

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Thursday,
January 10, 2019
10:30 a.m.

BOARD MEMBERS:

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

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
CALL TO ORDER, ROLL CALL, CERTIFICATION OF QUORUM	3
PUBLIC COMMENT	none
PRESIDENT'S REPORT	
Tab A: Homeownership Finance Report	5
Tab B: Development Finance Report	7
Tab C: Quarterly Fundraising Report	7
Tab D: Monthly Financial Reports	7
ACTION ITEMS IN OPEN MEETING:	
Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on December 13, 2018.	12
Tab 2 Presentation, Discussion and Possible Approval of Modifications to the Corporation's Affordable Communities of Texas (ACT) Program Policies	23
Tab 3 Presentation, Discussion and Possible Approval of a Resolution Regarding the Submission of a 2019 Application for Allocation of Private Activity Bonds, Notice of Intention to Issue Bonds and State Bond Application to the Texas Bond Review Board for Single-Family Mortgage Revenue Bonds	29
Tab 4 Presentation, Discussion and Possible Approval of the General Counsel of the Corporation	36
Tab 5 Closed Executive Session	39
Tab 6 Review, Discussion and Possible Approval of the Annual Performance Review of the President of the Corporation and related actions	39

P R O C E E D I N G S

1
2 MR. DIETZ: All right. It is 10:30 a.m. on
3 January 10, 2019, and the January meeting of the Texas
4 State Affordable Housing Corporation Board meeting is
5 called to order. I'll call roll. Bill Dietz, Chair, I am
6 here.

7 Jerry Romero, Vice Chair?

8 MR. ROMERO: Here.

9 MR. DIETZ: Bob Jones?

10 MR. JONES: Here.

11 MR. DIETZ: Lori Cobos?

12 MS. COBOS: Here.

13 MR. DIETZ: And Valerie Cardenas is absent.

14 There is a quorum.

15 Before we move into anything else, one thing
16 I'd like for us to begin doing at our Board meetings is
17 reciting the Pledge of Allegiance to both the American and
18 Texas flags, and so for future agendas, we'll actually
19 have that put on the agenda, but I think it's okay that we
20 do that this month, even though it's not officially on the
21 agenda.

22 I don't think anybody will complain. So we
23 could rise and say first our pledge to the American flag.

24 (Whereupon, the pledges were recited.)

25 MR. DIETZ: Thank you. And that's a good

1 reminder of why we're here. So to begin, is there any
2 public comment?

3 (No response.)

4 MR. DIETZ: Hearing none, we'll move into the
5 President's report. Mr. Long?

6 MR. LONG: Good morning, Chairman Dietz and
7 Board members. Happy New Year. I hope everyone had a
8 relaxing holiday season. The program, fundraising and
9 financial reports are under Tab Items A through D in your
10 Board book.

11 I always like to mention that the Corporation's
12 Loan Committee typically meets the day before our Board
13 meeting. Yesterday, the Loan Committee met. In addition
14 to reviewing and discussing items related to the existing
15 loan portfolio, the Loan Committee discussed and
16 considered a loan request to East Dallas Community
17 Organization or EDCO.

18 During the meeting, the Loan Committee
19 unanimously approved a \$500,000 loan request that will
20 provide a line of credit under the Texas Impact Fund here
21 at the Corporation for the construction of up to 16 new
22 homes on lots already owned by the Corporation in the
23 Creekside at Carter Square subdivision in Dallas.

24 Ms. Cardenas, while she was not present,
25 physically present, was -- participated on the phone. She

1 is the Board's representative to that. I also would note
2 that Mr. Romero was present and attended as a non-voting
3 member.

4 Mr. Romero, do you have any other comments?

5 MR. ROMERO: Just -- as you recall, this was an
6 actual action item on our agenda last month, but it was
7 pulled because there have been some additional questions
8 asked of the Committee, and when it came back, it was
9 restructured, and that's one of the reasons the Loan
10 Committee was able to approve it under their approval
11 guidelines.

12 MR. LONG: Thank you, Mr. Romero. Under the
13 Homeownership Program, no real major updates. The program
14 continues to see volume. It's a little slower right now.
15 We finally started to see a little bit of the seasonal
16 slowdown, but we are still seeing reservations and we are
17 working with our master servicer to ensure that we're
18 providing the best product possible and also looking at
19 options for new programs.

20 Later on in the Board meeting, you'll have an
21 opportunity to view one of the other Single Family
22 Homeownership Program ideas we're looking at, which is
23 releasing a bond program for the single family, that we
24 have not done in quite some time, and we have staff and
25 professionals that are here to make that presentation.

1 Under the Single Family Rental Program, in
2 accordance with the Board's approval, in last August,
3 authorizing additional funds for the expansion of the
4 Single Family Rental Program, staff began researching
5 additional homes in San Antonio on January 4.

6 Last week, the Corporation closed on the
7 purchase of its first home in San Antonio under the
8 expansion. It's a four-bedroom, two-bath home, about
9 1,700 square feet, at 10419 on Goldcrest Mill in northeast
10 San Antonio.

11 Through this program, the Corporation serves
12 families at or below 80 percent of the area median family
13 income by providing low -- below-market rents in high
14 opportunity areas. For this first home purchase -- it is
15 the first purchase of a home for the Corporation under the
16 expansion the Board authorized outside of the greater
17 Austin area. So we really appreciate the opportunity to
18 kind of stretch our wings and see if we can make this work
19 in other communities across the state.

20 I know, Mr. Dietz, you specifically have been
21 asking for kind of an opportunity to expand, and with the
22 purchase of this home, we have about maybe one, depending
23 on pricing, two homes that we might be able to add to that
24 in the San Antonio area, and then we'll be back to kind of
25 reevaluate and tell the Board how that's working, and

1 maybe consider other funding for that program.

2 Under multifamily update, the Ventura at
3 Tradewinds Apartments closed on the seventh of January.
4 If you remember, this is funding that the Board authorized
5 back in July under their original inducement resolution.
6 We closed on it in -- earlier this week.

