public comment?

22 (No response.)

23 MR. DIETZ: There is no public comment, so now
24 all in favor?

25 (A chorus of ayes.)

1 MR. DIETZ: Okay. The motion passes. Mr.
2 Romero, congratulations as the new vice chair of the Texas
3 State Affordable Housing Corporation. And I just want to
4 thank Mr. Romero for all he's done for the Corporation
5 over the years. He has been an invaluable part of the
6 Corporation and of the Board of Directors, and so thanks
7 for continuing to serve when called upon.

8 MR. JONES: May I make an observation?

9 MR. DIETZ: Yes.

10 MR. JONES: He's worked his way to the top. He
11 was a member and he was a chair. Right?

12 MR. ROMERO: Vice chair.

13 MR. JONES: You never made chair?

14 MR. ROMERO: I made chair after that.

15 MR. JONES: Okay. So you were a member, vice
16 chair, chair, and then a member again and vice chair, so
17 look out, Mr. Dietz, he's coming back.

18 MR. ROMERO: I'm going back to the top.

19 (General laughter.)

20 MR. DIETZ: Well, thank you for agreeing to
21 serve in that capacity.

22 So on to tab item 3 which is the Discussion and
23 possible approval of Audit Committee membership. Also
24 traditionally the vice chair serves as the chair of the
25 Audit Committee. I don't think that that's codified

1 anywhere that I'm aware of, so it doesn't have to be that
2 way but it is a very logical way to handle that because of
3 the nature of what you're doing on the Audit Committee
4 twice a year as you work to formulate our budget and
5 review the audit annually. And so I might suggest,
6 entertain a motion that we name Mr. Romero as the chairman
7 of the Audit Committee. And I guess it could be part of
8 the same motion that we select the second board member
9 that will also serve on that Audit Committee. That has
10 been myself and Mr. Evenwel, who recently retired, and so
11 we really need two new people, two new board members on
12 that Audit Committee. You've probably served on that
13 committee before so we've got at least one with some
14 significant tenure and that has served on that committee
15 before and it may be appropriate to have one of our new
16 board members serve in that capacity. Ms. Cobos is an
17 attorney and I think would be a great fit for the Audit
18 Committee, so I might entertain a motion that we appoint
19 Mr. Romero as chair and Ms. Cobos as member of the Audit
20 Committee.

21 MR. JONES: Second.

22 MR. DIETZ: I would entertain the motion, I
23 didn't make the motion.

24 MR. JONES: I'll make the motion.

25 MR. DIETZ: Great. Is there a second?

1 MS. CARDENAS: Second.

2 MR. DIETZ: Is there any public comment?

3 (No response.)

4 MR. DIETZ: And as before, I'd ask Mr. Romero
5 and Ms. Cobos if you'd be willing to serve.

6 MR. ROMERO: I'm already on the defense, so
7 yes.

8 MS. COBOS: Yes, I'd be willing to serve.

9 MR. DIETZ: Okay. Fantastic. All in favor?

10 (A chorus of ayes.)

11 MR. DIETZ: It is approved. Is there any
12 opposed?

13 (No response.)

14 MR. DIETZ: I heard a unanimous all in favor so
15 it's really unnecessary, so it is approved.

16 We have one other committee. Tell me how we
17 can do this. It's not on our action items but it may be
18 appropriate during this portion of the meeting to consider
19 the board member that is a member of the loan committee.
20 Is that something we can do?

21 MR. GEHRIG: I'm not sure what exactly you're
22 considering. It's not on the agenda.

23 MR. JONES: We can't take a vote on it.

24 MR. LONG: What Mr. Dietz is referring to is we
25 have a Loan Committee that Mr. Romero sat on and we have a

1 committee that's made up of staff and a board member, so
2 we've not in the past had board members vote on it but I
3 think you guys have actually just selected someone without
4 being a resolution or anything like that. But counsel's
5 guidance is it be something that you could probably bring
6 up at the next meeting.

7 And, Bill, you have to come up to the table if
8 you're going to talk.

9 MR. GEHRIG: Bill Gehrig, general counsel.

10 Mr. Chairman and Board, I believe if the board
11 wants to make a decision, make a selection, that that
12 would need to be on the agenda. If you want to discuss it
13 generally, but in terms of actually making an appointment
14 so that people would have an opportunity to publicly
15 comment.

16 MR. DIETZ: Okay.

17 MR. GEHRIG: I'd defer to Karen but Karen is
18 not here.

19 MR. JONES: Did we have input the last time?

20 MR. LONG: We might have. Again, I'm not going
21 to sit here and tell you that I know but I know the board
22 makes the recommendation, I just don't recall what the
23 process was at the last board meeting. It's been a while
24 since we've had a change in the Loan Committee
25 representation from the board, so we would just have to go

1 back and look, but again, with Mr. Gehrig's advice, I
2 think we probably just need to move away from that right
3 now. We can consider it at the next board meeting, Mr.
4 Chairman.

5 MR. DIETZ: Okay. Let's do that. Mr. Romero
6 is currently our representative on the Loan Committee as
7 well, and so I just don't want to overburden him, take
8 advantage of his willingness to serve on behalf of the
9 Corporation, but we'll move on to that at our next board
10 meeting.

11 MR. LONG: We'll make it an agenda item for the
12 next month's meeting.

13 MR. DIETZ: Fantastic, great. Thank you.

14 We're going to move on to tab item 4 which is
15 the Presentation, discussion and possible approval of a
16 resolution regarding the submission of one or more
17 applications for allocation of private activity bonds,
18 notices of intention to issue bonds, and state bond
19 applications to the Texas Bond Review Board, and
20 declaration of expectation to reimburse expenditures with
21 proceeds of future debt for the Casitas Palo Alto Project.

22 MR. MATIAS: Good morning, Chairman, members of
23 the Board. I'm James Matias, senior manager of Asset
24 Oversight and Compliance.

25 With me today is Nick Mitchell, executive

1 director for Community Development Corporation of
2 Brownsville, also known as CDC Brownsville. CDC
3 Brownsville is coming to us today to propose the
4 development of a 120-unit single family rental project
5 called Casitas Palo Alto.

6 The project, which is new construction, will be
7 located in Cameron County just north of Brownsville near
8 the intersection of Interstate 69 East and Highway 550.
9 The total bond amount is anticipated to be \$9.3 million.
10 The bonds will be issued as short term instruments with
11 the proceeds from the sale used to land acquisition and
12 construction. The bonds will be repaid after a one to two
13 year period with an FHA permanent loan.

14 The proposed new construction of the Casitas
15 Palo Alto has a total budget of approximately \$16.2
16 million. The proposed financing leverages tax exempt
17 bonds and 4 percent housing tax credits under a fair and
18 typical financing structure. Approximately \$115,000 will
19 be used for land acquisition costs. Construction costs
20 will be \$10.5 million, or \$87,500 per unit. Financing
21 costs, soft costs, reserves and the developer fee make up
22 the remaining \$5.6 million in the budget.

23 The proposed project will provide 120 units of
24 housing targeted at families earning 60 percent of the
25 area median income or less. The single family homes will

1 consist of two, three and four bedroom single family
2 homes.

3 A little about CDC Brownsville. CDC
4 Brownsville is a private 501(c)(3) nonprofit community
5 housing development corporation. They were founded in
6 1974 and they've been providing safe, sanitary, affordable
7 housing to the citizens of the Lower Rio Grande Valley for
8 the past 41 years. In addition to being one of the
9 largest nonprofit producers of single family housing
10 homeownership in the State of Texas, CDC Brownsville has
11 also expanded into the rental housing development,
12 developing 136 units of affordable housing over the past
13 five years. Currently CDC Brownsville is TSAHC's NSP
14 local partner in Brownsville, including the Olmito Estates
15 Subdivision which is located about a mile away from the
16 proposed Casitas Palo Alto site.

