

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
August 16, 2018
10:32 a.m.

BOARD MEMBERS:

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

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P R O C E E D I N G S

1
2 MR. DIETZ: Okay. It is 10:32 a.m. -- I see
3 that somebody updated the clock so thank you -- on August
4 16, and the Texas State Affordable Housing Corporation
5 Board meeting is called to order. Roll call. Bill Dietz,
6 I am here. Bob Jones is absent.

7 Jerry Romero?

8 MR. ROMERO: Here.

9 MR. DIETZ: Lori Cobos?

10 MS. COBOS: Here.

11 MR. DIETZ: Valerie Cardenas?

12 MS. CARDENAS: Present.

13 MR. DIETZ: Okay. We do have a quorum. Is
14 there any public comment before the meeting begins?

15 (No response.)

16 MR. DIETZ: Hearing none, we'll move into the
17 Audit Committee report. Mr. Romero?

18 MR. ROMERO: Thank you, Mr. Chair. We did
19 meet. I wanted to let -- give everybody an opportunity to
20 make some comments, but we did meet as an Audit Committee
21 this morning. Prior to that, both Ms. Cobos and myself
22 had opportunities to meet with David and the CFO in
23 regards to questions around the budget, and having said
24 that, Ms. Cobos, any comments?

25 MS. COBOS: I don't at this time.

1 MR. ROMERO: Okay. Any comments? You all have
2 received the budget, and any questions from the Board? I
3 think that was it. We'll go ahead and move --

4 MR. DIETZ: We'll look forward to going over
5 that in more detail --

6 MR. ROMERO: For the tab item.

7 MR. DIETZ: -- with the appropriate tab item.
8 Thank you very much for leading the charge this morning in
9 the Audit Committee. Now, to the President's Report. Mr.
10 Long?

11 MR. LONG: Thank you, members, Mr. Chairman.
12 Program and financial reports are listed under Tab Items A
13 through D in the Board Book, including this month the
14 quarterly Compliance and Resident Services Report. I
15 would note that there are no exceptional items to
16 reference under the Financial Reports under Tab D, but as
17 Mr. Romero just noted, we will be having the Board
18 consider the Corporation's annual budget under Tab Item
19 2 -- or Agenda Item 2.

20 A couple of updates. The Corporation's Loan
21 Committee met yesterday, August 15. The Committee did not
22 consider any new loans. However, it reviewed the reports
23 on the existing portfolio and discussed items related to
24 the loan portfolio.

25 I would add that not only did Mr. Romero sit in

1 as normally, but Ms. Cardenas actually joined us via
2 phone, and we appreciate her getting kind of familiar with
3 the Loan Committee. I think it was good discussion during
4 that time frame.

5 Mr. Romero, do you have anything to add?

6 MR. ROMERO: No, I think, again, as I said in
7 the past, it's an opportunity for us to really kind of
8 look at our processes, and as we start developing these
9 processes, we seem to highlight more and more things that
10 are going to be beneficial to the organization as we move
11 forward.

12 Again, it was -- I think it was a good meeting.

13 We made some recommendations for improvements to the
14 reports and so forth. Ms. Cardenas, you joined the call.

15 Do you think your comments -- or do you have any
16 questions?

17 MS. CARDENAS: I mean, I think for the most
18 part it's very well outlined. I was just really getting
19 acclimated, since it was my first time being exposed, not
20 only to single family but multifamily loans, but I mean,
21 everything, you know -- I was very impressed.

22 The staff is very informed, very detailed on
23 the reporting structure so as to provide accurate
24 information to report. So everything is --

25 MR. LONG: And I'll add that it's a little bit

1 easier when you're actually there, because we have the
2 reports on the big screen --

3 MR. ROMERO: Yes.

4 MS. CARDENAS: Yes.

5 MR. LONG: -- and she was doing it via phone,
6 so it was a little different. So okay. Well, thank you.

7 A couple of other updates. Single Family Rental
8 Program -- as you know, we had a house that had fire
9 damage to it. I wanted to give the Board an update
10 regarding the status of that.

11 It was the house located at 112 Stanford in
12 Leander, Texas. As we reported several months ago, the
13 house sustained significant damage as a result of a fire.

14 While we were very thankful that no one was injured and
15 the family was able to be relocated, the house did require
16 as a result of that -- needed a complete -- I would call
17 it a gut rehab as a result.

18 I'm happy to report that the house was
19 completed and a new tenant has moved into the property,
20 and I'd like to thank James and all the work that he did
21 to make sure that those contractors stayed on task. As
22 with everything, there is always delays.

23 There are things that needed to be pushed and
24 prodded to get done, and we had a time line for them so
25 that we could have a new tenant in the new house, and he

1 really did a phenomenal job, and I know Jesse, who works
2 with him and Celina, worked really hard to make sure that
3 we got that house online, and we actually do now have a
4 new tenant in that as of right now.

5 So we're very excited about that.

6 Homeownership Program update -- the Homeownership team, as
7 you know, continues to conduct Overcoming Down Payment
8 Hurdle classes, and one of our classes, in association
9 with the Texas Association of Realtors, and this month and
10 last month, they trained and participated in helping 160
11 realtors through those trainings, in association with not
12 only the TAR but also the San Antonio Board of Realtors.

13 Next month, the staff will be attending and
14 have a booth at the Texas Association of Realtors Expo,
15 which will be held on September 9 in San Antonio.

16 Marketing and business development update. The Capital
17 Magnet Fund application -- this is an opportunity for the
18 Corporation to work on an application for the Capital
19 Magnet Fund, which would provide additional funding for
20 our affordable housing as part of the Texas Housing Impact
21 Fund and Multifamily Private Activity Bond Program.

22 Capital Magnet Fund is a federal grant program
23 administered by the CDFI, or the Community Development
24 Financial Institutions. CDFI applications are due on the
25 17th of September, and we are working with a consultant to

1 help us put that together and help us determine how best
2 to structure that application.

3 Additional updates -- we have made six -- I
4 want to give you an update on HEART Program, which is our
5 Rebuild Texas related to disaster recovery for Hurricane
6 Harvey. We've made six individual awards for a total of
7 \$250,000 under the HEART disaster recovery program.

8 Grantees are required to use 100 percent of
9 their funds to repair owned or occupied homes damaged by
10 Hurricane Harvey. Most recently, the Corporation awarded
11 \$40,000 to the Texas District of the Lutheran Church, and
12 we anticipate that we will have additional programs being
13 received on an ongoing basis, and we'll be making some
14 additional awards next month.

15 So again, to date, we've awarded six
16 applications, six applicants, and for a total of \$250,000,
17 and I want to thank Katie and Michael and the staff for
18 making sure that those applications not only get reviewed,
19 but get awarded, and then when it goes out the door to
20 start helping people who are in dire need that were
21 affected by Hurricane Harvey.

