

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Wednesday,
January 22, 2020
10:33 a.m.

BOARD MEMBERS:

WILLIAM H. DIETZ, JR., Chair
VALERIE V. CARDENAS, Member
COURTNEY JOHNSON-ROSE, Member
LALI SHIPLEY, Member
ANDY WILLIAMS, Member

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lease of land located at El Paso Street and South Frio Street in San Antonio, Texas and entering into loan documents for the purpose of developing, constructing, and operating Vista Verde Lofts, a 24-unit multifamily rental housing development, including without limitation apartments affordable to 60% area median family income families, in San Antonio, Texas.

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P R O C E E D I N G S

1
2 MR. DIETZ: It is 10:33, and the January Board
3 meeting of the Texas State Affordable Housing Corporation
4 Board of Directors is called to order.

5 First roll call. Bill Dietz, Chair, I am
6 present.

7 Valerie Cardenas?

8 MS. CARDENAS: Present.

9 MR. DIETZ: Courtney Johnson is absent.

10 Lali Shipley?

11 MS. SHIPLEY: Present.

12 MR. DIETZ: And Andy Williams?

13 MR. WILLIAMS: Present.

14 MR. DIETZ: So, we do have a quorum.

15 Let's stand and join me in the pledges of
16 allegiance.

17 (The Pledge of Allegiance and the Texas
18 Allegiance were recited.)

19 MR. DIETZ: Before we begin, is there any
20 public comment?

21 (No response.)

22 MR. DIETZ: Okay. Hearing none, let's move
23 into the President's Report. Mr. David Long.

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

25 First, I guess Happy New Year. I know it's

1 kind of come and gone already, but Happy New Year to
2 everybody. Hope everyone had safe and happy holidays.

3 Mr. Chairman, before I give my report, I'd like
4 to recognize two special guests joining us today. Stephen
5 Jeffry and Martin Morales are here today with BBVA Compass
6 Bank to present a \$15,000 grant to the Corporation. The
7 grant will support our ongoing initiatives to support
8 local housing nonprofits, including our Housing Connection
9 Training Program, our HEART Disaster Recovery Program, and
10 a new technical assistance initiative we are launching in
11 2020 to help developers create additional permanent
12 supportive housing units.

13 I would like to kind of recognize the fact that
14 BBVA Compass has been a supporter of TSAHC for several
15 years and we're really thrilled that they continue to be
16 our partners and that we have the opportunity to continue
17 to work with them in 2020.

18 With that, I'd like to invite both Stephen and
19 Martin to come up and say a few words if they'd like, and
20 if not, make the check presentation. And I know you guys
21 love this part of it, we're also going to take pictures,
22 so I'll let Katie coordinate the pictures. But we can do
23 that before I go into my report, Mr. Chairman, then those
24 gentlemen can stay or leave as they choose.

25 MR. DIETZ: Great, perfect. Gentlemen.

1 MR. JEFFRY: We jokingly said this is not the
2 check to take to the bank.

3 (General laughter.)

4 MR. JEFFRY: But this is a representation of
5 BBVA's commitment to TSAHC and everything you guys do for
6 our communities through Texas. BBVA's footprint is the
7 largest in the county and we have a continued commitment
8 to making sure our Texas community continues to grow and
9 prosper economically in the United States.

10 So, thank you so much for everything you do.
11 We're excited about the new programs it's going to
12 support, and of course, the continued programs as well.
13 We really appreciate everything you guys do for our
14 community.

15 MR. DIETZ: Thank you for your support.

16 (Applause; pause for photos.)

17 MR. JEFFRY: Thank y'all so much.

18 (Applause.)

19 MR. LONG: I know those gentlemen are going to
20 leave and take that big check with them, but I would like
21 to just let you know that Stephen and Martin, again,
22 thanks for both of those guys being here. I do like to
23 recognize the fact that this relationship has been going
24 on for quite some time and we're very thankful that we
25 have some really strong partners, including -- they're not

1 here today -- Yoli Davila and Ray Ocanas have been really
2 big supporters of the leaders and working with us and
3 making sure that we have the funding available to do the
4 things that we do, and so I'd be remiss if I didn't
5 mention their names, not only to just thank them
6 personally on the record but also recognize the fact that
7 BBVA continues to be a partner of ours, and because of
8 their support we will be able to work on those programs I
9 mentioned earlier. So again, thank you both, Stephen and
10 Martin, for being here and making that presentation, and
11 for Ray and for Yoli for their commitment to the
12 Corporation.

13 And with that, I guess I should continue my
14 president's report.

15 Obviously, you have your Board books in front
16 of you, and if not, electronically. Tabs A through C are
17 the program area reports, including the financial reports.

18 I don't have any specifics in those to point out that are
19 unique or different, they're pretty straightforward as
20 they always have been.

