TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Wednesday,
February 12, 2020
10:30 a.m.

BOARD MEMBERS:

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

ON THE RECORD REPORTING
(512) 450-0342
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CLOSED MEETING

ACTION ITEMS IN OPEN MEETING

ANNOUNCEMENTS AND CLOSING COMMENTS

ADJOURN
MR. DIETZ: It's 10:30 a.m., and the Texas State Affordable Housing Corporation Board meeting of February 12 is called to order.

So, if you could first join me in the Pledge of Allegiance.

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

MR. DIETZ: Roll call. Bill Dietz, I am here. Valerie Cardenas, Vice Chair?

MS. CARDENAS: Here.

MR. DIETZ: Courtney Johnson-Rose is absent. Lali Shipley?

MS. SHIPLEY: Here.

MR. DIETZ: Andy Williams?

MR. WILLIAMS: Here.

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

Before we begin, is there any public comment?

(No response.)

MR. DIETZ: Hearing none, Mr. Long, our president's report.

MR. LONG: Good morning, members. Thank you very much.

As always, the program reports are in front of you. The one I'd like to note out is the quarterly
reports, the quarterly compliance and resident services reports and the quarterly fundraising reports. Those are not something you see monthly but quarterly, so those are added in. So, if you have any questions, staff can answer those for you on that.

The Loan Committee met yesterday on the 11th. We've reviewed the staff reports. We've also reviewed and approved for your consideration today the item under tab item 2 which is the Texas Housing Impact Fund, the guidelines for that program. Other than that, we didn't have any additional action that we took in that committee, but Mr. Williams attends on the Board's behalf, and Mr. Williams, do you have any other comments or anything?

MR. WILLIAMS: No.

MR. LONG: Okay.

Regarding Homeownership Programs, rather than going over all the numbers like we normally have done, I would just tell you we continue to have phenomenal reservation volume in the Single-Family Programs. It's pretty amazing what we're seeing. The staff is extremely busy, and I want to commend them verbally in this meeting to put it on record that we are so busy that they're literally working all the time, just overwhelmed with the volume we have. So, it's very important to keep on top of that because we have timelines we like to keep. They like
to turn the information around to the lenders and keep the
borrowers happy on a regular basis so they're trying to
meet those deadlines.

We have a job posting to work in that group to
add another staff member, so hopefully we can get that
filled and that will help kind of keep us moving forward.

But to show you just how much we are seeing in
volume; we continue to have lenders join the program. We
have six new lenders that were approved just since the
last Board meeting, so I just think it shows the continued
demand for the program and the interest by the lenders in
our program.

Under fundraising, we were awarded a $250,000
program-related investment from Austin Community
Foundation to pilot the Pre-Development Fund for Central
Texas. The PRI will help us and it will be included under
tab item 2 that David Danenfelzer will go over as part of
the Housing Impact Fund, but that program will be backed
by an addition $250,000 award from the same organization
to serve as a loan loss reserve to mitigate any risk that
TSAHC would take on by piloting that program.

Regarding marketing, we hosted on the 5th of
February an event in Harlingen at the Park Meadows
Subdivision. The event was attended by Senator Lucio,
Mayor Chris Boswell, Board members and staff from the
Harlingen CDC, and a Texas Community Bank representative, and our very own Valerie Cardenas who emceed the event for us. And we want to thank her personally for that. She did a phenomenal job even when the homeowners couldn't show up, she found a great way to talk through that lag in the presentation. Good job.

But again, we want to thank her for her attendance, and it was a really well received event, we got some really good press out of it, and again, great housing being developed in Harlingen to serve some very affordable needs situations.

Under the HEART Program, the Corporation partnered with Texas Enterprise Communities to host a roundtable for the HEART Program awardees on Monday, the 27th of January, last month. The roundtable was attended by more than 60 nonprofit staff and provided them with an opportunity to connect and learn from each other as well as to hear from potential funders and disaster recovery experts, including the General Land Office, the City of Houston, American Red Cross, Harvey Home Connect, BBVA Compass, JPMorgan Chase, and the Federal Home Loan Bank of Dallas.

