

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
November 15, 2018
10:30 a.m.

BOARD MEMBERS:

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

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P R O C E E D I N G S

1
2 MR. DIETZ: It's 10:30 a.m. on November 15,
3 2018, and the Texas State Affordable Housing Corporation
4 Board meeting is called to order.

5 We'll do a roll call. Bill Dietz, I am
6 present.

7 Jerry Romero?

8 MR. ROMERO: Here.

9 MR. DIETZ: Bob Jones is absent.

10 Lori Cobos?

11 MS. COBOS: Present.

12 MR. DIETZ: Valerie Cardenas?

13 MS. CARDENAS: Present.

14 MR. DIETZ: We do have a quorum.

15 In the interest of some time-sensitive
16 issues -- well, first, is there any public comment?

17 (No response.)

18 MR. DIETZ: Okay. Hearing none, in the
19 interest of some time-sensitive issues related to tab
20 items 2 and 3, we're going to take those items first.

21 So tab item 2 is the Presentation, discussion
22 and possible approval of a resolution authorizing the
23 issuance of Texas State Affordable Housing Corporation
24 Multifamily Housing Revenue Note (Ventura at Tradewinds
25 Apartments) Series 2018, a funding loan agreement, a

1 project loan agreement, an asset oversight, compliance and
2 security agreement, and a regulatory agreement authorizing
3 the execution of documents and instruments necessary or
4 convenient to carry out the issuance of the note; and
5 other provisions in connection therewith.

6 MR. NELSON: In the interest of time, since we
7 only have a couple of minutes here, I'll point out for the
8 Board that the only change in what was in your board
9 packet is in the resolution page 2, first Whereas clause.

10 Associated Investments will be the initial purchaser, not
11 the name that's set forth in there. Everything else is
12 the same.

13 So unless there are any questions, if we can
14 get approval, that would be super.

15 MR. DIETZ: We've already seen this before.

16 MR. NELSON: Same sort of structure as the
17 Walnut Creek deal that you just approved and we just
18 closed.

19 MR. ROMERO: We originally induced this when?

20 MR. NELSON: In July.

21 MR. DIETZ: Any questions?

22 (No response.)

23 MR. DIETZ: Do I hear a motion?

24 MS. COBOS: I move to approve the tab item.

25 MR. NELSON: Tab item 2.

1 MR. ROMERO: Two.

2 MS. COBOS: I'll second.

3 MR. DIETZ: It's been moved and seconded to
4 approve as presented. Is there any public comment?

5 (No response.)

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

7 (A chorus of ayes.)

8 MR. DIETZ: Any opposed?

9 (No response.)

10 MR. DIETZ: Okay. It passes unanimously.

11 On to tab item 3, the Presentation, discussion
12 and possible approval of a resolution authorizing the
13 issuance of Texas State Affordable Housing Corporation
14 Multifamily Housing Revenue Notes (Ventura at Fairgrounds
15 Apartments) Series 2018, a funding loan agreement, a
16 project loan agreement, an asset oversight, compliance and
17 security agreement, and a regulatory agreement authorizing
18 the execution of documents and instruments necessary and
19 convenient to carry out the provisions of the note; and
20 other provisions in connection therewith.

21 MR. NELSON: Same as the last deal, same
22 structure, same group involved, so unless there are any
23 questions, we'd appreciate the approval.

24 MR. DIETZ: Again, this one was also induced in
25 July?

1 MR. NELSON: Induced in July. The last deal is
2 going to close on the 20th of December, this deal will
3 close on the 10th of January.

4 MR. DIETZ: Any questions?

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

6 MS. COBOS: Second.

7 MR. DIETZ: It has been moved and seconded to
8 approve tab item 3 as presented. Is there any public
9 comment?

10 (No response.)

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

12 (A chorus of ayes.)

13 MR. DIETZ: Any opposed?

14 (No response.)

15 MR. DIETZ: Okay. It is approved unanimously.

16 Great. Thank you very much.

17 Okay. Now that we've got those time-sensitive
18 issues addressed, we will go back to the beginning of our
19 agenda and hear the president's report. Mr. Long.

20 MR. LONG: Thank you, Mr. Chairman, members.
21 Good morning.

22 I always like to inform you that the program
23 reports are in tab items A through D, including the
24 quarterly fundraising report. I do want to mention that
25 pursuant to the Board's request, a summary of the

1 Foundation Fund projects that we've done since inception
2 are included in this month's board packet and they'll be
3 discussed at a later time in the meeting as one of the
4 agenda items.

5 The Loan Committee met yesterday, the 14th. In
6 addition to reviewing and discussing items related to our
7 existing loan portfolio, the committee discussed and
8 considered a loan to AHA!, Accessible Housing Austin.
9 That one will also be considered here at the Board. It
10 was recommended for approval at the Loan Committee and
11 will be discussed for consideration at the Board meeting
12 later on in the agenda.

13 Ms. Cardenas or Mr. Romero, do either one of
14 you have any follow-up comments on that regarding the
15 meeting?

16 MS. CARDENAS: I think that we discussed it in
17 great length. Overall we think it's a great program. We
18 just discussed within the Loan Committee, right, the way
19 that we make decisions, just to kind of tighten up. If
20 there's any exceptions to be made to a project like this
21 or anything else, right, that we just document so
22 accordingly. But for the most part, I think that we were
23 in agreement that it was a program that we wanted to
24 invest in.

25 MR. LONG: Okay?

1 MR. ROMERO: Yes.

2 MR. LONG: All right. Program updates for the
3 Board. The Homeownership Program continues to do a
4 variety of things and reaching out to our lenders and
5 Realtors and making sure that our programs are recognized
6 across the state. I'd like to recognize Frank Duplechain
7 for his continued efforts. We continue to do down payment
8 hurdle classes across the state. I know Sarah and Tim and
9 Joniel and Donetta and everybody do a great job of working
10 on all that stuff, but Frank is out there putting his face
11 in front of everybody to make sure that the classes are
12 being held, and so since the last Board meeting he
13 conducted seven classes and reached out to over 200
14 Realtors in that process. From what I hear he's pretty
15 popular, so he must be doing something right.

16 And Delia, who is not here today, she's
17 attending the Emphasis conference in Florida which is our
18 compliance software, and I'd just like to let you know
19 that she's traveling doing that, getting updated on the
20 software that we use for our program compliance.

21 Under fundraising, I want to recognize Mr.
22 Romero -- and I'll let Mr. Romero speak on this in a
23 minute. We received and had a check presentation
24 yesterday. We received \$15,000 from Wells Fargo
25 Foundation in support of our counselor training programs,

1 and I really appreciate that. Wells Fargo, I think -- Mr.
2 Romero and I talked about it yesterday -- has contributed
3 to this organization in excess of probably \$300,000 in
4 grants over the years, and I really appreciate the
5 continued support they offer us. And staff from Wells
6 Fargo are here and all of our Single-Family staff are
7 here, so it was a nice presentation and appreciate that
8 you guys were here.

9 Mr. Romero, do you want to add anything to
10 that?

11 MR. ROMERO: We've been a big supporter of
12 TSAHC for a long, long time. We also gave them an equity
13 investment 12 years ago. They were able to utilize that
14 for a whole host of programs and we think it was very
15 successful. I think they turned the \$1 million almost
16 five times, so they were able to utilize it over and over
17 again and really kind of helped us kick off some of our
18 programs. And we'll continue to do so where we can as far
19 as supporting grant requests from the organization.

20 MR. LONG: And this funding specifically will
21 go in support of our week-long training. We have a
22 partnership with the Federal Reserve Bank in Dallas, and
23 they are hosting us again this year for this training, and
24 this is to specifically help fund that and provide
25 scholarships and some other things to some of the

1 attendees that are in the process of going through those
2 trainings.

3 We also received a \$5,000 grant from BBVA
4 Compass Foundation, which will also be in support of our
5 June 2019 Housing Connection training. And we also
6 received a \$250,000 program investment from the Austin
7 Community Foundation. That award was structured as a
8 three-year loan with a 2 percent interest, and we'll use
9 that money in support of other acquisition programs that
10 we have here -- actually, we're going to use it towards
11 the AHA! program. So in addition to that we will continue
12 to look for other financing, and I appreciate all the work
13 that Katie and her staff are doing to raise money for the
14 Corporation's programs.

15 I always like to let you know kind of what
16 we've been doing around the state in terms of
17 presentations.

18 Michael Wilt participated on a panel at the
19 Community Action Network Regional Housing Summit in San
20 Antonio earlier this month.

21 Katie and I attended a workshop in La Grange
22 regarding the long-term disaster recovery funds available
23 for Hurricane Harvey relief.

24 Janie, Michael and I met with Senator Lucio's
25 office as a follow-up meeting to some questions they had

1 regarding housing related items that may come up during
2 the session. We're just thankful that they consider us to
3 be a good enough resource that we've met with them twice
4 now.

5 Michael also attended a meeting with the USICH,
6 the U.S. Interagency Council on Homelessness while they
7 were in town. I think it was just general discussion
8 regarding some things that we had going on, as well as
9 some things that the Corporation participates in with
10 USICH through the Texas Interagency Council. And I
11 appreciate Michael continuing to be a big part of that
12 communication process for us because he fills in when I
13 can't be there, and he does a lot of that for us.

14 David Danenfelzer and Janie both attended a
15 training at the National Development Finance Summit, and
16 David Danenfelzer -- who is not here today, at the BRB
17 today making a presentation with our bond counsel -- sat
18 on a panel at that and made a presentation during that
19 conference, so we appreciate David being out there and
20 being recognized.

21 Mr. Chairman, I always like to recognize our
22 professionals in the audience. Bill Gehrig is here with
23 Greenberg Traurig, Tim Nelson is here with Hilltop
24 Securities, and Chris Spelbring is here with Raymond
25 James. And I'm sure I missed somebody that shook my hand

1 earlier that I can't remember, but again, we have guests
2 in the audience today that you may be hearing from later
3 on.

4 With that, I'll conclude my remarks and if
5 there's any questions I'm happy to take any.

6 MR. DIETZ: Question, comments?

7 (No response.)

8 MR. DIETZ: WE sure appreciate the continued
9 support of Wells Fargo and BBVA. Thank you, Mr. Romero.

10 Let's move on to tab item 1 which is the
11 Presentation, discussion and possible approval of the
12 minute of the Board meeting held on October 18, 2018. I
13 will point out, Board members, you have in front of you a
14 redline copy of the minutes, Ms. Cobos made some suggested
15 changes, and this redline copy is also available to anyone
16 else that would like, there are copies in the back of the
17 room that detail any differences between the minutes that
18 have been suggested for approval versus the minutes that
19 have been posted to the website.

20 Any questions, comments or discussion?

21 MS. COBOS: No. I guess I'll just generally
22 say that my redline revisions of the minutes were just
23 intended to clarify the discussion further on our
24 legislative outreach efforts, the program policy changes,
25 the process going forward for staff and the Board to work

1 on developing some of the changes we discussed last Board
2 meeting, and then to further clarify our discussion on the
3 strategic plan presentation.

4 MR. LONG: That's correct. And Ms. Cobos sent
5 these to me in enough time where I was able to get them
6 into the hands of Board members as well as put them in the
7 back of the room so essentially any public comment can be
8 made off of what's in the back of the room if there's any
9 comment. Otherwise the Board would vote to accept the
10 changes without us having to read them in directly.

11 MS. CARDENAS: And if I can just add, you know,
12 I appreciate that Ms. Cobos took the time, because in
13 reviewing the packet I was conferring with another Board
14 member and felt that they were a little bit vague. I
15 understand that we've got the tapes to reference back to,
16 and I certainly don't want us to be scripting every single
17 thing that was said, but I think that if we can just give
18 the directive to the staff that when composing the minutes
19 that there just be a little bit more substance to it so
20 that at a glance it at least triggers a little bit more
21 about what discussions were had, because I personally felt
22 that they were just a little big vague as is, and so I'm
23 glad that Ms. Cobos took the time to just suggest
24 revisions as presented before the Board.