21 The Loan Committee did meet yesterday, January
22 21. Staff reviewed the committee reports and the staff
23 reports to be put together. We did not take any action on
24 any new loans per se, but we did discuss something that
25 will be on the Board agenda, but we also approved a

1 policy. But I want to make note, Mr. Chairman, that we
2 will be posting that policy. We made the changes to the
3 policy as reviewed in the Loan Committee under tab item 3
4 in the current Board book, the policies for the Texas
5 Housing Impact Fund, and rather than trying to state those
6 changes that are not necessarily reflected in the Board
7 book, we're going to go ahead and ask that you pull that
8 tab item today and we'll bring that back in February so
9 you can have a chance to discuss it more cleanly with a
10 little bit better markup for you guys to review.

11 MR. DIETZ: So, no time sensitivity to this.

12 MR. LONG: No, it does not have time
13 sensitivity, no public comment necessary on it. So, we'll
14 be doing that.

15 And with that, Mr. Williams was in attendance
16 via phone. He always is very good about giving input.

17 Mr. Williams, do you have any comments or
18 further input?

19 MR. WILLIAMS: No.

20 MR. LONG: Okay, all right.

21 I always like to update you on some of the
22 program areas, quickly running over the program areas. The
23 single-family areas continue to just see expanded growth
24 in their programs. We added eleven new mortgage companies
25 to the lender pool that we work with. That's exactly

1 where we want to keep going is having new lenders
2 marketing our programs for us, the Realtors and the
3 lenders. The Realtors are our front-line marketing people
4 and we really appreciate the continued support we get.
5 They continue to offer the lender trainings through down
6 payment assistance hurdle classes, as well as our ongoing
7 lender trainings that we offer through our webinars, so
8 I'm really thankful for the staff and their time on that.

9 Fundraising efforts. We conducted a couple of
10 fundraisers in support of our Housing Connection, our
11 training programs last year and this year related to
12 Giving Tuesday and some other funding campaigns that we
13 did, and in those funding campaigns we received \$10,500
14 from our partner Realtors and lenders, and I want to thank
15 those people for their support. A lot of that comes from
16 individuals, individual lenders and individual Realtors,
17 so we really continue to thank them for their support, and
18 we recognize them for their efforts.

19 Again, as we just saw, BBVA Compass just gave
20 us a \$15,000 check to support our programs. Again, thank
21 you to them.

22 On the marketing side, on February 5 of this
23 year, next month, we'll be in Harlingen highlighting our
24 partnership with Harlingen CDC in their redevelopment of
25 Park Meadows Subdivision. Senator Lucio has agreed to

1 attend that event and TSAHC will take that opportunity to
2 recognize Senator Lucio for not only his continued support
3 of the Corporation but just his phenomenal support of
4 affordable housing across the State of Texas. He's one of
5 the champions that we work with at the Capitol, and we
6 really appreciate his support on that. And we're very
7 fortunate that we happen to have a Board member, Ms.
8 Cardenas, who is going to emcee that event for us, and we
9 thank her for not only accepting the challenge to emcee
10 that but also just being there and taking her time from
11 work to be there for us on that.

12 Asset oversight and compliance, I've been
13 keeping you guys up to date with the money that the Board
14 authorizes annually for us to spend on acquisition of new
15 single-family rental homes. In December we completed the
16 purchase of the final home under the funding that you gave
17 us from last year's budget -- or I should say this year's
18 budget starting in September. We purchased our sixth home
19 in San Antonio. It's a three-bedroom, two-bath house in
20 an area just north of San Antonio.

21 And so, to give you an idea of what we're doing
22 when we help people with those homes, we talk about trying
23 to put those people in high opportunity areas. The market
24 rents in that area are about \$1,700 to \$2,000 a month and
25 we were able to make a lease available to a family there

1 and their rent will be \$1,107 a month. And so, as you can
2 see, we try and put the families in high opportunity areas
3 at significantly below the rent. Sometimes it doesn't
4 always work out to be that big of a change, but at the end
5 of the day, we are trying to put people that normally
6 wouldn't be able to afford to live in these communities
7 with an opportunity to live in sound, affordable housing.

8 Participation in some conferences. Just last
9 week, myself, Tim Almquist, Joniel LeVecque and Sarah
10 Elinor, we all attended the Housing HFA Institute by the
11 National Council of State Housing Agencies in Washington,
12 D.C. It was a great opportunity for networking, getting
13 to meet some partners. We actually took the time to meet
14 with HUD and a couple of other partners that we work with,
15 along with state agencies. So, we appreciate the
16 opportunity to be able to do that.

17 I want to give you an update on the RFP we sent
18 out. I think we asked the Board to authorize us going out
19 with an RFP for our financial advisor firm. Hilltop
20 Securities, sitting here next to me, has been with us for
21 a long, long time. They made the decision to move on and
22 look to no longer work with the Corporation for a variety
23 of reasons, which we understand. We've met with them and
24 there is no ill will, no hard feelings. But as a result,
25 we needed an RFP for that. We had the RFP out and

1 responses were due by the 20th of December.