So, I'd like to thank my staff that went down there, they did a really good job. I know Katie spoke, Michael and Laura were down there, and I think that it was
just a really well received opportunity for us to talk
about the program that we offer through the HEART Program.

We also hosted a two-day Neighbor Works
training for the HEART grantees on Tuesday and Wednesday,
right after the roundtable. The training was called
"Picking up the pieces: the first 30 days of response and
recovery" and that was attended by 35 nonprofit staff
members. So again, just continuing to offer up exposure
to the funding and also to provide training to these
organizations and nonprofit organizations.

Oversight and compliance and single-family
rental. As we have been given approval by the Board to
acquire single family residences to provide affordable
housing in high opportunity areas, as those properties
that we buy age out, one of our models is to sell some of
those properties as they age out and then replace them
with newer homes so that we have less maintenance and
overhead. So, I did want to tell you that on February 5,
Janie Taylor went to the closing for us. We sold the
duplex that we had located in South Austin and we'll use
those funds to probably buy one or two homes that will go
back into the portfolio, homes that we offer for
affordable housing.

So, we did a lot of work on that. I want to
thank Jesse who did a ton of work on that property to make
sure it was made ready for us to sell, and it was just a
good opportunity for us to move on and kind of replace an
older property.

So, at this time we have 23 single family units
and 15 apartments at the apartment complex, Rollins-
Martin, so we have 15 units there.

I always like to introduce our professionals
who are here. Obviously, Routt Thornhill, our general
counsel, with Coats Rose is here. Chris Spelbring with
Raymond James is here. Tim Nelson and Claire Merritt are
here with Hilltop Securities, our FA firm. And then we
also will have introductions to some other professionals
later as we have the agenda items, so I'll let those be
brought up by the staff as they come forwards.

And with that, Mr. Chairman, I conclude my
remarks unless there's any questions.

MR. DIETZ: Questions?

(No response.)

MR. DIETZ: Thank you very much.

MR. LONG: You bet.

MR. DIETZ: We'll go to tab item 1 for our open
meeting which is the presentation, discussion and possible
approval of the minutes of the Board meeting held on

Any questions or adjustments or comments?
MR. DIETZ: Is there a motion to approve?

MS. CARDENAS: So, moved.

MS. SHIPLEY: Second.

MR. DIETZ: It has been moved and seconded. Is there any public comment?

(No response.)

MR. DIETZ: Hearing none, all in favor.

(A chorus of ayes.)

MR. DIETZ: The minutes are approved.

Tab item 2, the presentation, discussion and possible approval of amended and restated policies for the Texas Housing Impact Fund.

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

We're bringing this back from last month. We did have it on the Board agenda last month, and as you know, we tabled that for a couple of reasons. One in particular was that we had received some other additional comments from our new general counsel which we really felt needed to be integrated and we wanted to do it just one time. And so, the writeup is a little bit different from last month because there are some additional changes to the policies that we've gone over, and the Loan Committee did review all of these yesterday during the meeting and
ultimately approved them for presentation to the Board today.

A couple of things that I'll highlight that were changes that are really great additions, I think, is we did do some clarifications specifically to Sections 12 of the program management and how loans are structured. In particular, we added sections, as we had previously, about the new pre-development loan program, but we also clarified that this was between revolving lines of credit and construction loans that are for multifamily housing. This, I think, was a great improvement that our general counsel caught and helped us kind of clarify in the program policies moving forward.

Additionally, we clarified language on environmental thresholds, financial strength of our applicants to make sure that it's kind of up to date, using more current terminology. And finally, one thing I'd note is that the retainage language in Section 16(b), while this is very small minutiae, our policies did not meet the current statute and so counsel helped us update it and make sure that the language we are using meets the statutory requirement now for retainage of loans and how liens are recorded or released.

With that, I'll leave it open for questions.

MR. DIETZ: Questions or comments? So
substantively, other than the things you just pointed out, there's not much that's changed?

