

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,  
December 13, 2018  
10:30 a.m.

BOARD MEMBERS:

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. ROMERO: Let's go ahead and get this  
3 meeting started for the Texas State Affordable Housing  
4 Corporation. Today is December 13, 2018. It is 10:30  
5 a.m. We will do roll call. Bill Dietz.

6 (No response.)

7 MR. ROMERO: Not here. Jerry Romero, present.  
8 Bob Jones?

9 MR. JONES: Present.

10 MR. ROMERO: Lori Cobos?

11 MS. COBOS: Present.

12 MR. ROMERO: Valerie Cardenas?

13 MS. CARDENAS: Present.

14 MR. ROMERO: We do have four members here. We  
15 do have a quorum. We have established that. Is there any  
16 public comment at this point in time?

17 (No response.)

18 MR. ROMERO: If not, we will move into the  
19 first item to discuss, which is the Audit Committee report  
20 on the financial audit. Melinda.

21 MS. SMITH: Good morning. My name is Melinda  
22 Smith. I am the Chief Financial Officer.

23 This morning, the Audit Committee met to go  
24 over the Corporation's August 31, 2018, annual financial  
25 audit. Jimmy Romell with Maxwell Locke and Ritter joined

1 us and presented the audit to the Audit Committee. And  
2 the Committee recommended the audit for approval to the  
3 full Board.

4 Additionally, the Audit Committee approved the  
5 Audit Committee guidelines with a few changes. And also,  
6 moved that it be presented to the full Board for approval.

7 And of course, the minutes were also approved.

8 MR. ROMERO: Ms. Cobos, would you like to add  
9 anything?

10 MS. COBOS: Yes. So the Audit Committee  
11 guidelines were recommended for approval by the full  
12 Board.

13 The only change that we made to the redline  
14 changes that were in the packet was just to basically more  
15 specifically state that the Committee would approve the  
16 auditors on a three year basis, through the RFP, the  
17 Corporation's RFP process. And then separate that last  
18 sentence that talks about how the Committee can make a  
19 change basically with the auditors at any time.

20 MS. SMITH: Right. Can discharge the auditors.

21 MS. COBOS: Discharge the auditors. That's a  
22 separate sentence. Just for clarification, so that the  
23 guidelines more clearly state that the auditors are  
24 selected on a three-year basis, via the RFP process.

25 MR. LONG: And that would be held under Tab

1 Item 2, Mr. Chairman, the guidelines for the board  
2 meeting.

3 MR. ROMERO: Yes. Okay. So are we okay.  
4 Anything else?

5 (No response.)

6 MR. ROMERO: Okay. So that will be the report.  
7 We will do the action items in just a bit. So with that,  
8 we will turn to the President for his report.

9 MR. LONG: Thank you, Mr. Chairman, members.  
10 You will find your monthly program and financial reports  
11 under Tab Items A through C in the Board book. Obviously,  
12 we will also be reviewing the annual audit under Tab Item  
13 3.

14 The Loan Committee met yesterday on December  
15 12th. In addition to review, they discussed the items  
16 related to existing program portfolio.

17 The Committee discussed and considered a loan  
18 to East Dallas Community Organization, or EDCO, which was  
19 also on today's agenda under Tab Item 6. As a result of  
20 discussion in Committee, it was decided to withdraw this  
21 item from today's Board agenda and provide staff with some  
22 additional time to conduct some analysis, further  
23 analysis, and gather some additional information with the  
24 idea that we would hopefully bring that item back to the  
25 Board at a later date.

1           Mr. Romero, Ms. Cardenas, do you have anything  
2 to add to the Committee report?

3           MS. CARDENAS: I don't.

4           MR. ROMERO: No.

5           MR. LONG: Okay. Moving on, program updates.  
6 While we did not conduct any additional Overcoming Down  
7 Payment Hurdle classes this past month, I did want to  
8 provide you a summary of the year, which I think was  
9 rather busy for the staff.

10           They conducted 48 down payment hurdle classes.  
11 And staff provided training to over 1,500 realtors  
12 through its down payment hurdle classes. And the United  
13 Texas, through the Texas Association of Realtors, that we  
14 participated in.

15           TSAHC was awarded -- we awarded three  
16 additional grants under the HEART program, in support of  
17 critical home repairs for low income families affected by  
18 Hurricane Harvey. They included career and recovery  
19 resources, which was awarded \$30,000. Nutrition and  
20 services for seniors was awarded \$40,000. And Galveston  
21 long term recovery group is awarded \$50,000.

22           I would note that TSAHC and Enterprise  
23 Community Partners continue to accept and review  
24 applications on an ongoing basis. To date, the  
25 Corporation, this organization out of that partnership was

1 awarded over -- has awarded \$500,000 in grants to the  
2 organizations that we have identified as eligible for  
3 providing much needed critical repair and assistance to  
4 those households affected by Hurricane Harvey.

5 Under the fundraising, the Corporation  
6 participated in the Giving Tuesday funding campaign this  
7 past month. And the Corporation received \$8,000 in  
8 donations from lenders and realtors.

9 As a part of that, we would like to thank all  
10 of those that gave to that support of the Corporation.  
11 And that will go toward the Corporation's Housing  
12 Connection training program, which we use in support of  
13 local housing nonprofits.

14 As I mentioned in my report last month, the  
15 Corporation received a \$5,000 from the BBVA Compass  
16 Foundation, which will also be used in support of the  
17 housing connection training. I would like to thank Yoli  
18 Davila from BBVA Compass, who joined the staff here at our  
19 offices, earlier this week, and made a formal check  
20 presentation of that money to us. And so I thank her for  
21 being here.

22 Some updates on some things we have been  
23 participating in. Myself and Michael had a chance to go  
24 meet with some of the new staff at the Lieutenant  
25 Governor's office.

1           We met with Adrienne Evans this last week, and  
2 kind of just gave her an overview of the Corporation. And  
3 responded to some questions she had about the programs,  
4 and what we are doing in terms of gearing up for the  
5 session.

6           Katie, Michael and I also attended the Raise  
7 Texas summit at the Federal Reserve Bank in Dallas last  
8 week. The summit's focus was on increasing the financial  
9 health and resilience of Texans, in identifying the tools,  
10 programs and services available to help Texans take  
11 control of their finances daily. Provide opportunities to  
12 invest in their future and increase their ability to get  
13 through everyday life.

14          Katie and Michael and Cassandra and I attended  
15 a presentation at the UT Law School on opportunities for  
16 state and local preservation strategies for the Texas low  
17 income housing tax credit program. It was really just a  
18 presentation of a report that they had been working on and  
19 identifying ways to preserve affordable housing that are  
20 being generated through the low income housing tax credit  
21 program.

22          Earlier this week, I had a chance and was  
23 invited to attend the CRA Monetization roundtable at the  
24 Federal Reserve Bank in Dallas, again. There was some  
25 discussion of revisiting the 41-year-old law that talks

1 about CRA across the country, and how to fix everybody.

2 And they are just looking to see if there is  
3 ways that we could improve that statute as it stands right  
4 now. So I would really appreciate the Federal Reserve  
5 Bank in continuing to include TSAHC and inviting me to be  
6 a part of this event.

7 As always, Mr. Chairman, I would like to  
8 introduce our professionals who are in attendance. You  
9 are going to hear from Mr. Romell and Ms. Day in a minute,  
10 under Tab Item B regarding the audit. They are here with  
11 Maxwell Locke and Ritter.

12 Bill Gehrig, Karen Canard and Erin Gregg are  
13 here with Greenberg Traurig. Tim Nelson is here with  
14 Hilltop Securities. And Chris Spelbring is here with  
15 Raymond James.

16 And with that, Mr. Chairman. I always like to  
17 let you know our next tentatively scheduled Board meeting  
18 is January 10th. I know it is a little early in the  
19 month. But it is the second Thursday of the month. And  
20 we will continue to look at that date as the next  
21 tentatively scheduled meeting.

22 And we will work to see if that fits  
23 everybody's calendar, and get a chance to talk with  
24 Chairman Dietz and make sure he is available. And with  
25 that, I will conclude my remarks, unless there is any

1 questions.

2 MR. ROMERO: Any questions for Mr. Long?

3 MS. COBOS: No.

4 MS. CARDENAS: No.

5 MR. ROMERO: Okay. We will move into the  
6 action items in open meeting.

7 Tab 1 is the presentation, discussion and  
8 possible approval of the minutes of the Board meeting held  
9 on November 15th. All of the Board members have a copy of  
10 the minutes that have been presented to them, in a redline  
11 format.

12 There are copies in the back if anyone would be  
13 interested in reviewing them. With that, are there any  
14 comments or questions? Mr. Jones?

15 MR. JONES: Yes. I read the original minutes,  
16 and I read the redline. And it is obvious that the  
17 redline is grammatically correct, pertinent, pinpoints and  
18 is specific, which is important.