22 Michael Wilt and I will be -- attended --
23 Michael Wilt and I attended the National Alliance in
24 Homelessness Conference in Washington, D.C., last month.
25 We'd like to thank Michael for his continued, exceptional

1 efforts to stay engaged doing all of that stuff in my
2 behalf.

3 A lot of times, I'm not able to participate at
4 the level he does, and he stays heavily involved in
5 working with the Texas Homelessness Network here locally
6 in keeping our contacts and information involved. So
7 again, thank you to Michael for not only going to the
8 conference with me, but keeping TSAHC engaged and
9 involved.

10 I always like to introduce a couple of the
11 professionals that are here. Unless I missed somebody,
12 the ones that I know that work for us -- Tim Nelson is
13 here with Hilltop Securities, our municipal advisor, and
14 of course, Aaron Gregg is here with Greenberg Traurig, as
15 general counsel, and if I missed somebody, I apologize.

16 I turned around and try and catch waving hands,
17 and so with that, our next scheduled meeting, I think, is
18 Thursday the 13th of September. Again, we leave that open
19 until we determine whether or not we have a fiscal budget,
20 because it is my understanding we're going to have several
21 items for that, so I would put the 13th of September on
22 your calendar.

23 And the last thing I want to mention -- she's
24 not going to like this, but Jo Keene, who has been with us
25 for almost seven years, is sitting in the back of the

1 room. She is leaving us at the end of this week. She has
2 accepted an executive director position with a nonprofit
3 organization here in Austin.

4 We're extremely sad to see her leave, but we
5 are very excited and proud of her to have the opportunity
6 to step up and do something with a different organization
7 and we know that she'll do an exceptional job there, given
8 what she's done for us.

9 So I'm going to just make her stand and just
10 wave her hands, so -- and she if she will.

11 (Applause.)

12 MR. LONG: We've already got her job posted.
13 We won't be able to fill it with anybody with her
14 expertise, but we certainly appreciate, and hopefully,
15 she'll -- she's done a good job of helping us kind of
16 draft the job posting.

17 So with that, David's got his hands full trying
18 to stay afloat without her. So -- and with that, Mr.
19 Chairman, I'll conclude my remarks on the President's
20 Report, unless there's any other questions.

21 MR. DIETZ: All right. Any questions for Mr.
22 Long this morning, Board? No? Then let's move on into
23 the action items for our meeting. Tab 1, you'll find the
24 "Presentation, Discussion and Possible Approval of the
25 Minutes of the Board Meeting held on July 19, 2018."

1 Any corrections or comments or questions about
2 the minutes? If not, do I hear a motion to approve the
3 minutes?

4 MR. ROMERO: I move to approve the minutes.

5 MS. COBOS: Second.

6 MR. DIETZ: Okay. It has been moved and
7 seconded that we approve the minutes from the Board
8 meeting on July 19, 2018. 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: Okay. The Tab Item 1, the
15 presentation of the -- of the approval of the Board
16 minutes from the Board meeting held July 19 is passed.
17 Tab Item 2 is the "Presentation, Discussion and Possible
18 Approval of the Fiscal Year 2019 Operating Budget."

19 MR. LONG: Mr. Romero, do you want to start
20 that, or would you like us to go right into an overview?

21 MR. ROMERO: Yeah, go ahead and do the
22 overview.

23 MR. LONG: Okay. Will one of you just start?

24 MS. SMITH: Good morning, Mr. Chair, Board
25 members. My name is Melinda Smith. I'm the CFO. This

1 morning, we presented the budget to the Audit Committee.
2 Overall, we're budgeting \$15.6 million in revenue for 2019
3 and 15.6 in expenditures, so we're budgeting a small
4 excess of 271,000.

5 The primary differences between the current
6 budget and last year's actual really occur in the Single
7 Family Program revenue. We had an huge increase in our
8 loan volume during 2018 and it resulted in an increase in
9 our revenue, and while we expect the loan volume to
10 continue as it has been, the money that we're earning on
11 our TBA Program is not quite as significant as it was in
12 2018.

13 The spread that we're earning on it is not --
14 due to market conditions. So we're budgeting less income
15 in that line item. And then on the expenditures, we had
16 put into the budget \$3.3 million for the possible purchase
17 of a new office building, of course, contingent on the
18 Board's approval, and that has basically resulted in the
19 difference between the 5 million excess that we had in
20 2018 and the 271- in 2019.

21 If you would like for me to go over any of the
22 detail, I would be happy to do that. Otherwise, we're
23 requesting that the Board approve the proposed operating
24 budget for 2019.

25 MR. ROMERO: As I said earlier, we did sit down

1 individually. Ms. Cobos spoke with --

2 MR. LONG: David.

3 MR. ROMERO: -- David was -- I'm trying to
4 think of when -- yesterday morning?

5 MS. COBOS: Yesterday, I --

6 MR. ROMERO: Yeah, yesterday, and then reviewed
7 the budget with him individually. I spoke with him the
8 day before --

9 MR. LONG: Correct.

10 MR. ROMERO: -- and with Melinda and kind of
11 went over the budget as well. We had the meeting this
12 morning. We went through the -- all of the different
13 budget line items, along with the detail. I think you all
14 had received that as well.

15 All of our questions were asked. I'll refer to
16 Ms. Cobos if she has any additional comments, but I'm
17 ready to move forward with the recommendation to approve.

18 MS. COBOS: I don't have any additional
19 comments at this time. My primary line of questioning, I
20 guess, at the Audit Committee was just to get additional
21 information on what some of the line items meant,
22 background on why the numbers have changed from budgeted
23 to actual to the budgeted for 2019, and I felt comfortable
24 with staff's explanations on those items, but I do want to
25 give you the opportunity to ask similar questions, if you

1 have any, with respect to the changes in the numbers or
2 any background information you might want, because I know
3 as a new Board member, I had a lot of questions, just to
4 kind of get some background on what those line items meant
5 and to be more educated on what we're being asked to
6 approve.

7 So I do want to give Bill and Valerie the
8 opportunity to ask as many questions as they can to get
9 comfortable with the approval of the budget.

10 MS. CARDENAS: So I know you mentioned that the
11 variance between 2018 and 2019 -- you know, 2018 had a
12 budget of a million, so obviously, significantly less for
13 2019 at 271,000. You said it's because we're allocating
14 monies that we find a property.

15 And what was the other item? Where was that --

16 MR. LONG: It was actually a -- it was -- what
17 we're saying is we have a rather large number that was
18 part of our budget for revenue, which was single family
19 income, and we're not projecting that high of a revenue
20 stream in 2019.

21 So that revenue stream is a little lower. And
22 in addition, we're proposing and having the budget -- the
23 acquisition of a building, which is 3.3 million. So give
24 or take. I mean, we're just -- that's the number we
25 budgeted based on the Board's comments and discussions

1 last month.