7 It's \$30 million private activity bonds in our
8 Multifamily Program. It will support the construction of
9 204 new units of housing in Midland, Texas. The
10 developers, which are Texas Housing Foundation and
11 Dominion, plan to complete the construction within the
12 next 24 months.

13 The fundraising report, the quarterly report,
14 is in the Board book under Tab C. Some additional
15 highlights that I'd like to mention -- I did want to kind
16 of just bring your attention -- the Corporation received
17 in excess of \$10,000 this year in grant donations from
18 lenders and realtors to support our 2019 Housing
19 Connections trainings.

20 This is the most we've ever received in the
21 online process of donations as part of that, and I'd like
22 to at least recognize the fact that the lenders and the
23 realtors -- for their continued support of the training
24 that we offer through that program.

25 A little media update. I think the Board had

1 asked that we kind of keep you informed as we see things.

2 One of the things that I want to mention to you is that
3 the Corporation was mentioned in the *Austin American-*
4 *Statesman* in an article on December 21, spotlighting the
5 AHA! at Briarcliff property.

6 The Corporation is providing a \$995,000 loan
7 for the property, which will provide 27 affordable rental
8 units to people with disabilities. The Corporation's
9 financing is made possible in part by a \$250,000 program
10 award related investment from the Austin Community
11 Foundation.

12 Things that we've been participating in since
13 the last time we met -- myself, Janie and Michael Wilt
14 met with Senator Lucio's office and continued discussions
15 as we prepare for the legislative session, which started
16 earlier this week.

17 Michael Wilt attended a public hearing on
18 behalf of the Corporation's annual action plan which the
19 Board approved, and as you know, we put that out and then
20 there's a public hearing that's put on that was held on
21 December 18.

22 There was no public comment given at the
23 hearing. Katie Claflin and Michael Wilt attended a half-
24 day training sponsored by the Texas Legislative Service on
25 December 19. That training focused on the software we

1 used, which is Telicon, which is software that we use for
2 tracking legislative bills and committee hearings.
3 Michael Wilt and I had an opportunity to meet with the
4 Governor's staff -- our representatives over there, Bobby
5 Wilkinson and Catarina Gonzales. We just kind of went
6 over programs and updates to the Corporation, and we'll
7 continue to have meetings with them as we move forward
8 through the legislative session.

9 Michael Wilt also attended the first Texas
10 Housing Working Group meeting at the Capitol in January,
11 earlier this month. The Working Group is comprised of
12 State agencies and entities, nonprofits and other housing-
13 focused organizations which share information regarding
14 the legislative session. I will note that Michael also
15 attended another meeting today with the same group. He
16 was over there and is already back in the office.

17 A legislative update -- I know the Board has
18 asked for this, and so we're going to start giving you an
19 update. You also should have received -- well, I'm going
20 to go into my presentation on that. The 86th Texas
21 Legislature convened on Tuesday, January 8, and opened
22 with the swearing in of the new members of the Senate and
23 the House of Representatives.

24 The same day, the House elected Representative
25 Dennis Bonnen of Angleton to serve as Speaker of the
26 House. He was voted in as Speaker unanimously, 147 to
27 nothing. Also on Tuesday the House passed H.R. 4, which
28 establishes the rules for the House and restructures its

1 committees.

2 Several committees were either eliminated,
3 consolidated or renamed. Of interest to the Corporation
4 was -- the House Urban Affairs Committee was expanded from
5 seven members to nine members. On Wednesday, the Senate
6 passed S.R. 5, which establishes the rules for the Senate
7 and restructures its committees.

8 Committees on property tax, water and rural
9 were also added to the list of committees. The next major
10 procedural item we will be waiting on is the committee
11 assignments. Last session, Lieutenant Governor Patrick
12 announced Senate committee assignments on January 18, and
13 Speaker Straus announced those -- his committee hearings
14 for the House members on February 9.

15 We anticipate that assignments will be
16 announced in or around the same time frame this session.
17 As we mentioned last month, the two committees we follow
18 most closely are House Urban Committees and Senate
19 Intergovernmental Relations.

20 There will be a new chair for the House Urban
21 Affairs, as the former chair, Carol Alvarado won the
22 special election for the Senate seat in December. We
23 expect that Senator Lucio will return as chair of the
24 Senate Intergovernmental Relations, but we'll wait to hear
25 that formally.

1 Members of both chambers continue to file
2 bills. We continue to add and review bills of interest to
3 our tracking list. The Board members received or should
4 have received our most recent tracking list on Friday, and
5 we will continue to send you a updated tracking, bill
6 tracking report every Friday through the session, and
7 we'll provide you additional information on any of the
8 committee hearings and any meetings we have as we go
9 along.

10 Professionals in attendance -- I always like to
11 mention who's here. Bill Gehrig, Karen Kennard and Aaron
12 Gregg are here with Greenberg Traurig. Tim Nelson and
13 Claire Merritt are here with Hilltop Securities, our
14 municipal adviser firm.

15 And I'd also like to recognize Braxton Parsons
16 and Victor Valdez. They're with the Texas Bond Review
17 Board, an entity we go before when we do any of our bond
18 transactions. They're the approval authority at the State
19 of Texas for that.

20 And with that, Mr. Chairman, I'll conclude. We
21 do have a Board meeting tentatively scheduled for
22 February 14. I've already talked to Mr. Jones. I know
23 that may be a conflict for him, but again, we'll throw it
24 out there as a tentative date, and then see what we have
25 in terms of need for a meeting as well as a quorum.

1 MR. DIETZ: Great.

2 MR. LONG: And with that, I'll conclude, unless
3 there's any questions.

4 MR. DIETZ: Great. Any questions for Mr. Long
5 from the Board? No? All right. Well, let's move into
6 the action items for our meeting today. Tab 1 is the
7 Presentation, Discussion and Possible Approval of Minutes
8 of the Board Meeting held on December 13, 2018.

9 Yes, Mr. Jones?

10 MR. JONES: I make a motion that we approve the
11 minutes with the comment that they were very well written
12 and presented this time, and I think thanks goes to staff
13 and the decision that they made for however these were
14 prepared.