25 MR. DIETZ: Any other questions or comments?

1 MS. CARDENAS: No.

2 MR. DIETZ: If not, is there a motion?

3 MR. ROMERO: I make a motion to approve the
4 minutes including the changes that were presented.

5 MS. CARDENAS: Second.

6 MR. DIETZ: It's been moved and seconded to
7 approve the minutes with the presented changes in the
8 redline copy. Is there any public comment?

9 (No response.)

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

11 (A chorus of ayes.)

12 MR. DIETZ: Any opposed?

13 (No response.)

14 MR. DIETZ: It passes unanimously. The minutes
15 from the October 18 Board meeting are approved.

16 We've already addressed tab items 2 and 3, so
17 we'll move straight into tab item 4, the Presentation,
18 discussion and possible approval of an amended loan
19 commitment to Accessible Housing Austin! in the amount of
20 \$995,000 for the AHA! at Briarcliff apartment project.

21 MR. LONG: Thank you, Mr. Chairman and members.

22 I know Jo Keene is here with Accessible Housing
23 Austin! as well, other staff from her office, but I wanted
24 to bring this back to the Board. David Danenfelzer would
25 normally make this presentation, but as I mentioned

1 before, he is not available today, at the Bond Review
2 Board instead.

3 This loan was originally brought to the Board
4 as a \$695,000 transaction, and after some time and working
5 through some discussions and some other items related to
6 changing the pricing on this, the Loan Committee had this
7 in front of them yesterday identifying that we have had an
8 increase of about \$300,000 to the project request, making
9 it a \$995,000 loan request.

10 The Loan Committee yesterday committed that it
11 is a 180-month loan. In that process what we would do is
12 we would look to have an up to two-year construction
13 phase. The loan would be at a rate of 2.5 percent for up
14 to 24 months, and then the actual loan rate would be 5.75
15 and that would kick in at the time of construction being
16 completed or at 24 months. The Board would have to
17 consider any changes to that, i.e., the rate being lower
18 at 2.5 for the 24 months. If they were unable to complete
19 construction at that point in time, we would have to have
20 it brought back to the Loan Committee for consideration.

21 And I would ask for the Board's consideration
22 on this. We've looked at it before. This is just really
23 increasing the dollar amount. We are looking at the same
24 number of units being constructed, all for accessibility
25 purposes.

1 And I would also just note that if there's any
2 comments from Ms. Cardenas or Mr. Romero, since they sat
3 in on the meeting yesterday, if they feel like I've
4 understated or not expressed enough of the information for
5 the Board to consider on this.

6 MS. CARDENAS: Maybe I didn't hear correctly,
7 but when we talked about the 24 months, bringing it back
8 for consideration should the project not be complete, I
9 think you stated to bring it back to see if we would lower
10 the rate.

11 MR. LONG: I'm sorry. Keep the rate lowered
12 versus raising it up to the actual 5.75.

13 MS. CARDENAS: Or also looking at a higher
14 rate. Right? Because we don't know what market rates
15 will be two years from now should the project not be
16 complete, and then obviously consider for a potential
17 modification versus just rolling it into permanent.

18 MR. LONG: Yes. Thank you for that
19 clarification.

20 MS. CARDENAS: And I know that Mr. Romero, in
21 our discussion yesterday to clarify that the two years is
22 outside of the 180 months that would be financed at the
23 permanent level. Right? So in essence, the total project
24 from beginning to fully amortizing is 204 months, so that
25 would just be the only clarification. But again, we would

1 be monitoring it through Loan Committee to see how the
2 project is progressing and then make decisions if there's
3 going to be a potential modification due to extenuating
4 circumstances that happen in any project that's under
5 construction.

6 MR. LONG: That's correct.

7 Mr. Romero, any other thoughts on that?

8 MR. ROMERO: No. Again, we discussed this at
9 length and I think it's given us an opportunity to improve
10 our processes for identifying what fees and what kind of
11 information we're requiring from different developers to
12 ensure that we're being equal across the board whatever
13 transactions come before the committee before we present
14 to the Board. So I think this is a good opportunity for
15 us to, again, tweak our processes. We had that discussion
16 yesterday, and going forward we'll have a much better
17 opportunity to really look at all these deals and be
18 equitable across the board without having to pick and
19 choose whether we give this rate or that rate, it will be
20 something that we have a baseline that we can go off of.

21 MR. LONG: Right. And one of the things I
22 mentioned earlier in my president's report, one of the
23 reasons we're considering making a lower rate on the
24 construction phase is because we do have a significant
25 amount of funding coming in from the Austin Community

1 Foundation which would be directly related to funding this
2 project during the construction phase.

3 MR. ROMERO: So we're basically buying down the
4 rate during the construction period because of this award
5 that we received.

6 MR. LONG: Correct.

7 MR. ROMERO: The other thing to note also,
8 increasing the amount of the loan itself, it wasn't due to
9 anything other than construction costs rising over the
10 last couple of years -- or within the last year, I should
11 say.

12 MR. LONG: Yes, sir.

13 MS. CARDENAS: Which I think is also something
14 we discussed, that part of the tightening up is to not let
15 these commitments to just kind of sit out there, because
16 the normal practice of business is, you know, a commitment
17 is usually held anywhere from 30 to 90 days. These
18 projects that we approved maybe a year ago or 18 months
19 ago, you know, they can't assume that we're just going to
20 hold those same commitment standards. So that's something
21 that we also talked about, really tightening that up and
22 giving any developer project that comes forward to say
23 we've got time frames, and if not, it's back to the table
24 to renegotiate any commitment letter.

25 MR. DIETZ: In our communication with future

1 deals.

2 MS. CARDENAS: Right, because we've just kind
3 of let those commitment letters say, well, if we did it in
4 2017, that commitment still stands. Well, a lot of things
5 change. Right?

6 MR. LONG: Especially in a rising rate
7 environment.

8 MS. CARDENAS: Exactly, exactly.

9 MR. DIETZ: What was the old amount?

10 MR. LONG: 695-.

11 MR. DIETZ: 695-.

12 MR. LONG: It's exactly a \$300 increase to
13 cover costs.

14 MR. ROMERO: 300,000.

15 MR. LONG: 300,000. Did I say 100,000?

16 MR. ROMERO: You said \$300.

17 (General laughter.)

18 MR. LONG: I apologize.

19 MR. DIETZ: Any other questions or comments,
20 discussion?

21 MR. ROMERO: You know, Jo is in the audience
22 there. Maybe I can ask her a question, if you would.
23 Thank you for joining us, and welcome back.

24 MS. KEENE: Thank you. Joe Keene, executive
25 director of Accessible Housing Austin!

1 MR. ROMERO: One of the discussions we had
2 yesterday was around the construction period, and if you
3 all would be able to finish the project within the 24-
4 month period so that we wouldn't have to go back and look
5 at a modification. Are you fairly certain that that will
6 be the case?

7 MS. KEENE: Yes. Right now we expect our
8 construction period to last about 12 months.

9 MR. ROMERO: So then we need to modify our
10 documents to say up to 24-month construction period, which
11 to go over 12 months we're still covered.

12 MR. LONG: Right. And we'll make sure that the
13 documentation run through legal counsel to make sure that
14 we're incorporating all the discussion, not only what was
15 had yesterday in the Loan Committee meeting but the
16 additional discussion you've heard today to ensure that
17 the rates and the time frames are all established
18 appropriately in the documentation to ensure we're
19 correctly securitizing our loan.

20 MR. ROMERO: That was my only question. Thank
21 you.

22 MS. KEENE: Thank you.

23 MR. DIETZ: Thank you.

24 Any other conversation, questions?

25 MS. COBOS: No. Thank you, Ms. Cardenas and

1 Mr. Romero for your due diligence and evaluation of the
2 AHA! loan commitment. Appreciate that.

3 MR. ROMERO: We're getting there.

4 MR. DIETZ: Is there a motion?

5 MR. ROMERO: I'd like to go ahead and make the
6 motion based on the recommended structure of the deal.

7 MS. CARDENAS: Second.

8 MR. DIETZ: It's been moved and seconded that
9 we approve an amended loan commitment to Accessible
10 Housing Austin! in the amount of \$995,000 for the AHA! at
11 Briarcliff apartment project.

12 Is there any public comment?

13 (No response.)

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

15 (A chorus of ayes.)

16 MR. DIETZ: Any opposed?

17 (No response.)

18 MR. DIETZ: Okay. It is approved unanimously.

19 All right. Tab item 5, the Presentation,
20 discussion and possible approval of the general counsel of
21 the Corporation.

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

23 Again, the board packet includes the staff
24 summary and scoring for the RFP responses that we
25 received. We received four responses to the RFP for

1 general counsel for the Corporation. Those included in
2 your write-up include Coats Rose, Greenberg Traurig,
3 Naman, Howell, Smith & Lee, and The Fulton Group. Again,
4 the scores in the board book reflect the summary of the
5 totals that were received by the seven staff members that
6 evaluated the RFP responses. They are not intended to be
7 any more than just that, a summary of those scores.

8 If you have any questions, I'm happy to try and
9 answer any of those questions, but at the end of the day,
10 the numbers are just there for your reference to show you
11 how we scored it and felt that the true reflection of
12 where we were at in terms of the responses that we
13 received.

14 MS. CARDENAS: Have we worked, aside from
15 obviously current general counsel, have we worked with
16 these other firms?

17 MR. LONG: We have not worked directly with any
18 of the other firms. I should take that back, Naman,
19 Howell has been trustee counsel for the trustee in some of
20 our single-family deals that we have done in the past, so
21 we do know some of the attorneys there. We also know some
22 of the attorneys who work at Coats Rose pretty well just
23 because of their expertise in the industry, just similar
24 to all the other ones that are on here.

25 MS. CARDENAS: And the reason that I was

1 asking, right, is because I know that you answered one of
2 the questions that seven staff members had rated, and so
3 my question is if we've not worked with these other law
4 firms, then how could we rate them, you know, in
5 comparison to current general counsel. Right?

6 MR. LONG: Good question, and the answer is
7 that obviously the responses to the RFP are what we use as
8 a way to manage that, so when they talk to us about the
9 pricing, they tell us what their fee structure is going to
10 be. It's not a matter of questioning it, it's assumed
11 that that's the fee structure they're going to offer. If
12 you go down in the area of expertise, we can pretty much
13 assume, knowing these individual entities, these firms
14 have been in the industry a long time, the affordable
15 housing industry and a variety of other concepts that they
16 might work on in terms of their capacity as legal counsel.
17 We can tell you that we took their information they
18 provided, so if they provided us a list of subject matter
19 experts that were in the industry and showed their
20 resumes, all the firms had that opportunity. We took that
21 into account and that's how we would basically rank them
22 based on that.

23 So in some instances you'll see some of the
24 firms ranked equally or very closely to each other, and
25 some we didn't rank the same way, there was a bigger

1 variance between the firms.

2 MS. COBOS: Can you describe the process of the
3 staff review, the seven members that reviewed it? Can you
4 explain that a little bit more just for our edification.

5 MR. LONG: Certainly. I will tell you, just
6 kind of big picture, is we have staff members that work
7 with counsel, staff members that work with executive team,
8 and then staff members who have knowledge of working
9 through the different areas, they work kind of hands on in
10 a lot of the program areas so had some understanding of
11 what we were looking for. That made up the seven.

12 The process was to give everybody a copy of the
13 RFP and a copy of all the responses with a score sheet,
14 identifying A through G in terms of subject matter
15 expertise that we were looking for and score one through
16 ten. And so those numbers were then used to categorize
17 and give everybody the chance to rate based on an
18 individual review, and then after that individual review
19 there was a group meeting where everybody got together to
20 see if there was any further discussion on any of the
21 items or a specific firm that they wanted clarity on. And
22 beyond that, then there was, again, a confirmation of the
23 numbers and then one of the executive staff members
24 totaled the numbers up and what you have in front of you
25 is that summary. That was the process we went through.

1 MR. DIETZ: So the internal scoring system that
2 was used clearly weights different categories differently
3 and that's the reason for the maximum of 40 points under
4 subject matter versus experience with similar organization
5 for a maximum of 10 points.