2 We got two responses. Those responses were
3 from two firms that we felt were both very talented and
4 very highly qualified. There's some really qualified
5 people working at those firms, both PFM and CSG Advisors.
6 And I was going to let you know while we haven't finalized
7 any engagement letters, we have made the determination
8 internally to work with both of them. We will work with
9 PFM on multifamily issuances and with CSG on the single-
10 family issuances. Both of them have a lot of expertise
11 and a lot of background in both single family and
12 multifamily but splitting it up we felt we would get the
13 best of both worlds working with both of those firms.

14 So, we'll keep you informed on that, but
15 hopefully we'll have that finalized as soon as possible.

16 Professionals in attendance. Obviously, Routh
17 Thornhill with Coats Rose is here as our general counsel.

18 And I just recognized Claire Merritt and Tim Nelson here
19 with Hilltop Securities as our financial advisor firm.
20 So, unless I'm missing anybody, I apologize. You got to
21 meet the gentlemen from BBVA Compass earlier.

22 And with that, I will conclude, unless there's
23 any questions.

24 MR. DIETZ: Any questions?

25 (No response.)

1 MR. DIETZ: Thank you very much.

2 That moves us right into tab item 1 which is
3 the presentation, discussion and possible approval of the
4 minutes of the Board meeting held on December 18, 2019.

5 Everybody has had a chance to review those.
6 Are there any questions or comments?

7 (No response.)

8 MR. DIETZ: Is there a motion to approve?

9 MS. SHIPLEY: So, moved.

10 MR. WILLIAMS: And second.

11 MR. DIETZ: Okay. It's been moved and seconded
12 that we approve the minutes of the Board meeting held on
13 December 18, 2019. All in favor?

14 (A chorus of ayes.)

15 MR. DIETZ: The Board minutes are approved.

16 Tab item 2 is the presentation, discussion and
17 possible approval of a resolution amending the provisions
18 of Resolution No. 18-19 of the Texas State Affordable
19 Housing Corporation relating to a funding loan agreement,
20 a project loan agreement and an asset oversight compliance
21 and security agreement, a subordination agreement, and a
22 regulatory agreement, authorizing the execution of
23 documents and instruments necessary or convenient to carry
24 out the issuance of the note, and other provisions in
25 connection therewith.

1 MR. DANENFELZER: Good morning. David
2 Danenfelzer, Senior Director of Development Finance.
3 Thank you.

4 So, this is in relation to the Ventura at
5 Fairgrounds Project. It's a bond project we've been
6 working on since 2018, and although I always get a little
7 bit confused in this one more particularly, the resolution
8 that was previously passed for this was actually November
9 of 2018. At that time the Board did approve the final
10 documents and closing of that transaction, but it was not
11 able to close last January, January of 2019, and in any
12 case, we've continued to work on that project and we are
13 nearing a resolution to all of the issues on there and we
14 do hope to close in the next couple of months. We do have
15 to return to the Texas Bond Review Board to make sure that
16 we have done everything and gotten their approvals as
17 well.

18 This is simply an amendment because some of
19 this deal the terms have changed slightly, some of the
20 names on some of the documents, but more importantly,
21 there is a construction lender who has entered the
22 project, Chase Bank, that was not previously mentioned in
23 the previous resolution and we want to make sure all of
24 the parties are properly named and called out. So, bond
25 counsel drafted an amendment to that bond resolution.

1 Staff still supports the closing and moving forward with
2 this, and we just wanted to get your blessing by amending
3 the previous resolution, updating it with all of the
4 correct facts for the project as it stands now.

5 MR. DIETZ: So, the only difference is the
6 party?

7 MR. DANENFELZER: The one biggest difference is
8 that Chase Bank will enter as construction lender but that
9 was not previously noted in the resolution. It was Key
10 Bank previously; they were going to do construction and
11 perm. Now Chase is going to do perm, Key Bank will
12 continue as the permanent lender, and the previous
13 resolution noted that Key Bank was going to do both.

14 MR. DIETZ: Right.

15 MR. DANENFELZER: We're just correcting that to
16 make sure there's no hiccups in the resolution. When we
17 go to close for the bonds and everything, we want
18 everything to be obviously above board and that no one can
19 come back later and say, you named someone in the wrong
20 thing in this previous one.

21 MS. CARDENAS: So, was it always the intent
22 that it was going to be Key Bank, or it was going to be
23 Chase and it was just worded?

24 MR. DANENFELZER: The original intent was that
25 Key Bank was going to be the construction lender but since

1 we missed the original closing deadline, Key Bank's
2 internal program and policies, they would prefer to be
3 just the permanent lender on this and Chase has been
4 brought in as the construction lender.