19 My question is, when they record the minutes,  
20 do they record what is being said, and how it is being  
21 said? Or was someone that records have to make sure that  
22 it is grammatically presented correctly?

23 Or will we have to continually do this? It is  
24 excellent. Let me just say that. The redline version is  
25 excellent. But that is because someone read the minutes

1 and said, that is not the proper or correct way to say it.

2 But that is not what actually happened. So how  
3 does that translate into their recording of our minutes  
4 and transcribing them for a synopsis of what happens in  
5 the meeting?

6 MR. ROMERO: Well, if I am not mistaken --

7 MR. JONES: Does that make sense?

8 MR. ROMERO: Yes. If I am not mistaken, the  
9 official recording is the official recording of the Board  
10 meeting. The minutes are supposed to summarize what  
11 conversations had taken here at the Board.

12 MR. JONES: Right.

13 MR. ROMERO: Those are recommended changes from  
14 Board members who have reviewed the minutes --

15 MR. JONES: Correct.

16 MR. ROMERO: -- and recall something that was  
17 important to them that should be reflected in the actual  
18 minutes.

19 MR. JONES: Okay.

20 MR. ROMERO: It won't change the transcript,  
21 though.

22 MR. JONES: No. But my point is that this is  
23 so concise. Then is that going to be a Board members -- I  
24 don't know who did it.

25 MS. COBOS: I did. I did.

1 MR. JONES: I had a feeling. It is perfect.  
2 But are you going to assume that responsibility all the  
3 time? Or should everybody else start to -- because it  
4 does say exactly what needs to be said in the way it  
5 should be said. But I don't think they do that.

6 MR. ROMERO: No.

7 MS. COBOS: Right. So we do have a transcript  
8 of the meeting that is a detailed verbatim recording of  
9 the meeting.

10 MR. JONES: Correct.

11 MS. COBOS: I have taken it upon myself to read  
12 the minutes and make sure, on top of being grammatically  
13 correct, that they are clear and state some of the  
14 highlights that some of the Board members -- and the  
15 questions that --

16 MR. JONES: Yes. Appropriate. Legal.

17 MS. COBOS: Right.

18 MR. JONES: Grammatically correct.

19 MS. COBOS: And partially this is due to my  
20 background in working with corporate governance in the  
21 past and, you know, emphasizing the importance that the  
22 minutes are here and clear and concise and accurately  
23 reflect information, especially on important matters that  
24 the Board or governing body is addressing.

25 So with respect to, is this the responsibility

1 I am going to hold going forward --

2 MR. JONES: Okay. I just wanted to make sure.

3 MS. COBOS: You know, it is just something I  
4 had taken upon myself. And I was actually reading them  
5 last night, again. I am like, well, at some point, I  
6 mean, this is not really what I want to be doing every  
7 meeting.

8 But I want to make sure that they do highlight,  
9 that they are, you know, an accurate and clear and  
10 professional document that we are putting out to the  
11 public, that people in the public are reading.

12 MR. JONES: And that is what I see in the  
13 redline. My question was, are you going to be able to do  
14 that at every meeting? Are you going to try to, as long  
15 as you can?

16 MR. ROMERO: No. Probably not. I think it is  
17 the responsibility of all of the Board members to ensure  
18 that we are reviewing the minutes.

19 MR. JONES: Right.

20 MS. COBOS: I am happy to do it. I don't mind  
21 doing it. But I hope we get to a point where I don't have  
22 to do this every time.

23 MR. JONES: Or that other Board members  
24 contribute.

25 MR. ROMERO: And I think -- well, that too.

1 But I think also that from the staff's perspective, is we  
2 are trying to figure out what it is that we want to see in  
3 the minutes going forward.

4 MR. JONES: And we want to see what was  
5 actually said and actually done.

6 MS. COBOS: Yes.

7 MR. ROMERO: Right. Yes. And I think we have  
8 gone through some iterations as far as how we represent  
9 the minutes over the years. Before, we would put  
10 everything in there. Then we shortened them up.

11 Then we summarized them. And now, we are back  
12 to where we need to give the Board back some additional  
13 information.

14 MR. JONES: Well, I remember in the past, I  
15 didn't think it clearly showed the participatory level of  
16 each individual Board member. So that when these are read  
17 by Government officials, including the Governor's office  
18 and others, that it reflect it.

19 MS. COBOS: Sure.

20 MR. JONES: But this is good.

21 MS. COBOS: So hopefully, by having this  
22 historical practice as you come on the Board, you have  
23 some kind of -- we reach a point where, you know, staff is  
24 understanding kind of what we are expecting in the  
25 minutes.

1 MR. JONES: Okay. They will review the minutes  
2 first before they send them.

3 MS. COBOS: Right. And we reach a point where  
4 we have an understanding, a better understanding of what  
5 we are expecting to see in the minutes. And it has been  
6 an ongoing process. And we don't have as much involvement  
7 from the Board that we have --

8 MR. JONES: Which begs the question, Ms. Cobos,  
9 does the staff review the minutes prior to --

10 MR. LONG: The staff creates the minutes.

11 MR. ROMERO: Yes.

12 MR. LONG: Let me, for the record, let me give  
13 you a little background.

14 MR. JONES: Okay.

15 MR. LONG: Our transcripts by statute are  
16 required to be posted on our website. So a true word-for-  
17 word transcript is posted on our website for anyone to go  
18 read and or take a segment of it and read through it, if  
19 they had a specific agenda item they want to review. So  
20 that is really the formal presentation to anybody that  
21 wants to see what happened at our Board meeting.

22 The minutes are developed and created  
23 internally. And Ms. Cobos, over the last several months,  
24 has taken the time to take what we put in the Board book  
25 and add to and make additional comments, so that she said,

1 it is more clear for her to give and present out.

2 What I will tell you is that I would suggest  
3 that there might even be a way for us to consider  
4 proposing to the Board additional ways that we could  
5 improve the minutes, or streamline the minute process.  
6 Because the transcript is provided, not only on our  
7 website, we will continue to provide a copy to the Board  
8 members as well, every time we get it.

9 We have been looking at other state agencies  
10 and what they are doing. And we do significantly a lot  
11 more detail in our minutes than some of the other state  
12 agencies do, because the transcripts for all state  
13 agencies are required to be posted to their website.

14 So we put a lot more time and effort on the  
15 staff level than most agencies do, because what they  
16 normally do is, they basically put the agenda item as it  
17 was posted. And then they put the vote.

18 And sometimes, they put a little critique about  
19 what the item was about. That is it. There is no  
20 narrative.

21 MR. JONES: Well, why --

22 MR. LONG: The narrative is on the transcripts.

23 MR. JONES: When I served on the State Coastal  
24 Coordination Council, we put a video. They actually  
25 recorded the entire session and just posted the video.

1 MR. LONG: Yes.

2 MR. JONES: But as I am saying, we were here,  
3 and I read this, and it is really, really clear.

4 MS. COBOS: Right.

5 MR. JONES: And it is well put together. The  
6 question is, can that be sustained?

7 MR. LONG: Well staff, right now, drafts the  
8 minutes. And then that is posted in the Board book. We  
9 think we are doing a pretty good job of it. Obviously --

10 MR. JONES: Without putting an over burden on  
11 you.

12 MR. LONG: Obviously, we are, you know, having  
13 Ms. Cobos give comment back. And so as she said, we are  
14 trying to learn and figure out a kind of the model; you  
15 know. What is it that we are all trying to come to common  
16 ground on --

17 MR. JONES: Okay.

18 MR. LONG: -- so that she doesn't have to  
19 continue doing this.

20 MR. ROMERO: Yes.

21 MR. LONG: Because I know it takes a lot of her  
22 time to do it. So if there is a way for us to streamline  
23 it further, I would be happy to consider that as well.

24 MR. JONES: Although, I think she can do it  
25 rather quickly. Just the way she does. I don't think it

1 took a lifetime there.

2 MS. COBOS: Again, this is you know, just -- I  
3 am happy to do it. It is really kind of, given my  
4 background, and some of the work I have done in the past,  
5 it is something, an item that I just kind of taken a  
6 little bit more of a look, a deeper look at, and make sure  
7 that it is clear.

8 And that some of the important comments that  
9 the Board members have made are out, you know, presented  
10 in there as -- you know, the transcripts are available.  
11 But I don't know that, you know, given the time.

12 I don't know if folks can go back and read the  
13 transcript every time. I think most people in the public,  
14 if they want to know what happened in the meeting will  
15 read their minutes.

16 That is why I think, you know, just really try  
17 to strike that clarity and a little bit more detail. But  
18 not an incredible amount of detail, because that is  
19 captured in the transcript.

20 MR. LONG: Right.

21 MS. COBOS: So it is a balance. And we will  
22 just continue to kind of work together on it.

23 MR. LONG: Correct.

24 MS. COBOS: And I didn't see anything in the --  
25 really, my goal with the current set of minutes was just

1 again, clarification. Some of it stylistic with the goal  
2 of those stylistic changes making our language more clear  
3 and, I guess, maybe more grammatically correct in some  
4 points, but -- and then also kind of paring down a little  
5 bit of the discussion.