15 Also, to Ms. Cobos for paying attention to
16 that. Thank you. They look really good.

17 MR. LONG: Well, thank you. And I would say, I
18 did have a conversation with Ms. Cobos, and I would like
19 to read into the record one change that she had asked for,
20 a couple of changes she had asked for. I think they're
21 minor enough where we can read them in the minutes, if
22 that's okay with you, Ms. Cobos?

23 MS. COBOS: Sure. That's fine.

24 MR. LONG: On Tab Item 5, the final paragraph,
25 the last sentence finishes off reading "the developer's

1 financial audits and statements for a two-year period must
2 reflect the developer's ability to" --

3 MR. JONES: Well, where are you reading from?

4 MR. LONG: I'm sorry. Tab Item 5, last
5 paragraph.

6 MR. JONES: On this, today's agenda?

7 MR. LONG: Today's agenda.

8 MR. JONES: Okay.

9 MR. LONG: Tab Item 5 in the minutes. I'm
10 sorry.

11 MR. DIETZ: In the minutes.

12 MR. LONG: Tab Item 5 in the minutes under Tab
13 Item 1 for today's Board meeting.

14 MR. JONES: Okay.

15 MR. LONG: I apologize, Mr. Jones. I'll wait
16 for you to get there.

17 MR. JONES: No, I'm okay. Go ahead.

18 MR. LONG: Okay. The last sentence reads and
19 ends with -- "to manage funds appropriately." We would
20 add a comma before the quotations, and then after that
21 read -- add the sentence -- "so that the language does not
22 impose a burden on businesses that do not conduct
23 financial audits or have financial statements."

24 The only other change is -- following that same
25 tab item, the top of the next page, the sentence reads,

1 "Ms. Cobos commented that since these guidelines are
2 not" -- and then it read, "a critical matter" -- change
3 that to -- "are not under a critical deadline."

4 So we would strike "matter" and replace it with
5 the word, "deadline," and add the word "under" after the
6 word "not." So it would read, "not under a critical
7 deadline." Then the sentence would finish -- comma -- "it
8 might be best to work on these language changes."

9 MR. JONES: I rescind my motion, in discussion
10 of whether you accept the changes. Can I remake it with
11 the changes?

12 MR. DIETZ: Yeah. It's never been seconded.
13 So --

14 MR. JONES: That's right. So my motion don't
15 count, huh?

16 MR. DIETZ: Right.

17 MR. JONES: So there is no motion on the floor.

18 MR. DIETZ: So any other changes or discussion?

19 MS. COBOS: No. Thank you, David, for reading
20 those changes into the record. They were just intended to
21 clarify what I was meaning by adding that language in
22 there, and I would like to, you know, echo Mr. Jones'
23 prior statements of, you know, saying that the minutes
24 were very well-written and they look great.

25 So thank you for the service that developed

1 them, and I appreciate David and staff working on
2 addressing this matter.

3 MR. DIETZ: Great. And with that said, is
4 there any -- is there a motion?

5 MR. JONES: I make a motion that the minutes be
6 approved with the recommended changes.

7 MR. ROMERO: Second.

8 MR. DIETZ: It's been moved and seconded that
9 the minutes are approved with the changes that Mr. Long
10 read into the record. Is there any public comment?

11 (No response.)

12 MR. DIETZ: All in favor?

13 (A chorus of ayes.)

14 MR. DIETZ: Any opposed?

15 (No response.)

16 MR. DIETZ: Okay. The minutes are approved.
17 One thing that I'd like to -- and I don't think this
18 requires really Board action, but with regard to the
19 minutes, I happen to have attended a training on
20 December 19 in Waco for board members of public entities.

21 I serve on a public board in Waco as well. And
22 it was explicitly stated in that training that minutes
23 were to be a reflection of actions taken, not of
24 conversations. And so that made me think, why don't we
25 look and see what some other organizations are doing?

1 So I've reviewed the minutes of multiple State
2 agencies, TDHCA, et cetera, and their minutes are much
3 more concise than ours. They're simply a reflection of
4 the actions taken during the board meeting. They're not
5 an exposition on any of the conversation had.

6 And so I think that perhaps we have been doing
7 more than is necessary and perhaps even more than is a
8 best practice for the minutes that we have been taking.
9 And it would probably save not only staff time, but
10 expense, although I agree, the minutes that we have today
11 are excellent as prepared by On The Record Reporting and
12 Transcription.

13 So thank you to that organization for the
14 excellent work that they've provided today. But I would
15 like to consider going forward, bringing our minutes into
16 what is a best practice and also in line with what all the
17 other State agencies that I've been able to find are
18 doing, which is simply an expression of the actions taken,
19 the agenda items, the actions taken.

20 Our Board transcripts are publicly posted and I
21 think that we may be better served doing it that way,
22 since that -- especially since, in my board training, that
23 was held out as really the way it's supposed to be done
24 and the way that all public boards are handled, at least
25 in the City of Waco.

1 So correct me if I'm wrong, but I don't think
2 that requires really a Board action. That's just more of
3 a directive to staff on how to do minutes on a going-
4 forward basis. Any comments from the Board? Any thoughts
5 on that particular matter?

6 MS. COBOS: Does legal counsel have an opinion
7 on what the minutes may --

8 MS. KENNARD: That is perfectly okay --

9 MS. COBOS: -- should it --

10 MS. KENNARD: -- okay --

11 MS. COBOS: Okay.

12 MS. KENNARD: -- Mr. Chairman. Your
13 comments -- no action is required. They can just be a
14 direction, if that's how you'd like to have that, to
15 staff.

16 MR. DIETZ: Yeah.

17 MS. COBOS: And -- well, you know, coming onto
18 this Board and looking at the minutes, you know, with more
19 discussion in them, you know, that was based on what I was
20 being given for the last several months, which included
21 just more discussion, and I've, you know, been involved in
22 organizations that, you know, just either are -- contain
23 very direct minutes as Mr. --

24 MR. DIETZ: Right.

25 MS. COBOS: -- Dietz has -- Chairman Dietz has

1 described, that have just, you know, the action item and a
2 very brief summary of the discussion, not a whole lot of
3 detail in there, and then there are minutes that have a
4 whole lot more discussion in there.