5 MS. CARDENAS: Not because they noted any red
6 flags or anything? I mean, they'll still honor it, right?
7 They'll go back reassess?

8 MR. DANENFELZER: Correct. I mean, everyone
9 will continue to underwrite the deal until closing, but it
10 was just, I think, a little bit of an economic decision as
11 well. I think Chase came into the market with a cheaper
12 construction product, but Key Bank is fully committed that
13 they are going to be the permanent lender on the project
14 moving forward, so all their commitments have been updated
15 and clarified. But Chase has a good product and Key Bank
16 is comfortable with them coming in and this way of
17 partnering with them.

18 MR. DIETZ: Any other changes of any
19 significance, or is that really it?

20 MR. DANENFELZER: No. I believe one of the
21 documents sort of changed its name from a note to a loan,
22 but bond counsel just said this is the exact deal, all the
23 documents are correctly named now, so we're just making
24 sure we've got all the i's dotted and all the t's crossed.

25 MR. DIETZ: Any other questions?

1 (No response.)

2 MR. DIETZ: Any discussion? Is there any
3 public comment?

4 (No response.)

5 MR. DIETZ: Is there a motion to approve?

6 MS. CARDENAS: So, moved.

7 MR. WILLIAMS: I second.

8 MR. DIETZ: It's been moved and seconded that
9 we approve the resolution that amends the previous
10 Resolution No. 18-19. Any further discussion?

11 (No response.)

12 MR. DIETZ: All in favor?

13 (A chorus of ayes.)

14 MR. DIETZ: Okay. The resolution is approved.

15 MR. DANENFELZER: Thank you.

16 MR. DIETZ: Thank you, Mr. Danenfelzer.

17 Tab item 3 is the one that Mr. Long referenced
18 earlier that we would be pulling from the agenda and re-
19 presenting next month. Correct?

20 MR. LONG: That's correct.

21 MR. DIETZ: Okay. So, we'll skip to tab item 4
22 which is the presentation, discussion and possible
23 approval of a resolution approving the purchase of land by
24 the Corporation under the Affordable Communities of Texas
25 Land Bank Program in an amount not to exceed \$450,000 for

1 the Housing Channel Townhome Project.

2 MR. DANENFELZER: Good morning. David
3 Danenfelzer, Senior Director of Development Finance. I'm
4 also joined here with Donna VanNess, who is Executive
5 Director of Housing Channel, invited her down so you could
6 grill her if you'd like or just ask some nice questions.

7 (General laughter.)

8 MR. DANENFELZER: And basically, this is an
9 opportunity that Donna and her team brought to us in
10 December and we felt it was a good enough opportunity for
11 us to jump on it and carry through and bring it to you
12 guys this month.

13 I can let Donna talk a little bit more about
14 the project and how it works, but essentially, we have a
15 land bank, and we have had it since 2008. We've used it
16 in many different ways throughout the years. Our most
17 common way of doing it has only been controlling the
18 property and having a local partner develop it. However,
19 there are activities under our land bank authority to
20 allow us to do short-term holds of properties and then
21 sell or transfer that property on to a local partner, like
22 the Housing Channel, in order to redevelop those
23 properties.

24 In this case there's an opportunity in Irving,
25 Texas. Donna has the opportunity to purchase properties,

1 but because of the way federal regulations work and some
2 of the monies, specifically HOME Program improvement
3 dollars that are federal dollars that the City of Irving
4 has and can bring to this transaction, there are
5 environmental review steps which need to be carried out.
6 That is really just a notice of environmental review.
7 It's something where a letter goes out to federal
8 agencies, Native American tribes and other organizations
9 listed under what's called the National Environmental
10 Protection Act. Each of them get a notice, they have 30
11 days to respond, and then the issuing entity -- which in
12 this case would be the City of Irving -- has to process
13 paperwork and then put out a notice and say they've done
14 the review, no comments have come back, and they're good
15 to go ahead and expend federal dollars on this site.

16 And as you can imagine, while it sounds like a
17 quick project because it's 30 days, it takes a long time.
18 It can take up to 30 days just to draft and post the
19 document and it takes then 30 days to comment on it, and
20 then it can take another 30 to 45 days sometimes just to
21 get all of the regular paperwork done through the city
22 process, and then completed. However, we live in a very
23 competitive housing market. Land is expensive and it goes
24 quick. I think you all probably know that from your
25 experience, just reading the newspaper every day, but it

1 is difficult for anyone to get a contract longer than 60
2 days for land transactions today. So, when we try to land
3 match a 60-day contract with a 90- to 120-day process for
4 environmental review, it doesn't work for a lot of
5 affordable housing projects.

6 This is why Donna called us, and we have done
7 projects like this before. We have purchased things
8 short-term, allowed the due diligence to be completed by
9 local partners and sold those under what we call our
10 buyers' agent facility of our program, and we've held
11 property and then sold it off to local partners to use
12 federal funds.