6 Paring down, but also combining some of the  
7 discussion on the general counsel discussion we had,  
8 because that was an extensive discussion we had last Board  
9 meeting on the General Counsel RFP.

10 MR. JONES: Correct.

11 MS. COBOS: So if I could just kind of pare it  
12 down to the important points that were made. And  
13 hopefully, I captured those accurately for everybody. And  
14 that was really the goal is just -- let's continue to do  
15 that.

16 MR. LONG: So what you have is kind of a mix of  
17 several staff members working through the transcripts to  
18 come up with the minutes, which goes into the Board book.

19 And then Ms. Cobos and I spoke, prior to the Board  
20 meeting and she provided me the copies that you have in  
21 front of you with taking the minutes that we provided, and  
22 making some changes to it.

23 MR. JONES: I just found the redline copy  
24 highly qualified, very professional presentation. I am  
25 saying can we keep this up.

1 MS. COBOS: I hope I am not giving myself the  
2 job of minute writing.

3 MR. LONG: Minute writing.

4 MS. COBOS: Yes. I did have to do that in my  
5 prior role, too. It is a tedious, detailed job. But yes,  
6 thank you very much.

7 MR. LONG: You are very welcome.

8 MR. ROMERO: So with that, I will entertain a  
9 motion to approve the minutes with the recommended changes  
10 in the redline copy.

11 MS. CARDENAS: So moved.

12 MR. Jones: Second.

13 MR. ROMERO: We have a motion. We have a  
14 second. Any further discussion?

15 (No response.)

16 MR. ROMERO: Any public comment?

17 (No response.)

18 MR. ROMERO: All in favor, aye.

19 (A chorus of ayes.)

20 MR. ROMERO: Any opposed?

21 (No response.)

22 MR. ROMERO: The motion carries. Tab Item 2,  
23 the presentation, discussion and possible approval of the  
24 Audit Committee guidelines.

25 MS. SMITH: Good afternoon. My name is Melinda

1 Smith. I am the Chief Financial Officer.

2 The Audit Committee guidelines are presented to  
3 the Audit Committee and then to the full Board every year.

4 We have asked our independent auditors, Maxwell Locke and  
5 Ritter to review them as well, to see if they had any  
6 changes that they would recommend.

7 Of course, I have reviewed them. Our auditors  
8 didn't have any changes this year. I made a couple of  
9 changes.

10 First, on page 2, just a grammatical change.  
11 And at the top of page 3, I took out the word "the." And  
12 then we had -- the only substantive change was on page 3,  
13 which we discussed a little bit earlier.

14 We changed the redlined to include in here that  
15 the auditors are hired on a three-year rotating basis  
16 through an RFP process. But that the Audit Committee has  
17 the authority, in a separate sentence, to approve the  
18 discharge of the auditors under any circumstances that --  
19 any warranted circumstances.

20 And those were the only changes. So we are  
21 requesting that the Board approve the Audit Committee  
22 guidelines as approved with this change by the Audit  
23 Committee.

24 MR. ROMERO: So this -- yes. Mr. Jones.

25 MR. JONES: We always say, independent

1 auditors. But then it says, review their independence.  
2 Independence in what respect?

3 That they are not connected to any other  
4 government agency, or they have had no other dealings with  
5 any of the other Board members or -- how do we. What is  
6 review their independence?

7 MS. SMITH: Right. We don't have any related  
8 party transactions with our auditor, nor they with any of  
9 our Board members, nor any of the staff here.

10 We also write our own financial statements in  
11 the footnotes, so that the auditors are not doing that for  
12 us, and so that is another way that we maintain our  
13 independence and their independence.

14 MR. JONES: Does that entail them maybe  
15 auditing for somebody we are in a contract oral agreement  
16 with, or somebody we loan funds to? Or we are presenting.  
17 I mean, how far does that review their independence go?

18 MS. SMITH: I think just on a limited basis. I  
19 don't think that we have to go any further than the  
20 related party questionnaires that are filled out, your  
21 conflict of interest and ethics statements that are made,  
22 and then the normal steps that the auditors themselves go  
23 through to maintain their independence.

24 And they of course, receive a peer review every  
25 year from another auditing firm, to make sure they are

1 doing all the things they are supposed to do.

2 MR. JONES: So basically it is independence of  
3 anybody directly involved as part of the Corporation staff  
4 or the center. That is the agreement.

5 MS. SMITH: Yes. In other words, we haven't  
6 loaned our auditor any money.

7 MR. JONES: Because when you say the Audit  
8 Committee would -- they changed it to say approve, review  
9 their independence. I didn't know if there was a  
10 guideline as to A, B, C, D, E, F means that they are  
11 independent.

12 MS. SMITH: Not necessarily, no. There is not  
13 any specific A, B, C. I wish there was.

14 MR. JONES: That is it.

15 MR. ROMERO: Okay. Any other questions?

16 (No response.)

17 MR. ROMERO: Okay. So I will entertain a  
18 motion to approve the Audit Committee recommendations to  
19 approve the Audit Committee guidelines.

20 MR. JONES: I move that we approve. I make a  
21 motion that we approve.

22 MR. ROMERO: We have a motion. Is there a  
23 second?

24 MS. COBOS: Second.

25 MR. ROMERO: We have a motion and a second. Is

1 there any further discussion?

2 (No response.)

3 MR. ROMERO: Any public comment?

4 (No response.)

5 MR. ROMERO: All in favor, aye.

6 (A chorus of ayes.)

7 MR. ROMERO: Any opposed?

8 (No response.)

9 MR. ROMERO: The motion carries. Moving on to  
10 Tab Item 3, a presentation, discussion and possible  
11 approval of the Annual Independent Financial Audit for the  
12 fiscal year ending August 31, 2018.

13 MS. SMITH: Good afternoon. The Corporation is  
14 required to have an annual audit by statute.

15 And we are also a component unit of the State  
16 of Texas. So that audit has to be completed and submitted  
17 to the State Comptroller by the 20th of December every  
18 year.

19 Maxwell Locke and Ritter performed our audit  
20 this year, and last year. And Jimmy Romell, who is a  
21 partner with Maxwell Locke and Ritter is here today to  
22 present the audit to you. So I am going to turn it over  
23 to you, Jimmy.

24 MR. ROMELL: Good morning. I am Jimmy Romell,  
25 Maxwell Locke and Ritter. So we met with the Audit

1 Committee this morning and went through two different  
2 documents in detail.

3           The first one is the actual audit report for  
4 your fiscal year ending August 31, 2018. And also, went  
5 through a governance communication which is required by  
6 our professional standards at the end of the audit  
7 process. So once you start off going through the  
8 governance communication first, and kind of touch on some  
9 of the points of that letter, and then move on to the  
10 financial statements after that.

11           So we just wanted to point out that during the  
12 fiscal year '18 audit, there were no new accounting audit  
13 standards that were implemented during the year. We had  
14 no difficulties in performing the audit.

15           We definitely want to thank Nick and Melinda  
16 and everyone else here at the Corporation for all their  
17 assistance. We also didn't identify any audit adjustments  
18 during our process. And then attached to this governance  
19 letter will be a representation letter that is signed by  
20 the Corporation, indicating that we were provided with  
21 everything that we needed to perform and complete our  
22 audit this year.

23           So now, we are going to move on to the audit  
24 report. So we are issuing an unmodified, or a clean  
25 opinion, which is the highest level of assurance we can

1 provide as an external auditor. So we want to turn in  
2 your report to page 11. This is your statement of net  
3 position as of August 31, 2018. On page 11, this breaks  
4 out your assets. And so overall, total current assets  
5 were about \$22.2 million. And then total assets were  
6 about \$76.1 million.

7 Your current assets actually increased this  
8 year, compared to last year, because you are not fronting  
9 the DPA program like you did in the past, so there was  
10 more available assets to be used on a current basis.

11 And then overall, your assets actually  
12 decreased from last year. The main reason for that is you  
13 redeemed some bonds early during fiscal year '18. So  
14 there were certain securities that have to be held by the  
15 Corporation in conjunction with those bonds. So when  
16 those bonds were redeemed you are able to sell those  
17 securities that related to that. So that is why even  
18 though your liabilities went down, but also your assets  
19 went down in conjunction with that.

20 Turning now to page 12, this breaks out your  
21 liabilities and your overall net position at the end of  
22 fiscal year '18. As I mentioned before, the primary  
23 reason for the decrease in liabilities was due to the  
24 early redemption of about \$16.4 million of outstanding  
25 bond principal.

1           And then overall, your net position, which is  
2           unrestricted, which means it can be used for general  
3           operations of the Corporation was about \$34.9 million at  
4           the end of fiscal year '18.

5           Page 13 is your statements of revenues and  
6           expenses and changes in that position. I just want to  
7           point out a couple of things on this page.