MR. DANENFELZER: The greatest substance is the addition of the pre-development loan program which is something we hadn't clearly been able to do in the past, and so with the new funding that David Long mentioned in his president's report, we'll be utilizing that for pre-development activities and then we kind of created a new section of what's eligible, how to make payments on those loans and how we'll collect those loans. That was just some good work to expand the abilities of the program. But the rest are mainly clarifications.

MR. DIETZ: So before now that all would have been taking place prior to our involvement, all the pre-development stuff?

MR. DANENFELZER: The pre-development stuff would have happened before we got into the fray with funding, but this new financing opportunity that we've been provided by Austin Communities Foundation allows us some very secure, very safe monies that we can go out and hopefully impact the startup of several new projects in the Austin market, and if it's successful, we might be able to attract additional funders down the road to expand the program beyond the Austin area.

MR. DIETZ: Other questions?
MS. SHIPLEY: What exactly is considered pre-development versus construction?

MR. DANENFELZER: That's a great question. Oftentimes the pre-development expenses are paid for by permanent financing or construction loans, but there are a number of tasks that smaller nonprofits struggle to meet such as architectural fees, getting an architect engaged in doing some conceptual drawings in order to then apply for permanent financing or construction loans. It also can involve environmental studies of land, it can be marketing studies that are often used for applications for federal and state financing, and so this is the type of thing that we're going to be able to do.

One thing that has changed and makes it much more feasible to target, particularly in the Austin market, is that Austin has its own housing fund through a general obligation bond that was issued a couple of years ago, but they are providing forward commitments of that money. Their committing the money but not allowing it to be spent on pre-development, so it does make these a lot more safe because we do know there's a takeout source for our projects that we'd be financing, but oftentimes the nonprofits still struggle to come up with $50- to $100,000 just to get all of that groundwork done and then close on those permanent sources from the City of Austin. And so
that's where we're trying to fill that niche and bring them up so that they can get through that process much quicker and more efficiently.

MR. DIETZ: Okay. Great. So, is there any public comment or any other further questions?

(No response.)

MR. DIETZ: Okay. Is there a motion?

MS. CARDENAS: Motion for approval as laid out.

MR. DIETZ: It's been moved.

MR. WILLIAMS: I'll second.

MR. DIETZ: It's been moved and seconded.

I'll ask again if there's any public comment.

(No response.)

MR. DIETZ: No. So, all in favor?

(A chorus of ayes.)

MR. DIETZ: Any opposed?

(No response.)

MR. DIETZ: Okay. Approval of the amended and restated policies for the Texas Housing Impact Fund is passed.

Tab item number 3, presentation, discussion and possible approval of a resolution regarding the submission of one or more applications for allocation of private activity bonds, notices of intention to issue bonds and state bond applications to the Texas Bond Review Board and
declaration of expectation to reimburse expenditures with
proceeds of future debt for the La Plaza Apartments
project.

MR. DANENFELZER: Good morning. Again, David
Danenfelzer, Senior Director of Development Finance, and
I'm joined by the Developer, Ken Cash.

The project before us is being developed by
StoneArch Development, located here in Texas, and has been
working throughout Texas and other states for many years.
The project is called La Plaza Apartments and is located
in Houston, Texas and it's 534 units. The property was
built in 1970 and is, as you can imagine, in dire need of
rehab. The project that we're proposing or that Mr. Cash
is proposing is a pretty straightforward bond development
deal. The project qualifies, though, for disaster relief
funding through Harris County's CDBG program, or Community
Development Block Grant program, disaster relief funds
that have been provided to the county and city through the
federal government and through Harvey Relief.

And so the total amount of the financing will
be a little bit different in the sense that we'll have tax
credits coming in, we'll have the bonds, and then they'll
be purchased out by mainly what's called a 221(d)(4) FHA
insured mortgage, and then also approximately $25 million
in the disaster relief funds.
The project itself, its location in Houston, is kind of a unique area that has attracted immigrants from several parts around the world and has been one of the most densely populated areas of the Houston market for many years. It's evolution over the years it was very interesting to read about and kind of learn because of the vast number of different immigrant groups, primarily from South and Central America but from other parts of the world as well, and so it has an interesting mix of both high density housing but also is predominantly populated by mom-and-pop shops. It's something that from my understanding of urban planning and renewal and stuff like that, it's more similar to neighborhoods in Chicago, New York and even Los Angeles than it would be in most Texas communities. So, it really is kind of an interesting project for us to be involved in and look at the redevelopment of the Gulfton neighborhood area of Houston.