13 In this case Donna is actually working on five
14 lots in the Riverside neighborhood of Fort Worth where she
15 is building new homes that are targeted to low and
16 moderate households, just like this project, and we were
17 originally the land bank that held those for several years
18 until the federal funds came in and the city required her
19 to own and hold that land during the development phase
20 itself. So, we continue to track it but in our
21 partnership agreements through the MOUs and stuff, that's
22 how we tie in our affordability requirements.

23 So, I'm going to stop talking now. I've tried
24 to lay as much of the groundwork as fast as I could but
25 I'll let Donna explain what they're doing in Irving, why

1 this is important to her, and the conditions that she's
2 facing with land acquisition in Fort Worth, Irving and all
3 of the Dallas-Fort Worth Metroplex.

4 MS. VANNESS: Thank you so much for the
5 opportunity to be here. I really appreciate your
6 consideration of our request.

7 Housing Channel is formerly Tarrant County
8 Housing Partnership. We're a 28-year-old housing
9 nonprofit organization based in Fort Worth, but we serve
10 primarily the North Central Texas DFW market. We do have
11 some projects as far south as San Antonio, Pasadena,
12 Baytown. We've got an incredible board, incredible
13 political support of our organization, and we work really
14 well with cities and counties to leverage public and
15 private funds to develop affordable housing.

16 It's been increasingly difficult in the last
17 few years because of the increased hot market in Dallas-
18 Fort Worth. We had issues where we had public funds to
19 expend and we've lost them because we weren't able to get
20 land under contract, and it's become a recurring problem.
21 And I was at a national conference, housing conference,
22 and in one of the workshops we got to talk about some of
23 the challenges that as developers of affordable housing we
24 face, and I brought up the fact that we have to deal with
25 environmental clearance procedures and that ties up the

1 land too long and it's difficult to get it under contract.

2 And another developer in Atlanta told me about
3 the program they have with their land bank and land trust
4 in Atlanta that they purchase the property and hold it
5 while the developer can go under environmental clearance
6 and then it's sold back to that developer so that they can
7 leverage the public and private funds. It's a great
8 process and I wish I'd thought of the idea myself, but I
9 want to give them credit.

10 So that's when I called Dave because this
11 project, we've got \$1.1 million in HOME funds, which is a
12 grant, as long as we develop these units for 80 percent of
13 area median income. It's a great piece of property that's
14 in the new target area for the City of Irving called
15 Heritage Crossing. You may know that. It's a new target
16 area that's underserved and the city is putting together
17 quite a bit of economic development and incentives to
18 incentivize developers to develop this area and help
19 revitalize the community.

20 So, as they've mentioned, we weren't able to
21 get the seller to agree to a longer period, thereby, I had
22 called Dave to see if there's a possibility do this land
23 trust or land bank transaction to help us with that.

24 MR. DIETZ: Great.

25 MS. VANNESS: Any questions?

1 MR. DIETZ: So, if I understand correctly, the
2 Corporation will be buying this property and then selling
3 it back after a specified time period.

4 MR. DANENFELZER: At this time we anticipate
5 that between 90 to 100 days after we purchase the
6 property, once the environmental review has been completed
7 by the City of Irving and they've signed off and approved
8 it, then we'll be able to sell the property to Housing
9 Channel and they'll be able to then move forward with
10 their federally funded project and build the units there.

11 You know, the land bank activity is one of
12 those things that gives us a lot of great flexibility and
13 a lot of great ability to help out local nonprofits, like
14 Housing Channel, to get access to properties that they
15 otherwise would not be able to. Our original purpose and
16 function of being able to accept from large foreclosure
17 pools like NCST and Bank of America was to be able to be a
18 funnel for local entities who couldn't commit to buying up
19 30 or 40 properties to get into these programs allowed us
20 to bring in a lot of properties, in fact, well over 100
21 properties we've purchased and funneled to local
22 nonprofits to develop through our land bank.

23 This is just a new avenue. While the
24 foreclosure crisis is long gone and we don't have large
25 pools anymore that are being sold off that we have access

1 to, this is a great way for us to kind of evolve the land
2 bank and use it for a great purpose in a market that's
3 very hot that requires a very short-term trigger on all of
4 the land contracts but at the same time allows us to
5 secure those properties for affordable housing in the
6 future.

7 MR. DIETZ: We haven't done anything exactly
8 like this before that I remember.

9 MR. DANENFELZER: Not exactly, but there have
10 been properties where when we get the opportunity to
11 purchase. The Plano property, which we continue to look
12 at redeveloping, is a much more complex project than this,
13 but that was an opportunity where land was available, it
14 was relatively cheap, and the seller in that case was a
15 lot more patient, but at the same time it was a great
16 opportunity for us to step in and bring housing to a
17 community.