5 So it's really, you know, the preference of the
6 organization. But I think, from just the standpoint of
7 what needs to be in there, it's the action item and
8 possibly a summary of the discussion. So I have no
9 specific preference on what the minutes should include.

10 I've just been reviewing them as presented to
11 me. So if we're going to include more discussion in them,
12 I would say keep going down the path of having the service
13 do it, because they did an excellent job. But if we're
14 going to --

15 MR. DIETZ: Yes.

16 MS. COBOS: -- if it's the Board's preference
17 to just include the action decision, the actions taken and
18 not a whole lot of discussion into the -- or a whole lot
19 of description of the discussion, then I'm fine with that
20 too. So --

21 MR. DIETZ: I think it also eliminates any
22 possibility of -- and any time you have a person
23 interpreting what went on and transcribing a conversation,
24 it opens up the potential to leave something out or add
25 something in, and so it -- and this -- going forward, this

1 would just completely eliminate that subjectivity to
2 the --

3 MR. JONES: So again --

4 MS. KENNARD: And from a statutory perspective,
5 I think you're correct, Mr. Chairman. Your statute
6 basically says that you keep minutes and a transcript.

7 MR. DIETZ: Yes.

8 MS. KENNARD: So to go to what you are
9 suggesting, I think, is clearly in line with your statute
10 that says that you do both, because you then don't have to
11 interpret what people said because you have the transcript
12 that the statute requires you to --

13 MR. DIETZ: Yeah. That's required to be there
14 and is publicly posted. Yeah.

15 MR. JONES: So Mr. Dietz, would you -- Mr.
16 Chairman, would you again say basically what it is?

17 MR. DIETZ: Yeah. So what I'm suggesting --
18 and if staff would like to have an example, if you'd look
19 at TDHCA's -- or at, I think, even the Bond Review Board's
20 minutes, it specifically states the agenda item, you know,
21 and then it states the board voted and what the outcome of
22 what that vote was.

23 If there's a guest speaker, it might say
24 something to the effect of, for example, our investment
25 representative gave us an update on the markets. That's

1 it. And so it doesn't go into to any conversations
2 that --

3 MR. JONES: Doesn't try to do a Reader's Digest
4 version --

5 MR. DIETZ: That's correct.

6 MR. JONES: -- of the meeting.

7 MR. DIETZ: That's correct. There are some
8 organizations that have minutes where they will put a
9 notation at the bottom of each agenda item that says, "see
10 page X of the transcript." So that way, it's easy for
11 somebody to --

12 MS. COBOS: Cross-reference.

13 MR. DIETZ: -- cross-reference to transcript,
14 if they want more detail on that particular agenda item.
15 I don't know if that's necessary, if that's something that
16 we wanted to do as an organization. That would be fine,
17 as well.

18 So that's what I would suggest that we do going
19 forward, and if -- you know, if for some reason, that
20 doesn't work, we can always go back and have On The Record
21 Reporting and Transcription do the minutes like they did
22 this month, and they did an excellent job.

23 These are very thorough and accurate minutes,
24 and so if there -- unless there's any strong objection, I
25 think that's what --

1 MR. ROMERO: I don't have a strong -- is there
2 an absolute minimum that you need to put as far as a
3 statutory requirement states?

4 MS. KENNARD: No, sir, Mr. Romero. The statute
5 basically just says you keep minutes and a transcript.

6 MR. ROMERO: Okay.

7 MS. KENNARD: My experience is that minutes are
8 not as detailed as the previous process that we've been
9 undertaking, but it is up to the Board to determine what
10 they would like to see.

11 MR. ROMERO: So to your point, Mr. Chairman, if
12 someone was to be part of the discussion, they -- you
13 could put in there, the Bond Review Board representative
14 showed up and discussed the agenda item. Is that --

15 MR. DIETZ: Right, right. Not a lot of
16 exposition about that, but just the fact that that took
17 place.

18 MR. ROMERO: Okay.

19 MR. DIETZ: Yeah.

20 MS. COBOS: Thank you, Chairman Dietz, for
21 looking into that. I think that's important. I feel much
22 more comfortable now having legal counsel provide us with
23 an opinion of what, based on the statute and the law, we
24 need to have in there as an organization.

25 So my whole point was just to make sure we're

1 doing it right and --

2 MR. DIETZ: Yeah, absolutely.

3 MS. COBOS: -- that's it.

4 MR. ROMERO: And I like your suggestion about
5 identifying the page within the transcript to make it
6 easier for someone who is reading the minutes to --

7 MR. DIETZ: I think that --

8 MR. ROMERO: -- be able to --

9 MR. DIETZ: -- would be a good idea to have in
10 there.

11 MR. ROMERO: Yeah.

12 MR. DIETZ: So Mr. Long, does that give you
13 some good guidance going forward?

14 MR. LONG: Certainly, Mr. Chairman. We'll
15 follow that practice going forward and including the
16 notations of both any guests that speak, and the Board.
17 So basically, the agenda item, any guests that are
18 speaking, the vote itself, and then we can make a cross-
19 reference to the page in the transcripts once we receive
20 the transcripts.

21 MR. DIETZ: Yeah.

22 MR. LONG: And we'll try that for a while, and
23 if the Board likes that, we'll continue that practice
24 going forward.

25 MR. DIETZ: Right. We can always change that

1 practice later, if the Board's inclined to do so.

2 MR. LONG: Correct. We certainly know we have
3 On The Record Reporting, who can do the job back --

4 MR. DIETZ: Great.

5 MR. LONG: -- to some other level, if we need
6 to get more detail.

7 MR. DIETZ: Great.

8 MR. LONG: Okay. Well, we'll go with your
9 proposing--

10 MR. DIETZ: Okay.

11 MR. LONG: -- forward with what you proposed,
12 then, Mr. Chairman.

13 MR. DIETZ: Okay. Good. Great. Thank you.

14 MR. LONG: Okay. Thank you.

15 MR. ROMERO: So we're on the record with On The
16 Record.

17 MR. LONG: On the record with On The Record.
18 Thank you.

19 MR. DIETZ: Exactly. Great. Well, with that,
20 let's go on to Tab Item 2, which is the Presentation,
21 Discussion and Possible Approval of Modifications to the
22 Corporation's Affordable Communities of Texas (ACT)
23 Program Policies.