2 So those two things combined kind of net out
3 against the revenue that we earned last year.

4 MS. CARDENAS: So from a revenue, we're just
5 expecting to grow -- not net. Right? Just revenue, we're
6 expecting to grow about 600,000 from 2018 to 2019?

7 MR. LONG: Give or take.

8 MR. DIETZ: And that building shows up under
9 program expenditures? Is that the difference between
10 those?

11 MR. LONG: That's correct.

12 MR. DIETZ: Yes.

13 MR. LONG: That's correct.

14 MR. DIETZ: Yeah. It looks like the salary and
15 payroll expenditures is a little higher as well. Does
16 that represent some new hires or --

17 MR. LONG: As always -- and it does. And as
18 always, what we've done in the past, we expect to hire
19 three new people this year --

20 MR. DIETZ: Yeah.

21 MR. LONG: -- and then we always have a couple
22 of internships. Those numbers vary a little bit, as we
23 explained to the Audit Committee, depending on when we
24 hire those. You know, obviously, our fiscal year starts
25 September 1.

1 We may not hire those positions until sometime
2 during the year, so while we budget for the whole year, we
3 have a little fluctuation in there. So what you see here
4 is six months for the interns each, but full years for the
5 three positions, just in case we can hire.

6 As we just said, we've got to fill Jo's
7 position. We've got two new people that we want to hire
8 right away, and we have a third position we just may be
9 able to hire as well. So that's where that salary change
10 comes in.

11 MR. DIETZ: All right. Do you have any
12 questions? Well, we really appreciate the diligence of
13 the Audit Committee meeting, and Mr. Romero's attention to
14 detail, so we have a lot of confidence that that meeting
15 was thorough. So --

16 MS. SMITH: And --

17 MR. DIETZ: -- thank you very much.

18 MS. SMITH: -- I wanted to mention that we
19 were -- in the future, we're going to add some additional
20 footnotes. The Audit Committee asked us to add some
21 additional items, just explanation on each page for why
22 there's variances between the individual items.

23 So in the future, we will have all of that in
24 there too.

25 MR. DIETZ: Yeah, that's great.

1 MR. ROMERO: Yeah.

2 MR. DIETZ: I think anything like that, just to
3 help gain some color --

4 MS. SMITH: Right.

5 MR. DIETZ: -- more detailed understanding is
6 great.

7 MR. ROMERO: I think staff has been
8 historically very conservative when it comes to the
9 revenue items, so I think that the numbers -- while what's
10 proposed right now is 15, hopefully it will be higher than
11 that, but I think it's a good, sound number, moving
12 forward --

13 MS. SMITH: Yeah.

14 MR. ROMERO: -- to 2019.

15 MS. SMITH: And we were conservative that the
16 numbers are solid. We're comfortable with them.

17 MR. DIETZ: Great.

18 MS. CARDENAS: It's just always one of those
19 things. If you see that your actual is 18 million, it's,
20 like, so you know you can do it. So then to project
21 less -- right -- I understand the conservative, but it's,
22 like, whenever you already know that an organization is
23 capable of generating 18 million, then you obviously want
24 to project a little more.

25 But I understand that there's variances along

1 the way.

2 MR. ROMERO: Well, and I asked that question,
3 both individually and in the Committee. I think the issue
4 here is that we started with a new provider on the Single
5 Family Program, and our volume just ramped up
6 dramatically.

7 Based on the environment where we are right now
8 with the interest rate changes and so forth, we see that
9 there will probably be a slowdown, but it's also going to
10 open an opportunity to start doing more bond programs. So
11 there will be some shifting around as far as where the
12 revenue comes from.

13 But I think that the 9 million -- we'll
14 probably get more than 9.5, but I think that's a good
15 number.

16 MR. DIETZ: Very good. Good. Well, I think
17 the approval of the fiscal year 2019 operating budget
18 comes to the Board as a motion from the Audit Committee --

19 MR. ROMERO: Yes.

20 MR. DIETZ: -- and therefore does not require a
21 second. So is there any public comment?

22 (No response.)

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

24 (A chorus of ayes).

25 MR. DIETZ: Any opposed?

1 (No response.)

2 MR. DIETZ: Okay. The fiscal year 2019
3 operating budget is approved.

4 MS. SMITH: Thank you so much.

5 MR. DIETZ: Thank you for all your work. So to
6 Tab Item 3, the "Presentation, Discussion and Possible
7 Approval of the Request for Proposals for
8 General Counsel of the Corporation."

9 MR. LONG: Thank you, Mr. Chairman. I've had a
10 chance to talk with Mr. Bill Gehrig and Karen Kennard, our
11 two representatives that serve in a particularly small
12 capacity for us as general counsel with Greenberg Traurig.

13 I know Aaron Gregg is here today representing
14 them as well. Every once in a while, the Corporation
15 should go back and look and see who we work with from a
16 professional standpoint to determine whether or not that
17 relationship is in the best interest of the Corporation,
18 and whether or not the fee structure that we originally
19 signed up for is accurate.

20 So we do that regularly. We did it most
21 recently with our audit firm. I think Mr. Romero and Mr.
22 Dietz, you guys were involved. We authorized the new RFP
23 that went out. We selected Maxwell Locke & Ritter as our
24 audit firm.

25 We did that. In the several years, regarding

1 our financial services, a provider, which ended up being
2 Frost Bank. And we were going back and looking at some of
3 those. We realized that our relationship with Greenberg
4 Traurig hadn't been re-RFP'd for 12 years.

5 And so while that makes it sound like a long
6 time, we tend to try and do that within every five to
7 seven years. But it's also -- I want to make for the
8 record that, you know, those relationships really generate
9 a lot of continuity.

10 They create a lot of institutional knowledge
11 that's allowing us to minimize expenses and costs. But we
12 also wanted to make sure that we were fulfilling, you
13 know -- just the idea that we were going out and asking
14 for other input from other providers that may want to
15 provide a response to an RFP, and see if they're in a
16 position to provide the same service that Greenberg
17 Traurig does.

18 So this is, by all means, not to say Greenberg
19 Traurig is doing a bad job by any means. That's not the
20 case at all. If anything, it's more of a timing issue for
21 us, to say that it's probably time for us to go out and
22 solicit to see if there's any additional law firms that
23 want provide the same service, and we'll hopefully get a
24 response from Greenberg Traurig as well, and we'll move
25 forward.

1 But that decision -- now, understand, what
2 we're doing here -- we're asking the Board to approve for
3 a release of the RFP with the time line outlined in here
4 that we would expect responses back, and then we would
5 bring the selection back to the Board for formal approval.

6 So --

7 MR. DIETZ: Great.

8 MR. ROMERO: Based on staff's recommendation.

9 MR. LONG: -- based on staff's recommendation
10 that come out of our review of the applicants that we get.

11 So at this point, Mr. Dietz, what we're asking for us,
12 just the Board's consideration and approval to release the
13 RFP for publication so that we can then receive responses
14 to the RFP.