17 As I mentioned earlier, Nick Mitchell,
18 executive director for CDC Brownsville is with me, and
19 he's available to answer any questions you have about the
20 development or briefly talk about the project.

21 MR. MITCHELL: If you don't have any questions,
22 I'll go home.

23 (General talking and laughter.)

24 MR. MITCHELL: Well, I'm Nick Mitchell. I'm the
25 executive director of CDCB. As was stated, we've been

1 around since 1974. CDCB's first mission back in 1974 was
2 to eliminate the 1,800 outhouses that were still in the
3 City of Brownsville. Unfortunately, still to this day
4 we're still doing that, that's still one of our main
5 projects. Actually, you all helped to fund the municipal
6 investment into the Mi Casita Program which is working in
7 the Colonia areas where we are doing new housing and
8 finding still outhouses to replace.

9 But beyond that, obviously we develop and build
10 affordable housing in many of the subdivisions. We've
11 done about 13 affordable housing subdivisions across
12 Cameron and Willacy counties. Our newest subdivision is
13 Palo Alto Groves, which this project is part of. Palo
14 Alto Groves is a 220 acres of land we purchased last
15 summer. We sold 20 acres of that land to the IDEA Academy
16 so they're putting in a brand new school. We are going to
17 develop 674 single family houses over the next eight
18 years, using a very, very creative design and development
19 process in Brownsville, and then we'll do another 400 or
20 so multifamily units, both low income and market rate.

21 The project is right up against the \$10 million
22 Brownsville Sports Park. It's in a highly coveted area.
23 All my development partners around Brownsville are
24 extremely jealous, trying to figure out how I snagged this
25 property and I literally stole it, so we're very proud of

1 that one.

2 So this will be Casitas Palo Alto. It's part
3 of the way we do affordable housing for multifamily
4 development. We do not build apartments, not that we
5 wouldn't, not that we don't own apartments, but when we
6 develop multifamily housing, we take a cue from our
7 renters, and our renters tell us: I don't want to live in
8 an apartment. And we do a lot of time with the market,
9 talking with them, doing market studies, having
10 charrettes, deign charrettes, and learning what they want,
11 and literally every time we meet with them they tell us
12 they don't want to live in an apartment. We get comments
13 like: I lived in Houston back when I was 25 and there
14 were people above me and people below me, and I don't want
15 to live like that. Don't always get that choice but we
16 have that choice here where we're able to develop what we
17 refer to casitas or cottages.

18 We own two of these projects already, one in
19 Harlingen, Texas, 56 units which has been awarded one of
20 the top design awards in the state back in 2013 when it
21 was designed. It also won awards for its drainage
22 solutions, and I know that that sounds kind of weird but
23 when you live in a river delta, like the Rio Grande
24 Valley, dispensing of rainwater is extremely important, as
25 Ms. Cardenas knows. We're always looking out to figure

1 out how to dispense of storm water, so this project won
2 that, and so we continue to design and develop around that
3 area. So there are casitas anywhere from 900 to 1200
4 square feet, twos, threes and fours. We do have some one
5 bedrooms in some of our cottages. And we have 56 units in
6 Harlingen and another 80 unit project in Raymondville, and
7 so this will go into Brownsville and part of the rapidly
8 growing Brownsville market.

9 Very excited about it. It will be one of the
10 first 4 percent tax credit deals done in Brownsville in a
11 very, very long time, and we think we're getting kind of
12 ahead of the curve on this, and we have a brand new
13 development that not only are we excited about but the
14 city and the county are very excited about.

15 MR. ROMERO: The census tract has some
16 characteristics of an upper income census tract. Is it
17 just the ballpark, or is there something else around
18 there?

19 MR. MITCHELL: No. North Brownsville is kind
20 of like where everybody wants to go. Right? So it's kind
21 of like North Austin. Right? So everybody is moving
22 north. As you may grow up in what we refer to as
23 Southmost, but the day you have enough money to move
24 north, you do, and so that's where the city is moving to,
25 and so that comes to be the higher income neighborhoods.

1 We're very committed, Jerry, as you know, committed to
2 mixed income neighborhoods, and we're fond of saying at
3 CDCB that a 100 percent poor neighborhood is a sick
4 neighborhood, but a 100 percent rich neighborhood is also
5 a sick neighborhood, and so if we can do them mixed, we
6 do. And this will be the first mixed income neighborhood
7 in that community that we're very, very excited about.

8 MR. JONES: I see that you initially started
9 back in '74 with single family houses. They were for
10 sale. Correct?

11 MR. MITCHELL: We still do that.

12 MR. JONES: That's what I was going to ask you.
13 You still do that but you expanded into rental houses, so
14 your portfolio of things that you sell versus what you're
15 going to rent, the market is now moving towards and all
16 this that you're doing now is all rental?

17 MR. MITCHELL: No, no. So CDCB itself has six
18 lines of business, one of them is homeownership, and part
19 of our homeownership line of business is our construction
20 company, our real estate company, we're a Texas state
21 licensed mortgage company as well, and then we do housing
22 counseling, we're a very successful housing counseling
23 organization, so that's part of the homeownership. Then
24 we do real estate development and acquisition which is
25 where all of our multifamily rental falls into.

1 We run a school, so we have a Youth Build
2 program which takes 25 to 30 high school dropouts every
3 year and get them job ready and job placed. Self-help is
4 also part of our homeownership program. And then we run a
5 rehab and reconstruction program for homeowners in the
6 Colonias and in rural areas, and then we run a CDFI called
7 the Rio Grande Valley Multibank which the community loan
8 center grew out of our shop.

9 And we've got about 41 overworked people that
10 work for us and rental is just part of it. We do about
11 100 to 120 homeownership projects every year, both
12 building and mortgage financing. And then the goal is to
13 do a tax credit deal or some sort of multifamily deal
14 every year. Lately it's been about one every two years.

15 MR. JONES: Well done.

16 MR. DIETZ: Has this project received any
17 community feedback?

18 MR. MITCHELL: You mean negative feedback?

19 (General laughter.)

20 MR. DIETZ: Positive or negative.

21 MR. MITCHELL: No. We really haven't. When
22 you live in a place where everybody was either poor once
23 or they're poor now, they see a project like this being
24 only better for the community. And we have the reputation
25 of not developing -- if you allow crap to be developed,

1 then that's what gets developed, and we don't allow that,
2 and so people are very happy with us and we really get
3 very little feedback on it. There was more feedback on
4 the school site than there was from us, and they just
5 wanted to see another entrance to the school, so we put in
6 another entrance to the school, but really that was the
7 only negative, otherwise they're very excited about it.

8 MR. DIETZ: Any other questions, comments?

9 MS. CARDENAS: Thank you for your great work
10 down in South Texas.

11 MR. MITCHELL: Thank you. Appreciate it.

12 MR. MATIAS: As a reminder, this is just an
13 inducement and we'll be back for full approval in a few
14 months.

15 MR. JONES: And so what are we approving? I
16 move to approve as written in tab item 4.

17 MR. ROMERO: And I'll second.

18 MR. JONES: But I still would like to hear Mr.
19 Dietz read it all.

20 (General laughter.)

21 MR. DIETZ: Is there any public comment?

22 (No response.)

23 MR. DIETZ: Okay. Hearing none, it has been
24 moved and seconded that we approve the resolution
25 regarding the submission of one or more applications for

1 allocation of private activity bonds, notices of intention
2 to issue bonds and state bond applications to the Texas
3 Bond Review Board and declaration of expectation to
4 reimburse expenditures with proceeds of future debt for
5 the Casitas Palo Alto project.