6 MR. LONG: Correct.

7 MR. DIETZ: That's to provide a greater
8 weighting to the subject matter.

9 MR. LONG: That's correct.

10 MS. CARDENAS: So I mean, really at the end of
11 the day, I, as a Board member, just like anything, right,
12 we want to make sure that everything was answered with
13 objectivity and not subjectivity. Right?

14 MR. LONG: Correct.

15 MS. CARDENAS: Because you know, we may have
16 experiences here and there but at the end of the day I
17 don't want to be worrying about legal matters, you know, I
18 don't want to worry about legalities, and so that was my
19 line of questioning is really to understand, you know, how
20 did we compare the ratings if we've not worked with other
21 firms -- which I think you kind of gave an overview -- but
22 more importantly, what I want to make sure of as a Board
23 member is that when this exercise was conducted, right,
24 that we were objective in answering it and that there's no
25 subjectivity. Right? And so that's where I just want to

1 have that comfort level as a Board member.

2 MR. LONG: I would tell you from my
3 viewpoint -- and I will tell you I also was not part of
4 the scoring process. I made it very clear to staff I did
5 not want to have there be any suggestion that I influenced
6 or that I gave direction. I wanted to be as objective and
7 very direct to what they were going to be doing and how
8 they were going to do it, and Janie Taylor managed the
9 process for us, as executive vice president. I think what
10 you have in front of you is honest responses from the
11 staff based on their review of the RFP. Again, you could
12 acknowledge that some of the staff don't have direct
13 working relationships with our general counsel of record,
14 and as a result of that, they were probably able to kind
15 of look at it as just across the board four firms, four
16 responses, and how would I view those responses based on
17 the criteria that was asked of them.

18 Go ahead. I'm sorry.

19 MS. COBOS: I'm sorry. And I tend to agree
20 with Ms. Cardenas. It's hard to evaluate -- you want to
21 take the subjectivity out and you want to be able to
22 equitably review all the proposals because, like Ms.
23 Cardenas highlighted, we don't have an extensive amount of
24 experience with the other law firms so it's hard for us to
25 really predict whether they'll offer solutions and

1 alternatives. We don't know. All we have is what we get
2 right now, our current practical experience with the firm
3 that we are working with right now, but in some cases it's
4 sort of a prediction. And if you're not an attorney and
5 you're reviewing subject matter expertise and haven't had
6 direct work with the law firm, then it's hard to make that
7 assessment.

8 But otherwise, I mean, I recognize that we need
9 to come up with some framework to score and to review bid
10 submissions, but that's just kind of as I sort of looked
11 at the scoring criteria and talked to Janie and hearing
12 Ms. Cardenas's comments, kind of generally speaking the
13 lingering sort of thought I have in my head.

14 MR. LONG: Well, I can offer this. Both Coats
15 Rose and Greenberg Traurig have representatives here in
16 the audience today if you would like to ask the
17 opportunity to have a Q&A here with them. They're here in
18 the audience and I'm happy to let them have that
19 opportunity. They were two highest scoring candidates,
20 they're both here, so you have that opportunity.

21 I would just offer this back to you as well,
22 general counsel represents the Corporation which means
23 they represent you, so again, it's my intention not to do
24 anything more than give you the opportunity to have our
25 viewpoint and then also to have the opportunity if you

1 have Q&A of me but I would offer the Q&A with counsel
2 represented here from each of these firms. You could ask
3 them your own questions that may be more viable to ensure
4 that you feel like you're getting the subject matter
5 expertise or filling some of the voids you have whether or
6 not you felt staff was able to cover certain bases in our
7 evaluation of the responses we received.

8 MR. ROMERO: But before we do that, David, who
9 put together the RFP?

10 MR. LONG: We did internally.

11 MR. ROMERO: How did these topics come up as
12 the key points for scoring?

13 MR. LONG: We asked staff around the office
14 what areas of expertise we thought were relevant and
15 important to us based on our subject matter and our
16 program areas that we were working on, and then we worked
17 together to come up with a process to utilize that, and
18 then we used the prior RFP we used for counsel several
19 years ago and some of the other recent RFPs we've utilized
20 to ensure that we met compliance regarding the RFP
21 process.

22 MR. ROMERO: And I'm asking that because you
23 mentioned right now that some of the staff, which include
24 some of the people that scored the four firms, don't
25 actually have direct contact, so how can they answer on

1 the staff can work directly?

2 MR. LONG: Say what?

3 MR. DIETZ: Do you want to introduce yourself?

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

6 Everyone that scored, participated in the
7 scoring team has a working relationship with general
8 counsel.

9 MR. ROMERO: David didn't say that a while ago.

10 MS. TAYLOR: I understand that, but that is a
11 fact. From Katie Claflin to Michael Wilt, they've all had
12 experience working with general counsel in one capacity or
13 another through their work here, and every single program
14 area was represented.

15 MR. ROMERO: Okay. So to that end, then, how
16 is the current counsel's score so low? Do they not have
17 certain subject matter experts that you wouldn't be able
18 to get a hold of?

19 MR. LONG: The question there is whether or not
20 we have access to direct subject matter experts, the
21 process.

22 MR. DIETZ: Jerry, you're talking about C?

23 MR. ROMERO: Yes, I'm talking about C.

24 MS. TAYLOR: That is correct. So part of the
25 process that David and I went through is vetting -- or

1 asking the staff for their recommendation, what's working
2 well, what is not working well, what do we want to see.
3 You know, we've had the current law firm for 12 years, but
4 we've had different attorneys throughout those 12 years
5 that we've worked with, and so we've had different
6 experiences throughout the 12 years. And so we did ask
7 what is working, what is not, what do we want to see, what
8 do we need. I also spoke to my predecessor's predecessor,
9 our former executive vice president, Katherine Closmann,
10 who put together the previous RFP which led to the hire of
11 the current counsel. I asked her, you know, what was
12 important then, you went a different direction, why was
13 that the case, and we talked about what kind of
14 organization we were more than 13 years ago and what we
15 were now.

16 MR. ROMERO: Let me stop you there, Janie.

17 MS. TAYLOR: Well, let me finish.

18 MR. ROMERO: Again, a question. So are we
19 having issues with current counsel in getting to subject
20 matter experts?

21 MS. TAYLOR: So what staff would like to see is
22 that they want to be able to work directly with attorneys
23 that are experts in certain subject matter, whether that's
24 mortgage regulations, whether that is real estate
25 contracts, whether that's land use in Texas. They want to

1 be able to work directly with staff counsel. They also
2 have a preference of working with those that are in Texas
3 because there are particulars in Texas law that we have to
4 work with. And so we took all of that into consideration
5 because at the end of the day we're the ones that are on
6 an almost daily basis interacting with general counsel.

7 MR. LONG: The subject matter expertise is
8 really access to, not so much whether or not they have the
9 expertise.

10 MR. ROMERO: So have you not had access to
11 subject matter experts?

12 MR. LONG: It's the process with the current
13 counsel that we have to go through a main contact and then
14 work with that main contact to get to the subject matter
15 expert, and back and forth. That's the question.

16 MR. ROMERO: Okay.

17 MS. TAYLOR: And I think the other one that was
18 kind of -- you know, there's a couple of things that maybe
19 are a little bit out of -- that were new to this RFP from
20 what was done 13 years ago. The other one is coming up
21 with solutions and alternatives. You know, we pride
22 ourselves on being a very innovative, efficient
23 organization. That's what we're known as in the industry,
24 that's what we're known as at the Capitol. And so we've
25 had attorneys that worked hand in hand with us on, you

1 know, how do we solve an issue, how do we get to point A,
2 how do we legally get there, how can we achieve what we
3 need to achieve, what's the direction, instead of just no,
4 you can't do that. Okay, we can't do that, then how do we
5 do it?

6 I think that's a very important factor for us.

7 Like I said, we have very innovative staff, we move
8 quickly, and we need to be able to do those kinds of
9 projects in a timely fashion and we want somebody that is
10 creative and is going to help us get there. Like I said,
11 we've had that in the past, we've experienced that in the
12 past, and it was very fruitful for us, and so we were
13 looking for an answer in the RFP based on that.

14 MS. CARDENAS: So if I can maybe ask it another
15 way is have we had a situation where we've had legal
16 matters and they've not been addressed? And what I'm
17 trying to express is I may want to speak to you directly,
18 but I don't speak to you directly, but at the end of the
19 day whatever the issue was it got resolved. Right? And
20 so the Corporation was taken care of, and so maybe it was
21 my preference to talk to you but at the end of the day the
22 firm got it taken care of, it got done, and you know, all
23 legal matters, we were protected, whatever it was, right,
24 through all the years.

25 So have we had a situation to where we had

1 something going on and it wasn't addressed or it put the
2 Corporation in a position or a detriment to our
3 organization? You know, have we experienced that? Or at
4 the end of the day everything has always been addressed
5 accordingly and that's why we continue to prosper as an
6 organization?

7 MS. TAYLOR: It has. Not in a timely fashion
8 but it has. And you know, it would take significant time
9 to get done and at a significant cost.

10 MS. CARDENAS: No offense to attorneys, but I
11 think all the firms that I work with they run a little
12 slow, and maybe that's due to their due diligence, so show
13 me a firm that's worked really fast.

14 MS. TAYLOR: We have a lot of different law
15 firms.

16 MS. CARDENAS: So we do work with various law
17 firms then?

18 MR. LONG: Yes.

19 MS. TAYLOR: Our bond counsel just walked in,
20 Mr. Dransfield. And so we do have different expenses.

21 MR. LONG: And I'll also argue that, just as
22 you do, we want things done in a certain time frame and
23 they've not always met with that time frame, so we view
24 that as not doing it as fast as we would like. So whether
25 that means they did or didn't do their job, as Janie said,

1 we got it done, it's just maybe we wanted it done faster.

2 MS. COBOS: But did we miss any important
3 deadlines?

4 MR. LONG: No, we did not.

5 MS. COBOS: Okay. In evaluating those two
6 categories that seem to be the sticking points right now,
7 the direct access to the subject matter experts and
8 solutions and alternatives, did staff have the opportunity
9 to visit with the other law firms about how they may
10 address these issues, interview them to ask them? Because
11 right now -- I guess let me pose that question first and
12 then I'll follow up. Did you guys interview Naman,
13 Howell, Coats Rose and ask them: If you were presented
14 with a situation, how do you go about providing options,
15 what's your approach to addressing a matter and problem
16 solving?

17 MR. DIETZ: Are you asking if there was an
18 interview in addition to the RFP?

19 MS. COBOS: Yes.

20 MR. LONG: We didn't do a personal interview.

21 MS. TAYLOR: We didn't do an interview, no, we
22 did not.

23 MR. DIETZ: Everything is totally based on the
24 RFP.

25 MR. LONG: Any Q&A we would have had with that

1 organization, but there was not a personal sit-down
2 interview like you have the opportunity to do today if you
3 would like to.

4 MS. TAYLOR: And I would say that I personally
5 don't know any of the law firms other than Greenberg, I
6 personally don't, but other staff do, particularly with
7 Coats Rose they have experience working with them on the
8 other side of a transaction, but I personally don't.

9 MS. COBOS: Well, the reason I ask that is
10 because, again, to that what Ms. Cardenas pointed, it's
11 difficult to assess just reading the bid submissions
12 whether or not on its face any of the law firms that
13 submitted a bid will act a certain way or provide certain
14 work a certain way or direct access unless you have a
15 practical experience with them. Now, we have a general
16 counsel we've had for the last 12 years, so for good or
17 for bad they're being evaluated based on their actual work
18 that they've done for us, and on the other end you have
19 sort of, you know, an analysis of a submission by firms
20 that we haven't had the extensive work with to basically
21 come up with some kind of answer on whether we think they
22 might act a certain way or produce certain work.

23 MR. DIETZ: That might lead to a question. So
24 to what extent are the numerical responses reflected here
25 that are attributable to our current firm, to what extent

1 are those responses based on the RFP and to what extent
2 are they based on our working history with them?

3 MS. TAYLOR: I think it's a little bit of both,
4 and I think that's fair. I think it's a little bit of
5 both. I think it's based on maybe our current law firm
6 didn't receive a higher score because we didn't get the
7 kind of answer we were looking for in the response, such
8 as how we could work directly with the subject matter
9 experts, meaning that wasn't answered the way we would
10 have liked for it to have been answered.