15 MR. DIETZ: Is there any specific compliance or
16 regulatory guidance from the State on how often we do
17 that, or is that just a best practice?

18 MR. LONG: It's both. We tend to follow more
19 of a best practice model, just because, like I said, in
20 some instances, you can go look at State agencies that
21 have had general counsel firms or bond counsel firms for
22 15 years, but I think it doesn't hurt us to fall -- show
23 that we're doing some responsible review of our
24 professional services providers and going out and
25 soliciting through an RFP process to make sure that we're

1 meeting that threshold.

2 So I don't know that -- I don't know what the
3 rule of thumb by the State is, but for us, we've tried to
4 say five to seven years, and we've probably exceeded that
5 for this current relationship, but again, I would argue
6 that those relationships are very valuable to us, and to
7 change them in some instances isn't always in our best
8 interest.

9 So we're coming back to the Board at this point
10 in time, recognizing that we probably need to do that with
11 this.

12 MR. DIETZ: Any other questions or comments?
13 Okay. Well, in that case, if there is a -- we've -- the
14 request for proposal of the general counsel of the
15 Corporation -- is there a motion that we move forward with
16 that?

17 MS. CARDENAS: So moved.

18 MS. COBOS: Second.

19 MR. DIETZ: Okay. It's been moved and seconded
20 that move forward with the request for proposal for
21 general counsel of the Corporation. Is there any public
22 comment?

23 (No response.)

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

25 (A chorus of ayes).

1 MR. DIETZ: Any opposed?

2 (No response.)

3 MR. DIETZ: Okay. It is approved. We will
4 generate a request for proposal for general counsel. Tab
5 Item 4, the "Presentation and Discussion and Possible
6 Appointment of a Board Member to the Single Family and
7 Multifamily Loan Committee."

8 MR. DANENFELZER: Good morning. David
9 Danenfelzer, director of Development and Finance Programs.
10 Just as an introduction, you know, Development and
11 Finance Programs is sort of an umbrella name for several
12 of the smaller programs that we run within the
13 Corporation, including our land banking, our Affordable
14 Communities in Texas Land Bank Program, our Texas Housing
15 Impact Fund, and the Multifamily Private Activity bonds.

16 Today, we're talking specifically about the
17 Texas Housing Impact Fund which supports the Corporation's
18 mission and promotes equal, safe, affordable housing, but
19 what we're doing here is, providing loans directly to
20 developers, nonprofits particularly, and we do different
21 types of loans under that program.

22 We have revolving lines of credit, which help
23 developers purchase and rehabilitate single family homes,
24 lines of credit that provide construction financing for
25 new construction of single family homes, as well as more

1 permanent affordable housing rental construction, and then
2 permanent loans for long term rental housing.

3 We do a little bit of each of these types of
4 loans year to year. We have a couple of projects or
5 several projects in our portfolio of loans right now that
6 are long term, and then we have a few short term,
7 revolving lines of credit we're managing still today.

8 The Committee itself was created with the idea,
9 first of all, to give sort of an initial review and
10 backing to staff's recommendations to the Board. So an
11 official Loan Committee of four members, which includes a
12 member of the Board of Directors, the president, the vice
13 president, and the chief financial officer, or CFO,
14 represent the Board during the Committee meetings and make
15 recommendations on loans that are greater than \$500,000.

16 The Board has, over time, given authority to
17 this Loan Committee to award loans that are less than
18 \$500,000, and this is in following a lot of the other
19 guidelines and policies that the Corporation has
20 established through the years.

21 You know, at this time, I'm really going to
22 kind of open it for questions. I know Valerie joined us
23 yesterday in our call. Mr. Romero has been a long term
24 serving member of the Loan Committee over the years, so if
25 you all have questions I can answer for you about the Loan

1 Committee, we can start there.

2 MR. LONG: I would add, Mr. Romero, do you want
3 to add anything regarding your role on that, as to
4 anything about the Committee itself or the process?

5 MR. ROMERO: I think the Committee is very
6 important, because we're providing a direct input into the
7 Committee's actions, and we have a Board member that's on
8 the Committee itself, and more importantly, it really kind
9 of gives us the information that we need from the Board
10 perspective as to whether we're doing the right things in
11 regards to affordable housing and different types of
12 programs that we get involved with.

13 There's always room for improvement, obviously,
14 and we continue to do some of that every time we meet, and
15 there's little minor things. It's not that they're major
16 things, but they are little minor things that help -- have
17 helped me in the past.

18 Hoping it will help to understand how we meet
19 certain processes, interest rates, default rates and those
20 type of things. Again, it's a function of what we do. We
21 want to make sure that we have -- we're touching and
22 ensuring that the Board understands the responsibilities
23 behind what we're doing as far as the organization is
24 concerned.

25 MR. DANENFELZER: And I should note that there

1 is representation from just about every division within
2 the Corporation at the Loan Committee meetings. Our Asset
3 Management and Compliance staff attends all the meetings.

4 We have representation from pretty much everyone in the
5 Accounting group -- comes to the meetings every month,
6 myself, the Development Finance specialist manager, and
7 executive staff.

8 So it's a broad range of people that come to
9 the meetings and listen in and help us make decisions, as
10 Mr. Romero noted. It's really a place where we kind of
11 develop a lot of the policies and refine the policies we
12 currently have, moving forward.

13 Of course, there is a policy document that
14 establishes all the sort of rules that I have to live by
15 on a daily basis under the program. But at the same time,
16 that is a living document, and as the Loan Committee sees
17 new things, new changes that they want to have, we develop
18 that and refine it in the Loan Committee, and then we
19 bring it to the Board for actual implementation and
20 approval of the policy.

21 MR. DIETZ: Okay. That's a very helpful
22 overview of exactly what the Loan Committee is doing every
23 month. I don't know if I've seen it worded exactly that
24 way. That's nice to --

25 MR. DANENFELZER: Thank you.

1 MR. DIETZ: -- review that. So I think -- and
2 I guess it's best for us to have a formal Board action to
3 appoint a member to that Loan Committee? Is that right?

4 MR. LONG: Yeah. I think --

5 MR. DIETZ: Okay.

6 MR. LONG: -- last month, we considered
7 discussing it, but it was counsel's advice that we would
8 take action in a Board --

9 MR. DIETZ: Yeah.

10 MR. LONG: -- so that's the agenda item for
11 today.

12 MR. DIETZ: Great, great.

13 MR. LONG: So -- and while it's not a formal
14 committee of the Board -- i.e. we don't post the agenda.
15 We don't post an agenda, we don't post for the meetings
16 themselves, because we just have a -- it's an internal
17 group -- the Board has determined that it's appropriate to
18 have a member, a Board member, serve on that as one of our
19 members of the Loan Committee itself.