Again, one of the things that I want to make clear for you is that we are only asking for your authority right now through this resolution to move forward with investigating the project, developing bond documents, and then submitting reservations for the bonds to the Texas Bond Review Board. This is not a final approval. We will take several months to look at this project, we will do public hearings in the community, and
we will come back to you at some point, probably six to nine months from now is what we're anticipating, with a final approval for this project, so that we can bring it and close it at that time.

One of the reasons we're looking at a little bit maybe longer timeline than normal, the six to nine months closing, is that the disaster relief program will take several months to get approvals and so I don't want to touch base on that too much but we know that that will have to go through the federal review process and that may take some additional time for this project.

With that, I'll go ahead and close my comments and invite Mr. Cash to introduce himself and provide you a little bit of background about StoneArch Development.

MR. CASH: Hi. My name is Ken Cash. I'm with StoneArch Development in Houston, and we've been developing affordable housing as a company since 2005 and for ten years prior to that I worked for other affordable housing and market rate developers, really since 1990 here in Houston.

And I became familiar with the City of Houston and Harris County's Harvey Relief program about a year ago and I've been researching the market for the last year and going back and forth with several different property owners, and this particular property is right in the
center of the City of Houston's area that they've selected for what they call a Complete Community Zone and so they're trying to encourage some redevelopment activity in these locations by providing the disaster relief funds.

Part of this is to provide housing in areas either for new construction that can be built up higher and less likely to flood, or in this particular property, it's actually out of the flood zone, it's up about several inches, if not close to a foot higher in elevation than a lot of the other properties in that area so it's not prone to flooding but it is very dated. We'll be replacing pretty much everything you can see from the sheetrock out inside of the property and on the outside we'll be completely replacing all the doors, the windows, the roofing, the trim, the gutters, the landscaping, probably quite a bit of the sidewalks. I walked through the property recently when it was raining, it doesn't have good drainage, so we'll be redoing a lot of the civil infrastructure. Over the years the trees just tear up the sidewalks, so it's got really nice trees and everything but it's really torn up the sidewalks, and in addition to that, the underground plumbing lines, the drain lines and the water lines are starting to get some damage as well.

So I'm not going to call it a major renovation just because that could bring on some additional issues,
we're not going down necessarily to the studs, but we're taking off everything on the outside and the inside, so it will be new cabinets, new flooring, new appliances, new lighting. And we'll improve the entire community and provide additional services, all the playgrounds, the courtyards, we'll be completely redoing the community center and the pool area, the parking lot, all the striping and the access control, we'll be redoing the steel gates, we'll be repairing a lot of that and redoing the landscaping.

And so, we hope to set sort of a new trend for that area by -- we'll be maintaining pretty much similar rents, maybe slightly higher in some cases, slightly lower because of the different rent requirements from the City of Houston. And so, the people that are living there will benefit from pretty much new everything and their rents will stay pretty much the same. Again, it adjusts, there will be some 30 percent units, there will be some 50 percent units, 60 percent and then actually 80 percent and then maybe 5 percent of the property will be marketed as market rate, but that's probably closer to 60 or 80 percent level in that area.

So, the property was built in 1970 so they have done some upgrades along the way but not much. I mean, if you look at the inside of the property, the cabinets look
to be the original cabinets, the appliances almost look like they're the original appliances, they're not. So there's a lot of work that needs to be done and we just know that this is a location that the City of Houston is really promoting and the finance people, the banks and so forth that typically participate in these type of projects are really focused on this location.