6 All in favor?

7 (A chorus of ayes.)

8 MR. DIETZ: Any opposed?

9 (No response.)

10 MR. DIETZ: The motion passes.

11 MR. MATIAS: Thank you.

12 MR. DIETZ: So on to tab item 5 which is the
13 Presentation, discussion and possible approval of a
14 resolution regarding the submission of one or more
15 applications for allocation of private activity bonds,
16 notices of intention to issue bonds and state bond
17 applications to the Texas Bond Review Board and
18 declarations of expectation to reimburse expenditures with
19 proceeds of future debt for the Ventura at Tradewinds
20 Apartments.

21 MS. STUBBS: Thank you. Good morning, Board
22 Chair and Board members, and welcome, new Board members.
23 My name is Celina Mizcles Stubbs. I am the manager of
24 Asset Oversight and Compliance for TSAHC.

25 Here with me today is Neal Route with Dominion.

1 He's the senior development associate who will be here to
2 answer any questions you may have about the two bond
3 applications I'm about to present. I will be presenting
4 the bond applications separately and asking for approval
5 separately as well, so we'll be up here for two items.

6 MR. DIETZ: That's tab items 5 and 6. Right?

7 MS. STUBBS: That's correct.

8 Before I get started, I would like to point out
9 that there was a last minute revision to the borrower's
10 name, which is what Lacy has just handed out to you. It
11 was to include the letters T-H-F at the beginning of the
12 borrower's name.

13 With that said, I'll begin with the first
14 application for Ventura at Tradewinds Apartments. On June
15 14 the Corporation received an application from Dominion,
16 Inc. and Texas Foundation to construct Ventura at
17 Tradewinds Apartments. It is a new 204 unit multifamily
18 rental development on the east side of Midland, Texas.
19 The proposed rental development will target individuals
20 and families earning at or below 60 percent of the area
21 median income. The City of Midland meets our
22 Corporation's target housing needs as a small urban
23 market.

24 The proposed development has a total budget of
25 \$42.6 million, which is approximately \$3 million that will

1 be used for land acquisition, \$27.1 million used on
2 construction costs which is roughly about \$133,000 per
3 unit, and \$12.4 million which will be used on financing
4 costs, soft costs, reserves and developer fees. The
5 anticipated total bond amount is \$26.7 million, to be
6 issued as a long term bond with terms between 18 to 30
7 years, amortized over 35 years. If approved, the bonds
8 will be issued and the funds will be used to provide a
9 permanent mortgage to the developer. The bonds are
10 anticipated to be issued through Freddie Mac Tax Exempt
11 Loan Program, known as TEL.

12 I would like to note that the project summary
13 anticipates the bond amount to be \$26.7 million, but in
14 the resolution that was handed out to you, you will see
15 that the Corporation's maximum obligation is expected to
16 be issued at no more than \$30 million, and this is just to
17 anticipate any rising costs.

18 At this time I'd like to have the opportunity
19 to introduce Neal Route and see if he would like to tell
20 us a little bit about himself and a little bit about the
21 property.

22 MR. ROUTE: Sure. Well, thank you for having
23 me here today. It's really a privilege and very much
24 appreciated.

25 The development team for these two deals is

1 comprised of Texas Housing Foundation, which I believe you
2 know, and Dominion Development. So I'm from Dominion.
3 We're a developer based out of Plymouth, Minnesota, so way
4 up north, not quite as hot as it is here today, but
5 nonetheless. So we've been around for 46 years now and
6 over the years have developed or acquired 30,000 units
7 across 22 different states, so this will be our first new
8 construction project within Texas but we have ample
9 experience, having acquired 4,500 units within Texas
10 itself.

11 We're really excited about Midland, really
12 excited about these two projects, and look forward to
13 working with you to get these done.

14 MR. DIETZ: Any questions or comments from the
15 board?

16 (No response.)

17 MS. STUBBS: As a reminder, I'm here today just
18 asking for your board approval for the inducement. Your
19 approval gives us the ability for the Corporation to move
20 forward with public hearings, negotiating bond terms, and
21 finalizing the transaction details before coming back to
22 the board for final approval.

23 MR. ROMERO: I make a motion to approve the
24 resolution as presented.

25 MS. COBOS: I second.

1 MR. DIETZ: It' been moved and seconded, and
2 we're on tab item 5 currently. Is there any public
3 comment?

4 (No response.)

5 MR. DIETZ: Okay. Hearing none, it's been
6 moved and seconded that we approve a resolution regarding
7 the submission of one or more applications for allocation
8 of private activity bonds, notices of intention to issue
9 bonds and state bond applications to the Texas Bond Review
10 Board and declaration of expectation to reimburse
11 expenditures with proceeds of future debt for the Ventura
12 at Tradewinds Apartments. All in favor?

13 (A chorus of ayes.)

14 MR. DIETZ: Any opposed?

15 (No response.)

16 MR. DIETZ: Okay. The tab item 5 resolution
17 passes.

18 And do you have a separate presentation for tab
19 item 6?

20 MS. STUBBS: I do, yes, sir.

21 So Lacy is handing out a revised resolution for
22 tab item 6, our second bond application. It has the exact
23 same revisions to the legal name for the borrower, adding
24 the letters T-H-F to the beginning of the borrower's name.

25 The second proposed project is to construct the

1 Ventura at Fairgrounds Apartments. It is a new 276 unit
2 multifamily rental development in Midland, Texas, located
3 on the west side of the city. The proposed rental
4 development will target the same individuals and families
5 who are earning at or below 60 percent of the area median
6 income, and the city, as I mentioned, also meets the
7 housing small urban market.

8 The proposed development has a total budget of
9 \$57.9 million: approximately \$2.3- will be used for land
10 acquisition, \$39- will be used for the construction costs,
11 and \$16.6- will be used on the financing costs, soft
12 costs, reservations and developer fees. For this proposed
13 development we anticipate the bond amount to be \$35.4
14 million, also to be issued in long term bonds with a term
15 between 18 and 30 years, amortized over 35 years. If
16 approved the Corporation will issue the bonds and use the
17 funds to provide a permanent mortgage to the developer.
18 The bonds are also anticipated to be issued through
19 Freddie Mac TEL program.

20 And I would like to note again that while we
21 anticipate the bonds to be at \$35.4 million, the
22 resolution in front of you will say that our maximum
23 obligation will be \$40 million.

24 Neal, any information on this proposed
25 development?

1 MR. ROUTE: No. I mean, it's more of the same,
2 another project that we're very excited about and look
3 forward to getting constructed here and underway.

4 MR. JONES: It's the same community?

5 MR. ROUTE: No, it's not. So one is on the
6 west side of the City of Midland and one is on the east
7 side. So this one, the larger one, the 276 unit one is on
8 the east side, the one that was previously approved is on
9 the west side.

10 MR. ROMERO: Celina, so you're telling us that
11 you expect to fund about \$35.4 million. Correct?

12 MS. STUBBS: Correct.

13 MR. ROMERO: And the resolution is for \$40
14 million.

15 MS. STUBBS: That's correct.

16 MR. ROMERO: Should the resolution state up to
17 \$40 million, or are you going to issue \$40 million?

18 MS. STUBBS: No. It says the maximum
19 obligation, I believe is the wording. So we expect it to
20 be closer to the \$35.4- but if there is any slight change,
21 that would mean that the developer would have to come back
22 to the board to make any changes to that amount, so we're
23 maxing our obligation at \$40- so when the resolution goes
24 to the BRB meeting, that's kind of encompassing if there
25 was any change.