8           Overall operating revenues increased, primarily  
9           due to an increase in your single family income of about  
10          \$5.7 million from the prior year. And your operating  
11          expenses actually remain relatively consistent with the  
12          prior year, with a small decrease due to less the  
13          outstanding bonds, which would mean your interest expense  
14          during the year actually decreased a little bit.

15          That should see your overall net income for  
16          your fiscal year '18 was about \$8.4 million. Then on page  
17          14, this is your statement of cash flows. So I am just  
18          going to give a presentation on kind of what liquid assets  
19          you have to meet your obligations going forward.

20          So what we typically focus on is your operating  
21          cash flow as well as your ending cash balance. So you  
22          will see at the top of the page, your operating cash flow  
23          produced about \$16.2 million during fiscal year '18.

24          And at the end of the year, you had about \$7.7  
25          million of cash and cash equivalents, which was an

1 increase of about \$4.3 million from the prior year. And  
2 then beginning on page 16, are the notes to the financial  
3 statements.

4 As I mentioned before, since there were no new  
5 accounting or auditing standards that were recommended  
6 this year, the notes to the financial statements, which  
7 are important to get a full understanding of the finances  
8 themselves. There weren't really a lot of changes in here  
9 from prior years. So I wasn't going to go through these  
10 in a lot of detail.

11 There was one new accounting pronouncement that  
12 we mentioned during the audit process last year, which is  
13 in here as well, on page 21, related to lease agreements.

14 So we still have a couple of years until that is going to  
15 be fully implemented. So it is going to be implemented in  
16 your fiscal year '21 audit.

17 So I just wanted to remind you that that is  
18 there. And we are working with staff here at the  
19 Corporation to determine the overall impact that will have  
20 on your financial statements.

21 So now, if you want to turn back still to  
22 page -- after page 37, you will see the section,  
23 Government Auditing Standards. So your audit is performed  
24 under Government Auditing Standards. There are some  
25 additional requirements that we needed to do as part of

1 that process.

2 And so this is our report under Government  
3 Auditing Standards. And we just wanted to point out there  
4 were no material weaknesses in internal controls that were  
5 identified and also, no instances of reportable  
6 noncompliance identified during our audit process this  
7 year. And with that, I will open it up to any questions  
8 you may have for me.

9 MR. ROMERO: Any questions from the Board?

10 (No response.)

11 MR. ROMERO: Ms. Cobos, any comments?

12 MS. COBOS: No.

13 MR. ROMERO: Okay. Melinda, any questions?  
14 Comments?

15 MS. SMITH: No.

16 MR. ROMERO: Thank you again for the work that  
17 you did on the audit. It is appreciated. We appreciate  
18 the information you provided to us. I would like to look  
19 for a motion to approve the recommendation of the Audit  
20 Committee to approve the audit for 2018.

21 MR. JONES: I make that motion to approve the  
22 recommendations the Audit Committee to accept.

23 MR. ROMERO: We have a motion. Is there a  
24 second?

25 MS. CARDENAS: Second.

1 MR. ROMERO: I have a motion and a second. Is  
2 there any further discussion?

3 (No response.)

4 MR. ROMERO: Any comment, public comment?

5 (No response.)

6 MR. ROMERO: All in favor, aye.

7 (A chorus of ayes.)

8 MR. ROMERO: Any opposed?

9 (No response.)

10 MR. ROMERO: The motion carries. Thank you  
11 very much.

12 MR. ROMELL: Thank you.

13 MS. SMITH: Thank you very much.

14 MR. ROMERO: Moving on to Tab Item 4,  
15 presentation, discussion and possible approval of the  
16 guidelines, scoring criteria and targeted housing needs  
17 for the allocation of qualified residential rental project  
18 tax exempt bond funds under the Multifamily Housing  
19 Private Activity Bond program Request for Proposals, and  
20 the 501(c)(3) bond program policies for calendar year  
21 2019. Go ahead.

22 MR. JONES: Welcome back to the club.

23 MR. DANENFELZER: Good morning. David  
24 Danenfelzer, as Senior Director of Development Finance.

25 In October of this year, the Board did approve

1 these policies to be posted to our website, and to go out  
2 for public comment. Since that time, we have not received  
3 any direct public comment.

4 We did get some comments from counsel as well  
5 as from Ms. Cobos on the policies. However, the changes  
6 that we did receive were not substantial.

7 There was no significant changes in the way  
8 policies operate or work. They were simply more  
9 grammatical and technical in nature. You know, at this  
10 point, I would just ask if the Board has any questions or  
11 comments about the policies and the document before them.

12 (No response.)

13 MR. ROMERO: Okay. Any questions or comments?

14 MS. COBOS: No. I mean, I reviewed it as well,  
15 and it was, you know, as David mentioned, just minor  
16 technicalities. And so for the most part, everything  
17 seemed to be in order.

18 MR. ROMERO: Mr. Jones, any questions?

19 MR. JONES: No, sir.

20 MR. ROMERO: Okay. With that, I will go ahead  
21 and entertain a motion to approve the presentation of the  
22 guideline scoring criteria, targeted housing needs  
23 qualification, allocation of qualified residential rental  
24 project Texas in bonds funds, and in multifamily housing  
25 private activity bond program Requests For Proposals, and

1 the 501(c)(3) bond program policies for calendar year  
2 2019.

3 MR. JONES: I will make that motion to approve  
4 it.

5 MR. ROMERO: We have a motion. Is there a  
6 second?

7 MS. COBOS: Second.

8 MR. ROMERO: We have a motion and a second. Is  
9 there any further comment?

10 (No response.)

11 MR. ROMERO: Any public comment?

12 (No response.)

13 MR. ROMERO: All in favor, aye.

14 (A chorus of ayes.)

15 MR. ROMERO: Any opposed?

16 (No response.)

17 MR. ROMERO: The motion carries. Thank you all  
18 very much. Thank you, David. Moving on to Tab Item 5,  
19 the presentation, discussion and possible approval of  
20 modifications to the Corporation's Affordable Communities  
21 of Texas program, ACT policies. David.

22 MR. DANENFELZER: Again, David Danenfelzer,  
23 Senior Director of Development Finance. We also brought  
24 this policy for approval back in October of this year.

25 At that time, we did have a significant amount

1 of comments from Ms. Cobos and some other parties  
2 internally, and so we withdrew that initial request, and  
3 we are bringing it back today for your final approval.

4 The changes that were made after that meeting  
5 were quite technical in nature. And so there wasn't a lot  
6 of significant changes in how the program really operates  
7 at that time. We did answer a number of questions that  
8 the Board members had in regards to how certain changes  
9 affected; predominantly, one of the changes where we allow  
10 the executive vice president and president to approve  
11 contractors and local partners, versus having to bring  
12 those each and every time to the Board.

13 And we also provided some additional detail in  
14 how we would assess the selection of particularly  
15 developers, which is a new Section 6 in the policy.

16 One of the key components of that that we've  
17 had some ongoing discussion about, was the review of  
18 financial audits, which is Section 6(b), in the new  
19 redline section. One additional question that has been  
20 brought up is whether or not some of the contractors,  
21 particularly smaller contractors like mowing companies or  
22 small maintenance companies, or roofing companies which  
23 are often DBAs or doing business as individuals, whether  
24 or not they would have financial statements, particularly  
25 audited financial statements.

1           So I would like to propose a small amendment at  
2 this time to this document. This change came to me this  
3 morning. So Ms. Cobos and I discussed it a little bit.

4           MR. JONES: Page 6.

5           MR. DANENFELZER: It would be. Well, it is --

6           MR. LONG: Page 3 of 7.

7           MR. DANENFELZER: Page 3 of 7 in the policies.

8           And it is Section 6, Item B.

9           And the small change that we discussed, and I  
10 will try to propose here would be after the final word,  
11 Corporation, in that section, there be a period inserted.

12          And then the sentence, the Corporation may waive this  
13 requirement for developers whose annual gross revenues are  
14 less than -- and I was going to insert \$500,000.

15          That is a typical number. I did do some  
16 research this morning. A typical number for allowing a  
17 DBA to exist under franchise tax rules here in Texas.  
18 Once you reach over that, there are some additional  
19 technical and tax issues that come into play.

20          And so I thought that number might be a good  
21 reasonable way for us to put a benchmark on it. If there  
22 is another alternative the Board would like to propose, I  
23 am happy to hear that.

24          MS. CARDENAS: So when we spoke, I remember  
25 this conversation vividly. When we spoke about

1 individuals, whether they were basically, what I would  
2 refer to as subcontractors. Right.

3 MR. DANENFELZER: Right.

4 MS. CARDENAS: So when we use the term  
5 "developer" are we also including these subcontractors?

6 MR. DANENFELZER: Correct. We are trying to  
7 create sort of a large umbrella to include small  
8 subcontractors like lawn maintenance companies, roofers,  
9 others who do small amounts of work for us on properties  
10 as well as developers who might actually build an entire  
11 house for us.