It's within a mile or so of the Houston Galleria so if you're familiar with Houston right there, it's close to the intersection of 610 and 59 South. On one side is the Galleria and on the other side is the Gulfton and this is pretty much right in the center of the Gulfton community and it's kind of higher elevated, so it hasn't flooded, it hasn't had issues with flooding. Some of the other properties in that general vicinity have and this one hasn't. That's one of the reasons why we're targeting this property. It's a large project, it's 534 units which would be very difficult to do new construction these days, to find a property like that in that location and then get qualified.

Some of the complaints I've received in the past for doing these type of tax credit projects, sometimes the community members feel like by creating new apartment units maybe we will create additional demand for the schools and by renovating the existing apartment
project that's already there, we don't feel like we're creating any issues in that regards, we're not providing a whole bunch of new students for the schools, we're not creating additional traffic for the streets, and we know that the city is promoting this location, so everyone we've spoken to so far we feel like has been in support and we don't have any reason to believe that there would be any opposition for that reason. So, we just think this is a good location and the property is definitely a good candidate in need of, I would say, redevelopment and renovation.

MR. DIETZ: Is it currently just like a market rate?

MR. CASH: It's currently market rate, yeah.

MR. DANENFELZER: And this does fall under our sort of acquisition and renovation or rehabilitation of affordable. While it is market rate and there are no limitations on the rents, the rents currently in the property are quite affordable but there is significant pressure within that market of developers who are purchasing up lower cost rent units, converting them, doing rehabs, but then moving to a full market rent so increasing the rents significantly. Which is exactly one of the reasons we amended our policies last year to allow for these types of projects.
It is something that groups here in Austin and Dallas and Houston and all of the major metro areas have been commenting to us is that there are a number of sometimes called a naturally affordable units that are being lost because of rehab. It's something that we see just about everywhere in every market. So being able to capture this and then put on it a 30-year affordable rental rates that really diverse -- I mean, we're talking, as Mr. Cash mentioned from 30 in striations by 10 percent all the way up to 80 percent area median income, so it's a great mix of affordability that we're going to be able to lock in for this community long term.

In my analysis, as well, there's not a lot, there were only four other projects within a two-mile radius of this project that have subsidized rents, which considering this being the most densely populated area of Houston was quite surprising to me, but it also is reflected in the fact that the Galleria is one mile north and it's a booming, growing area. It's not an area that has traditionally been targeted by affordable housing developers over the years.

MS. CARDENAS: So, the project itself is occupied right now at market rents?

MR. CASH: Yes.

MS. CARDENAS: So those individuals, I guess
there will be a timing requirement once you acquire it because they'll be displaced because they'll no longer qualify based on the parameters that are noted in here?

MR. DANENFELZER: It is likely that some of them will be displaced. The tax credit program as well as the bonds, do have retention policies and relocation policies, and so each of the tenants will have to be interviewed and reviewed whether or not they qualify for new units. Mr. Cash is probably a lot more experienced with how that process works, but there are requirements to those programs for ensuring that as many of the tenants who are in place right now that could qualify are given the chance to move back immediately. But this is a very significant rehab so we don't know how many will be able to stay in place at this time.

MR. CASH: We're expecting a large majority of the people that live there to continue to live there. Our goal is to do one building or one section of a building at a time and then those people will be relocated to another part of the building while we finish the construction. There is some vacancy right now and prior to construction we're going to try to vacate one building and then that will be the first building that we do, and then we'll move people there and then we'll do the next building.

So we anticipate a large majority, I would say
probably 90 percent of the property will be able to continue to live there because even though it's a market rate property now, with all the different rent and income levels that we're allowing, pretty much everyone will be able to qualify. And the only question would be if maybe they had difficulty, I don't know, with their background of some sort, maybe their credit. I don't know. There could be some legal reasons the property managers may have with a certain individual, but as a general rule, we're hoping to maintain as many people that are currently living there as possible. We know that when you do a complete renovation like this, it's going to take us some period of time. It's not as time-consuming as new construction, obviously but we're hoping to just move people from one building to another. That's our goal.