1 MR. ROMERO: I'm just wondering if there
2 shouldn't be an up to \$40 million comment.

3 MS. TAYLOR: This is Janie Taylor, executive
4 vice president.

5 In conversation with bond counsel, which is
6 Norton Rose Fulbright, they didn't think that that was
7 necessary to say that. And again, as Celina stated
8 before, we don't anticipate that it will be for either
9 project to be the amount stated but to save the potential
10 time of coming back if that number changes, all the
11 parties involved felt that it was better to have a larger
12 number that gets approved by the board.

13 MR. DIETZ: And this, just like the previous
14 tab item, is an inducement so you're going to come back,
15 and so we might have a more specific number when you come
16 back.

17 MS. TAYLOR: And that does happen often. When
18 we come back to you the number has changed between what
19 was in the write-up and in what we bring back to you.

20 MR. DIETZ: Thank you.

21 MS. CARDENAS: Now, I know you've done the
22 studies with the percentages of renters, but since there's
23 two different projects going up, tab 5 and tab 6, we're
24 comfortable with the occupancy status of these different
25 projects filling up quickly?

1 MR. ROUTE: Yes. They won't be delivered at
2 exactly the same time, I mean, there will probably be
3 about six months or so between when they're delivered to
4 the market. We have done extensive market research along
5 with a variety of studies to ensure that we should be okay
6 in terms of leasing these both up in a timely fashion.

7 MS. STUBBS: Any more questions?

8 MR. DIETZ: Have you received any feedback from
9 the community?

10 MR. ROUTE: We have received two letters of
11 support for both projects.

12 MR. JONES: From?

13 MR. ROUTE: You may have to help me out here.

14 MS. STUBBS: This is Mark Mayfield. Go ahead,
15 Mark.

16 MR. MAYFIELD: Mark Mayfield with Texas Housing
17 Foundation. We've received a letter of support from both
18 Mayor Pro Tem John Love, as well as Councilman J. Ross
19 Lacy. These are both in their districts and they fully
20 support this effort. We also have another property out
21 there, Palladium Village, which TSAHC is a part of that
22 deal, and when we had our grand opening for that, Mayor
23 Pro Tem Love was saying: Mark, bring us all the housing
24 you can bring us. And so they're very excited. Midland
25 is a booming, booming area, and has become a very diverse

1 area, not just solely relying on oil and gas, so we're
2 real excited to be out there, very excited.

3 MR. DIETZ: Thank you.

4 MS. STUBBS: Thank you, Mark.

5 Any other questions?

6 (No response.)

7 MS. STUBBS: So as a reminder, this is just to
8 ask the board for approval for inducement. We will come
9 back to you in a few months, probably four or five months,
10 to ask for final approval.

11 MR. DIETZ: Great.

12 MR. ROMERO: I'd like to make a motion to
13 approve the resolution as stated

14 MS. CARDENAS: Second.

15 MR. DIETZ: The motion has been moved and
16 seconded for approval of a resolution regarding the
17 submission of one or more applications for allocation of
18 private activity bonds, notices of intention to issue
19 bonds and state bond application to the Texas Bond Review
20 Board and declaration of expectation to reimburse
21 expenditures with proceeds of future debt for the Ventura
22 at Fairgrounds Apartments.

23 Is there any public comment?

24 (No response.)

25 MR. DIETZ: Hearing none, all in favor?

1 (A chorus of ayes.)

2 MR. DIETZ: Any opposed?

3 (No response.)

4 MR. DIETZ: The motion passes.

5 MS. STUBBS: Thank you.

6 MR. ROUTE: Thank you.

7 MR. DIETZ: We'll break for just a minute
8 before we head into tab item 7.

9 (Off the record.)

10 MR. DIETZ: We'll to go tab item 7 which is the
11 Presentation, discussion and possible approval of a
12 resolution approving the Corporation's fiscal year 2019
13 investment policy.

14 MS. SMITH: Good morning. My name is Melinda
15 Smith and I'm the chief financial officer.

16 At last month's board meeting we brought this
17 investment policy to the board and the board approved it.
18 The board is required to approve the investment policy of
19 the Corporation annually per the Public Funds Investment
20 Act and it must be approved by resolution. That was an
21 oversight on my part last month, we did not have a
22 resolution, so we're bringing the same policy back and
23 requesting that the board approve it as it was presented,
24 with the changes that we discussed, for fiscal year 2019
25 with the resolution.

1 MR. DIETZ: So we approved it but we didn't
2 approve it with a resolution.

3 MS. SMITH: Exactly.

4 MR. DIETZ: So we're just going back to
5 formalize that approval with a resolution.

6 MS. SMITH: Exactly.

7 MR. JONES: So we didn't approve it.

8 (General laughter.)

9 MR. DIETZ: Any questions or comments?

10 MR. ROMERO: I'd like to make a motion to
11 approve the investment policy as presented.

12 MS. COBOS: Second.

13 MR. DIETZ: Is there any public comment or
14 comment from the board?

15 MR. JONES: The redline, the change that you
16 made, was that part of the last one or did you make a
17 different change? This is exactly what we approved
18 before?

19 MR. LONG: Exactly what you approved at the
20 last meeting.

21 MR. JONES: Same way, looked the same.

22 MR. LONG: No. As a matter of fact, if you
23 remember during the discussion at that meeting we had a
24 change in the body and you approved that discussion.

25 MR. JONES: All right. This is the change that

1 was recommended by Mr. Romero.

2 MR. LONG: That's correct.

3 MR. DIETZ: Any other public comment or any
4 other discussion or questions from board members?

5 (No response.)

6 MR. DIETZ: Okay. Then it has been moved and
7 seconded that we approve a resolution approving the
8 Corporation's fiscal year 2019 investment policy. All in
9 favor?

10 (A chorus of ayes.)

11 MR. DIETZ: Any opposed?

12 (No response.)

13 MR. DIETZ: Okay. The 2019 resolution is now
14 approved.

15 MS. SMITH: Thank you very much.

16 MR. DIETZ: Thank you.

17 Tab item 8 which is Presentation, discussion
18 and possible approval of the Corporation's amended program
19 guidelines for the Housing and Economic Assistance to
20 Rebuild Texas program.

21 MR. WILT: Good morning, Chairman Dietz, Board
22 members, both our seasoned ones and new ones. I'm Michael
23 Wilt, External Relations manager for TSAHC. I'm here to
24 present tab item 8 which is a discussion of the amended
25 program guidelines for the HEART program.

1 You may recall that this is our grant funding
2 program for ongoing Hurricane Harvey relief efforts that
3 was generously initially funded by the Rebuild Texas Fund
4 operating by the Michael and Susan Dell Foundation. We're
5 administering critical home repair grants through this
6 program and our partner, Enterprise Community Partners, is
7 administering the programmatic grants for it. And you may
8 also recall that we approved guidelines for this program
9 in April, and we are asking you to take another look at
10 those guidelines.

11 Before you is a redline copy of the amended
12 guidelines. There are two changes from the original ones.

13 The first is just to clarify that TSAHC's \$100,000
14 commitment to this program is coming from our unrestricted
15 revenue. The second authorizes TSAHC's president or
16 executive vice president to allow for exceptions to an
17 organization's experience or financial requirements on a
18 case-by-case basis.

19 We based our original guidelines on our Texas
20 Foundations Fund program -- that's our other grant-making
21 program -- and what we discovered is after reviewing three
22 programs of HEART applications that these disaster
23 recovery activities are a little different. Disasters are
24 unpredictable and each disaster requires a different
25 response. It's hard for us to ask someone to have two

1 years of experience in responding to a natural disaster
2 that's something new for them. Some of these
3 organizations have a very strong track record providing
4 services to their community and all of a sudden they're
5 now pivoting and are responding to a natural disaster
6 which was unforeseen, and it might provide new types of
7 services as well or assistance.