20 MR. DIETZ: Great, great. Well, and we
21 discussed last month, informally I guess, the idea that
22 since Mr. Romero has served on that Committee for a long
23 time and has now taken on some additional roles within the
24 Corporation, being vice chairman of the Board, and
25 Committee chair of the Audit Committee, then it might be

1 appropriate to give him a break from that Loan Committee,
2 and Ms. Cardenas is definitely qualified to take that
3 role, and I think even sat in informally on the last Loan
4 Committee meeting, so she would familiar with it.

5 So open to discussion, but I also think it
6 would be appropriate for a motion to appoint Ms. Cardenas
7 to the Loan Committee.

8 MR. ROMERO: I would be happy to make that
9 motion to appoint Ms. Cardenas to the Loan Committee.
10 I'll continue to participate as -- you know, for the next
11 couple of months, and kind of give you what little insight
12 I might have, but I think the staff will do a wonderful
13 job.

14 MR. DIETZ: Great.

15 MS. COBOS: And I'll second that motion.

16 MR. DIETZ: Great. It's been moved and
17 seconded that we appoint Ms. Cardenas to the Loan
18 Committee. Is there any public comment?

19 (No response.)

20 MR. DIETZ: Okay. All in favor?

21 (A chorus of ayes).

22 MR. DIETZ: All waiting for that one vote. Any
23 opposed?

24 (No response.)

25 MR. DIETZ: Hearing none, the -- Ms. Cardenas

1 is now appointed as the Board representative to the Loan
2 Committee, and I'd just like to thank Mr. Romero again for
3 his service on that Committee for a number of years.

4 MR. ROMERO: Appreciate that.

5 MR. DIETZ: So thank you very much.

6 MR. ROMERO: Thank you. It's been fun.

7 MR. LONG: So for the record, I would add then
8 that, as Mr. Romero had just noted, that he would continue
9 to attend, but for the record, the voting membership would
10 be Ms. Cardenas --

11 MR. ROMERO: Correct.

12 MR. LONG: -- myself, the CFO and the executive
13 vice president.

14 MR. DIETZ: Great, fantastic.

15 MR. LONG: Okay.

16 MR. DIETZ: Okay. Tab Item 5, the "Staff
17 Presentation and Overview of Multifamily Tax-Exempt Bond
18 Program." Is it my understanding that this is not an
19 action item. This is simply some information for the
20 Board to hear?

21 MR. DANENFELZER: Correct. Again, David
22 Danenfelzer, the director of Development and Finance
23 Programs. This is just an information, kind of informal
24 overview and summary of our bond finance programs,
25 multifamily project or rental projects. I've got a fairly

1 short write-up here, so I won't try to dwell too much on
2 the numbers and the details in here. I'm just going to
3 try to touch on some of the highlights.

4 First of all, it is important to note that we
5 do have authority, just like any local housing finance
6 corporation, to issue bonds, either for single family
7 purposes or for multifamily purposes. In our multifamily
8 programs, we have sort of the dual authority to issue both
9 501(c)(3) tax-exempt bonds, as well as private activity
10 tax-exempt bonds.

11 The difference in those two types of bonds
12 is -- they are fairly narrow, but the overall important
13 thing to note is that 501(c)(3) bonds may only be issued
14 when a borrower, a developer in question or owner of the
15 project, is a nonprofit corporation.

16 However, those bonds do not come with any
17 additional leveraging abilities. And I'll get to that
18 next what that really kind of means. In the Private
19 Activity Bond Program, the private activity bond may be
20 issued and awarded to any identity, both for profit and
21 nonprofit, but it does come with the additional benefit of
22 allowing it to -- allowing projects that are financed and
23 eligible for 4 percent housing tax credits to apply for
24 those tax credits to the Department of Housing here within
25 Texas.

1 So as you can see, there's a big advantage to
2 doing those types of transactions, private activity bond,
3 over a 501(c)(3), simply the fact that a housing tax
4 credit brings additional equity source to the project,
5 which is money that the developer doesn't have to repay,
6 but also doesn't require a nonprofit to be in that
7 project.

8 It can be both for profit or nonprofit
9 entities. So the majority that we've done over the last
10 12 years since -- almost 12 years since I've started
11 working here, but even before then, has been in the
12 private activity bond arena.

13 We've not issued 501(c)(3) bonds by the
14 Corporation since 2003, and so I'm not going to focus on
15 those moving forward. Our portfolio today sits at about
16 249 million in private activity bonds, and about 5,400
17 units of affordable housing.

18 You can see by the map there in your Board Book
19 that it's fairly well distributed, all the way from
20 Brownsville up to Amarillo, and from -- we have El Paso to
21 Beaumont area. And so we really do have a lot of space.
22 And while I've been to pretty much all of the building
23 sites here, we do actually visit each of these building
24 sites annually, or at least our Asset Oversight Compliance
25 staff do, and we do physical inspections of these

1 properties as long as they remain in our portfolio.

2 The typical length is that is around 15 years,
3 but it can be longer, depending on the ownership and the
4 structure of the private activity bonds. One of the
5 things I also wanted to touch on briefly is that our
6 program is a little bit different than most other
7 programs.

8 When we were granted authority to issue private
9 activity bonds by the State of Texas, unlike most housing
10 finance corporations, which all of their rules and
11 regulations are set locally by either the county or city
12 that establishes them, ours are written down in statute.

13 And were tasked with the objective of meeting
14 the housing needs which are not being met by other housing
15 finance corporations in Texas. And so one of the things
16 our Board did early on was identify, sort of, at least
17 four key housing needs that we felt were not being met by
18 other issuers, and those are listed here, and they
19 included the preservation and rehabilitation of existing
20 affordable housing, properties in smaller urban and rural
21 markets, properties serving seniors and special needs
22 households, and finally, properties in areas impacted by
23 recent natural disasters.

24 While this gives me a very broad range of
25 activities to deal in on an annual basis and to work with,

1 it is still the fact, though, that about 90 percent of the
2 transactions being awarded private activity bonds, by both
3 locals or the other state issuers within Texas, are new
4 construction, our new construction, family-oriented
5 developments in urban areas, large urban areas.

6 The reason for this is those deals particularly
7 cash flow well. Rents are higher. Development costs are
8 maybe sometimes higher, but the availability of renters
9 and access to other subsidies, local subsidies, is there.

10 Small urban areas like Midland, Brownsville, Wichita
11 Falls and other places where we've done transactions,
12 generally struggle to get developments to attract -- to go
13 into those areas.

14 And so that's one of the reasons why we've
15 tried to focus predominantly on that smaller urban and
16 rural areas, but we also do get into the urban core areas,
17 particularly with preservation projects and properties
18 targeting seniors.