12 And in that sense, they would be more like  
13 general contractors. In the case of general contractors,  
14 that we do feel that they do probably need a greater level  
15 of review, particularly, financial audits. People who are  
16 going to build an entire house for us should be fairly  
17 financially sound.

18 But if we are simply hiring a lawn- mowing  
19 company that may only have gross receipts of a couple of  
20 hundred thousand dollars a year, it is probably unlikely  
21 that they are going to have it. I know we do have a  
22 number of very small contractors like that. But we want  
23 to be able to hire them.

24 A great example is we have a gentleman out in  
25 Lufkin, Texas, who mows six lots for us. I mean, he has

1 done it for a couple of years.

2 We want to be able to continue that  
3 relationship. I know he has actually a full-time job, and  
4 this is his part time job for us. So it would be nice to  
5 keep him on staff without having to do a full review of  
6 his financials.

7 MS. CARDENAS: Right. But I think, you know,  
8 the intent of that whole conversation was, we weren't  
9 talking about the individual that is going to just do the  
10 painting, right.

11 MR. DANENFELZER: Right.

12 MS. CARDENAS: Because all of that should fall  
13 under the general contractor. And then you have got your  
14 subs. Right. And typically, you don't check subs. So  
15 that is why you hold the general contractor accountable.

16 MR. DANENFELZER: Right.

17 MS. CARDENAS: So the only reason I was  
18 questioning selection of developers, is because when I  
19 think of a developer, I am thinking of a developer of a  
20 subdivision. Right. A developer of a large project,  
21 versus a general contractor.

22 So when we use this terminology of developer,  
23 but we are talking about construction contracts, I just  
24 want to make sure that we understand a developer is  
25 somebody completely different than a general contractor.

1 And I don't want in the future for it to bite us, that we  
2 accepted this terminology, when they are not really one  
3 and the same.

4 MR. DANENFELZER: Right.

5 MS. CARDENAS: So you know, and I don't want to  
6 prolong amendment after amendment. I think that is  
7 something that we can just interchange the word there.

8 But I also thought that we did address exactly  
9 what you are talking about. We are not going to, you  
10 know, spin our wheels on the lawn-mowing guy, right. To  
11 check his financials. You know, what is the risk?

12 That is not the intent of this. It was that we  
13 didn't, from what I understood in the prior meeting, is  
14 that we were a little loose on our standards to really not  
15 check those that were going to be managing funds, right,  
16 and the majority of that project. So with that being  
17 said, my recommendation is just to revise the word  
18 "developer" to "general contractor."

19 MR. DANENFELZER: Okay.

20 MS. CARDENAS: Because again, I don't know if  
21 there is any comment or any opinion from the rest.

22 MS. COBOS: Is there a way to include a  
23 definition of developer in here? I don't -- that way, we  
24 are clear. Because we use developer throughout the policy  
25 guidelines. So I wonder, let me see here.

1 MS. CARDENAS: Or Mr. Long, or David, I don't  
2 know you all, what your thoughts are?

3 MR. LONG: Well, I think, as David expressed  
4 earlier, our thoughts were to try and streamline the  
5 review. So that we would have some internal control to  
6 make decisions, without having to bring back to the Board,  
7 where we could hire and maintain.

8 We have a lot of lots that are pending being  
9 developed. And so they do require maintenance and upkeep,  
10 so that we don't get fined by the city and county for not  
11 maintaining those properties.

12 But I am open to do whatever works. I know Ms.  
13 Cobos spent a lot of time with David talking through the  
14 guidelines.

15 So I want to make sure that the Board is  
16 comfortable. But also, that it doesn't restrict us from  
17 being able to kind of hire a guy to come fix a window or  
18 put a patch on a roof.

19 MS. CARDENAS: Right. Yes. And that is what I  
20 wanted to make clear. That is not the intent.

21 MR. LONG: Right.

22 MS. CARDENAS: We don't need to be checking  
23 financials on again, they are going to come. You know,  
24 you have got the painter or the cabinet maker. They are  
25 not in charge of the entire project.

1           The way that it was written before is that you  
2 know, somebody that was a painter, and now they want to  
3 take on a big project, okay. That is different. Because  
4 now you have become the general contractor, right. And so  
5 we certainly don't want to bog down the system.

6           MR. LONG: Right.

7           MS. CARDENAS: But I also don't want us to lock  
8 us in that down the road, you know, the policy is in  
9 place, and we are looking at a developer. Because again,  
10 I think of a developer, like developing land, you know, or  
11 a huge commercial project, right. Versus your general  
12 contractors.

13           So that is my only comment, is do we want to  
14 leave it like that, or you know, do we want to make just  
15 that modification. And then also, maybe use a  
16 subcontractor to your lawnmowers, to where, no.

17           That is not what we are talking about. We  
18 don't want to be checking financials and doing background  
19 checks and all that for something that we really have low  
20 risk on.

21           MR. ROMERO: Would the selection of  
22 developer/service provider, would that work? Because I  
23 mean, we sign the contract with the guy that does the six  
24 lots down in Lufkin. Do we have a contract signed with  
25 him?

1 MR. DANENFELZER: We don't have a contract, a  
2 formal contract with him. We have hired him. We have  
3 letters that we have said, yes. We are going to hire you  
4 to do that.

5 We did go out for a bid process at that time,  
6 and people said I will do it for \$25 or I will do it for  
7 \$50. But we don't have a formal contract with that  
8 gentleman.

9 One thing, I am thinking in response to Ms.  
10 Cardenas question is potentially just to change the word  
11 "developer" to "private contractor." I am a little  
12 hesitant, again, to use another word, general contractor,  
13 which has certain meanings outside of this program that  
14 generally include a contractor that is large enough to  
15 hire other subcontractors among other things.

16 I think private contractor might be a better  
17 compromise in the sense that it just -- it is defining the  
18 contractor as a private entity, not as either a general or  
19 specifically what type of work they do. Other than that,  
20 I'm also happy to take this back and give it another shot.

21

22 MS. CARDENAS: I don't want to belabor the  
23 point.

24 MR. DANENFELZER: Really, it's not --

25 MS. CARDENAS: I just don't want us to get

1 caught in some technicality down the road where it says  
2 well, your policy says you all were talking about  
3 developers, right. And a developer has a different --

4 MR. ROMERO: They are very specific. They can  
5 be very specific.

6 MS. COBOS: Yes. Or you could include a  
7 definition of developer and put that it means a private  
8 contractor. It does not mean a subcontractor, you know,  
9 that kind -- so you don't have to change the entire  
10 policy. You could put a definition in there that would  
11 define --

12 MR. DANENFELZER: Okay.

13 MS. COBOS: I mean, that is one approach. That  
14 is one option to consider. But I do agree that the goal  
15 of Section 6 and my modifications to that section were  
16 intended to strengthen the requirements that the  
17 Corporation be looking at in their selection of  
18 developers.

19 And I would say with respect to 6(b), one  
20 option would be to include the additional sentence that  
21 David mentioned. Or you could just change it to say, if  
22 the developer is required to have financial audits or  
23 statements, the developer's financial audits or statements  
24 for a two-year period must reflect the developer's ability  
25 to manage funds appropriately.

1           That way, we are not locked into a monetary  
2 figure. Because a half a million dollars is a half a  
3 million dollars. Anything under is still money. Right.

4           I mean, that is one approach. Unless I am  
5 missing something on the franchise law end or ending. But  
6 that is one way to kind of leave it general. That way we  
7 are not kind of tying our hands to less than \$500,000.

8           MS. CARDENAS: Right. Because you could still  
9 have somebody that can manage it. Right. And we are  
10 going to leave the underwriting to you all. But at least,  
11 it is basically stating, we are requiring this to audit.

12           And then you all make the decision. But yes,  
13 you don't want to tie yourself, because you could have  
14 somebody that you know, I mean, ended up clearing, I don't  
15 know, \$200,000 right on their financials. And that could  
16 be viable in relation to the project that they are working  
17 on.

18           MR. LONG: Right.

19           MR. ROMERO: So are you all good with the  
20 selection of, you said, general contractor?

21           MR. LONG: Private contractor.

22           MR. ROMERO: Private.

23           MS. CARDENAS: Okay.

24           MS. COBOS: Okay.

25           MR. JONES: So that will be the change? Just

1 say private contractor, rather than the definition that  
2 Ms. Cobos recommended.

3 MS. COBOS: In some ways, I like the  
4 definition, because you are able to say it is a private  
5 contractor. But then you are also able to say, does not  
6 include subcontractors.

7 MS. CARDENAS: Yes. And that is fine, as well.

8 MR. JONES: But which one? Because does the  
9 word "private contractor" entail that? So what are we  
10 going to do? What is the change?

11 MS. CARDENAS: I think that she is proposing  
12 that if we leave everything as "developer," and he just  
13 puts a footnote as what does developer mean, okay. Then  
14 for our organization, this is what it means, and not what  
15 maybe industry you know, standard means.