24 I believe Mr. Danenfelzer is here to --

25 MR. DANENFELZER: Good morning.

1 MR. DIETZ: -- expand on that.

2 MR. DANENFELZER: Dave Danenfelzer, senior
3 director. I'm here to present for discussion and possible
4 approval of our -- some updates to our Affordable
5 Communities of Texas policies. We have gone over these
6 several times in the last few months and we've had a lot
7 of really good discussion, and you know, on a -- just
8 personally, I'll say, it's been very, very helpful to get
9 feedback from the Board and help me kind of keep these on
10 track of where I really wanted them go.

11 The assistance I've had from Ms. Cobos and Ms.
12 Cardenas and all of you have been really, really helpful.

13 So I just want to state that out front. The version you
14 have before you, and that was presented to the -- in the
15 Board book, is the current version with all changes that
16 staff is currently proposing.

17 Based on our discussions from last month and
18 the previous months, one thing that is different from
19 those previous versions is the staff had tried to insert
20 some language about private contractors, developers,
21 vendors, stuff like that, and we really kind of tried to
22 figure out a way to create an umbrella solution to all the
23 different types of contractors and vendors that we use,
24 and that's where it went wrong -- is that there is too
25 many different types, from the small lawn mowers and

1 painters, roofers, demolition companies we use, to full-
2 scale contractors and builders.

3 So that's too broad of an area, and that was
4 our kind of area that we went wrong on the path that you
5 guys helped us get back on. So I want to point out at
6 least two changes related to that, that these -- this
7 version makes.

8 In particular, with our discussions, and
9 counsel has gone over these again, I wanted to point out
10 that under Eligible Activities in Section 3 of the
11 policies --

12 MR. JONES: What page?

13 MR. DANENFELZER: This would be page 1 of 7 on
14 the policies themselves. In Section 3, towards the very
15 end of that paragraph, we've added in that "the
16 Corporation shall adhere to its procurement guidelines
17 when selecting vendors or other parties to maintain,
18 manage or redevelop ACT properties."

19 And ultimately, what this came down to -- and
20 this was also -- a big impact was the discussions we had
21 with our chief financial officer, Melinda Smith, as well
22 as our controller, Nick Lawrence, in simply stating that
23 we have policies and guidelines already in place for how
24 we select vendors and contractors, limits that staff have,
25 limits that the president has, and how we have to interact

1 with the Board when we approve these entities.

2 And so we just really wanted to stick to that,
3 since those are the policies that the Corporation works
4 under and have been successful over the years. So that's
5 our solution. But the second part to that comment is that
6 previously this document did include a Section 6, which
7 was Selection of Developers, and that Section 6 has been
8 removed from this version, and ultimately, that was where
9 I started going wrong.

10 So by removing that and simply referencing that
11 we will use our selection process for private contractors
12 or developers, vendors, others -- that that is how we've
13 kind of solved the problem that I created several months
14 ago by amending the policies in the way I did.

15 Outside of that, there really have not been any
16 other substantial changes. The substantial changes that
17 are noted in the introduction and the summary that's
18 provided in your Board book are still the same. So unless
19 you guys have any questions --

20 MR. JONES: I do.

21 MR. DANENFELZER: Yeah.

22 MR. JONES: You have a Section 6 here.

23 MR. DANENFELZER: Yes. There was previously a
24 new Section 6 that was added, which caused the other
25 sections to be renumbered, but that new Section 6 that had

1 been added in the last version has been removed
2 completely.

3 MR. JONES: So this Section 6 was 7 or
4 something prior?

5 MR. DANENFELZER: In the previous version,
6 it --

7 MR. JONES: It just moved up.

8 MR. DANENFELZER: -- had become number 7, but
9 now it's returned to simply number 6.

10 MR. JONES: And the 6 that was in there is
11 gone.

12 MR. DANENFELZER: Correct. Yeah. That's
13 correct.

14 MR. JONES: So we probably should have shown
15 that old Section 6 totally redlined out.

16 MR. DANENFELZER: Well, that -- the difference
17 was that was a proposed new Section 6 that had not been
18 adopted --

19 MR. JONES: Okay.

20 MR. DANENFELZER: -- on the previous version,
21 so now that it's no longer included --

22 MR. JONES: In consideration --

23 MR. DANENFELZER: Right. We don't generally --
24 we -- what we present to you is only the changes from the
25 current accepted policies --

1 MR. DIETZ: Approved version.

2 MR. DANENFELZER: -- accepted policy, not any
3 changes that had previously been proposed and then
4 removed.

5 MR. JONES: Understood.

6 MR. DANENFELZER: Yeah. I think this would be
7 a lot longer and a lot more confusing if we had included
8 all the different updates and removals and updates and --

9 MS. COBOS: Thanks, David. I appreciate you
10 working hard on these program policy changes and taking my
11 guidance and Ms. Cardenas' guidance into --

12 MR. DANENFELZER: Yeah.

13 MS. COBOS: -- account with the program policy
14 changes, and with that, I guess I'd make a motion to
15 approve the policy -- the policies and guidelines as
16 amended by this version included in the Board packet.

17 MR. DIETZ: Is there --

18 MR. JONES: Second.

19 MR. DIETZ: Okay. It's been moved and seconded
20 that we approve the modifications to the Corporation's
21 Affordable Community of Texas program policies. Is there
22 any public comment?

23 (No response.)

24 MR. DIETZ: Hearing none, is there any further
25 discussion? All in favor?

1 (A chorus of ayes.)

2 MR. DIETZ: Any opposed?

3 (No response.)

4 MR. DIETZ: Okay. The approval of the
5 modifications to the Corporation's Affordable Community of
6 Texas program policies is approved.