11 MR. DIETZ: In the RFP?

12 MS. TAYLOR: In the RFP. And then, you know,
13 it may be a little confirming what has been experienced.

14 MR. ROMERO: Does that make sense?

15 MS. COBOS: Does it make sense then -- because
16 that issue keeps reoccurring, right, direct access to the
17 matters person and you got information in the RFP from all
18 firms -- does it make sense to have the representatives
19 from the law firm sort of describe how these arrangements
20 are set up and clarify anything in the bid submission so
21 that they have the opportunity to address that? Because
22 it seems to be a staff concern, and as the Corporation is
23 the client, we want to make sure that the concerns are
24 addressed or maybe make sure we have all the information.
25 Maybe the RFP didn't provide everything -- maybe the RFP

1 didn't provide everything. Sometimes a lot is lost in
2 words when you don't actually have the opportunity to talk
3 and explain something.

4 So does that make sense? Because that seems to
5 be a bigger point of concern to maybe try to better
6 understand -- I think we just have Coats Rose and
7 Greenberg here today -- to describe how they're set up,
8 what they're able to offer to address that concern, and
9 any flexibility that they can provide in the future, if
10 they want to.

11 MR. LONG: Sure. They're both here so you can
12 have them come up and answer that question if you would
13 prefer.

14 MS. COBOS: Yeah.

15 MR. DIETZ: And for the record, I think it's
16 important to note that we did not invite firms here today
17 as a part of the RFP process, however, in light of the
18 fact that it seems to me that you've got a pretty clear
19 delineation in the four firms that according to the
20 internal scoring of staff there are two that are clearly
21 the lead firms, and so since they happen to be here today,
22 I think that's appropriate for us to have conversations.

23 MR. LONG: Okay.

24 MS. CARDENAS: Can I just ask were the other
25 two, Naman Howell and the Fulton, were they aware that it

1 would be presented today?

2 MR. LONG: It's in the board book, yes, ma'am.

3 MS. CARDENAS: Okay. I was just asking because
4 we have two that are the higher ranking that are here
5 present today, and so I just wanted to understand why the
6 other two were not here. I mean, I know everything is at
7 well, right, but I just wanted to ask that question.

8 MR. DIETZ: I think clearly our general counsel
9 is here because they have to be here.

10 MS. CARDENAS: Right.

11 (General laughter.)

12 MR. DIETZ: And I think Coats Rose voluntarily
13 decided to come to the meeting.

14 Well, in that case, why don't we ask a
15 representative from, perhaps, Coats Rose to come up.

16 MR. LONG: I'll get out of the way so you can
17 have the direct. And Rautt Thornhill and Scott Marks are
18 both here from Coats Rose, so I'll invite both of them up
19 or either one of them, however you want to do it

20 MR. DIETZ: First, thank you all for being here
21 and for participating in the RFP. We appreciate your
22 interest and look forward to talking to you.

23 MR. THORNHILL: We also appreciate welcome the
24 opportunity to be of service to the Corporation for your
25 legal issues, and we're happy to answer any questions you

1 might have.

2 MS. COBOS: Well, I guess the first one is the
3 one we've been discussing, you know, as you address
4 matters -- and I know a matter could be complex or
5 simple -- staff has expressed concerns or a desire to have
6 more direct access to subject matter experts. How does
7 the firm address the matters? Will staff be contacting
8 you, Mr. Marks --

9 MR. THORNHILL: This is Mr. Marks.

10 MR. ROMERO: I'm sorry.

11 MR. MARKS: I'm Scott Marks.

12 MS. COBOS: Scott Marks.

13 MR. DIETZ: If you could just state your names
14 for the record.

15 MR. THORNHILL: Sure. My full name is William
16 Rautt Thornhill, Jr.

17 MR. MARKS: And I'm Scott Marks. We're both
18 directors at the firm.

19 MS. COBOS: Sorry about that.

20 MR. MARKS: Shareholders, directors.

21 And I can start and try to take a stab at that
22 and Rautt, I'm sure, will have more to add. We're a mid-
23 sized law firm, have about 70 attorneys, and Rautt and I
24 are both here in Austin, and I think that is a big plus
25 for our organization that we're right here in town. We

1 tend to be a pretty lean organization. I'd say, for
2 example, on single family and mortgage type advising, we
3 have an attorney in our Dallas office who was vice
4 president of compliance for a mortgage company, and
5 certainly if you have questions in that subject matter we
6 wouldn't expect you to necessarily go through a gatekeeper
7 like me or something like that to get to Cassie Evans. I
8 mean, we would form a relationship fairly quickly, bring
9 our team in and meet with you, and then to the extent you
10 have questions in that subject matter area, we would
11 expect you just to work with her, unless you have a
12 problem getting answers needed, in which case, again,
13 Rautt and I are right down the street and would be happy
14 to come over and meet with you and talk with you about
15 that.

16 MR. ROMERO: So how would staff know to contact
17 these additional attorneys based on the subject matters
18 being discussed? If there isn't a key contact within the
19 organization, how are they supposed to know where to go?

20 MR. MARKS: And they're always certainly
21 welcome to call me, to call Rautt. It's just we've
22 presented bios of our key staff -- I think there are about
23 eight attorneys whose bios we presented -- and what I
24 would recommend is to the extent you would like to hire
25 Coats Rose that we bring that team together and all meet

1 at the beginning and talk through the business of the
2 Corporation, and which attorneys have subject matter
3 expertise, and so that what I would suggest, although I'm
4 open to other ideas as well, so that your team gets to
5 know our team and then we can work together.

6 MR. THORNHILL: We've given an extensive
7 background on each of the attorneys and what their
8 expertises are and their strength and their practice, so
9 hopefully that would lead you all, once we've established
10 a relationship. And once you've established the
11 communications, you know, there's going to be questions
12 come up and those people will then hopefully contact -- if
13 they don't contact us directly, they'll contact those
14 other attorneys and they'll establish a rapport. And just
15 like any other attorney-client relationship, it's all a
16 matter of being able to get a hold of your attorney, and
17 we pride ourselves in that, and we have a multitude of
18 clients.

19 I personally do a lot of real estate and bank
20 work, financial institutions, a lot of work with title
21 companies based on my real estate practice, and
22 accessibility is important in all of that, and so we
23 cherish that in our relationships with our vendors and so
24 we know how important it is to us, we want to extend that
25 same accessibility. I think my practice, and I know

1 Scott's has blossomed because of that accessibility.

2 People want to get hold of an attorney and they
3 want some kind of discussion going on about their legal
4 issues and then some resolution or at least some guidance
5 as to possible resolutions. A lot of times it's not
6 always clear cut you have to do it this way. I think the
7 executive director -- or assistant executive director was
8 talking about some innovation and direction. Well, we
9 live by the motto: Improvise, adapt and overcome. We're
10 going to find a way to try to get you as close as we can
11 to your resolution and let you make the decision as to
12 which risks you want to assume and which ones you don't
13 want to assume. And that's how we work in our practice.

14 Just to give you a quick overview, it's in our
15 bios, but our firm does a great deal of affordable housing
16 work for private clients, for developers and for other
17 development corporations, et cetera, publicly owned like
18 you mentioned some of the projects that were listed in
19 there are some of our clients. We have a relationship in
20 almost every city that we work in. We have offices in
21 Austin, San Antonio, our main office in Houston, we have
22 an office in Dallas, not that you all have need for it but
23 there's offices in New Orleans and in Cincinnati for
24 affordable housing as well.

25 So we have a great deal of expertise to rely on

1 to act as also a resource for us within the firm. If
2 there's something that we haven't experienced or haven't
3 had to come up with a quick answer, there are other folks
4 in our firm that may have, and we have access to them,
5 obviously. Those wouldn't necessarily be somebody that
6 you all would call directly but it's somebody we rely on
7 to fulfill and give us guidance on how to direct the
8 Corporation.

9 We have other folks, as Scott mentioned, having
10 a background in the mortgage industry. I have 37 years of
11 experience in real estate and banking and construction law
12 and title work. And so that's really the heart of what
13 you all do, that's usually most of the questions that come
14 up are in those areas. And if there is another, let's
15 say, nuanced question that we don't have access to, we
16 certainly have access to a lot of other lawyers that do
17 have those expertises. If it's very small and it's a very
18 nuanced expertise, then we may not have it in our law
19 firm, but we do know other people that do have that
20 expertise that we could utilize as a resource for the
21 Corporation.

22 MS. CARDENAS: So one of the things, right,
23 that I guess keeps circling -- and thank you so much, I
24 think that gave us an overview and a better comfort level,
25 but you mentioned that there may be attorneys that we may

1 not necessarily speak with but you certainly have access
2 for that expertise, and I think that has kind of been the
3 circular conversation going around is that, you know, the
4 access level to these attorneys. Right? And I can
5 certainly appreciate that. Right? I mean, you can have a
6 team of 70, it doesn't mean you're going to, you know,
7 need to talk to all 70 but that's really the clarification
8 because if I'm understanding, that seems to be one of the
9 items that's rated is that we're not -- and when I say we,
10 I'm talking as the Corporation and staff -- that we don't
11 have access to a particular attorney that has that subject
12 matter expert, everything is channeled through the point
13 of contact.

14 So I heard you basically say the same thing,
15 which there's nothing wrong with that, I just wanted to
16 point that out either for clarification or so that we all
17 understand that point that seems to be addressed in this
18 scoring mechanism here.

19 MR. THORNHILL: Well, one of the things that we
20 addressed in our RFP that we've had questions about from
21 the staff is the breadth of the expertise that we have
22 that we initially offer as your contact people, that list
23 of -- we had eight attorneys down there?

24 MR. MARKS: I think we had eight.

25 MR. THORNHILL: Eight attorneys down there that

1 have various levels of expertise and various subject
2 matter expertise. So we're hoping to broaden the number
3 of attorneys that you have first contact with that could
4 answer the question depending on the subject matter of the
5 question. But at the same time what I'm trying to say is
6 that we're just not eight attorneys doing this, it's not
7 the only people in our firm that have that kind of
8 background that could help. We have access to a bunch of
9 other people that would have not necessarily as much legal
10 knowledge, as as much experience dealing with a particular
11 issue. And I'm just offering that that's something that
12 in my experience has been very beneficial to clients of
13 our firm.

14 Our firm prides itself, again, on cross-
15 pollinating, cross-referencing, cross-networking within
16 our firms and within our business groups. Just like we're
17 doing today. I work with Scott within the Austin office,
18 but we work all the time on joint projects where my
19 expertise helps him in his and vice versa.

20 MR. DIETZ: One of the kind of specific things
21 you referenced in your comments related to multifamily
22 housing, but you also clearly have expertise --

23 MR. THORNHILL: Myself?

24 MR. DIETZ: The firm. Single family.

25 MR. THORNHILL: In the firm, absolutely, single

1 family mortgages, yes.

2 MR. DIETZ: I think that even presents
3 financially a larger part of what the Corporation
4 generates probably.

5 MR. THORNHILL: And we have bond counsel, not
6 to say that we're trying to take bond counsel, I'm just
7 giving you some more breadth.

8 (General laughter.)

9 MR. ROMERO: What percentage of your business
10 is multifamily versus single family?

11 MR. MARKS: I would say the vast majority is
12 multifamily, at least in the affordable housing practice
13 group.

14 MR. ROMERO: You're well known in the
15 development community.

16 MR. MARKS: Primarily, that's right,
17 representing developers, representing issuers,
18 representing housing authorities around the state. I have
19 done work on single family programs out at Mueller here in
20 Austin, and drafted the shared appreciation loan
21 documents, version 1.0 and now I guess version 4.0 out
22 there. But I will say that single family -- Rautt used
23 the word "nuanced" which is such a great word -- in single
24 family there are so many nuanced requirements and
25 regulatory obligations that we worked as a team on that,

1 and we would expect to do that here as well. We have an
2 attorney in our Dallas office who was vice president of
3 compliance for a mortgage company, so she has a lot of
4 that nuanced expertise that could help you.