18 And we've done that in other locations. The
19 project we're going to talk about, Vista Verde, next is
20 another one where land is available, there was a
21 competition by the city to get rid of this land, but we
22 were able to help competition as a partner and bring
23 affordable housing to that block rather than it just going
24 out into the marketplace and just being sold off for
25 market rate development.

1 MS. CARDENAS: What potential risks, if any,
2 would we encounter if we acquired this land? Because I
3 know it's got to go through this environmental protection
4 review, so it's acquiring land and for whatever reason,
5 you know, I guess the risk meter, right, that we have to
6 end up just keeping it because we can't sell it off, you
7 know, in a 100 to 190 days, or whatever the time frame is.
8 So whatever level of risk that we would need to know could
9 happen. I know there's always the what ifs, but just
10 something that would be glaring.

11 MR. DANENFELZER: I mean, we obviously can
12 never identify all the pitfalls in these projects, but
13 Donna has actually taken all the financial risks. There
14 will be commitments in place, a contract to purchase the
15 property pretty much without exception, so she'll have to
16 purchase it regardless of the environmental review.

17 One of the nice things about environmental
18 review steps I would say, though, is that much of the data
19 about whether or not an area, a parcel of land is subject
20 to archaeological review, historic review and otherwise is
21 really publicly available. GIS data sets are easy to
22 obtain, and I look at them all the time on all the
23 projects we look at. This project has no red flags for me
24 or even yellow flags that I would be concerned about. And
25 I've already talked with the SHPO on this project and they

1 don't see any reason why not. There is a structure on the
2 property, but it is not an old structure, it's not
3 historic. I think it was '82 or '83 it was built so
4 there's not even lead based paint concerns. But there is
5 a federal review requirement and that has to be done and
6 it just doesn't meet up with the reality on the ground.

7 You know, we've purchased well over 500 lots
8 and we've never had a problem with an environmental review
9 in all 500 of those projects. So, I feel fairly confident
10 that what we've done due diligence wise on this property
11 means it will be sellable and Donna will be able to move
12 forward with it. But obviously, I can never predict
13 everything. I'm not going to give you 100 percent
14 guarantee.

15 MR. WILLIAMS: So, David, basically we're just
16 acting as a bridge, so we're going to bridge it so she can
17 go through the environmental. You guys were competing
18 with for-profit developers, there was a time sensitivity,
19 the seller isn't giving you any leniency, so we're going
20 to take it down. Is the 5 percent coupon annualized so if
21 they clear in 90 days, are we still getting 5 percent? Is
22 there any origination fees, and are we getting an
23 appraisal? Is any of the diligence for market value?

24 MR. DANENFELZER: We have received appraisal
25 information on the property.

1 MR. WILLIAMS: Was that third party?

2 MR. DANENFELZER: Yes, I believe so. Sorry. I
3 know I looked at it, I'm sure it's third party.

4 MS. SHIPLEY: Who's the appraiser?

5 MR. DANENFELZER: I can't remember the
6 appraiser's name. But what I will say is the appraisal
7 and all the financial information we've also looked at, I
8 think more to your question, we have. The way we've
9 structured it in order to reduce our liability, again, and
10 risk, is along with the purchase contract Donna is also
11 going to be required to sign a ground lease agreement, so
12 upon our ownership, she'll actually take over all the
13 maintenance and insurance liability for the project and
14 she'll be required to pay us essentially a 5 percent rate
15 as if it was a loan on a 5 percent annual basis during the
16 whole period of the ground lease.

17 It equates to about \$843 a month on interest
18 payments, interest only, much like we do in Loan Committee
19 with an interest only revolving line of credit. We collect
20 that interest as it's going on, and then there is a one
21 percent closing fee or ground lease origination fee on
22 this one. So, we're not structuring it as a loan
23 document, we're doing it all through the ground lease
24 arrangement.

25 MR. WILLIAMS: So, we're closing it, we're

1 going to own it and you guys are going to take it through
2 and title it, and then you're going to bring in a takeout
3 with your development.

4 MS. VANNESS: Yes.

5 MR. WILLIAMS: And do you guys already have
6 development plans?

7 MS. VANNESS: Do we have development plans?

8 MR. WILLIAMS: Yes.

9 MS. VANNESS: We have a site plan. We're going
10 to do a mixed project with townhomes so a medium density
11 project.

12 MR. WILLIAMS: Are we going to have to wait for
13 that?

14 MS. VANNESS: No, no. We'll purchase it.

15 MR. WILLIAMS: So worst case six months?

16 MR. DANENFELZER: That's our anticipation is
17 that on the outside it will be six months, but our hope is
18 it will be about 90 days once the City of Irving has
19 completed their work.

20 MR. WILLIAMS: And I'm familiar with the area,
21 it's a hot area, and if they got that tract of land and
22 get it for that price, it's a good deal.

23 You guys got it under contract now?

24 MS. VANNESS: Yes, we do.

25 MR. WILLIAMS: So, the \$450-, what do you have

1 it under contract for?