8 When it comes to the financial requirements,
9 we've also seen at least one example of a faith-based
10 institution that is providing disaster-related services
11 across the state. They deploy volunteers and resources
12 who respond to events, whether it's wildfires in Bastrop,
13 they responded to the recent flooding in late June down in
14 the Valley in Weslaco and other areas, and they are
15 responding to Harvey on an ongoing basis. They can
16 provide audits for the overarching institution but they're
17 ongoing relief efforts may not be properly reflected.
18 Basically, they mobilize their volunteers and gather
19 resources and then deploy them wherever the natural
20 disaster event is, so the audit that they provided us for
21 the overarching church isn't really going to tell us much.

22 There also may be examples of small
23 organizations, especially in rural areas, that have never
24 been audited in the past just because they're so small,
25 and all of a sudden they get an infusion of resources to

1 respond to an event and they wouldn't have necessarily
2 audits because they've never been that big in the past.

3 These organizations, the small ones and that
4 institution I just mentioned, they merit consideration but
5 unfortunately our current guidelines are a little too
6 restrictive.

7 Lastly, I would add that we have very strong
8 scoring criteria to measure an applicant's proposal that
9 guards against organizations that lack capacity or ability
10 to effectively use the grant funds, so we have some really
11 strong metrics in place to evaluate our applicants. And
12 we also have quarterly reporting requirements to make sure
13 that we can track uses of these funds.

14 With that, I'll take any questions.

15 MR. JONES: So those two are just the two
16 revisions.

17 MR. WILT: Yes.

18 MS. CARDENAS: So on number 6, just so that we
19 ensure as an organization when we're -- I don't have a
20 problem with the president or EVP making exceptions, but
21 within the guidelines do we have what the exceptions could
22 be so that there's no subjectivity in the event of an
23 audit as to say why did we make an exception on this
24 versus not making an exception on a potential application,
25 to say it's this exception, this, this and this, that we

1 can move forward rather than we just think that, well, I
2 think on this one and somebody else thinks on another one?

3 MR. WILT: Right. The only two exceptions we
4 would grant are the two year experience requirement or the
5 two years of audits.

6 MS. CARDENAS: Okay.

7 MR. JONES: And you're saying this should maybe
8 be in writing?

9 MS. CARDENAS: Just something outlined so that
10 there's not anything else that a third one pops up and
11 down the road you're looking at an application saying,
12 well, let's also make an exception on this, and from that
13 leads another exception. Right? I'm just looking at it
14 from an audit perspective, you know, that someone comes in
15 and then there was subjectivity and a lack of fairness as
16 to maybe these other three applicants that had the same
17 characteristics that maybe could have also had an
18 exception, but for whatever reason maybe I was thinking
19 something one day and didn't think that they merited an
20 exception for approval.

21 MR. WILT: We did our best to narrowly tailor
22 the language that we limit it to those two exceptions that
23 I just mentioned. If we need to tighten it up a little
24 bit, I think we can do that.

25 MS. CARDENAS: Just for consideration.

1 MR. JONES: I think the question is is those
2 two exceptions, as you laid them out, are they in writing
3 anywhere.

4 MR. WILT: Yes.

5 MS. COBOS: And correct me if I'm wrong,
6 Valerie, but perhaps some criteria under even the
7 experience. We have the defined exceptions but perhaps
8 some criteria that would guide what that exception for
9 experience would look like.

10 MS. CARDENAS: You know, at the end of the day
11 we want to help people, that's what we're here to do.
12 Right? We just don't want to box ourselves in that we
13 also want to make exceptions, and maybe there's going to
14 be another necessary exception but now we only have these
15 two, and so now what happens? We've also missed helping
16 another family that is very deserving of it. So I want to
17 make sure that we cover ourselves but we also don't box
18 ourselves in. Right? Because exceptions are good, they
19 can be good and bad. Right? So I just want to make sure
20 that if it's just those two then we're basically saying
21 now we're just locked into these two and the president and
22 EVP can make them, and then something else. So maybe
23 there's additional language that -- we've just got to be
24 careful with exceptions, so I don't want to box ourselves
25 in, I want to make sure that we can also help when we need

1 to help, but not add subjectivity also.

2 MR. LONG: Correct. I think as Mr. Wilt has
3 outlined it, the two exceptions that we've identified so
4 far in the review of the applications we've looked at have
5 been those two exceptional situations. We think that the
6 process, the other items in terms of eligibility for being
7 scored will help us define any other -- we're not saying
8 if you don't meet this criteria we're going to give you
9 this exception, so we really are trying to hold everybody
10 to the same standard, but in those cases where someone may
11 not have been able to have met those two items, we want to
12 give an exception where we think that the entity that
13 we're going to support has met, first of all, the other
14 items that are required for eligibility but those two
15 items, and in some instances we find them to be very good
16 organizations who would do well with the funds, they just
17 haven't had the opportunity.

18 And because of the nature of the organization,
19 as Michael said, either they're small and don't get
20 audited on a regular basis or haven't had to deal with
21 something on a regular basis, we think that it would be
22 appropriate for staff to be able to make those awards in a
23 timely manner, and these exceptions, as Michael noted,
24 would give us that opportunity at the executive level
25 only.

1 MR. JONES: So you're saying that not would but
2 could give exceptions on that basis.

3 MR. LONG: Correct.

4 MS. TAYLOR: Janie Taylor, executive vice
5 president.

6 I think that what I should maybe point out is
7 that on the other requirements it would be really tough
8 for us to give exceptions on those, the organization type.

9 MR. JONES: Where are you reading? Excuse me.

10 MS. TAYLOR: I'm sorry. On the very first page
11 under Eligibility Requirements.

12 It would be tough for us to award to someone
13 that wasn't a 501(c)(3), a government entity, or a
14 religious-affiliated organization that's mission-driven.
15 So it would be really difficult for us to award, let's
16 say, a for-profit organization. We just wouldn't do that
17 because of the purpose of the organization of TSAHC.

18 On the second page on the household
19 requirements, we are required by statute to serve those at
20 a certain income, and so we would have a hard time
21 allowing for somebody that is not at low or moderate
22 income for us to serve them. And then for geographic
23 requirements, they have to have been households in those
24 counties that FEMA determined suffered from the flooding
25 from Harvey. So those we don't have a lot of flexibility

1 in those, but the two that Michael mentioned we would have
2 a little bit more flexibility in terms of the experience
3 of the organization and then whether they've had an audit
4 or not in the time frame that we're looking at.

5 MS. CARDENAS: And as long as they're defined
6 in your guidelines, that's really all the same because
7 from past experience you've seen other things lead to
8 other and then that's where the subjectivity is, so if
9 you've got this outlined to say, hey, it's these two.

10 MS. TAYLOR: Right. And the staff does a
11 really good job when they review the applications and they
12 usually if they want to discuss an exception, they'll put
13 it in writing and they'll specify why and they always send
14 an email with that and it's in writing for you all to look
15 at, if those exceptions are made.

16 MR. ROMERO: Janie, just for clarification, you
17 state right now that it would be hard to do an exception
18 for organization type.

19 MS. TAYLOR: That's correct.

20 MR. ROMERO: But yet number 2 specifies that we
21 can do an exception if you're not a 501(c)(3), so that's
22 contradictory.

23 MS. TAYLOR: Well, there are other types of
24 organizations, like governments are not 501(c)(3)s and
25 religious organizations are not 501(c)(3)s.

1 MR. ROMERO: That's covered in number 1, but
2 then in number 2 it says, "Applicants without a 501(c)(3)
3 status [as specified in Organization Type above] must
4 specifically be able to document prior experience with
5 home repair programs."