5 But then there may be areas there with specific
6 laws, for example, we were asked in an RFP question. Some
7 of those laws we don't have experience with, it might make
8 sense to partner with other people who have that expertise
9 to the extent we need that or we can research that.

10 I would say the vast majority of what we do is
11 multifamily, but we do have single family expertise.

12 MR. ROMERO: A follow-up question on the fees.

13 So you scored a little bit higher and a little bit lower
14 than the other two smaller firms. Is that structure based
15 on assuming a transaction start to finish everything goes
16 well, this is what you would expect as far as fees, but
17 that doesn't take into consideration any hiccups, any
18 hurdles you're going to have to cross over, that will add
19 to the fee structure. Is that correct? It's nice to
20 think that you can start something and it's going to go
21 right through the way it's supposed to.

22 MR. MARKS: We expect every real estate project
23 to go just perfectly, swimmingly. No. We proposed two
24 different fee structures. One is an hourly arrangement, I
25 think our hourly rates are very reasonable, but certainly

1 we can also do an hourly arrangement. We've found that
2 for many of our clients they'd rather know in their
3 project how much they're spending on legal fees so a flat
4 fee arrangement makes sense for specific projects
5 sometimes, so we gave you kind of range that we might
6 generally see for flat fees, if you prefer that.

7 MR. LONG: And just a follow-up question on the
8 single family, we also have lots of experience in our firm
9 dealing with subdivisions, single family subdivisions,
10 doing entitlement work, all the preliminary work, and
11 working through all the issues that those create, and we
12 have an attorney in the office here in Austin that
13 works -- I mean, his whole practice is around entitlements
14 with the county and the city on development work.

15 MR. DIETZ: And it probably only represents
16 about 15 percent of what the firm does probably, but it's
17 important to us is the Board governance element that our
18 legal counsel does.

19 MR. THORNHILL: Absolutely.

20 MR. DIETZ: Is that something that you also
21 have some expertise in?

22 MR. THORNHILL: We have what you would
23 generally consider as being corporate attorneys that work
24 on corporate governance issues, and I'm not sure about
25 Scott's experience but I have represented just a host of

1 private and public corporations and charitable
2 organizations, homeowners associations, et cetera,
3 nonprofits, and served on those boards as well at the same
4 time, so I'm certainly familiar with all that and have a
5 background in all of that, representing clients, private
6 clients.

7 MS. COBOS: Now, that's great. What about Open
8 Meetings Act and those types of statutory --

9 MR. ROMERO: We're quasi-governmental so this
10 is an additional layer that we need to make sure the law
11 firm understands.

12 MR. THORNHILL: We've had some experience with
13 that, not of recent, not of late. I'm trying to think,
14 we've acted -- some of the attorneys in our office have
15 acted as a resources for some of the city municipal
16 attorneys in that regard. I myself have not.

17 MR. MARKS: We've represented a number of
18 housing authorities, for example, and housing finance
19 corporations around the state. Most of the ones that are
20 doing a tremendous amount of new development, and so some
21 of those corporation governance and open meetings
22 questions have come up through our representation of those
23 clients.

24 MS. COBOS: I have no other questions.

25 MR. DIETZ: Any other questions?

1 MS. CARDENAS: No.

2 MR. ROMERO: No.

3 MR. DIETZ: Is there anything we haven't asked
4 you about that you feel is important to bring to our
5 attention?

6 MR. MARKS: No. I would just say -- and Rautt
7 may want to say something in conclusion as well -- I do
8 think, as Janie mentioned, having Texas counsel can be
9 really helpful and just on a practical level having a
10 couple of attorneys like us right down the road who could
11 come over here and meet with your staff pretty easily, and
12 knowing all the nuances of Texas law and understanding the
13 players in the Texas industry. I'm on the board of the
14 Texas Affiliation of Affordable Housing Providers, for
15 example, so just really understand the landscape in Texas
16 which I think could be helpful to you.

17 MR. THORNHILL: And I guess as a kind of
18 follow-up, there was a lot of questions about how do you
19 know that we could fulfill your RFP if the staff hasn't
20 actually worked with us. I mean, no other firm other than
21 Greenberg Traurig has really worked with the firm as
22 general counsel the last 12 years, so it's a great
23 question but it's one that we can't necessarily answer
24 other than we have had a lot of involvement with the
25 Corporation with a lot of the staff before because of our

1 practices, and so maybe a lot of that -- the basis of some
2 of their answers is basis of how professional we've
3 handled or how quickly we've handled or how thoroughly
4 we've handled the matters for our own clients with the
5 Corporation.

6 So it's not, I don't think -- again, we'll
7 leave staff to tell you what they want to tell you, but
8 we've had involvement with the staff before, this isn't a
9 blind analysis from their standpoint on just figures or
10 based on our RFP. I think, hopefully, we bring to the
11 table the personal experience that we've offered in the
12 past to those same staffers.

13 MR. DIETZ: Well, thank you very much. We
14 appreciate your time and appreciate your unexpected
15 interview process.

16 MR. THORNHILL: Yes, sir.

17 MR. DIETZ: And if we can have a representative
18 of Greenberg Traurig. Just for clarify, of course, at
19 this point you're not in your capacity as our current
20 general counsel, you're in your capacity as responding to
21 the RFP.

22 MR. GEHRIG: Interviewee.

23 I'm Bill Gehrig.

24 MR. GREGG: Aaron Gregg.

25 MR. DIETZ: What questions?

1 MR. ROMERO: So I'll kick it off. So you've
2 heard the discussion around subject matter experts and
3 what the process is, so explain to us what a typical call
4 where you're going to require additional expertise in a
5 certain area, how would that be met by you all if the
6 staff was to call you in regards to that?

7 MR. GEHRIG: Well, we have a set of procedures
8 where basically, as you all know, Karen Kennard and I are
9 the two representatives, your main reps for the client,
10 and we're in charge of referring matters, so when
11 something comes in it comes to Karen or it comes to me
12 under these guidelines. When it comes to, for example,
13 lending contracts and affordable housing issues, this is
14 what I do. I work for many HFAs across the country,
15 including some of the very biggest, as their special
16 counsel, general counsel, housing counsel and a number of
17 different roles. So we look at the matter and we decide
18 how to staff it. We've got to make sure we get it right
19 and we also have to make sure that it's processed
20 efficiently. So like I said, on the matters that I think
21 we're really talking about here is the matters that relate
22 to affordable housing, many of which I do work on.

23 Now, those matters are often complex but
24 they're normally matters -- the only ones that I work on,
25 for example, are the ones that I've worked on with other

1 HFAs and I have experience on, so oftentimes what will
2 happen is, for example, on a lending contract I have that
3 expertise, I work on lending contracts all the time, so I
4 will go ahead and take care of that because I understand
5 the business transaction, I understand, you know, the
6 applicable laws, et cetera. But then at the end of it --
7 so I'll handle that and then at the end of the contract,
8 if it's for Texas real estate, a Texas real estate lawyer
9 at our firm, of which we have many, will take a look at
10 the technical Texas real estate aspects to make sure that
11 they're in line.

12 And I think in this process -- and I apologize
13 because obviously you'll have direct access, we have 2,000
14 attorneys, the staff has access to anybody at any time --
15 we do have this management process but there's never an
16 inability for them to reach anybody. I think in the
17 process that sometimes the staff thinks, well, why don't
18 you just hand it to the real estate attorney to begin
19 with, and that's because 5 percent of the contract has to
20 do with Texas real estate aspects, 95 percent has to do
21 with the substance, the true business deal, the real
22 lending relationship and all those terms of which I'm
23 expert at.

24 This is what I do, for example, in terms of
25 working with HFAs, so I do work on these matters, quite a

1 few of them I think there's a little bit -- and maybe I
2 haven't been clear enough about what I do in my career and
3 that is serve HFAs. I've been in this business for
4 30-plus years.

5 Another matter that we had which we talked
6 about, transferring properties into affiliated entities
7 for liability protection, that was a matter that we
8 brought to the staff's attention because we really were
9 concerned about the potential liability and we discussed
10 it here in a prior Board meeting, and it was finally
11 determined to go ahead, and see, that's a matter that
12 involves many complex legal aspects, tax, state law,
13 organizational aspects, accounting aspects, et cetera.
14 These kinds of deals which are complex have to be
15 structured up front, so for example, I stay involved and
16 then I'll bring in an associate, for example, to do the
17 documentation. So in this situation I think that there
18 was some frustration from staff that I didn't just
19 transfer that to the associate who had some expertise in
20 the matter but not in all these areas.

21 When you have a complex transaction, the first
22 thing you have to do is make sure it's structured, that
23 all the business points have been ironed out, all the
24 legal points, and then you go forth on the documentation.

25 That's been my method, it's worked very well. So I think

1 that we've been -- I haven't been good enough at basically
2 working with the staff and getting them to understand that
3 I'm trying to process this efficiently, because if you
4 just hand something off to somebody who is not as familiar
5 with it, then you're going to start running up the time.
6 So a lot of this has been driven by the attempt to try to
7 minimize our fees and minimize our work on a file.

8 I think the other aspect, too, is that we only
9 bill for substantive work that's done. I don't bill for
10 referral of matters to somebody else. The only time --
11 we've been on a monthly basis and when we do that we very
12 carefully go through all of our entries by all of the
13 people and if I see something that I think is excessive or
14 duplicative, we'll actually write that off. And in
15 addition, as the president knows, the door is open if he's
16 unhappy in any way with any portion of the bill, and he
17 does from time to time call me and we make an appropriate
18 adjustment.

19 Now, in spite of what I said, which is that I
20 think we run the deal very efficiently, obviously we need
21 to do a better job of letting the staff know that they
22 have access to anybody. If they're working on a deal with
23 anybody, they're allowed to talk to them. I don't bring
24 them in at the beginning because that's inefficient. If
25 you bring in somebody before you need them, it just adds

1 more time to be counted. So I need to do a better job,
2 and that's me, that's on me, I think, to make sure that
3 they understand that they do have full access, and if they
4 want to work with somebody directly on a matter, then
5 that's fine too. Like I said, I organize it based on
6 economic efficiency and making sure we get the right
7 result.

8 MR. ROMERO: So would it be a true statement to
9 say that if you're working on something that you're not
10 subject matter expert in and you pass it on to another
11 colleague, do you add your time too? That would be the
12 referral, would you add your time to that or you would
13 not?

14 MR. GEHRIG: No, I would not. I mean, most of
15 the stuff that comes up I'm the subject matter expert.
16 For example, I'm the subject matter expert on lending
17 transactions related to federal tax aspects, regulatory
18 aspects on the single-family side. These are all things I
19 do, this is what I do and have done, like I said, for 30-
20 plus years and particularly in the last 10 years. I've
21 got, you know, five other HFA clients and that's exactly
22 the kind of transaction work that I do for them, so that's
23 why I have this expertise. What I do is represent HFAs
24 and their particular needs a lot on the single-family
25 side, but you know, also on the multifamily side.

1 MS. COBOS: So what percentage of work does the
2 firm address in multifamily versus single family?

3 MR. GEHRIG: Well, we have --

4 MR. DIETZ: For us?

5 MS. COBOS: For us, or in general.

6 MR. GEHRIG: The way I'd break the work down
7 roughly, at least in my estimation, is that about 20
8 percent is the Board work that we talked about and related
9 and miscellaneous matters, and then the rest is single
10 family and multifamily, and those are either -- let's just
11 say they're split evenly, so 40 percent is multi, 40
12 percent is single family, and 20 percent is the Board
13 work.

14 On the single family side we have a massive
15 practice at Greenberg in single family and have been in
16 that area and at the forefront of all the innovations in
17 that area, you know, really since I started in 1987, and
18 we've been instrumental on all the bond structuring that
19 goes on there, the non-bond structuring which has come up
20 in the last five to eight years, including all the work
21 I've done with you guys which has been a very successful
22 program. The single-family side, as you know,
23 contributes, I think, when I was looking at the budget,
24 about 70 percent of your budgeted revenues for next year,
25 so it's a big, big program, it's a very important program,

1 it has a lot of nuanced parts to it. And I think the
2 advantage that we bring is that because we have so many
3 HFA relationships and understand their programs, that
4 provides a leverage and knowledge base that's leveraged to
5 the benefit of TSAHC.