MR. DANENFELZER: And there will be a fund within the budget for relocation assistance to all of the families, whether it's moving from one building to another or even for them to move out to different properties. That's, again, a requirement of the tax credit and bond programs. That budget has not been set yet, but at the same time, there will have to be a reserve fund for relocation assistance.

MR. CASH: And that's a big issue that the City of Houston participates in as well. One of the reasons...
why it's going to take so long to close this project is because the City of Houston takes a lot of time and they get involved in all of these details from when they're awarding the soft funds from the Harvey -- not on other projects -- but since they would be involved, they have a whole list of, you know, requirements they have for relocation, and I'm not 100 percent familiar with all of them myself right now but I plan to become more and more involved prior to us actually moving people.

But the City of Houston has a lot of different things that they're going to be looking over our shoulder on and being involved with. The people working on the project have to be paid a minimum wage of $15 an hour and they're going to have to be provided with benefits like insurance and training and other things that wouldn't normally be required on a typical construction project. And it's something that I've participated with in the past on other projects so I'm familiar with it, but this is just a whole other level.

They have a lot of goals that they're trying to accomplish with this funding that they're in charge of, and part of it to provide opportunities for people that currently live in Houston in the reconstruction and renovation portion of the project, and so we plan to participate in all of that. And you know, we'll be hiring
contractors that are certified as Section 3 and I believe 30 percent have got to be certified as WMBEs certified with the City of Houston. And those are just a few additional requirements that we have by receiving the money from the City of Houston as well.

MS. CARDENAS: I'm saying that was really where I started off with my question, so it sounds like the City of Houston has really got it down to a science, because although we always want to try and do something good for the community, you have to ensure that there's no negative publicity, and so that was my concern with, you know, you've got people at market rents. It's an existing project, right, that's being occupied, so I think you all have clarified the transitional methods that are going to go on. The fact that they're going to have a subsidy for them relocating and so forth. So that was really what I was kind of focused on there.

MS. SHIPLEY: I was going to ask if you have a time frame or a schedule for the whole project, beginning to end, including all the relocation.

MR. CASH: It's two years, but as far as a detailed schedule right now?

MR. DANENFELZER: Until we lock in on the date of closing and the financing, we won't have a start date, but typically these projects will take two years from
closing on the bonds and all the other financing until the first move-in can begin. If it's any shorter, then it will be done but oftentimes -- or I shouldn't say first move-in but in this case where it's going to be phased construction, but once all the construction is complete with sort of final occupancy certificates are issued, about two years.

MR. CASH: And we've got six months until we can start moving people around and then by the end of two years, we should be complete with the whole project.

MS. SHIPLEY: Do you have any idea of how long people would be displaced? Or maybe I'm not understanding how the relocation works. Are they moving out and goodbye or are they moving out and then coming back?

MR. CASH: If they decide to move then I believe the City of Houston will probably require that they be compensated somehow. Otherwise, we set up a budget of somewhere around $500 per unit to move them. Now, whether we're still going to have to follow all the procedures of the City of Houston, whatever that may be, but we really are just anticipating they would move from one unit to another and they should get movers or unless they were able to do it themselves and save the money or something like that. It shouldn't really displace anybody; they're just going to move from one building to
another.

MS. SHIPLEY: Okay.

MS. SHIPLEY: I was curious, I guess the overall budget as like 80-something million, and if the displacement or relocation fees were included in that budget or not, and if it was dependent on how long they were gone.

MR. DANENFELZER: There's averages that the state housing department required for whether it's per person or per family that's moved, but again that is the total budget and it is included in the cost for the project right now. And again, these are preliminary numbers, so they'll refine them as they go through, but at the same time, this is a pretty good starting point for us based on our understanding of construction costs and the market for Houston.

MR. DIETZ: And I think you mentioned earlier that you'll have some sort of community feedback, that sort of thing, and then when we come back for a final approval, we'll be aware of all the metrics that you pick up from that.

MR. DANENFELZER: Absolutely. We will do a public hearing in this location or nearby, probably usually it's in one of the public libraries or schools in the community, and then we'll come back and we'll have the
testimony from that that has been collected, as well as we'll hold a second hearing here in Austin which is the federal requirement. We'll enter all that information into the record at that time.