7 MR. DANENFELZER: Thank you very much.

8 MR. JONES: Thank you.

9 MR. DIETZ: On to Tab Item 3, the Presentation,
10 Discussion and Possible Approval of a Resolution Regarding
11 the Submission of a 2019 Application for Allocation of
12 Private Activity Bonds, Notice of Intention to Issue Bonds
13 and State Bond Application to the Texas Bond Review Board
14 for Single-Family Mortgage Revenue Bonds.

15 MS. CRIM: Good morning, Mr. Chairman and Board
16 members. My name is Joniel Crim, and I'm the director of
17 the Homeownership Programs, and I would like to introduce
18 Tim Nelson with Hilltop Securities. He is the
19 Corporation's financial advisor, and he will be presenting
20 Tab Item No. 3 for us today.

21 MR. NELSON: Good morning, Mr. Chairman, other
22 members of the Board. As Joniel said, I'm Tim Nelson with
23 Hilltop Securities, financial advisor to the Corporation.

24 And the item that we have before you today is an item not
25 considered in a while, a tax-exempt single family bond

1 issue.

2 The last single family bond issue the
3 Corporation undertook was in 2013, I believe. That was a
4 New Issue Bond Program that was sort of subsidized by
5 Treasury. The last non-NIBP program that the Corporation
6 undertook was in 2007.

7 So you can see it's been a significant period
8 of time. The markets have been in turmoil, but now they
9 are back in a relationship where we believe, that the
10 Corporation believes, staff believes, that there is a
11 favorable spread to the market, and so that we would like
12 to undertake a new issue.

13 So the transaction that we're looking at, we
14 would like to access approximately 42 million of the
15 Corporation's 2019 bond cap. The Corporation gets in 2019
16 a little over 84 million in the private activity bond
17 scheme.

18 So this would take roughly half of that 2019
19 cap that's available. Program would be limited to heroes,
20 so that would be teachers, firefighters, policemen, et
21 cetera. The program would be designed to -- if you will
22 sort of operate alongside the TBA Program that you've been
23 operating for a number of years now.

24 There are some restrictions that the Board no
25 doubt is aware of, but I'll just repeat a couple of

1 those -- that you'll need to be first-time homebuyer. You
2 do have to meet certain income and purchase price
3 restrictions.

4 On the income side, you can go up to 150
5 percent of area median income. Give you an example of
6 that. For statewide purposes, for two or fewer household,
7 that's 68,800, and for three or more, it's 79,120. So it
8 just gives you an idea of -- roughly.

9 That varies where you are in the state, but
10 that's the statewide number. I would look at this, as I
11 said earlier, sort of a preliminary approval, so similar
12 to your multifamily issues. This might be considered an
13 inducement resolution.

14 It is just getting the process started. This
15 is not final approval. The Board will definitely have an
16 opportunity to come back and look at this, get into a lot
17 more detail. This just gives us the ability to go in and
18 ask for the cap, start preparing applications for the Bond
19 Review Board, et cetera.

20 The timetable, sort of broadly -- looking for
21 preliminary approval from you this month. Assuming you
22 all give us that, we would work with staff and the working
23 group to put together the documentation and get the rest
24 of the details of the transaction put together.

25 We would then look to come back to you in your

1 February meeting for final approval. Assuming we got that
2 final approval, we would then look to submit an
3 application to the Bond Review Board for their March
4 meeting, and then assuming, of course, that we get
5 approval from them, we would look to move forward and
6 market bonds in the month of April, close in the month of
7 May, and that's when the program would be released.

8 I would at this time mention that we did meet
9 with the Bond Review Board yesterday, and sort of
10 preliminarily went through the transaction, and I think
11 that was very favorably received, and we certainly look
12 forward to working with them closely throughout this
13 entire process, as we always do.

14 I would mention to the Board a couple of
15 things. This will be a publicly-sold issue, and I only
16 mention that because a lot of the multifamily deals that
17 you do are private placements with an individual investor,
18 but this will be what we call sort of a full structure,
19 full bond scale, serials, multiple terms.

20 The underwriter that the Corporation will be
21 working with is Raymond James and Associates. They've
22 worked with you for a long time, a nationally recognized
23 firm in the housing area. But again, no -- in the past,
24 we've done a lot of deals with Fannie Mae and Freddie Mac.

25 We don't have Fannie Mae and Freddie Mac

1 involved on the bond purchasing side, certainly, on this
2 deal. We also -- you'll also have, of course, Hilltop as
3 your FA involved in the deal. Norton Rose is your bond
4 counsel, as they are under other deals.

5 Lakeview Servicing, who does your TBA master
6 servicing, will be involved in the servicing on the deal,
7 and Wells Fargo Bank, who you've worked with in the past
8 as the trustee of the deal. A couple of other things that
9 I would mention is that the bonds will be rated AAA by
10 Moody's, and again, I only mention that -- and again, a
11 lot of your multifamily deals are non-rated, so not
12 unusual overall on bond issues, but on single family, we
13 normally have them rated.

14 And so these will be AAA rated. I'll also
15 point out to the Board that we're looking to structure the
16 transaction with four to five points of down payment
17 assistance, and that would be in the form of a grant, as
18 you've done in the past.

19 In today's market, we think that would probably
20 yield a mortgage rate somewhere in the 5-1/4 to five-fifty
21 level. By comparison, I think the TBA Program for three
22 points of assistance, now at 5-3/4.

23 And so that gives you an idea that we're not
24 only providing more assistance, but at a significantly
25 lower rate. And so with that, I'll conclude my remarks,

1 and be more than happy to address any questions.

2 MR. DIETZ: Any questions or -- Mr. --

3 MR. NELSON: Oh, just as a clarification. I
4 think I said 150 in terms of the percent of AMFI. That
5 should be 115 percent. 115 is the maximum AMFI.