6 MR. DIETZ: Any other questions?

7 MS. CARDENAS: I have none at this point.

8 MS. COBOS: Anything else you want to
9 highlight?

10 MR. GREGG: If I can just speak to the question
11 you talked about earlier about experience with Board work
12 and when we assign things. You know, we have a Texas
13 government law and policy practice here in Austin, we've
14 got offices in Austin, Houston and Dallas and we have
15 extensive experience representing governmental entities,
16 quasi-governmental entities, advising them, and there are
17 some pretty key differences between those types of
18 entities and corporate governance on the private side. So
19 I think having that team here in Texas that's got decades
20 of experience combined between all of our team members,
21 and we do work as a team, as you guys know because you've
22 interacted with multiple of us. So I just wanted to
23 clarify that we do have a specific group that's focused on
24 those matters here in Texas.

25 MR. DIETZ: Okay. What about on the fee

1 structure, at least in the scoring here it looks that was
2 one of the key elements of scoring that did not come out
3 in your favor, do you have any comments?

4 MR. GEHRIG: Well, in terms of our fees, you
5 know, again, I work on an hourly basis for many HFAs and
6 our fees are right down the middle with those fees. We
7 actually have an engagement letter with the Corporation
8 which requires us to provide a 10 percent discount from
9 our standard rates. We provide -- and we did it
10 unilaterally -- a 30 percent discount because I think that
11 we felt this is basically what we're charging other HFAs
12 and that's the appropriate amount in spite of what our
13 engagement letter said.

14 So like I said, we're down the middle on the
15 fees and we try to be as efficient as we can, you know, in
16 terms of our billing and not double billing and drumming
17 up bills. You know, we don't do that, we don't need to do
18 that. But you know, matters are complex, legal matters
19 are complex and they take time, and in some of these
20 things that are highly complex, such as some of the
21 regulatory issues, et cetera, it's important that GT
22 attorneys have the ability to collaborate on those issues,
23 you know, people who are expert in that. That's how you
24 get the creative solutions often, and it's not possible on
25 a matter, particularly any kind of a sophisticated or

1 complicated transaction to simply, you know, use one
2 attorney to kind of keep the bill down. So we do the best
3 job we can.

4 The fees were stunning to us because we were
5 very -- like I said, we're right in the middle, you're
6 right with all the other HFAs about what we're charging.
7 And I'd say certainly we will continue -- we have a lot of
8 pressure on the fee side, so we will continue to push as
9 hard as we can to try to minimize our bills and be as
10 efficient as we can. We're not interested in, you know,
11 excessive billing, never been.

12 MS. CARDENAS: So I have one question -- and I
13 certainly appreciate your level of expertise and working
14 with HFAs and just your extensive background -- should
15 something happen, because I just heard, you know,
16 constantly about how you are the point person, you are the
17 one that handles a lot of these matters based on your
18 level of expertise, but you know, God forbid, should
19 something happen, who has that same level of expertise?
20 Because that would be a concern to us that basically, for
21 lack of a better word or phrase, we're putting all of our
22 eggs in one basket with one person who holds that level of
23 expertise but really haven't heard -- yes, you have other
24 people that you would refer out to, you have a team that
25 has a wealth of knowledge, but there still always has to

1 be that one person, right, that is spearheading it, really
2 has a grasp on things and really understands the
3 mechanics. So what other associates or partners or
4 members would have that same level? I don't need names.
5 Right? Do you have that really is what I mean.

6 MR. GEHRIG: Yes, and that's a good question.
7 What about even though I will practice till I'm 90 -- and
8 that's like 50 years away -- good question. If I may give
9 you a couple of numbers, Greenberg Traurig, 2,000
10 attorneys; Greenberg Traurig public finance group, public
11 finance alone, 50; Greenberg Traurig's affordable housing
12 group inside public finance, just inside and that's the
13 bonds related to governmental financing is 15. So I've
14 got a lot of partners who do this kind of work, and
15 anything ever happened to me, I get hit by a bus, one of
16 them would take over. I think a couple of them are on the
17 team. So we have very deep expertise in affordable
18 housing, particularly on the lender side, particularly on
19 the HFA side.

20 But it's also true that as we do our
21 transactions it's important that if my billing rate is X
22 and an associate's is X minus Y, that they become familiar
23 with TSAHC's issues and transactions and they can also
24 take them over directly, and I think that's something
25 staff is saying, they'd like to have maybe that transition

1 a little quicker, and that's something that we'll
2 certainly work on.

3 You know, for example, just going back to the
4 affiliate -- transfer or properties to affiliated
5 entities, I worked with a very talented real estate tax
6 associate who works in this area and he's kind of coming
7 up to speed on what TSAHC does, and then he'll be able to
8 take over that transaction. And I should have made that
9 clear, eventually he'll just take over. So we have a very
10 deep bench.

11 MR. DIETZ: Any other questions?

12 (No response.)

13 MR. DIETZ: Is there anything we haven't asked
14 you?

15 MR. GEHRIG: One thing I'd like to comment on,
16 Janie had mentioned the idea of being creative. We have a
17 big-time reputation, frankly, for being creative in this
18 area, and in fact, if we've been slow on some projects, I
19 apologize for that. But you know, there comes a point in
20 time where you have to follow the law and have to be very
21 careful about the law because that's the ultimate master,
22 and if you want a particular result and it doesn't fit
23 with the law, you've got to go with the law. And that's
24 our job, our job is to protect the Corporation and its
25 governing board and to make sure that we're always

1 compliant. It can't be a question whether or not, yes,
2 we're probably compliant with the law, it's very important
3 that we do that, and sometimes the creativity that you'd
4 like to do, it's just not something that can be done to
5 change the fact that the law applies like this and it must
6 be followed.

7 MS. COBOS: I'd agree with that.

8 MR. DIETZ: Thank you very much for your,
9 again, unexpected interview.

10 MR. GEHRIG: Thank you.

11 MR. DIETZ: I have just one or two questions
12 about this issue for staff.

13 MR. LONG: You have questions?

14 MR. DIETZ: Yes.

15 MR. LONG: Okay.

16 MR. DIETZ: So it looks like we spent a long
17 time about the staff can work directly with subject matter
18 experts, if you just remove that entirely from the scoring
19 system, then it essentially puts these two firms almost
20 exactly equal -- I think Coats Rose is maybe a point
21 ahead -- and so it really all comes down to the fee
22 differential, that's where you get a large discrepancy in
23 the scoring. So do you have any comments about the fees,
24 the way the fees were analyzed just so I can understand
25 that?

1 MR. LONG: I mean, it was basically a question
2 asked that provided -- I think both Coats Rose and
3 Greenberg Traurig provided that they have a fee structure
4 based on the attorneys they offer. Greenberg Traurig has
5 historically afforded us a discount when it comes to their
6 nonprofit work, and us being a nonprofit has afforded us
7 some discount. I think Greenberg Traurig also offered up
8 a retainer scenario where they took -- quite honestly, if
9 you did the math it looked like what they did is took our
10 annual budget for legal and divided it by 12, the number
11 being reasonable for us to consider as a monthly fee
12 versus an hourly fee based on work done by various
13 attorneys, including those that show up for Board meetings
14 versus working on transactions.

15 I think Mr. Romero asked a question early on
16 about how would your fees fit into a bond deal if you had
17 more work going on. Typically a bond deal, whether it be
18 multifamily or single family, there is a defined fee
19 that's paid to the professionals, it's not an hourly fee
20 in those structured deals. So this is more about dealing
21 with the non-bond --

22 MR. DIETZ: Non-transactional stuff.

23 MR. LONG: Non-transactional hourly fees that
24 we're talking about here. So it was a question asked and
25 answered by the respondents, and that's what you have

1 here.

2 MR. DIETZ: So those two different fee
3 structures, at least as far as you can tell, really
4 don't -- there's not a significant advantage one way or
5 the other.

6 MR. LONG: In terms of?

7 MR. DIETZ: In terms of the flat rate versus
8 the hourly rate.

9 MR. LONG: No. I mean, I wouldn't know until
10 we went through a year of retainer to really know that. I
11 mean, you could assume one or the other, but essentially
12 what we have right now is an hourly rate with the firm
13 that we work with, Greenberg Traurig, and we've gone down
14 that path before for several years now with them so that's
15 why we put it up here as consistent across the board with
16 what the other firms responded.

17 MS. COBOS: Just one thing I would highlight --
18 if you're done with your line of questioning on that
19 point.

20 MR. DIETZ: Yes.

21 MS. COBOS: I think we need to kind of, you
22 know, hold focus on further is, as a Board, having counsel
23 that advises us on open meetings and some of the
24 governmental statutes that apply to us going forward.
25 That's really important, and it seems like there's

1 expertise on both sides right now that staff would be
2 comfortable with based on their scoring, but that is one
3 piece that is extremely important for us because of the
4 fact that we are a quasi-governmental entity and we need
5 to have counsel that can readily advise us on those
6 points.

7 MR. DIETZ: Was that specifically addressed in
8 the RFP

9 MR. LONG: I'll be honest with you, again since
10 I didn't score it, I wouldn't be able to tell you.

11 Janie, do you know if that was a question that
12 was asked specifically?

13 MS. TAYLOR: It was.

14 MR. LONG: It was? Okay. So, yes, it was.

15 MR. DIETZ: And was there a significant
16 differential, or do you have that data with you, between
17 the two firms?

18 MS. TAYLOR: Do I need to introduce myself
19 again?

20 MR. LONG: Yes.

21 MS. TAYLOR: Janie Taylor, executive vice
22 president.

23 You know, we did take each -- we had a list of
24 about 10 to 15 different subject matter areas, that was
25 one of them. You know, we have staff, myself included,

1 that have been to two or three half-day trainings at the
2 AG's office on open meetings and open records.

3 I get that it's an important thing for you guys
4 and so certainly it is something that is important as
5 well, but it was probably A through I of one of the many
6 things. So, yes, there was probably something that was
7 mentioned in there, but it wasn't an area where we deal
8 with it on a regular basis. The subject matter areas that
9 are most important to us are mortgage regulation
10 compliance, real estate law in Texas, land use in Texas,
11 contracts, lending contracts for like ACT, Impact Fund,
12 those type of things. Those are the things that we work
13 with, I would say that's 90 percent of what we do, so
14 those are the things that we focused on more.

15 MR. ROMERO: So Ms. Cobos just said that it's
16 important to the Board. I mean, it may not be important
17 to staff, you've got other issues that you think are more
18 important, but from the Board's perspective, that is
19 important to us. The fact that you've gone to a couple of
20 workshops, that's great, but again, where is the Board
21 represented? They're representing the Board, not
22 necessarily the staff. You are part of the Corporation, I
23 understand that, but if one of our Board members is saying
24 it's important to us, then it should be a priority for you
25 all.

1 MR. LONG: It is a priority for us.

2 MS. TAYLOR: It is and that's why it was listed
3 on there.

4 MR. ROMERO: So how was it listed? If you
5 could read that out, because I never saw that.

6 MS. TAYLOR: It's part of the RFP that we sent
7 you guys, what you all approved back in August or July,
8 that was one of the subject matters in there.

9 MR. ROMERO: Specifically you said there was A
10 through I, you said?

11 MS. TAYLOR: Yeah.

12 MR. ROMERO: What is the question, though?

13 MR. LONG: A is basically -- proposed section A
14 is subject matter experience and it lists A through I in
15 those areas and one of those areas is Texas Open Meetings,
16 public information.

17 MR. ROMERO: So basically you had a yes or a
18 no? How was it responded, how was the response?

19 MS. TAYLOR: I think that we asked for what is
20 the experience in these areas, and so they answered every
21 single one if they had experience in those areas.