MR. DIETZ: And that hearing would be an opportunity for any residents, current residents to come and speak.

MR. DANENFELZER: Absolutely. They'll be notified as well that the hearing is occurring and that they're welcome to come and visit. We usually do those in the evenings after work so that people have time to settle in a little bit, get to the hearing, not have to rush too much.

MR. WILLIAMS: I have a couple of questions. Do you guys build and own or are you guys going to do the value-add and trade this?

MR. CASH: We'll have to hold it for 15 years minimum, but we're probably going to commit to a 40-year affordability period, which another item that you can receive points for from the City of Houston, but we will hold like a typical tax credit project.

MR. WILLIAMS: And you guys are vertically integrated with an asset manager owner or are you going to third party that?

MR. CASH: It will be a third party. Allied
Orion is the property manager that we're currently working with. They're probably the biggest affordable housing property management company in Houston.

MR. DANENFELZER: And oftentimes the asset management piece of often managed by the tax credit investor or a party that they bring in. So, while sometimes you see owner-operators have an asset management arm and they may do some of those functions internally, there's always a third-party asset manager that's hired by the tax credit equity provider.

MR. WILLIAMS: Well, that's the most credit required on the tax credit, the management. And you guys have worked with them before on a big project?

MR. CASH: Yeah.

MR. WILLIAMS: And then I see the budget is 34- a unit for the rehab, 34,000?

MR. CASH: I think if you add in together all -

MR. WILLIAMS: The contingency is about 40-?

MR. DANENFELZER: It's about 43- to 44,000 with all contingencies and additional costs, site work. But you're right, just for the sticks and bricks piece for the buildings is around 34,400 right now in the budget that I received.

MR. WILLIAMS: I mean, it's a good project,
especially with 364 units being at 60 percent and then under, because I'm familiar with Houston, it's a high opportunity area. And you guys have the ability to execute and the 4 percent bond requires at least 40% on the rehab, so it's a great project.

Are we charging an application fee? And if not, what's going to be our pursuit cost?

Because you have it under contract right, you don't own the asset. Right?

MR. CASH: Correct.

MR. WILLIAMS: You don't have a resolution of support from the city yet, but you have good faith.

MR. CASH: Right.

MR. WILLIAMS: So, what is our pursuit cost on getting the letters out? What are we going to have out?

MR. DANENFELZER: So, we do collect an application fee, it's $1,500, and that's just for my time and to review the application and bring it to y'all. Then over the next several months there will be some additional fees that the developer or a party will have to pay.

After today, if this is approved, there's an inducement fee of $7,500 which helps us cover the cost of the public hearings as well as preparation of the reservation application to the Bond Review Board. There's deposits, as well, that will be due for our municipal advisor,
issuer counsel and bond counsel, and that totals $30,000. And most of the work between now and then will be bond counsel and our third-party professionals.

It really doesn't take me that long to set up a hearing, a couple of hours on the phone finding a location and then actually doing it, but we'll continue to review it timewise. And then once the deal closes then there are closing fees and other fees that will collect for both our asset management oversight compliance as well as our standard issuer fee, which is ten basis points on the bond amount, until the bonds are paid off.

MR. WILLIAMS: It's a good project. That's the kind of stuff I think we should be doing, those value-added projects. There's not a lot of tax credit guys that actually execute that, so it's good.

MR. CASH: I've been trying for the last year and it's easier said than done.

MR. WILLIAMS: Is the seller staying in the deal with you guys, or are you guys buying him out clean?

MR. CASH: No. They're being bought out. But a lot of people who own these type of properties don't want to deal with tax credits and the tax-exempt bonds, they sell these amongst themselves all the time and it's a much quicker turnaround. So, to find somebody that owns a property like this that's willing to go through the
gauntlet of the City of Houston and everybody else involved is not always simple.

MR. WILLIAMS: It's a good project.

MR. DIETZ: Any other questions, comments?