2 MR. DANENFELZER: The \$450- is on the outside
3 but the actual contract is \$425- and that's what we intend
4 to put down, and then closing fees and other additional
5 fees will also be covered by Housing Channel.

6 MR. WILLIAMS: And then we've got an appraisal
7 that shows it's worth that or more?

8 MR. DANENFELZER: Correct.

9 MR. WILLIAMS: So really, we're just land
10 banking some dry land but we don't have any responsibility
11 to take it through entitlement and if this goes bad, we
12 can go ahead and divest it to another developer. You guys
13 are performing all the coverage.

14 MR. DANENFELZER: And there is a commitment for
15 a financial guarantee that they have the money in place to
16 purchase it before we close on it.

17 MR. DIETZ: We have a lease to own deal.

18 MR. DANENFELZER: Yes, that is a good way of
19 putting it. I probably should have just opened with that.

20 (General laughter.)

21 MS. VANNESS: And if I could just add a
22 comment. I mean, this is something that as a community
23 developer we deal with this a lot. So this would be a
24 great opportunity if this model works and it's something
25 that's beneficial definitely for the community and the

1 development of affordable housing, because we are
2 constantly combating private investors, investors,
3 corporations and people that pay -- you know, buy houses
4 and they put cash down and they can close in ten days. We
5 can't do that when you're leveraging public funds which
6 is, in essence, what we need to make it affordable. So,
7 this is a great opportunity and I really appreciate you
8 considering this.

9 MR. DIETZ: Thank you.

10 Any other comments or questions?

11 (No response.)

12 MR. DIETZ: Good discussion. Is there a
13 motion?

14 MR. WILLIAMS: So, moved.

15 MS. CARDENAS: Second.

16 MR. DIETZ: Okay. It's been moved and
17 seconded. Is there any public comment?

18 (No response.)

19 MR. DIETZ: Hearing none, all in favor of
20 approving the resolution to purchase the land referenced
21 for the Housing Channel Townhome Project please say aye.

22 (A chorus of ayes.)

23 MR. DIETZ: Any opposed?

24 (No response.)

25 MR. DIETZ: Okay. The resolution passes.

1 Thank you very much.

2 MS. VANNESS: Thank you.

3 MR. DIETZ: Appreciate you bringing that to us.

4 Okay. On to tab item 5 which is the
5 presentation, discussion and possible approval of a
6 resolution authorizing the Texas State Affordable Housing
7 Corporation to proceed with land acquisition and a ground
8 lease of land located at El Paso Street and South Frio
9 Street in San Antonio, Texas, and entering into loan
10 documents for the purpose of developing, constructing and
11 operating Vista Verde Lofts, a 24-unit multifamily rental
12 housing development, including without limitation
13 apartments affordable to 60 percent area median family
14 income families in San Antonio, Texas

15 MS. RAMIREZ: Good morning, everybody. I'm
16 Cassandra Ramirez, Development Finance Specialist, and we
17 have Scott Marks with Coats Rose who is general counsel
18 working on this project.

19 This is really related to a resolution and
20 project we brought to you guys in August and this
21 resolution is really capturing the changes since that
22 time. So, in August we received Board approval to enter a
23 joint venture with Taramark Interests to develop a 12-unit
24 apartment complex in San Antonio. It was an RFP site from
25 the City of San Antonio. And since that time, in May they

1 were formally accepted and in August we had approval to
2 create TSAHC subsidiaries to enter into a joint venture
3 related to the ownership and acquisition of this project,
4 but since that time the project has expanded to 24 units
5 in two separate buildings but adjacent buildings 12 units
6 each. And the affordability mix is the same, still 50
7 percent of the units are serving households at 60 percent
8 or below and the rest of the units will be market rate.

9 So really, this resolution is just capturing
10 this change because Taramark Interests is working with the
11 city to acquire the site as they're acquiring the neighbor
12 site at the end of this month. So, they are moving
13 towards to forming the subsidiaries for the acquisition
14 and purchase of these parcels.

15 MS. CARDENAS: So, we're going from 12 units
16 initially to 24, but yet 12 out of the 24 will be at 60
17 percent AMFI and the rest at market rate, and so initially
18 it was just 12.

19 MS. RAMIREZ: Correct. It was one building, 12
20 units. But they got the opportunity to acquire the
21 neighbor site so they're taking advantage of it and
22 they're getting resources from other departments of the
23 City of San Antonio for fee waivers to keep it affordable
24 at 60 percent or below for half of the units.

25 MR. WILLIAMS: Are we going to be a GP in the

1 market rate housing too?

2 MS. RAMIREZ: Yes. It's one project.

3 MR. WILLIAMS: So, it's one project, it's not
4 two different projects.

5 MS. RAMIREZ: Right.

6 And we did discuss the loan at Loan Committee
7 yesterday. We did not make any motions to approve it.
8 We're still collecting some information from the developer
9 to move forward that component. But just with the timing
10 with the City of San Antonio, we need this approval to
11 take the next steps in our partnership.