6 MR. DIETZ: I think Mr. Jones has a question.

7 MR. JONES: The name of the participants -- is
8 that synonymous with the working group that you mentioned?

9 MR. NELSON: That's a partial listing of the
10 working group. It --

11 MR. JONES: The working group includes how many
12 entities?

13 MR. NELSON: Oh, God, probably 10 or 15 when --

14 MR. JONES: Okay.

15 MR. NELSON: -- you look at all the --

16 MR. JONES: All right. And second -- this -- I
17 hear what you're saying about the market and all. This
18 blue sky stuff - what would cause you to slow down and
19 pull back, if anything?

20 MR. NELSON: Well, we've seen rates kind of
21 moving up and down and all over the place. So if --

22 MR. JONES: Right.

23 MR. NELSON: -- for some reason, we saw a
24 significant move in the marketplace where we no longer saw
25 that we would be able to create a mortgage rate and a down

1 payment assistance package that was significantly
2 attractive, versus what you're doing in the TBA Program.

3 I would imagine that would cause us to either
4 slow down or certainly temporarily pull back.

5 MR. JONES: Thank you.

6 MR. DIETZ: Any other questions? Thanks for
7 the presentation.

8 MR. NELSON: All right.

9 MR. DIETZ: Is there a motion?

10 MR. ROMERO: I'll make a motion to submit this
11 allocation for 2019 private activity bond.

12 MS. COBOS: Second.

13 MR. DIETZ: Okay. It's been moved and seconded
14 that we submit the resolution application for the
15 allocation of private activity bonds. Is there any public
16 comment?

17 (No response.)

18 MR. DIETZ: Okay. Hearing none, all in favor?

19 (A chorus of ayes.)

20 MR. DIETZ: Please note that I will abstain
21 from the vote due to a financial relationship with Raymond
22 James, who is the underwriter.

23 MR. JONES: Thank you.

24 MR. DIETZ: Any opposed?

25 (No response.)

1 MR. DIETZ: Okay. The motion passes.

2 MR. NELSON: Thank you.

3 MS. COBOS: Thank you.

4 MR. DIETZ: Okay. Tab Item 4, which is the
5 Presentation, Discussion and Possible Approval of the
6 General Counsel of the Corporation. Mr. Long?

7 MR. LONG: Thank you, Mr. Chairman, members.
8 In light of some email correspondence that I have had with
9 Ms. Cardenas, her inability to be here today and her
10 strong desire to be involved in this discussion, as well
11 as just some ongoing internal discussions, at this time, I
12 would recommend to the Board that we withdraw this item
13 from consideration.

14 I think it would be appropriate for the staff
15 at this time to kind of step back, review the process that
16 we go through internally, determine the best approach that
17 meets the Corporation's needs, as we've grown over the
18 years, and determine how we best can move forward,
19 evaluating that process for determining how best to move,
20 not only forward, but looking at the options that might be
21 available to us as a Corporation, including whether we
22 continue the RFP process, working with outside counsel, or
23 maybe even considering in-house counsel.

24 So with that, I would suggest then if we --
25 once we get back with that evaluation and consideration,

1 that the staff would then bring it back to the Board with
2 those options and a recommendation on how we move forward.

3 MR. DIETZ: Is that --

4 MS. COBOS: So just to understand
5 procedurally -- so you're saying we're not going to make a
6 decision on general counsel and staff will be coming back
7 with options on how to move forward?

8 MR. LONG: That would be correct.

9 MS. COBOS: Okay.

10 MR. DIETZ: Does that require any action on the
11 Board's part or do we need to have a vote?

12 MS. KENNARD: I don't believe so --

13 MR. DIETZ: Yeah.

14 MS. KENNARD: -- Mr. Chairman. I think that
15 staff can always withdraw items from the agenda without
16 the Board taking any action.

17 MR. DIETZ: Okay. Does the Board have any
18 follow-up questions or comments?

19 MR. JONES: Yeah. Based on the wording that
20 David used, that could be 30 days from now, 60 days from
21 now, 90 days. Correct?

22 MR. DIETZ: Correct.

23 MR. JONES: Okay.

24 MS. COBOS: So we will retain legal counsel
25 right now, until we figure out what we're going to do

1 going forward?

2 MR. LONG: Yes. Greenberg Traurig will
3 continue to be general counsel --

4 MS. COBOS: Okay.

5 MR. LONG: -- under this proposal for a period
6 of time until we make other recommendations to the Board.

7 MR. ROMERO: I like the idea that you're
8 looking at alternatives, you know. We have grown a lot,
9 and I think in-house counsel may be an alternative for the
10 Corporation at this time. It may not. But we'll leave
11 that up to you to, you know, do the background work --

12 MR. LONG: Correct.

13 MR. ROMERO: -- and let us know.

14 MR. LONG: Okay.

15 MR. DIETZ: Okay. Thanks. Unless there are
16 any further comments or questions, we'll just move on to
17 Tab Item 5. Tab Item 5 is a closed executive session in
18 which we will discuss -- have a discussion regarding the
19 evaluation and annual performance review of the president
20 of the Corporation.

21 We will move into executive session due to
22 personnel matters, as covered under Texas Government Code
23 551.074. So we'll now close the open session at 11:12
24 twelve minutes after 11.

25 (Whereupon, at 11:14 a.m., the Texas State

1 Affordable Housing Corporation Board meeting went into
2 executive session.)

3 (11:22 a.m.)

4 MR. DIETZ: The time is 11:22, and we are
5 officially out of closed session. No decisions were made
6 in closed session. We simply discussed personnel matters
7 per Texas Government Code 551.074, and we're now back in
8 open session.

9 And so Tab Item 6 is the Review, Discussion and
10 Possible Approval of the Annual Performance Review of the
11 President of the Corporation and related actions. As the
12 other Board members are aware, we did receive a request
13 from Ms. Cardenas, who could not be with us today, that we
14 delay this particular tab item until next month so that
15 she could be present as a new Board member, really an
16 engaged Board member wanting to know more about how this
17 process works. And so Mr. Long, unless you have any
18 objections, we would like to delay this process until next
19 month.

20 Does that require a motion?

21 MR. JONES: No. I also agree with Mr. Romero
22 that on some key issues that the full Board needed to
23 participate, both prior members or older members as well
24 as newer members, as we go forth with the historical
25 background and whatnot.