22 MR. ROMERO: Again, just yes or no, there was
23 no explanation?

24 MS. TAYLOR: No. They generally would write
25 sentences, have a little bit of explanation.

1 MR. LONG: I don't have the responses in front
2 of me.

3 MS. TAYLOR: And I apologize if that came out
4 wrong. That's not what I intended. What I was trying to
5 tell you is that in terms of general counsel and the kind
6 of work that we do, you know, looking at a bill, for
7 example, on a monthly basis what the majority of that will
8 be, it will be that work that I just explained to you.
9 Absolutely we need to make sure that we have somebody here
10 that is here that knows that law, absolutely. You know,
11 like today when we were trying to decide if we could start
12 before, you know, I knew we couldn't, and I said no, we
13 can't, but I needed assurance from Aaron that we could
14 not. So that certainly is an important factor, we
15 definitely need to have somebody who we can talk to when
16 something comes up about whether we can do something or
17 not, whether it fits Open Meetings or not, definitely.

18 MS. COBOS: I get your answer. I mean, some
19 day-to-day activities, the matters the Corporation needs
20 its legal counsel on are the ones you described, but that
21 one finite piece when it comes down to our Board meetings
22 and deliberation I think is critical for the Board, as you
23 recognized, and that's one area that I don't want to lose
24 sight of because I think we heard two different responses.

25 MR. ROMERO: And I agree.

1 MR. DIETZ: Any other questions or comments or
2 discussion?

3 MS. CARDENAS: I think the only comment that I
4 have, and I think we started it at the very beginning,
5 right, and it's kind of been a theme throughout this whole
6 conversation is, you know, as a Board director and in my
7 line of work, right, I've gone through RFPs, but RFPs are
8 very objective, you know. There's other templates,
9 there's other formats, you know, and they're very
10 objective, and for me there's still a lot of subjectivity,
11 and I want to be fair to both firms because this is a big
12 deal.

13 For me, first and foremost, and it's not to not
14 give importance to land contracts, to certain things, the
15 main and first objective is to protect the organization,
16 right, TSAHC the organization, because if we've got a
17 contract signed and everything is fine here but we're
18 missing everything up here in the corporate governance,
19 right, which is part of the Board, then all this down here
20 means nothing. I mean, that's my opinion, it means
21 nothing. We can be compliant down here on the sale of a
22 deal, on closing on development loans, but now up here at
23 the Corporation level if we've not complied, then
24 everything comes crumbling down, so everything we've done
25 here means absolutely nothing. Right?

1 And so I want to be fair to both firms but the
2 way that it's laid out, I feel that there's, you know,
3 subjectivity. That's my opinion. So I don't know if
4 we're voting on this today, I know we need to vote on
5 this. I think that we are absolutely behind. Right?
6 Twelve years of not having an RFP, I think that that's
7 something that we should have accelerated five years ago
8 or seven years ago or whatever the best practice is. So
9 we haven't been practicing a best practice, right, and no
10 fault of these firms.

11 And so at the end of the day I just want to
12 have a comfort level as a Board director to make the best
13 decision. And based on the series of questioning, I think
14 we've got two equally strong firms represented today, and
15 I think either one would do well, I just want to be fair
16 and I don't know with the information that I've been given
17 that I could, you know, make a just decision.

18 MR. DIETZ: And I think to answer part of your
19 question, it's up to the Board whether or not we do move
20 forward today with a final decision. Alternatively, I
21 think it would be appropriate for the Board to direct
22 staff to take any additional steps we felt like were
23 necessary to be taken prior to making that final decision.
24 I think that's within our purview.

25 MS. CARDENAS: I'm just one Board member.

1 MR. DIETZ: Right. Any other?

2 MS. COBOS: Well, I agree with Ms. Cardenas's
3 points. I mean, there is a lot of subjectivity involved
4 in the analysis and I want to be fair to both firms as
5 well, and I definitely agree that we've got to be
6 protecting the Corporation on all levels because we need
7 to avoid liability at the corporate governance board level
8 all the way down to the staff level and really think about
9 what legal counsel would help us in protecting us
10 holistically going forward.

11 And I do think that we do need to set up a
12 framework, as we discussed over and over, you know,
13 evaluating our legal services more timely so that we kind
14 of have, you know, a level of due diligence involved. I
15 mean, at this point I don't know specifically what I would
16 direct staff to go do to get us more information to come
17 up with a better framework to make a decision. So I mean,
18 if we need a vote today, then we can. If there's anything
19 that we would specifically ask staff to bring back to us
20 that would help us, I'm fine with that too, delaying it
21 for a month. I recognize you probably want to get this
22 done by the end of the year so that we can have legal
23 counsel.

24 MR. LONG: As a reminder, session starts in
25 January, so this is not anything we would want to delay

1 too much longer.

2 MS. COBOS: Right.

3 MR. ROMERO: David, on another issue here,
4 we're talking about the Corporation's internal policies
5 suggest that we issue RFPs for professional services every
6 five to ten years. Why is that not more specific? Why
7 isn't legal services should be done every three years or
8 every five years or every ten years? Why isn't it
9 specific to that? I mean, that's a pretty big window.

10 MR. LONG: My best answer to you on that would
11 be, one, because relationships take a while to grow into,
12 and some relationships, like our financial services
13 provider, maybe every three to five years we can go in and
14 reassess whether or not that is something we want to
15 change because their fee structure has changed, or they
16 longer provide a certain service we need, whether it be
17 wire transfers or whatever it might be. Same thing with
18 the audit firm, somebody that gets used to you but in
19 three to five years you can reassess that.

20 When you're talking about bond counsel, when
21 you're talking about legal matters, quite honestly -- I'll
22 just throw all of them together, disclosure counsel, legal
23 counsel, general counsel, those relationships carry
24 opinions with them, they carry significant amount of
25 program development, and I think we gave ourselves that

1 flexibility because in all honesty it's not something I
2 like to change that often when I have a very good strong
3 working relationship with a firm that is doing what I need
4 them to be doing and have institutional knowledge that
5 they've grown with us and we now have that kind of
6 backdrop.

7 Now, that's not to say that we shouldn't look
8 at it, but does that mean that we would never change
9 anybody because they would always have the institutional
10 knowledge? I think that would be kind of stepping
11 backwards from what the RFP process requires us to do
12 which is reevaluate.

13 I mean, in all honesty, an RFP process, if one
14 of the respondents is the existing firm of record, whether
15 it be a banking firm or a financial firm or whatever it
16 might be, they automatically have an upper hand because
17 they're already going to have, as we've heard from the
18 Board today, they have institutional knowledge, they have
19 an expertise client matter, whatever it might be. That
20 doesn't mean that they're doing a bad job and it doesn't
21 mean a firm that also responded would do a bad job either,
22 that they couldn't do a better job.

23 The RFP process in itself is something that
24 we're required to do, and it gives us a chance to
25 reevaluate the relationships we have. We have made

1 changes in the past, we have done those significantly in
2 various areas. As an example, Mr. Romero, one of the
3 times we made a change we had an audit firm that we used
4 and an RFP several times and they were rehired, but when
5 the major partner that had been our primary contact
6 retired, we RFP'd again during that process and it was
7 determined it was in our best interest to go with a
8 different audit firm. Again, those changes are not
9 something we'd planned or scheduled for, but the RFP
10 process allowed us to reevaluate the relationships we have
11 and whether a different firm could provide that same or
12 better service to us.

13 So again, I just bring it up, and time-wise,
14 sometimes it's not the easiest thing to do is do this RFP,
15 as you can see we're going through this right now, but
16 relationships are really important and I think when you
17 have a long term relationship sometimes it's easier to
18 ride that relationship because there is a constant
19 knowledge of benefit that goes with that, but it doesn't
20 mean that we shouldn't always evaluate where we need to go
21 and what we need to do differently, especially if we have
22 concerns about the relationship.

23 MR. DIETZ: I think one thing we might like to
24 see as a Board is going forward for each of the different
25 outside services we use an entire policy that says no more

1 than X, that we will review or have an RFP. Maybe for our
2 law firm maybe it's ten years, maybe for the underwriter
3 it's every three years. Maybe you could give us a
4 recommendation on that.

5 MR. LONG: Certainly.

6 MR. ROMERO: And again, it goes back to what
7 Ms. Cardenas was saying about subjectivity, five to ten
8 years we'll think about it. We should have a process. If
9 the policy says five years, we do it, and if the group
10 that we're working with floats to the top as the best one,
11 then they would get, you know, hired again. I don't think
12 it's a problem to reevaluate, whether it's three years or
13 five years, but take the subjectivity out of it.

14 MR. LONG: I understand that. Again, I
15 think -- not to argue the point -- objectivity is
16 certainly what we want to accomplish in this process, but
17 I would suggest to you almost -- to eliminate subjectivity
18 is almost an impossibility when you're evaluating
19 relationships that either known or past relationships.

20 For full disclosure, Rautt Thornhill was real
21 estate counsel for one of the banks that I first worked
22 for when I first got into the industry. I've known Rautt
23 Thornhill for 30 years. I didn't reach out to him on this
24 process, he happens to be here today because he's
25 supporting Coats Rose. He wasn't even with Coats Rose

1 when I first met him. So again, the industry changes but
2 the people we work with, it's almost impossible to throw
3 subjectivity out the window when you have a knowledge of
4 someone or an industry-based group of people that you work
5 with on a regular basis. They bring to the table certain
6 knowledge that means you have to give that thought process
7 into whether they would be a good partner with you or not,
8 whether it's a big firm or a small firm or an individual
9 or whatever.

10 So I appreciate what you're saying, I just want
11 to be honest with you to suggest that we could throw
12 subjectivity out completely is almost an impossibility.

13 MR. ROMERO: But not about the RFP. I'm
14 talking about the process to get the RFPs.

15 MR. LONG: Oh, I understood, and that's fine,
16 and I don't disagree with you on that, and I apologize if
17 I misunderstood you. We can certainly come to the table,
18 and I'm fine saying if you want to RFP every five years,
19 we'll RFP every five years. I have no problem with that.

20 It's not anything that we intended to be delayed on or
21 cause ourselves to create -- I don't know, extend a
22 relationship because we don't want to have to go through
23 the process, it's more that it was an institutional
24 relationship to become really important as you move along.

25 But as time goes by things change and we need

1 to make those adjustments, and it does require us to
2 reevaluate the relationships we have, and I think that's a
3 good process. So I would just tell you right now, five to
4 seven years every time, I'm happy with that, I don't have
5 any problem with that. If that's something we need to put
6 into our SOPs, we're happy to do that as well. And that
7 five to seven years, does that mean we start looking at it
8 in five years and by the seventh year we're doing it, or
9 we do it at five years? If the Board is comfortable with
10 that, unless you want a specific year, I do like the
11 flexibility because if we're in the middle of a working
12 relationship on a project or a time frame, sometimes five
13 to seven years, that extra window gives us a little bit of
14 flexibility to finish what we're working on.

15 MS. COBOS: We need stability.

16 MR. LONG: Certainly.

17 MS. COBOS: We need stability in legal counsel.
18 I think if five to seven years gives the Corporation the
19 stability that it needs to have consistent and stable
20 legal counsel, because switching around every three years
21 I think creates -- would introduce some volatility.

22 MR. LONG: I would agree with you on that.

23 MS. COBOS: We want to have some stability and
24 if we do go with a new firm at some point, then we want to
25 be able to build some institutional knowledge as well.

1 It's going to take time for any vendor that we contract
2 with to come up to speed with the Corporation. They're
3 new. Right?

4 MR. LONG: Right.

5 MS. COBOS: So that's one piece.

6 And I think one way to sort of mitigate the
7 subjectivity aspect of it would be that during the RFP
8 process in the future that there is an opportunity for a
9 group interview of some sort. So instead of just looking
10 at the bid submissions, reading them and gleaning what you
11 glean from the bid submission, and then if you have the
12 benefit of having actual practical experience with the
13 firm, feeding that in, and if you don't then you're
14 gleaning off what you're seeing and you're coming to a
15 determination based on what you've read.