12 MR. MARKS: Just to follow up with that
13 question. And I'm Scott Marks with Coats Rose. I'm
14 looking forward to working with you all on affordable
15 housing as general counsel and joint ventures and any
16 partnerships that you might form.

17 And to follow up on your question, one of the
18 reasons that it's important for the Corporation to serve
19 as not really general partner here but as administrative
20 member of the limited liability company and owner entity
21 is to generate property tax exemption and ad valorem
22 property tax exemption for the site which, of course,
23 allows half of the units to be affordable.

24 MS. RAMIREZ: And I can say that our
25 participation in this project is offering a deeper

1 affordability for the community. The City of San Antonio
2 is only requiring 80 percent or below AMI to be served,
3 but in compliance with our own policies, the Taramark
4 developer is agreeing to serving the deeper affordability
5 on this project.

6 MS. CARDENAS: So, you mentioned that you all
7 discussed it in Loan Committee. Is there, I guess, any
8 loan amounts or is there going to be more injected into
9 the project as far as financing?

10 MS. RAMIREZ: We were discussing a \$250,000
11 loan for construction, a two-year short-term loan of
12 \$250,000, but we're still collecting the pieces for that,
13 so that part we did not take action on it yesterday.

14 MS. CARDENAS: Is that in addition to what was
15 previously approved?

16 MS. RAMIREZ: In the August resolution we
17 didn't approve financing, it was just the creation of the
18 subsidiaries.

19 MR. MARKS: Right. And just a little more on
20 that. So, in August the Board approved creating some
21 entities to serve in the role, ownership role. This
22 resolution lays out authority to enter into the ground
23 lease to generate that property tax exemption, to acquire
24 the land and generate the property tax exemption through
25 the ground lease, and then also to serve as the owner of

1 24 units, two 12-unit apartments, rather than the 12 units
2 that were contemplated last summer. And then also to
3 enter into loan documents, that gives authority here to
4 enter into loan documents. We anticipate bringing it back
5 to the Board before making that \$250,000 loan.

6 MS. RAMIREZ: Well, it's within the threshold
7 at Loan Committee.

8 MR. MARKS: Okay.

9 MR. DIETZ: Any other questions, comments?

10 (No response.)

11 MR. DIETZ: I need a motion to approve.

12 MS. CARDENAS: So, moved.

13 MS. SHIPLEY: I'll second.

14 MR. DIETZ: It's been moved and seconded that
15 we approve the resolution authorizing the Corporation to
16 proceed with the land acquisition and ground lease in San
17 Antonio.

18 Is there any public comment?

19 (No response.)

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

21 (A chorus of ayes.)

22 MR. DIETZ: Any opposed?

23 (No response.)

24 MR. DIETZ: Okay. Resolution passes. Thank
25 you very much.

1 MS. RAMIREZ: Thank you.

2 MR. DIETZ: The next tab item is the review,
3 discussion and possible approval of the annual performance
4 review of the president of the Corporation, and related
5 actions.

6 Pursuant to Texas Government Code 551.074
7 pertaining to personnel matters, we'll now go into a
8 closed session, and it is 11:15 a.m.

9 (Whereupon, at 11:15 a.m., the meeting was
10 recessed, to reconvene this same day, Wednesday, January
11 22, 2020, following conclusion of the executive session.)

12 MR. DIETZ: It is 11:31 a.m. and we are back in
13 open session.

14 We had a positive conversation during our
15 closed session, took no action. I think that we would
16 like to delay tab item 6 until next month, and that's
17 purely in order to give the Board members ample
18 opportunity to provide as much feedback as they feel is
19 necessary in the review. Particularly in light of the
20 fact that Ms. Johnson was not here with us today, that
21 might be helpful.

22 That doesn't require any vote to remove a tab
23 item, I don't think, so that brings us to the end of the
24 meeting.

25 Anything else that we need to discuss?

1 MR. LONG: No. As always, I like to note that
2 the next meeting is tentatively scheduled for February 12,
3 second Wednesday of the month, so if that fits everybody's
4 calendar.

5 We'll work with you as we move forward with not
6 only the need for the meeting but if we have the need for
7 quorum changes, we'll work with Board members to let you
8 know what's available. But other than that, no additional
9 comments.

10 MR. DIETZ: Great. Fantastic.

11 Any closing public comments?

12 (No response.)

13 MR. DIETZ: All right. The Board meeting is
14 adjourned at 11:33 a.m.

15 (Whereupon, at 11:33 a.m., the meeting was
16 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 22, 2020

I do hereby certify that the foregoing pages,
numbers 1 through 38, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Nancy H. King before the
Texas State Affordable Housing Corporation.

DATE: January 27, 2020

/s/ Nancy H. King
(Transcriber)

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