19 The disaster relief is something we don't often
20 get involved in, many times because it takes a long time
21 after a disaster to get back on track and to identify
22 sites that are eligible. I know currently, with Harvey
23 having happened nearly a full year ago, many developers in
24 that area are struggling, because many of the floodplain
25 maps have not been updated, and then once those are

1 updated, it will significantly impact, not only the value
2 of the land, but also where projects can be developed in
3 the future, and so many developers, and even a full year
4 afterward, are not really targeting new sites to develop
5 in that area because they are still awaiting other
6 governmentally consistent updates or maps updating
7 information.

8 And then we'll be able to target new resources
9 to that area in the future. Finally, there's a couple of
10 things that I, in talking with Janie Taylor, executive
11 vice president, and others -- I noted that I may have kind
12 of oversimplified in my presentation, and I want to touch
13 on.

14 One thing is our process. The process that we
15 go through here is typical of most issuers, but it's
16 important to note that there are sort of two main points
17 of contact with the Board on each bond transaction. The
18 first is what we call an inducement, and the last is on
19 approval.

20 Typically, when I get a new application in,
21 I'll go through it and I'll underwrite it for our
22 threshold criteria and scoring criteria, and then I'll
23 bring it rather quickly to the Board. Even though there
24 may be a lot of real high detail that is left out in those
25 early applications, it's really looking at, sort of, what

1 they're proposing, whether it meets our threshold, ideas
2 of what we want to do.

3 That inducement resolution, which comes to the
4 Board and is approved, and it's signed, gives the staff,
5 and more specifically, the executive vice president and
6 the president, authority to move forward with negotiating
7 bond documents for that, and it's our first step.

8 So it's always the first time you see a bond
9 deal, as an inducement resolution. I don't write the
10 resolutions. That's all general -- or our bond counsel,
11 so I'm always sympathetic to our Board Chair particularly,
12 because the introductions to those are quite long and very
13 specific, but what you'll see is, that's really our first
14 step, our first interaction, where you get to know the
15 deal, and I most often bring the developer in front of you
16 to allow you to get to know them.

17 Then, over the next three to four months, I'll
18 go through a process of doing site visits. I'll conduct a
19 public hearing in that area where the project is located,
20 and then once all that's done and the bond documents are
21 almost done, almost complete, all the business terms are
22 agreed upon at least, I'll bring that transaction back to
23 y'all, and we'll talk about how the deal has been
24 structured, any more -- any changes that happen from the
25 original proposal, any new details that you need, and then

1 I'll ask for your final approval.

2 That approval then gives, again, the president
3 and executive vice president the authority to actually
4 sign the bond documents. The inducement does not do that.

5 Only the final bond resolution does that. It would be
6 great if I could say that, once you guys gives us
7 approval, we can sign the bond documents the next day and
8 be done with it, but there are actually several other
9 steps we have to go through.

10 Once you approve, I have to get approval from
11 the Texas Bond Review Board, and then I also have to work
12 with our bond counsel to go through the Attorney General's
13 Office to get their approval. So all that usually takes
14 about 20 days, 20 business days, once we have your
15 approval.

16 So it is important. Sometimes the timing
17 doesn't always work out right, but have excellent bond
18 counsel that helps us through all that, and there are a
19 lot of meetings, a lot of back and forth with those other
20 entities to make these deals work.

21 But your participation in both the inducement
22 and the final bond resolution is really key and important
23 to us. I think I'll just go ahead, and you know, kind of
24 open it up for questions, and if you have any -- it is --
25 you know, it's a federal program.

1 I've spent years learning it. I don't expect
2 anyone -- I really don't expect anyone in this office to
3 spend as much time on these deals as I do, but I'm always
4 available and open for questions at any time. So even if
5 you don't have questions today, always feel free to call
6 me, contact me, and we could talk through some specifics
7 in the transaction, or we can talk about, you know, the
8 overall program and process, and so --

9 MS. CARDENAS: So the map layout here --
10 right -- is reflecting what we have in existing --
11 right -- in our existing --

12 MR. DANENFELZER: Right.

13 MS. CARDENAS: -- portfolio?

14 MR. DANENFELZER: That's our current portfolio
15 projects. Yeah.

16 MS. CARDENAS: And so we're obviously going to
17 have these bond programs for major development. And so do
18 we have that identified yet throughout the state of Texas,
19 other properties --

20 MR. DANENFELZER: Well, we --

21 MS. CARDENAS: -- or cities?

22 MR. DANENFELZER: -- we do have -- what we have
23 is -- like our loan programs, it's really -- it's more of
24 a pool system, meaning that we make it available to
25 developers and so as they come in and bring us projects,

1 we'll then identify the new ones. Right now, this map
2 does not include the five transactions that are currently
3 induced right now by the Corporation, and those projects
4 are in Midland, Austin, Dallas and Brownsville.

5 There's two in the Midland area. So we're
6 always kind of adding to that. Every year, we do one or
7 two transactions -- issue or up to five transactions,
8 which is a lot, but it's becoming more peaceful to do bond
9 transactions because of market forces right now.

10 And we are likely to bring another transaction
11 next month that will add 27 properties to the portfolio,
12 so --

13 MS. CARDENAS: So this is based on the request
14 from the developer, not necessarily us --

15 MR. DANENFELZER: Correct.

16 MS. CARDENAS: -- going out and marketing? And
17 the only reason that I'm asking that -- right -- is
18 because, you know, you continue to read just so much
19 commentary -- right -- on the lack of housing that's
20 available because, one -- right -- price points -- right?

21 MR. DANENFELZER: Right.

22 MS. CARDENAS: The price point has just gotten,
23 you know, out of market for -- you know, they talk about
24 the millennials. Right?

25 MR. DANENFELZER: Right.

1 MS. CARDENAS: And so, you know, the builders
2 are not building these homes fast enough, and so then it's
3 causing -- right -- obviously existing homes or whatever's
4 sitting on the market to inflate the price substantially,
5 right, for lack of supply.

6 And so then what's happening -- right -- is of
7 course you've got the rental income -- right -- that is
8 shifting through the roof. So I didn't know if we were
9 proactive -- right -- as an organization to look at the
10 layout in Texas to say, these are the markets that are
11 being most affected by their -- for lack of residential
12 homes, and then you know, the rental income is, you know,
13 spiking, and so should we be promoting more in those
14 areas -- right -- to create more awareness for TSAHC,
15 rather than wait for developers, you know, to walk through
16 the door --

17 MR. DANENFELZER: Right.

18 MS. CARDENAS: -- and seek it from us. I don't
19 just -- a two-way.

20 MR. DIETZ: Yeah. The first part, I can --
21 that I think I should answer to is maybe in detail about
22 the bonds' structure. What's important is, unlike our
23 loan programs, where we actually have cash in hand and
24 then we're looking to attract developers to do projects
25 and lending them money out, we don't have any money in the

1 bond program.