16 And that way, you don't have to go and change  
17 this whole document. Right. And it excludes  
18 subcontractors or whatever else.

19 MS. COBOS: Yes. So maybe like on page 2.  
20 Maybe you add a Section E and put "developer," and then  
21 state what it is; private contractor, does not include  
22 subcontractors, that kind of thing. That is the right  
23 place. That is kind of what I am seeing, just kind of  
24 generally.

25 MR. DANENFELZER: And I do think -- and I will

1 defer to counsel opinion on this matter. But the nature  
2 of the changes probably exceed what we posted on our  
3 website, and is more of a significant change. And so I  
4 would feel more comfortable if I brought this back next  
5 month, or the month after, to go ahead and make those  
6 changes.

7 Bring it to the Board again. Because, adding a  
8 section just on my own, without Board actually getting a  
9 chance to read it, just doesn't feel right. Sorry.

10 MR. ROMERO: So you will --

11 MR. JONES: You wouldn't have to do that, if  
12 you would use the term "private contractor."

13 MR. DANENFELZER: Well, I think I still would.

14 MR. JONES: You still would?

15 MR. DANENFELZER: Based on the conversation  
16 that I am hearing, that we are looking to define -- even  
17 if we changed it to private contractor, to also provide  
18 some form of definition of what private contractor or  
19 developer is. And how they differ from service providers  
20 versus doing lawn mowing or other small services for the  
21 Corporation in association with our program.

22 So I do think it probably best if instead of  
23 just saying, hey Dave. Add something to Section 2(E), and  
24 then posting it, and getting people --

25 MS. COBOS: Right. I think that is the best

1 approach. Because I mean, approving the policy guidelines  
2 today is not a critical matter.

3 MR. ROMERO: Yes.

4 MS. COBOS: I think it would be a better  
5 approach to have Dave develop some language that we can  
6 view with respect to the developer definition and then  
7 insert the language I mentioned with respect to the  
8 financial audits and statements.

9 And we have an opportunity to look at them and  
10 make sure that it is tight and we didn't leave anything  
11 out. Since it is not a critical matter. The program is  
12 going to continue to run.

13 MR. LONG: Right.

14 MR. ROMERO: Right.

15 MS. COBOS: There is nothing pressing. I think  
16 it is better to get it right than to kind of do things on  
17 the fly.

18 MR. LONG: I fully agree.

19 MS. COBOS: Especially since you know we have  
20 this notice issue potentially.

21 MR. LONG: Yes.

22 MS. CARDENAS: And then you put the language in  
23 there, right. So that the smaller subcontractors, right,  
24 are exempt.

25 MR. LONG: Right.

1 MS. CARDENAS: From this financial review.

2 MR. LONG: Yes.

3 MS. CARDENAS: Because I know that was one of  
4 the things that you were saying. Well, why. And I agree  
5 completely. We are not talking about that segment of this  
6 population. Right, the subs that are going to do the  
7 painting or the lawn mowing.

8 MR. LONG: Right.

9 MS. CARDENAS: We are talking about those that  
10 are going to do the bigger projects, where we say, well  
11 they have been doing it. And so we don't need to review  
12 their financials.

13 Well, yes, no; those, we do. So just make sure  
14 you cover that. So that you allow yourself to exempt that  
15 group that you were talking about.

16 MR. DANENFELZER: Great.

17 MR. ROMERO: Mr. Jones.

18 MR. JONES: Okay. So he is going to take it  
19 back and do it again. I just have one question. On I  
20 guess, page 1. Do we still, does TSAHC have a mission  
21 statement?

22 MR. LONG: Yes.

23 MR. JONES: A mission statement, or is the term  
24 "mission statement" out of vogue?

25 MR. ROMERO: Mission statement.

1 MR. LONG: No.

2 MR. JONES: No? Okay. So I want to know what  
3 goes into the thinking under eligible activities. Any  
4 other form of affordable housing that is consistent with  
5 the Corporation's mission. Changed to say, is consistent  
6 with the Corporation's public purpose. What kind of  
7 discussion was that?

8 MR. DANENFELZER: That change was recommended  
9 by counsel.

10 MR. JONES: Okay. He had his hand up in the  
11 air.

12 MR. DANENFELZER: Okay.

13 MR. JONES: Do you want him to answer?

14 MR. DANENFELZER: I would prefer he answer.  
15 Yes.

16 MR. GEHRIG: Yes.

17 MR. ROMERO: Come join us up here, please.  
18 Thanks.

19 MR. GEHRIG: Bill Gehrig, General Counsel. I  
20 was -- and that was my comment. And the reason we made  
21 that comment, and Karen looked at it, too, was because you  
22 are subject to a statute. And the statute doesn't talk  
23 about a mission; it talks about your purpose.

24 MR. JONES: Okay.

25 MR. GEHRIG: So when you are dealing with a

1 legal document, you want to use that particular language.

2 I mean, you can talk about having a mission, but that is  
3 not the proper legal terminology. That is why we changed  
4 it to "purpose."

5 MR. JONES: Okay. All right.

6 MR. ROMERO: Okay.

7 MR. JONES: A lot of different thoughts go  
8 into -- these things are redlined to death. But I guess  
9 that is the core purpose, right. Take it back, and bring  
10 it back.

11 MR. ROMERO: So based on the recommendation of  
12 Mr. Danenfelzer, we will go ahead and table this item  
13 until --

14 MR. JONES: Can we actually table it?

15 MR. ROMERO: Yes. We can table it.

16 MR. JONES: We withdraw, or table, what is  
17 the --

18 MR. ROMERO: Table is a sign to discuss it at a  
19 later time, which we will do.

20 MR. JONES: I am used to the politicians  
21 tabling it to kill it.

22 MR. ROMERO: That can happen too.

23 MS. COBOS: Defer action. Does that make you  
24 feel better?

25 MR. JONES: Yes.

1 MR. ROMERO: So David. Thank you for going  
2 back and redoing this. And we will take a look at it  
3 again in the future.

4 MS. COBOS: Thank you.

5 MR. ROMERO: We are also going to table Tab  
6 Item 6, as we discussed earlier. And again, David, thank  
7 you very much for making that suggestion, as there were  
8 some questions that were still being asked by the Loan  
9 Committee. So we will have a chance to look at that  
10 again, next month, hopefully.

11 MR. DANENFELZER: Very well.

12 MR. JONES: Six?

13 MR. ROMERO: Six. Yes. Moving on to Tab Item  
14 7, presentation, discussion and possible approval --

15 MR. JONES: Who agreed to table it?

16 MS. COBOS: The Loan Committee.

17 MR. ROMERO: The Loan Committee.

18 MR. JONES: Okay. Yes. Okay. Good.

19 MR. ROMERO: Based on Mr. Danenfelzer's  
20 recommendations.

21 Tab Item 7, presentation, discussion and  
22 possible approval for the publication and public comment  
23 of the draft of the Texas State Affordable Housing  
24 Corporation's 2019 Annual Action Plan. Mr. Wilt.

25 MR. WILT: Good morning, Chairman, Vice Chair

1 Romero, Board members. We'll see if I can survive the  
2 bread line. I am Michael Wilt, Manager of External  
3 Relations. I am here to present our draft 2019 Annual  
4 Action Plan.

5 It is prepared in accordance with Texas  
6 Government Code, Section 2306.566, which requires us to  
7 develop a plan to address housing needs. According to  
8 Section 2306.0721(g), our annual action plan must be  
9 included in the State's low income housing plan prepared  
10 by the Texas Department of Housing and Community Affairs.

11  
12 This plan before you includes a recap of our  
13 2018 program activities, and some of the implementation  
14 plans for 2019. I want to thank each of the program  
15 managers for providing data information about the  
16 successes and direction of their programs, and for also  
17 reviewing the draft.

18 And particular thanks to Katie Claflin and  
19 Janie Taylor, who provide a very thorough review and their  
20 own redlines. So it has been seen by a lot of people, and  
21 it has been reviewed by a lot of people.

22 Regarding the process, we are asking you to  
23 approve the draft plan for publication, and make it  
24 available for public comment beginning today, December 13,  
25 and concluding Monday, January 14, 2019. That comment

1 period also includes a public hearing that we have in  
2 conjunction with TDHCA. And that will be held on Tuesday,  
3 December 18 at the Stephen F. Austin Building.

4 After the public comment period, we will bring  
5 the plan back to you for final approval next year. I will  
6 note that this draft only includes program activities  
7 through October 31st of this year.

8 We will update a few numbers at the end of the  
9 year, mainly as they relate to our homebuyer programs.  
10 And when this plan comes back to you next year, it will  
11 have updated numbers and activities through the end of the  
12 year, through December 31st.

13 A few highlights that I want to bring to your  
14 attention. Our home ownership programs continues to post  
15 record numbers, given the changes that allowed us to serve  
16 more Texans and helped us stay up to date on changes in  
17 the industry.