6 MR. WILT: So that would cover a government
7 entity.

8 MS. TAYLOR: So a government entity and a
9 religious are not 501(c)(3)s, so that's what we're
10 referring to.

11 MR. ROMERO: The reason I bring it up, we had
12 this discussion when we talked about this last month or
13 the month before.

14 MR. WILT: In April.

15 MR. ROMERO: About trying to clarify that
16 because the example at that time was so if someone has
17 done home repair work and they want to get in on this and
18 they're not a 501(c)(3), they can apply, unless you're
19 specifying somewhere that they have to meet 1, 2 and 3 in
20 order for them to qualify to apply for a grant.

21 MS. TAYLOR: So it does say must meet all of
22 the following requirements, the sentence that's right
23 above.

24 MR. ROMERO: Okay.

25 MS. TAYLOR: Under eligibility requirements, it

1 says that they must meet all of the following
2 requirements.

3 MR. ROMERO: Okay. So going back to what
4 Valerie was saying on number 6, if you have four
5 organizations that are applying in the same area and one
6 of them has experience and one doesn't, how are you going
7 to handle that? If there's an exception, are you going to
8 give it to the person that has the experience?

9 MR. WILT: Well, we have a scoring matrix and
10 the total possible points is 50. The financial
11 requirements is a component of that, so we would likely
12 give priority to the higher scoring applicant.

13 MR. ROMERO: Okay.

14 MR. ROMERO: And then I think it kind of goes
15 back to the comments that we made in the past about
16 establishing a baseline. Where is this information coming
17 from that we're using so that, as Valerie mentioned, we're
18 not just pulling stuff out of the blue saying, okay, we're
19 going to create a new exception so that we can help this
20 organization? We just need to make sure there's the
21 foundation from where the exceptions are coming from.

22 MR. WILT: We've reviewed 13 applications so
23 far just on the home repair side and these are the only
24 two issues that we've run into with a handful of them, and
25 it wasn't isolated to our first round of funding these, we

1 saw in batch 2 and batch 3. We don't anticipate seeing
2 any other types of exceptions that would have to be made
3 at this point, and like Janie said, we wouldn't.

4 MR. ROMERO: And my last comment -- and I only
5 say that for your benefit -- we've created a lot of
6 guidelines and a lot of policies and we're constantly
7 going back and revising them and presenting them to the
8 board for approval of the changes.

9 MR. JONES: But I think the exception that he
10 said, Jerry, he said would help these companies. The
11 bottom line is to help the people but not really the
12 companies because if the company isn't qualified, it's not
13 going to qualify, you have to make an exception for
14 otherwise unqualified companies to be involved. So I
15 would say it's not really helping the companies, it's
16 really helping the people. But you have to be otherwise
17 qualified to be considered.

18 I appreciate the matrix. You said how many
19 points you have in the matrix?

20 MR. WILT: Up to 50.

21 MR. JONES: Up to 50. That seems like it would
22 narrow it down to some pretty qualified people otherwise.

23 MS. COBOS: I just have a question as I'm
24 thinking though this. Once a grantee gets the money, are
25 there any safeguards to ensure that the money is being

1 used to make adequate repairs to the home based on
2 adequate costs for materials? I've heard stories about,
3 you know, vendors selling, just upcharging on materials
4 that are being used for these areas that have been
5 stricken by the hurricane, so I'm just trying to make sure
6 that there are safeguards for ensuring that the money is
7 used appropriately for appropriate and adequate home
8 repairs based on reasonable costs for materials and
9 contractors.

10 MR. WILT: Sure. We have a few safeguards.
11 First, in the full proposal application you have to give
12 us a budget worksheet so we can anticipate what your costs
13 would look like. An additional safeguard is our reporting
14 requirements that are quarterly, and with our first round
15 of funding that is set to go out next week, their first
16 report would be due October 1, and you have to document
17 the house as they existed by pictures, stories, and their
18 income certification as well. So these would be the
19 safeguards we have in place. We also have the ability to
20 withhold the entire amount of the grant, we can do it over
21 a couple of installments, so if we're a little uncertain
22 about somebody's capabilities, then we can make sure that
23 they use the first portion wisely

24 MR. DIETZ: Any other questions?

25 MS. CLAFLIN: There's one thing I want to add.

1 Katie Claflin, director of Communications and
2 Development.

3 The one thing I wanted to add to what Michael
4 and Janie presented is to remind the board that the grants
5 provided under the HEART program are not actually
6 competitive grants, so we do accept applications on an
7 ongoing basis, and what we've done is we've created a
8 scoring criteria to confirm that they meet a certain
9 threshold of experience and capacity. And so we could
10 have an organization that has that technical two years of
11 experience and an organization that may not meet that
12 experience requirement, but as long as they both meet that
13 threshold of capacity, we can still award both
14 organizations.

15 And the reason that we set it up that way is to
16 make sure that we get the funding out quickly but this is
17 a response to a natural disaster, we know that the funds
18 really need to be awarded quickly. So I hope that that
19 answers the question that you had earlier, Mr. Romero.

20 MS. COBOS: One other item that I really
21 hesitate to get involved in this nitpickiness, but on this
22 last page of the guidelines there's a typo on
23 cancellation.

24 MR. WILT: We will fix that.

25 MR. JONES: Where?

1 MR. LONG: Misspelled cancellation, "or
2 cancelation."

3 MS. COBOS: "In the delay or cancelation."
4 Cancellation is spelled wrong.

5 MR. LONG: Thank you. Appreciate you pointing
6 that out.

7 MR. JONES: Gerry Evenwel is alive and well.

8 MS. COBOS: I'm getting some vibes over here
9 from seat right now.

10 MR. JONES: That's where Gerry Evenwel sat.

11 MR. LONG: Thank you for pointing that out, Ms.
12 Cobos. We'll take care of that.

13 MR. JONES: If you didn't dot the I, if you
14 didn't cross the T, and that was his chair.

15 (General laughter.)

16 MR. DIETZ: Do we have any additional comments
17 or questions? Does that satisfy everybody with regard to
18 the requirement number 2 and the new eligibility
19 requirement, exceptions, number 6? Is everybody pretty
20 satisfied with that?

21 MR. JONES: I move to approve.

22 MS. CARDENAS: Second.

23 MR. DIETZ: It's been moved and seconded that
24 we approve the Corporation's amended program guidelines
25 for the Housing and Economic Assistance to Rebuild Texas

1 program. Is there any public comment?

2 (No response.)

3 MR. DIETZ: All in favor?

4 (A chorus of ayes.)

5 MR. DIETZ: Any opposed?

6 (No response.)

7 MR. DIETZ: Okay. Motion passes.

8 Tab item 9, Presentation, discussion and
9 possible approval of transfer of certain real estate
10 properties owned by the Corporation to separate legal
11 entities established and controlled by the Corporation.

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

13 I'm going to ask Mr. Gehrig with Greenberg
14 Traurig to make some formal comments just to give you a
15 perspective on what we're going to talk about here. The
16 Corporation, as you know, owns several pieces of real
17 estate in the name of the Corporation, some single family
18 housing that we've acquired over the years with board
19 approval, a couple of office buildings and an apartment
20 complex, and all those are all in our name, and at
21 counsel's direction and advice, Mr. Gehrig is going to
22 give you some further guidance on how we think we might
23 better own those properties and still retain the
24 appropriate exemptions we're looking for and controls.

25 So Mr. Gehrig, if you don't mind introducing

1 yourself.