2 All of the money that comes from the bond
3 program is actually from, sort of, institutional investors
4 or underwriters. And what we are looking to do is --
5 often, what we are doing is sort of allowing them to join
6 partnership between a financial entity and a development
7 entity, and then for lack of a better word or turn of
8 phrase, is to say, we kind of bless that as a tax-exempt
9 transaction, meaning that the investors' money and the
10 interest they earn off of that is now exempt from federal
11 taxation, which is why they like to use the bonds, and
12 then they also get the 4 percent tax credits.

13 But we -- although we do have an annual
14 allocation that we get to use in how we see fit, it is
15 very hard for us to drive where projects get developed.
16 The Corporation did try that the first several years they
17 received its private activity bond allocation.

18 It tried to target a specific city or community
19 and then tried to attract developers to that.
20 Unfortunately, what they found is that the development
21 community is always kind of looking for land, always
22 looking for properties, and if the Corporation mistimes
23 the market, if we say, well, we think Corpus Christi
24 really needs a lot of affordable housing, but the number
25 of developers are either in the play or just coming off of

1 building things, they're not going to bring back to that
2 area.

3 Also, the financial markets oftentimes drive
4 where developments go because they're looking for areas
5 where their internal underwriters and market analysts have
6 said, you know, Dallas is hot. Austin is hot. This is
7 where I can do deals and make a return.

8 And so it is very hard for the Corporation to
9 drive where developments go, but what we can do is, and
10 what we have been successful at doing is, supporting those
11 deals that sometimes are a little bit more complex. We
12 can be a lot more flexible because we don't have as much
13 legislative regulation as the other State issuer, the
14 Texas Department of Housing, and we have a dedicated
15 volume cap, which local issuers generally don't.

16 All local issuers have to compete on a regional
17 basis for volume cap or available bonds, and we don't have
18 to. So in particular, like if you're in an area like
19 Region 3 -- is the state service region for Dallas/Fort
20 Worth, but if you're out in Rockdale or you're out in one
21 of the outer counties for that region, the City of Dallas,
22 Tarrant County are going eat up all the volume cap right
23 away because they are very able to, and the outer areas
24 don't have that volume cap, which is why last year we did
25 a deal in Glen Heights, which is the very southern edge of

1 Dallas County and Ellis County, because the City of Dallas
2 wasn't going to be able to do deals down there, and Dallas
3 County didn't want to do deals, because they had so much
4 demand.

5 In comes TSAHC with the ability to hit a fairly
6 rural area within Region 3. But I think you're right.
7 And we do do a lot of marketing of our program, though. I
8 go to a lot of conferences, policy summits, meet with a
9 lot of developers, and I do pitch our programs.

10 But the one big thing, too, is that the
11 flexibility is what I -- really my number one thing. Like
12 I mentioned, we're looking at a transaction that will
13 involve 27 properties. We don't intend to even apply for
14 the volume cap until next year for that transaction
15 because of all of the regulatory hurdles it has to go
16 through, but it's 27 rural development properties, all
17 small, between 24 units and 50 units.

18 And unlike other issuers, we can do that
19 statewide and we can also take the time to do it. So it
20 is difficult, though. Certainly, if you have other ideas
21 to bring more developers to us, I'm always willing to hear
22 it, but it is kind of the way the market goes,
23 unfortunately.

24 I wish I could pick some areas. I know one
25 thing, that our Asset Oversight and Compliance staff wish

1 I would pick bigger cities to go to. They're not always
2 excited to go out to Dalhart or all the other small towns
3 I pick or get deals in. So anything else?

4 MS. CARDENAS: Not at this time for me.

5 MR. DANENFELZER: Okay.

6 MR. DIETZ: And all the multifamily deals that
7 we're hearing about -- they're all part of this program
8 unless they happen to be one -- we have some that were --
9 we have a loan program but --

10 MR. DANENFELZER: Right.

11 MR. DIETZ: -- that's completely outside the
12 scope of the --

13 MR. DANENFELZER: Yeah. For the most part it's
14 completely outside. We currently have three transactions.

15 There is one that overlaps with a bond transaction,
16 actually the first bond transaction the Corporation did,
17 in 2005 in San Antonio, and that -- it also receives some
18 loan funds from the Corporation.

19 So we track that on both programs.

20 MR. DIETZ: Okay. It's a good overview.

21 MS. CARDENAS: And I know this may be slightly
22 off tangent, but you know, similar to, like, a homebuyer
23 housing fair -- right -- are there, you know, fairs that
24 may be are for your developers that maybe are not as
25 informed about these project types unless, you know, they

1 maybe know someone that knows someone, and says, hey,
2 call, you know, the State.

3 Call TSAHC. Right? You know, in certain --

4 MR. DANENFELZER: Yeah.

5 MS. CARDENAS: -- communities, whether -- and
6 I'm -- and I know we probably do a lot of education --
7 right -- but you know, maybe sometimes we make assumptions
8 or take things around, and maybe certain communities are
9 not as informed about these different types of projects,
10 to where they could come forward.

11 MR. DANENFELZER: Yeah. And just our general
12 outreach at conferences and stuff definitely gets us in
13 front of a lot of developers. The best part about that is
14 I get to know the developers that are working, where
15 they're working and then talk to them about our product.

16 The other thing I do oftentimes is go to the
17 rural communities and talk about all of our projects. You
18 know, for example, for the last year or so, I've made a
19 couple of different visits to the Bastrop area. Bastrop,
20 although it's right on the edge of Austin, is not
21 necessarily an area that's targeted often for large
22 multifamily development.

23 It's likely I'll go out there at the end of
24 September to talk more about affordable housing. And the
25 nice thing about my job is I have a lot of different

1 tools. I can talk about our land banking, our lending,
2 and for properties or communities that really need larger
3 impacts, like Bastrop, we can bring in our loans, and I
4 often talk with those communities and try to give them the
5 numbers of the developers working in their area, or vice
6 versa -- contact developers and tell them, the City of
7 Bastrop is really looking for bond help.

8 They need housing badly, and what can you do
9 over there? And so anytime I can drive that type of
10 business, it's a good thing. You know, I'll admit, we
11 can't do every deal. We also really like making sure the
12 local issuers that are available, that can do the deals,
13 when they're local, but that's also probably led to a lot
14 of the deals I get -- are because a local issuer calls me
15 and says, I don't have a volume cap.

16 Can you do this deal? Or you know, this is a
17 deal that multiple jurisdictions -- we all really want it.

18 Can you guys do it? And that's a great partnership that
19 we've developed.

20 MS. CARDENAS: How do you identify developers
21 in rural areas?

22 MR. DANENFELZER: It's tough. You know, there
23 are developers, though, that really do focus on rural
24 projects. Any of the longest-running ones focus on USDA
25 transactions that are financed with USDA -- what's called

1 515 Program funds.