18 Second, we expanded our nonprofit training  
19 through our housing connection program to include  
20 affordable housing developments in 2018. And we are  
21 planning to expand it again in 2019, to include capacity  
22 building training as well.

23 Third, our single family rental housing program  
24 will likely be expanding to San Antonio in 2019, with the  
25 addition of up to three homes in high opportunity areas in

1 that city. This was authorized through the approval of  
2 our most recent budget.

3 And fourth, our partnerships and programs  
4 continue to expand as documented through the Rural Rental  
5 Housing Preservation Academy, the Housing and Economic  
6 Assistance to Rebuild Texas grant program. And our  
7 continued partnership with Health and Human Services  
8 Commission through the innovative accelerator program and  
9 now the National Academy for State and Health Policy  
10 Initiative. With that, I will take any questions.

11 MR. ROMERO: Any questions?

12 MS. CARDENAS: On the down payment assistance,  
13 the only one that we dropped off was the 5 percent?

14 MR. LONG: We haven't dropped it off. We would  
15 offer it, if the pricing was correct. But we can't  
16 generate the pricing for it. We don't -- can't get the  
17 pricing report out for that project right now.

18 MS. CARDENAS: So then just a minor addition, I  
19 guess. Would we want to just say, as available? That  
20 would be on page 6.

21 Can we say TSAHC continues to offer down  
22 payment assistance grants for 3 or 4 percent of the  
23 mortgage loan amount, you know, as available. Or 3, 4, or  
24 5 percent. I didn't know if anything just needed to be in  
25 there.

1                   Or are we always going to offer the 4 percent  
2 and, based on pricing, potentially drop that off, and then  
3 just do 3 percent? Do you understand what I am saying?

4                   MR. LONG: Yes.

5                   MS. CARDENAS: So I don't know if we just cover  
6 all of that.

7                   MR. LONG: It gives us the flexibility by  
8 adding "as available."

9                   MS. CARDENAS: Right. Just to have the  
10 flexibility, just to say, as available. Whether we want  
11 to just cover ourselves. Or are we always going to make  
12 sure that we are not going to now drop off 4 percent based  
13 on pricing.

14                   So I didn't know if that just needed to cover  
15 us. Just to put in, as available.

16                   MR. DANENFELZER: As available.

17                   MR. LONG: I think that is fine. That way, if  
18 pricing does come back, we would be able to offer all  
19 three.

20                   MS. CARDENAS: Right.

21                   MR. LONG: Correct. Good change. Thank you.

22                   MR. JONES: Was that the next to the last  
23 paragraph?

24                   MS. CARDENAS: Yes. The second to last  
25 paragraph.

1 MR. JONES: We're going to add "as available."

2 MR. WILT: After 4 percent.

3 MS. CARDENAS: Yes.

4 MR. JONES: Or after the whole paragraph.

5 MS. CARDENAS: Yes. After the whole -- no,  
6 after amounts: loan amount, as available.

7 MR. WILT: At the end of that second full  
8 sentence.

9 MS. CARDENAS: Yes. I'm sorry. The second.

10 MR. LONG: Before the second lien option  
11 sentence.

12 MS. CARDENAS: Right.

13 MS. COBOS: And my questions are really  
14 regarding the process.

15 MR. WILT: Sure.

16 MS. COBOS: So this draft action plan is going  
17 to be set for publication to the *Texas Register*?

18 MR. WILT: We don't have to post it to the  
19 *Texas Register*. We can.

20 MS. COBOS: Okay. I am just kind of curious  
21 about the process. So it is posted for publication and  
22 public comment. And then once we get public comment, if  
23 any, on the plan, then we turn around and then provide it  
24 to TDHCA.

25 And that is rolled into their overall report?

1 I guess I am just trying to understand the process.  
2 Because it says TSAHC's annual plan is included in the  
3 State's low income housing plan prepared by TDHCA. And  
4 then this plan ultimately goes where?

5 MR. WILT: It goes into the State Low Income  
6 Housing Plan. We will -- if we receive comments, we  
7 include those, or we consider them, consider to include  
8 them in the draft plan.

9 Then we will bring that back to you next year.  
10 We will give you a summary of the public comments we  
11 received and if we incorporated them or not.

12 MS. COBOS: Okay. So --

13 MR. WILT: And then it goes into the -- it  
14 technically doesn't have to be considered by the TDHCA  
15 Board, but it does have to be included in the statewide  
16 housing plan.

17 MS. CARDENAS: Okay.

18 MS. COBOS: So the public comments, when would  
19 those be due?

20 MR. WILT: By January 14th. We have to put it  
21 out for 30 days.

22 MS. COBOS: So then staff would get the public  
23 comments, if any, review them, and decide whether to  
24 incorporate any of those suggested changes or  
25 recommendations or additions to the action plan. And then

1 bring that back to us?

2 MR. ROMERO: For final approval.

3 MS. COBOS: For final approval.

4 MR. ROMERO: Probably in February.

5 MR. WILT: That is correct. Yes.

6 MR. ROMERO: And then once approved, it gets  
7 incorporated into the state plan.

8 MR. WILT: Yes.

9 MS. COBOS: And that state plan is where?  
10 Like, where is it? Is it like, sent to the Legislature,  
11 the Governor's Office? Is it bound somewhere? Like  
12 where --

13 MR. WILT: It is provided to the Governor, the  
14 Lieutenant Governor and the Speaker.

15 MS. COBOS: And is there a deadline to provide  
16 it to them.

17 MR. WILT: I think there is a deadline. I  
18 don't know the exact date, though.

19 MS. COBOS: So it is an annual action plan. So  
20 it is done on an annual basis. So it is not based on  
21 like, reporting to legislative session or during the  
22 legislative session.

23 So it is just a process that goes on every  
24 year, then. Where TSAHC and TDHCA both develop one master  
25 low income housing plan that is sent over to the

1 Governor's Office, the Lieutenant Governor's office and  
2 Speaker's office on an annual basis.

3 MR. WILT: That is correct. Statutorily  
4 required on an annual basis.

5 MS. COBOS: Okay. I was just trying to  
6 understand a little bit more about kind of you know, the  
7 process and the ultimate, I guess, audience of the plan.  
8 Which I suspected would be at least the Governor's Office  
9 and kind of just understand the steps a little bit more.

10 MR. WILT: Sure. I will find out the due date.  
11 I believe it is March 1st.

12 MS. COBOS: Okay.

13 MR. ROMERO: Any other questions? Comments?

14 (No response.)

15 MR. ROMERO: Okay. I will entertain a motion  
16 to go ahead and approve the publication for public comment  
17 of the draft of the Texas State Affordable Housing  
18 Corporation 2019 Annual Action Plan.

19 MS. CARDENAS: So moved.

20 MR. ROMERO: I have a motion.

21 MR. JONES: Second.

22 MR. ROMERO: We have a second. Any further  
23 discussion?

24 (No response.)

25 MR. ROMERO: Any public comment?

1 (No response.)

2 MR. ROMERO: All in favor, aye.

3 (A chorus of ayes.)

4 MR. ROMERO: Any opposed?

5 (No response.)

6 MR. ROMERO: The motion carries. Moving on to  
7 the last tab item, Tab Item 8, which is discussion of the  
8 86th Texas legislative session.

9 MR. WILT: Good morning again, Vice Chair  
10 Romero, Board members. I am Michael Wilt, Manager of  
11 External Relations. We placed this item on the agenda to  
12 provide you with a brief overview of the upcoming  
13 legislative session that will begin on Tuesday, January 8,  
14 2019. And end on May 27, 2019.

15 On January 8th, the Texas House of  
16 Representatives will be sworn in. And they will be  
17 electing a new Speaker of the House, as Representative Joe  
18 Straus, the former Speaker, retired. At this point, we  
19 anticipate Representative Dennis Bonnen from Angleton will  
20 be elected Speaker, as he announced that he has secured  
21 the necessary number of pledge cards to win the Speaker's  
22 race.

23 We don't know who our liaison on the Speaker's  
24 office will be. But once we do, we will meet with that  
25 person as soon as possible, just like we have done with

1 past sessions.

2 On the Senate side, Lieutenant Governor Dan  
3 Patrick will be presiding over the Chamber. This is his  
4 third session in that position. Our liaison at the  
5 Lieutenant Governor's office is Adrienne Evans.

6 This is her first session, handling housing  
7 issues for Governor Patrick, but she is familiar with  
8 housing from her time in Senator Nichols office. He was  
9 on the Intergovernmental Relations Committee, and Adrienne  
10 covered that Committee for him.

11 As David mentioned in his report this morning,  
12 we met with her at the end of November and provided an  
13 overview of our programs and activities. Once the session  
14 begins, we will await on committee assignments in the  
15 House and Senate. And they are typically in place by the  
16 first week of February.

17 It may take the House a little bit longer,  
18 given that there is new leadership. But we anticipate no  
19 later than mid-February, we will have the committee  
20 assignments.