16 MR. LONG: Right.

17 MS. COBOS: But the opportunity, I think, for
18 the firms to come in -- I think in this instance we had
19 four law firms -- would be, I think, a very worthwhile
20 process to bring them in and interview them as well, look
21 at the bid submission, interview, and give the Board the
22 opportunity to interview them or sit in on an interview --
23 as long as we don't violate any rules -- maybe setting up
24 some structure where there is more than just looking at
25 the bid submissions, maybe an opportunity to actually talk

1 to the firms and better understand what they mean by we're
2 going to offer alternative solutions and options, what do
3 you mean, can you name some examples. Maybe the put it in
4 the bid but you want to get some clarification questions
5 in there. That's one way of maybe mitigating the
6 subjectivity, potentially.

7 MR. DIETZ: Right. I think it need to come
8 back to the recommendation for what we should have on our
9 standard operating procedures going forward. That would
10 be great.

11 So are we ready for a motion? Is the Board
12 prepared to make a movement on this topic? I don't want
13 to cut off the conversation, so if there's more
14 conversation or questions. Any questions that we have for
15 staff or for either of the firms, then by all means let's
16 do that.

17 MS. CARDENAS: I don't know if we can postpone
18 for one month, and then make, obviously, the decision
19 before we go into session before session begins in
20 January. That's just my proposal on the table.

21 MR. DIETZ: Any specific additional data or
22 directions for staff that you'd like to see?

23 MS. CARDENAS: It's one of those things I don't
24 know what can be communicated in an open forum. It's
25 something that I probably just would like to maybe sit and

1 speak with our president.

2 MS. TAYLOR: Valerie, can I help you out? This
3 is Janie Taylor, executive vice president.

4 I would encourage the Board to speak to the
5 staff since they do have -- they did score, they did look
6 at all the RFPs, they do have regular interaction with
7 counsel and with various other counsel that we work with,
8 so I would encourage you all, if you want to take the
9 month and table this until next month, to speak to the
10 staff, and maybe that might help you all come to a
11 conclusion.

12 MR. DIETZ: I think it's a very important
13 decision for the Board, and so I think that if the Board
14 feels like we need that extra month to digest and speak
15 with staff, and I think that as long as there's not three
16 of us at the same time talking with the staff, then that's
17 appropriate, and it would be appropriate to talk to the
18 firms if we feel there's a need to do that.

19 MS. TAYLOR: I think if questions were to come
20 up during the discussion that, you know, we need to field
21 off to the firms.

22 MR. ROMERO: Did you forward the RFP results --
23 I mean, not the results, the actual RFP to all of us?

24 MS. TAYLOR: Yes, all of them.

25 MR. LONG: Yes.

1 MR. ROMERO: I'll go back and check because I
2 don't recall seeing that. I got the information you sent
3 me, but I don't recall getting the other one.

4 MS. TAYLOR: You got all four responses, you
5 got the RFP, and you got the scoring sheets.

6 MR. LONG: Scoring sheets.

7 MR. DIETZ: Would it be appropriate for there
8 to be a motion that we have decided to limit the scope of
9 our future search to these two firms?

10 MR. ROMERO: I think we do.

11 MS. COBOS: Yes.

12 MR. DIETZ: That might be a motion that we
13 entertain, if somebody were inclined to make that.

14 (General laughter.)

15 MR. ROMERO: Is there any legal issues to that?

16 MS. COBOS: Right, exactly.

17 I guess the motion would be to table -- well,
18 the motion would be to limit the search to the law firms
19 of Coats Rose and Greenberg Traurig and postpone the final
20 decision on the general counsel decision until the
21 December Board meeting.

22 MR. DIETZ: Is there a second?

23 MR. ROMERO: Second.

24 MR. DIETZ: All in favor?

25 (A chorus of ayes.)

1 MR. DIETZ: Any opposed or abstentions?

2 (No response.)

3 MR. DIETZ: Okay. It passes -- or is there any
4 public comment?

5 (No response.)

6 MR. DIETZ: Okay. Then it passes unanimously.

7 Okay. I don't think there's any other -- no
8 reason to go into closed meeting. Correct?

9 Oh, there is tab 6, the Staff presentation and
10 discussion of the Texas Foundations Fund. Thank you.

11 MR. ROMERO: We weren't trying to take your
12 thunder away.

13 (General laughter.)

14 MS. CLAFLIN: Good morning. I am Katie
15 Claflin, the director of Communications and Development,
16 and I am joined by Michael Wilt, the manager of External
17 Relations, and we are here to present tab item 6 which is
18 a Presentation and discussion of TSAHC's Texas Foundations
19 Fund Program.

20 I want to point out there's no Board action
21 associated with this tab item. We're just here to provide
22 the Board with an overview of the Texas Foundations Fund
23 and then also answer some questions that came up in the
24 September Board meeting about the counties that we serve
25 and the types of services that we support with the

1 program.

2 So since we have a couple of newer Board
3 members, I thought I'd start by giving just a very high-
4 level overview of the Texas Foundations Fund, and then
5 I'll hand it over to Michael who will actually present the
6 report.

7 So TSAHC created the Texas Foundations Fund,
8 which is a grant-making program for local nonprofits, in
9 2008 specifically to address the needs of households
10 earning up to 50 percent of the area median family income
11 in Texas, so really those very low-income households. We
12 conducted a survey when we first launched the program to
13 help us determine specifically what those housing needs
14 were for very low income households, to determine which
15 activities and priorities that we should focus on, and the
16 survey indicated that the two highest unmet needs for very
17 low income households were the critical repair and
18 accessibility modifications of owner-occupied housing, and
19 then supportive housing services such as case management,
20 adult education and mental health counseling that's
21 typically offered within rental housing. The survey also
22 revealed that these needs are particularly acute for
23 people with disabilities and people living in rural areas.

24 And so we used those survey results when we were creating
25 the eligible activities and the priorities that we wanted

1 to serve under the Texas Foundations Fund.

2 So we launched the Texas Foundations Fund, as I
3 mentioned, in 2008, and since that time we've done ten
4 annual funding rounds and one funding round specifically
5 for disaster recovery repairs related to Hurricanes Ike
6 and Dolly which came through in 2008, I believe.

7 The Board approves the funding available for
8 each funding round through the annual budget process, and
9 the Board initially allocated \$250,000 for each funding
10 round, but the Board has approved an increase in the
11 funding available in recent years and in the most recent
12 funding round approved \$350,000 to be available.

13 I also want to mention that originally the
14 Texas Foundations Fund was a competitive grants program,
15 however, with the Board's approval, we changed the
16 structure of the Texas Foundations Fund in 2016 to become
17 a matching grants program that would be available to all
18 eligible applicant meeting certain threshold requirements.
19 And that program change allowed us to serve more
20 organization and reach more communities throughout Texas.

21 So now I'm going to hand it over to Michael to
22 actually present the report.

23 MR. WILT: Good morning, Chairman Dietz and
24 Board members. I'm Michael Wilt, External Relations
25 manager.

1 We've provided both a high-level look and a
2 granular look at the program over the years. From a high-
3 level perspective, we've awarded more than \$3.2 million
4 over the duration of the program since it started in 2008.

5 We've awarded funds every year with the exception of 2010
6 and we had a special round for Hurricanes Ike and Dolly,
7 as well, as Katie mentioned, so on average that's a little
8 more than \$320,000 a year.

9 We've given awards to 46 organizations serving
10 98 of the 254 Texas counties. These grants in total have
11 funded home repairs for 414 households, they've helped
12 fund supportive services for 11,000 households.

13 On the second and third pages of the report
14 you'll see the breakdown of the awards per region and the
15 types of activities our grants support. On the home
16 repair side funds have been used primarily for roof
17 repair, accessibility features like wheelchair ramps and
18 grab bars or other health and safety modifications and
19 repairs. This includes things like providing septic
20 systems in rural areas, interior and exterior improvements
21 that enhance the homeowner's quality of life.

22 And on the supportive services side our grants
23 fund three types of households: you have the single
24 adults that live in single room occupancy permanent
25 supportive housing units; families with children,

1 oftentimes it's a single parent household; and then youth
2 aging out of foster care, and we have one organization
3 that does that in Central Texas. The types of services
4 these individuals receive are things like job training,
5 counseling, case management, after school programs for
6 children, programs to support continuing education, and
7 our funds either help pay for the services directly or
8 they help pay for the salary of the staff that provide the
9 services.

10 The region by region breakdown is pretty self-
11 explanatory so I'm not going to provide too much detail.
12 You'll see that we've supported both home repair and
13 supportive services in every single region across the
14 state. You'll also see that the Central Texas region has
15 received more funding than any other region. This
16 certainly isn't intentional. It's a reflection of the
17 volume of applications we get from this area and also the
18 quality of the nonprofits serving that region and may just
19 be a factor that we're located in Austin and more people
20 know about us here. The Houston area received the second
21 most and South Texas received the third, and the remaining
22 parts of the state received pretty much the same amount of
23 funding with the exception of the Panhandle which came in
24 last.

25 I have more extensive breakdown of all our

1 awardees over the years, the services they provide. I can
2 show it in whatever level of detail you want. I'll just
3 open it for questions at this point.

4 MR. ROMERO: I'm the one that asked for this,
5 Michael -- I mean, Katie. Thank you for providing this. I
6 just want the rest of the Board members to kind of see
7 where what we started out as a fairly small program, with
8 the amount of funding that we originally approved, to what
9 it is today and how we're trying to cover as much of the
10 state. The organizations we're dealing with are doing
11 great work and it's really an important program for us to
12 continue to do something like that and increase funding at
13 some point in time to have an even larger impact.

14 MR. WILT: And I will say since we moved from
15 the competitive to non-competitive, we've still been able
16 to cover every part of the state too, we haven't seen a
17 drop off in our coverage. We did just approve our latest
18 round of partners and we're not represented in the
19 Panhandle anymore, unfortunately.

20 MR. DIETZ: I was going to ask about that, the
21 non-competitive process that we're in, what, the last
22 three or four years?

23 MR. WILT: We've done two cycles of two-year
24 agreements.

25 MR. DIETZ: And that is working well?

1 MR. WILT: It's working well because we're able
2 to serve more organizations. Obviously each organization
3 gets a little bit less, but in terms of the interest in
4 the program it's remained the same. We've been able to
5 attract some applicants that applied in the past and were
6 never awarded grants because they were competing against
7 high level organizations or they're too small, things like
8 that. We've been able to award them now, so we've seen
9 some organizations come in.

10 MR. DIETZ: It sounds like if we were able to
11 fund it a little more, then that would alleviate, to an
12 extent, the problem that you're having with not being able
13 to award people as much.

14 MR. WILT: I don't think we'll ever get up to
15 \$50,000 per organization, which is the maximum award under
16 our award system. They have incrementally gone up. I
17 think the first matching grant was 12,000-something, and
18 now we're up to 14,500.

19 MS. CLAFLIN: As I mentioned before, the budget
20 for the Texas Foundations Fund is part of the annual
21 budget approval process and we've would love having the
22 Board's directive to expand that program at some point in
23 the future.

24 MR. DIETZ: I think it's a good program and an
25 important program and it's one that's easier to see,

1 perhaps, for a lot of the Texas population than a lot of
2 what we do.

3 Great. Thank you very much.

4 Any questions from the Board?

5 (No response.)

6 MR. DIETZ: I don't think there's any action
7 required, so we really appreciate your informing us. It
8 was a great discussion.

9 MS. CARDENAS: Thank you.

10 MS. COBOS: Thank you.

11 MR. DIETZ: Okay. Now there's no reason to go
12 into closed session. Correct?

13 MR. LONG: That's correct.

14 MR. DIETZ: Is there anything else that we need
15 to discuss before closing the meeting?

16 MR. LONG: I always like to remind you the next
17 scheduled Board meeting in December is on the 13th next
18 month, scheduled for the second Thursday, which is the
19 13th of December, so just put that on your calendars, and
20 we will have a meeting. We have an audit and few other
21 things now that we've added to that agenda to go over.

22 MR. DIETZ: Okay. If there is nothing else,
23 then our Board meeting is adjourned at 12:25 p.m.

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

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C E R T I F I C A T E

MEETING OF: TSAHC board
LOCATION: Austin, Texas
DATE: November 15, 2018

I do hereby certify that the foregoing pages, numbers 1 through 92, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy King before the Texas State Affordable Housing Corporation.

DATE: November 20, 2018

/s/ Nancy H. King
(Transcriber)

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