2 Those are typically smaller, and they really do
3 specialize in those types of projects, but there's also a
4 growing number that have specialized in 9 percent housing
5 tax credits and now bonds, and it's been a slow but steady
6 evolution along that path, because through the years, the
7 different agencies, between the tax credit agencies, USDA
8 agency, and us, have started to partner better and better
9 through the years, do more deals.

10 There are developers, one which we're going to
11 be working with in the Midland area which is called Texas
12 Housing Foundation. It is also a -- it's a public housing
13 agency, so it brings the ability to not only have a
14 property tax exemption, but also brings in benefits for
15 extremely low income households.

16 They bring vouchers to the table for seniors
17 and people with disabilities, and they have developed a
18 model and built that model over time, targeting small
19 communities like Brady, Lampasas and others around Texas.

20 So anytime we can work with groups like that and
21 repeat -- do those repeat business transactions, it's
22 really good.

23 Right now, the two in Midland are with THF, and
24 that will be our fourth or fifth -- I think it might be
25 our fourth and fifth transaction with THF as a bond

1 issuer, but as a developer on a bond transaction.

2 So we're looking forward to continuing that.
3 We also have a loan product with them in Brady, Texas, so
4 it's nice. The repeat customers are always good,
5 especially when they have great financials.

6 MS. CARDENAS: So you mentioned Bastrop, Brady,
7 Midland. I guess, as I'm kind of thinking through this,
8 I'm thinking about even more rural areas, like in far west
9 Texas, out in, you know, Alpine, Marfa --

10 MR. DANENFELZER: Yeah.

11 MS. CARDENAS: -- those areas that are very
12 small communities that may be lacking in affordable
13 housing or adequate affordable housing. Is there a gap
14 between -- I guess is there an issue with developer
15 interest in going out there?

16 MR. DANENFELZER: There is. You know, the USDA
17 portfolio is very large in Texas, but it's very old. And
18 so we kind of battle, and the Corporation has been
19 assisting in a project over the last two years with the
20 Federal Reserve Bank, Enterprise Community Partners and
21 Motivation Education Training, which is a consulting and
22 development firm.

23 But we've been working with all those groups on
24 educating and trying to find more developers in those
25 rural areas, and looking specifically at preserving what's

1 available. Oftentimes, those are what we call mom-and-pop
2 deals.

3 They might be, you know, a farmer or a rancher
4 who decided they wanted to get into a little bit of real
5 estate or provide some housing for their workers, and so
6 they built a 15-unit development in Alpine, and it
7 received a great mortgage from the USDA, but it hasn't had
8 much maintenance.

9 The problem is, to rehab and to make that
10 ongoing -- and to really bring it up, you know, to our
11 current standards and quality, it's hard because the rents
12 just aren't there. There's not -- the rents for, you
13 know, federally or from the state level, to do that.

14 So we -- but we do try. You know, I keep going
15 back to that 27-unit project portfolio, but you know, I
16 just -- it is really reaching some of the really small
17 towns. I'm forgetting one of the towns right now, but
18 when I ask the developer, because I was actually somewhat
19 unfamiliar -- I was, like, it's outside of Lubbock.

20 And they're, like, well, it's actually closer
21 to Hobbs, and I said, well, you know, Hobbs is in New
22 Mexico. Right? And we only do Texas. And they said,
23 yeah. So those are transactions we're going to be looking
24 at in the next few months, but those are difficult.

25 That has to be a large, complex pool

1 transaction, we call them, because -- to get the financing
2 and cover the costs. It has to be that.

3 MS. CARDENAS: Or perhaps it's, you know,
4 really about those organizations that are overseeing the
5 low income housing in those really small, rural
6 communities, kind of being, you know, lower marketing also
7 than --

8 MR. DANENFELZER: Right.

9 MS. CARDENAS: -- being proactive, to see if
10 there's programs outside of bonding --

11 MR. DANENFELZER: Right.

12 MS. CARDENAS: -- that could help, whether it's
13 at TSAHC or --

14 MR. DIETZ: Or --

15 MS. CARDENAS: -- the Department --

16 MR. DIETZ: -- yeah.

17 MS. CARDENAS: -- of Housing and Community
18 Affairs. And then as you kind of look even a little bit
19 bigger in the rural areas, like a Pecos, Texas, that's,
20 you know, under tremendous growth because of the oil --

21 MR. DIETZ: Yeah.

22 MS. CARDENAS: -- and gas activity out there,
23 and rental property is -- or rental income -- or I'm
24 sorry -- rent in general is increasing tremendously, and
25 there's a housing shortage out there. Perhaps there might

1 be more developer interest out there than in small
2 communities not as impacted with that kind of economic
3 growth. It just has, you know, run-down, low income
4 housing.

5 MR. DANENFELZER: Absolutely. It's an uphill
6 battle for sure; I think pretty much everyone in here
7 loves to do it every day. So that's why we come to work,
8 and keep looking for opportunities.

9 MR. DIETZ: Okay. Thank you very much.

10 MS. CARDENAS: Thank you.

11 MR. DANENFELZER: You're welcome.

12 MR. DIETZ: I appreciate the overview you did.

13 MR. DANENFELZER: Anytime.

14 MR. DIETZ: Okay. There's no action required
15 for Tab Item 5, so that leads us straight to Tab Item 6,
16 which is a tab item that will be in closed executive
17 session. We'll be in a "Discussion and Update Regarding
18 the Purchase of Property to be Used as the Headquarters of
19 the Corporation" pursuant to Government Code -- Texas
20 Government Code 551.072, Real Estate Matters.

21 We will now go into closed executive session at
22 11:31 a.m.

23 (Whereupon, at 11:31 a.m., there was a closed
24 executive session of the Texas State Affordable Housing
25 Corporation.)

1 MR. DIETZ: Okay. It is 12:13, and we are back
2 in open session. I'll call the meeting back to order. We
3 have completed our executive session, took no actions, and
4 we'll take no additional actions with regard to Tab 6,
5 which was the discussion of some real estate matters.

6 Is there any additional matter that needs to be
7 discussed?

8 MR. LONG: No, sir. Again, I would like to
9 point out, again -- I'll remind you that September 13 is
10 the next schedule Board meeting, and we'll be sure and
11 start to get everything out to the Board in advance for
12 that meeting.

13 MR. DIETZ: Great. Anything else from any
14 Board members? Any public comment?

15 (No response.)

16 MR. DIETZ: If not, we will adjourn at
17 12:13 p.m.

18 (Whereupon, at 12:13 p.m., the meeting was
19 adjourned.)

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C E R T I F I C A T E

MEETING OF: TSAHC Board
LOCATION: Austin, Texas
DATE: August 16, 2018

I do hereby certify that the foregoing pages,
numbers 1 through 52, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Elizabeth Stoddard before
the Texas State Affordable Housing Corporation.

DATE: August 20, 2018

(Transcriber)

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Austin, Texas 78752