2 MR. GEHRIG: Thank you. Mr. Chairman, members
3 of the Board. Bill Gehrig, Greenberg Traurig.

4 MR. JONES: Excuse me. May I ask a question
5 first? Why does it say we'll do this is in closed
6 session?

7 MR. LONG: That's the next one. Tab 9 we're on
8 right now.

9 MR. JONES: We're not on 10? So we're still
10 going to go into closed session.

11 MR. LONG: Tab 10

12 MR. DIETZ: Tab 10 we're going into closed
13 session.

14 MR. JONES: Okay. Gotcha.

15 MR. GEHRIG: On another different item.

16 So Mr. Chairman and members of the Board, as
17 President Long stated, right now TSAHC owns a number of
18 real estate properties and they own them directly, and we
19 have recommended, as your general counsel, that we think
20 it would be better to have those owned through affiliated
21 but controlled entities. We sent you a memo on this item
22 and talked about the form, we recommended a form, but the
23 main idea is to limit the Corporation's liability with
24 respect to its own properties. We want to be careful, to
25 the extent we can legally and properly, to limit the

1 liability that might arise with respect to a property to
2 the value of that property as opposed to the value of all
3 of TSAHC's assets.

4 And what that would do, in the unusual but
5 possible unfortunate accident or something that occurred
6 with respect to a property, that would help protect all of
7 TSAHC's general assets which are quite extensive, and
8 instead they would be limited to the property, the value
9 of the property and the related insurance. This is a very
10 common form of ownership for governmental entities and for
11 other types of entities when they're owning real estate.

12 So right now TSAHC owns 19 single family
13 properties, they also own the office building here, they
14 own another office building that's rented to qualified
15 tenants, and then another apartment building. So
16 essentially what we're recommending is that those
17 properties be transferred into one or more entities, and
18 specifically, I think we mentioned in here, the single
19 family would go into an LLC, it's called a Series LLC, so
20 that each single family home would be within its own LLC
21 inside that Series LLC, then the other properties would go
22 into their own LLC.

23 And we wanted to present it to the board
24 because it does involve additional accounting and those
25 entities -- essentially what we're recommending for a

1 number of reasons, including tax reasons, is that they go
2 into limited liability companies as opposed to nonprofit
3 corporations. And there would be basic control, TSAHC
4 would be the sole member of those limited liability
5 companies, and then the board could appoint managers to
6 actually manage them, and it would be roughly
7 approximately one meeting a year with respect to those
8 entities.

9 Now, the important question, as David alluded
10 to, is that you have a tax exemption, a real estate tax
11 exemption for all these properties, and so it's important
12 that that's maintained, and we believe that they will be
13 maintained even if the properties are technically legally
14 owned by separate entities.

15 MR. ROMERO: Question, Bill. A Series LLC,
16 you're proposing that each individual single family home
17 would be its own LLC within the series.

18 MR. GEHRIG: Yes. So the Series LLC -- my
19 colleague here, Josh Prywes, by the way, who I've been
20 working with -- Josh, would you introduce yourself?

21 MR. PRYWES: Sure. Josh Prywes, Greenberg
22 Traurig.

23 A series within a Series LLC is a subunit
24 within the LLC, so for federal tax purposes it's all
25 that's regarded anyways, but think of it just as a subunit

1 within the LLC, so there's separate books and records for
2 each series but otherwise it's just part of one LLC. So
3 the series is actually one LLC but each series within, so
4 each residential property within a Series LLC is its own
5 legal entity.

6 MR. ROMERO: So each one of those single family
7 homes would have their own limited liability and not go
8 against the whole group.

9 MR. PRYWES: That's correct. So the effect is
10 that you're isolating liability for each series in the LLC
11 to its own series, so there's no spillover of liability
12 from one house to the next house within the same LLC.

13 MR. ROMERO: And in creating this Series LLC,
14 would you also include any future purchases?

15 MR. PRYWES: Yes.

16 MR. LONG: Most definitely.

17 MR. ROMERO: What about the other LLCs? What
18 you're proposing, are we going to have to create a new LLC
19 every time, let's say, we buy another building?

20 MR. GEHRIG: A commercial building possibly,
21 yes. We believe that your commercial building, rather
22 than do a Series LLC for each commercial building, you'd
23 do a single LLC.

24 MR. ROMERO: And the multifamily project would
25 have its own? In this case Rollins, LLC, if we buy

1 another one, we would have another LLC?

2 MR. LONG: That's correct. And we would bring
3 those to the board with that consideration because
4 obviously we would need your permission for the
5 acquisition anyway, and we'd just propose it in the
6 ownership structure that Mr. Gehrig is proposing now.

7 MR. JONES: And all of these are rentals.
8 Right?

9 MR. LONG: It could be for ownership as well.

10 MR. JONES: So they would be buying the
11 property from the LLC? I'm just saying we're talking
12 about rental units. Right?

13 MR. LONG: Any property we own which includes
14 the building up the street, the apartment complex, the
15 single family residential, as well as any other offices or
16 buildings we might acquire.

17 MR. DIETZ: But your point, so if we decided
18 to -- let's say if this building was in an LLC and we
19 decided to sell this building for whatever reason, then
20 the purchaser would be buying this building from the LLC.

21 MR. GEHRIG: That's correct.

22 MR. LONG: That's correct.

23 That's right, Mr. Jones. I didn't understand
24 your question, but yes, you're right.

25 MR. DIETZ: Is there any downside to that at

1 all, other than the legal and accounting fees that go
2 along with it.

3 MR. GEHRIG: The "downside" I think is the fact
4 that you do have additional accounting and so in
5 conceptualizing this we want to keep the structures as
6 simple as possible, but still make sure that we have all
7 of the proper legal provisions, protections, et cetera in
8 place, so there is that. And you have to maintain these
9 entities. They're going to have to be approximately --
10 and Josh didn't comment on this -- there might need to be
11 a meeting once a year, there will have to be appropriate
12 resolutions. But we don't think that will be
13 overwhelming. The reason we suggest this, we believe that
14 the protection from liability greatly outweighs some of
15 the accounting issues that have been raised. And those
16 have all been discussed and I believe they have been
17 discussed with your accounting firm.

18 MR. LONG: That's correct.

19 MR. JONES: Question. So we own some single
20 family homes that we rent.

21 MR. LONG: Correct.

22 MR. JONES: Would they be a separate LLC?

23 MR. LONG: Yes. Each home would be an
24 individual LLC under a Series LLC.

25 MR. JONES: So even not just a commercial

1 property but a home that we own that we're renting, should
2 we choose to sell it, they also would buy --

3 MR. LONG: It's anticipated that any property
4 the Corporation owns would become its own individual LLC.
5 In some instances they might fall under a Series LLC
6 which would incorporate similar type properties.

7 MR. JONES: Exactly. So if we acquire a home
8 for sale, we would create an LLC for any property we
9 acquire from here on out.

10 MR. LONG: Essentially, yes, sir.

11 MR. JONES: With the sense that it would have
12 its own LLC and the person would buy from the LLC.

13 MR. GEHRIG: If I may?

14 MR. LONG: Yes.

15 MR. GEHRIG: So in terms of -- for example,
16 let's talk in terms of the Series LLC because you might
17 say, wait a second, we own 19 homes, we're going to have
18 like 30 LLCs? And that's a good question because we don't
19 want to have 30 LLCs. This is the point of a Series LLC
20 for the single family homes because it's really one
21 aggregate legal entity for the state -- it's a fantastic
22 solution for TSAHC on this -- but then inside we're
23 actually allowed to put them into these subunits but it's
24 only one entity for the state, so it's not 19 separate
25 LLCs.

1 MR. JONES: So if the purpose is to shield each
2 one from any liability, why wouldn't they be able to go
3 after the whole umbrella LLC anyway?