21 The two committees that provide oversight of  
22 TSAHC have generally been the House Urban Affairs  
23 Committee, and the Senate Intergovernmental Relations  
24 Committee, referred to as IGR. They oversee all the  
25 general housing issues and affordable housing issues as

1 well.

2           Regarding House Urban Affairs, you have a copy  
3 of the current makeup of the Committee before you. This  
4 committee will look very different next session.  
5 Representative Elkins lost his reelection bid.  
6 Representative Isaac didn't run for reelection.

7           And most notably, the Chair of the Committee,  
8 Carol Alvarado, just won a special election on Tuesday for  
9 a Senate seat that was vacated by Sylvia Garcia. The Vice  
10 Chair, Representative Jeff Leach from Plano will be  
11 returning to the House next session. That said, we don't  
12 know what Speaker Bonnen's intent will be to fill the  
13 Chair positions at this time.

14           Once a Chair is appointed, however, we will  
15 meet with that member, like we have done in past sessions.

16           And we will likely be invited to speak at the Committee's  
17 organizing meeting -- that usually happens in February --  
18 to go over activities and programs.

19           During the interim, we attended an Urban  
20 Affairs hearing in Houston, focused on Hurricane Harvey  
21 long term recovery. And we also attended a joint meeting  
22 between Urban Affairs and Public Health regarding housing  
23 needs for individuals dealing with mental health issues.

24           Both of these issues are priorities for us, as  
25 we have in our HEART program for Hurricane Harvey. And

1 also, our partnership with Health and Human Services,  
2 focused on intersection of health and housing.

3           Regarding the Senate IGR, you also have a copy  
4 of the current makeup of the Committee. Once again, it is  
5 going to look different. Senators Sylvia Garcia and Van  
6 Taylor have each been elected to Congress.

7           And Senator Huffines lost his reelection bid.  
8 Senator Lucio will be returning. And since the Senate  
9 leadership will remain the same, we anticipate that he  
10 will be appointed as Chair of IGR.

11           During the interim, we testified at an IGR  
12 hearing in May, in Pharr, Texas, to provide the Committee  
13 with an overview of current housing issues from a  
14 statewide perspective. We also coordinated the testimony  
15 from representatives from banks, at the Committee's  
16 request. And they provided testimony at the Pharr hearing  
17 as well.

18           Lastly, we met with Senator Lucio's office  
19 twice this past fall, provided feedback on their ideas and  
20 policy recommendations for expanding affordable housing  
21 opportunities across the state. And many of those  
22 recommendations have been included in their interim  
23 report, which was just released at the end of November.

24           Bill filing began on November 12, the Monday  
25 after the election. And in the past month, we have

1 already seen a modest number of housing bills filed. You  
2 have a copy of our current bill track in front of you as  
3 well. There are 25 bills on it, already.

4 As with past sessions, we have seen and will  
5 continue to see many bills pertaining to the low income  
6 housing tax credit program, and also property taxes. I  
7 would emphasize property taxes as well. That would be a  
8 focal point this session, as the Legislature faces  
9 increasing pressure to overhaul school finance, and  
10 provide property tax relief across the board to Texans.

11 We also anticipate bills to follow regarding  
12 Section 1372 of the Texas Government Code pertaining to  
13 private activity bonds. And in fact, there was a bill  
14 filed yesterday pertaining to 1372. That is an issue that  
15 we are going to keep a close eye on.

16 As we have done in the past, we will keep you  
17 up to date on pertinent legislation, our member visits.  
18 Any Committee hearings that we are asked to testify at.  
19 And to see if your presence is needed.

20 We also maintain our bill-tracking list on a  
21 daily basis. In the past, we have provided that track to  
22 you, and we will continue to do so.

23 And last, but certainly not least, we had  
24 mentioned Governor Greg Abbott. Like the Lieutenant  
25 Governor, this will be his third session in that position.

1           Our liaison is Katarina Gonzales. We also  
2 maintain regular communications with Bobby Wilkinson, who  
3 was our previous liaison and keeps on top of all the  
4 housing issues. We have met with both of them during the  
5 interim period, and we will continue to work with them in  
6 the coming year. With that, I will take any questions.

7           MS. COBOS: Thank you, Michael. So this  
8 presentation was provided per my request. I had visited  
9 with David prior to the Board meeting, about having  
10 Michael give us an overview. And thank you very much. I  
11 greatly appreciate you pulling this together for us.

12           Just an overview of, you know, the legislative  
13 session, when it is going to start, when it is going to  
14 end, what are some of the key committees that focus on, or  
15 have jurisdiction over housing-related matters -- as  
16 Michael mentioned, House Urban Affairs, and Senate IGR  
17 Committees -- and just sort of giving us a picture of what  
18 those committees might look like right now.

19           Of course, that is going to change to some  
20 degree, as Michael noted. At the beginning of the  
21 session, the Committee assignments and changes and some of  
22 the members either losing, not running for reelection or  
23 seeking other seats, and just kind of give us an idea of  
24 what, you know, what some of the interim hearing  
25 participation that the Corporation has had -- as Michael

1 noted, bills were filed in November -- and getting an idea  
2 of how many housing-related bills have been filed.

3 What are some of the major issues we might  
4 expect to be hearing this session. As Michael noted, low  
5 income tax credit, property taxes, Chapter 372.

6 And also, I think it would be a really good  
7 idea for, as I discussed with David, for Michael to  
8 provide in our monthly Board meetings during the  
9 legislative session, an update of what he sees, you know,  
10 each month. And if there is not a whole lot going on,  
11 maybe in January, maybe at least we will know that  
12 Representative Bonnen did for sure get elected as Speaker.

13 And maybe get a little bit more real time  
14 information then. Maybe by then we will know who his  
15 policy person will be on housing issues. But just so that  
16 we stay informed throughout the session.

17 So that, if we get any calls from anybody at  
18 the Legislature or the Governor's Office, we will at least  
19 know, you know, why we are getting those calls. Or at  
20 least, have a general idea. And specifically know who  
21 some of these staff members are with the various offices  
22 who may be calling us during the legislative session.

23 MS. CARDENAS: I think that is a great idea.  
24 You did a great job. And I think that at the end of the  
25 day, it keeps us informed. So you know, thank you for

1 that request.

2 MR. ROMERO: Any other comments?

3 (No response.)

4 MR. ROMERO: Michael, thank you very much. We  
5 appreciate it.

6 MR. WILT: Thank you.

7 MS. CARDENAS: Thank you.

8 MR. ROMERO: With that, that is the last item  
9 for business. I don't believe we need to go into closed  
10 session for anything, okay. So I will entertain a motion  
11 to adjourn the meeting.

12 MR. LONG: Before we adjourn, I would like to  
13 just make one comment. And that is to go back to the  
14 audit process. And I want the Board to recognize Melinda,  
15 Nick, and Betsy and the staff; this is another clean  
16 audit.

17 And I don't know that the new Board members  
18 know this, but we have never had anything but a clean  
19 audit. And I think it is an extremely positive reflection  
20 on the staff, that they do all the time, not just when it  
21 comes to the audit process.

22 And I want to publicly thank Melinda, Nick and  
23 Betsy and the staff for all that they do to make sure that  
24 we always have a positive clean audit to give to the  
25 Board, and to make sure that you know, we take it

1 seriously. And they take it seriously as well.

2 So that when we do have an audit, and you heard  
3 Mr. Romell say, you know, there were no issues. No  
4 adjustments. And they were able to find the record they  
5 were looking for, and it got done in a timely manner.

6 So with that, I just want to publicly thank the  
7 staff for all they do, specifically Melinda, Nick and  
8 Betsy.

9 MR. ROMERO: Thank you, guys.

10 MS. COBOS: Yes. Congratulations.

11 (Applause.)

12 MR. LONG: And just a final reminder that  
13 tentatively January 10th is the next scheduled Board  
14 meeting.

15 MR. ROMERO: Okay. You will let us know, as  
16 soon as you have had a chance to visit with Mr. Dietz?

17 MR. LONG: We will let you know. Yes, sir.

18 MR. ROMERO: Okay. So with that, entertain a  
19 motion to adjourn?

20 MS. CARDENAS: So move to adjourn.

21 MR. ROMERO: We have a motion, a second. We  
22 have adjourned.

23 MR. JONES: I don't think it needs a second.

24 MR. ROMERO: Yes. By acclamation, we are  
25 adjourned. Thank you all, very much. It is 11:37.

1                   (Whereupon, at 11:37 a.m., the meeting was  
2 concluded.)

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MEETING OF:       TSAHC Board  
LOCATION:           Austin, Texas  
DATE:              December 13, 2018

I do hereby certify that the foregoing pages,  
numbers 1 through 6869, 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: December 17, 2018

\_\_\_\_\_  
(Transcriber)

On the Record Reporting &  
Transcription, Inc.  
7703 N. Lamar Blvd., Ste 515  
Austin, Texas 78752