1 That would better serve our new Board
2 members --

3 MR. DIETZ: Yeah.

4 MR. JONES: -- to know what we've done and how
5 we've done it differently over the years. So I agree that
6 the postponement, so that Ms. Cardenas can attend, is the
7 appropriate thing.

8 MR. DIETZ: Yeah, yeah. And I don't think --
9 does that require any --

10 MS. KENNARD: Yes, sir. I believe you probably
11 do need to vote on that because --

12 MR. DIETZ: Okay.

13 MS. KENNARD: -- if you're having a discussion
14 and you want to take some action to postpone --
15 postponement, I think, is an official action --

16 MR. DIETZ: Okay. Thank you. So is there a
17 motion?

18 MR. ROMERO: I'll move to postpone this item
19 until the following Board meeting.

20 MS. COBOS: Second.

21 MR. DIETZ: Okay. It's been moved and seconded
22 that we postpone the review discussion and possible
23 approval of the annual performance of the president of the
24 Corporation and related actions to next month's Board
25 meeting.

1 Is there any public comment?

2 (No response.)

3 MR. DIETZ: Okay. Hearing none, any further
4 discussion from the Board? Okay. All in favor?

5 (A chorus of ayes.)

6 MR. DIETZ: Any opposed?

7 (No response.)

8 MR. DIETZ: Okay. It is approved that we will
9 delay the annual performance review until the following
10 meeting. So -- and that finishes our tab items for the
11 day. Is there anything else we need to bring before the
12 Board's attention?

13 MR. LONG: One thing would be again just to
14 confirm the next Board meeting. I know Mr. Jones had
15 provided me input in advance of the meeting that he could
16 not make the tentatively scheduled 14th, so if the Board
17 would like to offer up a different date that they would
18 want to meet, we will accommodate, you know, internally
19 how to make that happen, so we can get our postings done
20 in a timely manner so that all Board members might be able
21 to be in attendance.

22 And we can reach -- if the Board wants to come
23 up with a date now, we can throw out to all the Board
24 members a concurrence and get confirmation from each of
25 the Board members.

1 MR. DIETZ: And you said you would be out of
2 the 21st --

3 MR. LONG: That's correct.

4 MR. DIETZ: -- so, Mr. Jones?

5 MR. JONES: And that would be like -- in the
6 past, we've set a date, and then the Board members have
7 been polled to see if the quorum could occur. So should
8 we, say, pinpoint a date or two, and then see if the
9 quorum could occur?

10 Because it could either be the following
11 Thursday, or it could be a day other than a Thursday.

12 MR. ROMERO: Well, it can't be the following
13 Thursday, because he's not going to be here.

14 MR. DIETZ: Right.

15 MR. JONES: That's right.

16 MR. LONG: I'm out of state.

17 MR. JONES: The 14th and 21st -- so he is gone.
18 So it's going to have to be an off day.

19 MR. DIETZ: And since we're trying to make sure
20 everybody can be there for this particular meeting, we may
21 want to --

22 MR. ROMERO: Can we shoot for the 13th? Let's
23 find out if Ms. Cardenas can attend on the 13th --

24 MR. LONG: Okay. Is that a date --

25 MR. ROMERO: -- and then --

1 MR. LONG: -- that the other Board members can
2 make, is the 13th?

3 MS. COBOS: Yes.

4 MR. LONG: Okay. And what I can do is just
5 reach out to Ms. Cardenas and confirm that the 13th is
6 acceptable to her, and I can -- and then send an email
7 back to all the Board members stating that the 13th is the
8 new date, and then we can internally work to get our
9 postings and deadlines and all that --

10 MR. JONES: And if not, a Tuesday or a
11 Wednesday of the following could work as well. It's not
12 too early, not too late, because the 13th is going to be
13 early -- well, 30 days, really. Right? Just about?

14 MR. LONG: It's about 32 days from today --

15 MR. ROMERO: Yeah.

16 MR. JONES: Right.

17 MR. LONG: -- so it's not a problem.

18 MR. JONES: But let's not rule out the
19 following Tuesday or Wednesday.

20 MR. ROMERO: I think once he reaches out to Ms.
21 Cardenas, then the 13th works fine. If not, then we
22 can -- we'll just have to look for another date at that
23 point.

24 MR. LONG: That's fine, and I can reach out to
25 the Board members as a group to ask you if you're --

1 there's a date -- if the 13th doesn't work, Mr. Jones,
2 what I can do is, send out -- saying that, you know,
3 here's some other dates and you know, kind of, a straw
4 poll about which dates work best for the Board members.

5 MR. ROMERO: If I'm not mistaken, I think Ms.
6 Cardenas has some conflict every now and then with her
7 board meeting --

8 MR. LONG: That's correct --

9 MR. ROMERO: -- on Thursdays.

10 MR. LONG: -- and it happens to be --

11 MR. DIETZ: That's --

12 MR. LONG: -- on a Thursday.

13 MR. ROMERO: Right.

14 MR. LONG: I just don't know which Thursday of
15 the month it is.

16 MR. ROMERO: So I don't know if -- I mean, the
17 13th might work for her.

18 MR. LONG: Correct.

19 MR. DIETZ: So we'll look to the 13th, and --

20 MR. ROMERO: As this turning point.

21 MR. DIETZ: -- with the idea we'll --

22 MR. LONG: Okay.

23 MR. DIETZ: -- yeah. We'll change, if
24 necessary.

25 MR. LONG: That works, and I'll make sure that

1 I reach out to Ms. Cardenas today.

2 MR. DIETZ: Great, great. Okay. Since there
3 are no other items before the Board, it is 11:28, and the
4 Board meeting is adjourned.

5 (Whereupon, at 11:28 a.m, the Board meeting was
6 adjourned.)

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C E R T I F I C A T E

MEETING OF: TSAHC Board
LOCATION: Austin, Texas
DATE: January 10, 2018

I do hereby certify that the foregoing pages, numbers 1 through 46, 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: January 14, 2018

(Transcriber)

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