4 MR. GEHRIG: Well, somebody could try to but
5 it's very difficult to so-called pierce the veil if you
6 have established the entities and taken proper action and
7 maintained them as appropriate legal entities.

8 Josh, do you have any comments?

9 MR. PRYWES: Yes. For purposes of legal
10 liability, the entity with legal liability would be the
11 specific home, the specific series within the series that
12 is liable for whatever accident, whatever damages there
13 are. There's no reason that, for example, you have Series
14 A and Series B, each representing a home, that Series B
15 would have any responsibility for Series A, or vice versa.

16 MR. JONES: But if the damages or claimed
17 damages were beyond what that individual one had, I would
18 want to go to the parent corporation that owns them all.

19 MR. PRYWES: That's right, and that's why we're
20 doing this in the first place. This structure protects
21 against that.

22 MR. JONES: But they could go to the umbrella
23 LLC, what I'm saying, and not get to TSAHC, so you're
24 laying a layers between them and TSAHC.

25 MR. PRYWES: So the purpose is to create a

1 separateness, a legal separateness between the parent and
2 the subsidiary. And of course, they can seek damages from
3 anyone they want but the fact is the law restricts
4 liability and damages to the entity that actually owns the
5 property. So separating them into a parent-subsubsidiary
6 level and also separating them into brother-sister
7 organizations is how you can isolate that liability, and
8 if the liability is greater than the value, that's it.

9 MR. GEHRIG: Now, remember, Board Member Jones,
10 we've got insurance policies that relate to these
11 properties which is available for any type of losses. This
12 is really to try to prevent an ability to go grab in some
13 kind of dramatic event that would create some massive
14 liability.

15 MR. JONES: So I have to ask what prompted
16 this.

17 MR. GEHRIG: This is very common.

18 MR. JONES: I mean, what prompted this now?

19 MR. LONG: Specifically, if you recall, we
20 reported to the board that we had a fire that took place
21 at one of our single family residences. No one was hurt,
22 the property is almost actually ready for re-lease, but
23 that prompted us to look at it and say, wait a minute,
24 what could have happened, what would have happened. And
25 when we brought it to legal counsel's attention, this was

1 something they came up with.

2 MR. JONES: Worst case scenario.

3 MR. LONG: Yes, exactly. And so we're very
4 thankful no one was hurt, but at the same time, something
5 could have happened where we would have been held in a
6 position of liable, and at counsel's advice we brought
7 this to the board for their consideration of why we would
8 make this change and how it would protect us.

9 MR. DIETZ: And it's only been relatively
10 recently that we've had this many properties, it's only
11 been a year or two. Right?

12 MR. LONG: Correct.

13 MR. GEHRIG: And it's a very common form of
14 real estate ownership. For example, when you finance an
15 apartment building, even by a private owner, they always
16 use a single asset owner, they don't own it under a
17 general umbrella for precisely these reasons. Also, very
18 common for governmental units to not directly own the
19 property and own it through affiliates. And actually, as
20 we mentioned here, you have to be careful to maintain the
21 tax exemption, just because that's the way it is legally,
22 you still have to deal with it as a practical matter with
23 the appraisal districts. So we've had calls with them to
24 go over it, and they said, yes, we understand, in
25 preapproval calls because they also have to, of course,

1 bless the fact that the affiliated entity will be tax
2 exempt. We've had those conversations, and so we thought
3 it would be appropriate to bring it to the board to
4 understand the concept, and then it will come back with
5 more definitive once the structures of the various LLCs
6 are contemplated.

7 MR. LONG: And as Mr. Romero noted earlier, it
8 would also give us the authority per this resolution to do
9 this in the future with other properties as may be
10 obtained and acquired by the Corporation.

11 MR. ROMERO: And I'd like to tell you that I
12 serve on a board in El Paso and all the property purchases
13 that we do, each one of them is their own LLC.

14 MR. JONES: So this would be approval to start
15 setting them up. If we approve this, you will start
16 setting them up right away.

17 MR. LONG: That's correct.

18 MR. DIETZ: Any other questions or comments?

19 (No response.)

20 MR. DIETZ: Is there a motion?

21 MR. ROMERO: I make a motion to approve.

22 MR. JONES: Second. But another question. So
23 you're talking about the downside is the accounting and
24 the workload. What staff department takes that on? Would
25 you have to possibly bring another staff member on to

1 handle that aspect, especially in the process of setting
2 it up, structuring it, determining accountability? Would
3 that require another staff member?

4 MR. LONG: Well, we certainly will work closely
5 with counsel who will draft all the legal documents but I
6 would suggest to you that Melinda and Nick have had some
7 head scratching going on with this because it is going to
8 require a lot more work on their end. As far as
9 additional staff that may be needed once it's all set up,
10 we've yet to determine that but we'll come to the board
11 with changes as we may need them in order to do this. But
12 we think it's certainly worth the effort to ensure that we
13 protect the Corporation in the big picture to allow us to
14 continue doing the good work that we're doing related to
15 affordable housing without there being potential jeopardy
16 of that opportunity down the road.

17 MR. DIETZ: It's been moved and seconded that
18 we approve the transfer of certain real estate properties
19 owned by the Corporation to separate legal entities
20 established and controlled by the Corporation. Is there
21 any public comment?

22 (No response.)

23 MR. DIETZ: All in favor?

24 (A chorus of ayes.)

25 MR. DIETZ: Any opposed?

1 (No response.)

2 MR. DIETZ: The motion passes.

3 Now for item 10, it's my understanding we'll go
4 into closed executive session in accordance with Texas
5 Government Code Section 551.072 related to real estate
6 matters. That closed session will include the board, our
7 legal counsel and the president and executive vice
8 president of the Corporation.

9 Is there anything else out legal counsel needs
10 to get on the record before we go into closed session?

11 MS. KENNARD: No.

12 MR. DIETZ: And we're going into closed session
13 at 11:51.

14 (Whereupon, at 11:51 a.m., the meeting was
15 recessed, to reconvene this same day, Wednesday, July 19,
16 2018, following conclusion of the closed session.)

17 MR. DIETZ: The Texas State Affordable Housing
18 Corporation Board of Directors is coming back into open
19 meeting. No action was taken during our closed meeting.
20 It is 12:30 p.m.

21 MR. JONES: Mr. Chairman, I move that we
22 approve tab item 10 as stated.

23 MR. DIETZ: Is there a second?

24 MR. ROMERO: Second.

25 MR. DIETZ: Any public comment?

1 (No response.)

2 MR. DIETZ: It's been moved and seconded that
3 we approve a resolution the president and vice president
4 authority to execute letters of intent, purchase
5 agreements or similar document for the provision of office
6 space to serve as the headquarters for the Corporation, to
7 execute related renovation or construction contracts, and
8 to execute related lease agreements and concerning other
9 matters incident and related thereto.

10 All in favor?

11 (A chorus of ayes.)

12 MR. DIETZ: Any opposed?

13 (No response.)

14 MR. DIETZ: Okay. The motion passes.

15 Rae there any other items to discuss?

16 MR. LONG: No, sir. Again, a reminder that the
17 next board meeting is tentatively scheduled for August 16.

18 MR. DIETZ: Anything else from board members?

19 (No response.)

20 MR. DIETZ: Thank you to Nancy King for
21 providing our On The Record reporting, and the meeting is
22 adjourned at 12:31 p.m.

23 (Whereupon, at 12:31 p.m., the meeting was
24 adjourned.)

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C E R T I F I C A T E

MEETING OF: TSAHC Board
LOCATION: Austin, Texas
DATE: July 19, 2018

I do hereby certify that the foregoing pages, numbers 1 through 67, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas State Affordable Housing Corporation.

DATE: July 23, 2018

(Transcriber)

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