(No response.)

MR. DIETZ: Well, I guess we need a motion for the resolution. A motion?

MS. CARDENAS: So, moved.

MR. WILLIAMS: I'll second.

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

(No response.)

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

(A chorus of ayes.)

MR. DIETZ: Any opposed?

(No response.)

MR. DIETZ: Okay. It is approved, the resolution regarding the submission of the private activity bonds.

MR. DANENFELZER: Thank you very much.

MR. CASH: Thank you.

MR. DIETZ: Good luck as you move forward.

Tab item 4 is the presentation, discussion and possible approval to publish for public comment the Texas Foundations Fund Draft 2020 Guidelines.
MR. WILT: Good morning, Chairman Dietz and Board members. I'm Michael Wilt, Senior Manager of External Relations here at the Texas State Affordable Housing Corporation, presenting this tab item which is an action item asking you to approve publishing the 2020 Texas Foundations Fund Draft Guidelines for public comment.

With your approval, the public comment period will begin tomorrow, February 13, and close on Monday, March 16. We will review any public comment that we receive and bring the final guidelines back to you for approval at the April Board meeting.

Last month we did conduct a survey for our Texas Foundations Fund Program. We sent it out to hundreds of people with nonprofits, past grantees, past people who had applied and weren't awarded grants, we sent it to as many people as we could who might have an interest in the program. And we were encouraged by the results because no major changes were needed based upon the comments. Of course, everybody is asking for more money, and some people just weren't familiar with the program to begin with.

So, to that end, the guidelines that you have in front of you reflect the matching grant structure that we've been using for our program since 2016, or the past
two cycles, the 2016-2018 cycle and then our 2019-2020 cycle. Under this structure we select partners every two years and all of these selected partners are eligible for matching grants to supplement the public and private funds that they've raised to support their programs.

The programs eligible for matching funds remain the same: critical repairs of single-family homes, owner-occupied homes, and supportive housing services that help families and individuals who are at risk of homelessness or in unnecessary institutionalization. All of our households that we serve it either has to be in a rural area or somebody with a disability, and everybody has to be low income, below 50 percent median income.

We have the threshold criteria for the partners, you can see those on page 2. We did make a couple of minor changes to the guidelines because we're rolling out a new grant management system. Our old one is working okay but internally we didn't like it and so we changed. This change is basically you have to pass an eligibility quiz before you can apply for a grant and awarded grantees are allowed the options of requesting funds within that grant management system. Aside from that, we updated the dates and everything else looks the same.

Happy to take any questions.
MS. CARDENAS: What is the average amount for the grantee with respect to a nonprofit or whoever it might be, just as an example?

MR. WILT: Well, it depends on how much the Board allocates and how many partners we have, but most recently we had $500,000 divided among 24 partners, so what was that, 20-something? I should know this.

MS. CARDENAS: That's fine.

MR. LONG: It's dependent on how many applicants we get against how much money the Board provides us and how many other funds we have available to it. That was the most recent award the Board made in that budget.

MS. CARDENAS: Right, and it was really just to see how much it was going to stretch out, but I know it depends on the number of applications coming in. So, I was just wanting to get an idea.

MR. WILT: Twenty-one thousand, and that's pretty high, for the current one.

MS. CARDENAS: Right.

MR. WILT: And that's been on the high side, so obviously, the Corporation has been able to provide more in funding as the years have gone on.

MR. LONG: And this program has been around since 2008. Correct? Since 2008. And the Board has
authorized this over the years and I have to say it's one of my favorite programs we offer in that it's grant, and it really is, we try and keep the overhead in terms of what's required of the applicants to a minimum so they can just do their job, and we've awarded over $3 million, thanks to the Board's generosity, in making these funds available. So I think for the Corporation to say that we've assisted with over $3 million in grant funds just of our own resources, which is typically where these monies come, is really a testament to this Corporation and the Board's commitment to affordable housing, and I really do like this program a ton.

So, we'll continue to keep asking the Board for money in each budget cycle just because we think it's something that's really valuable for us to be able to offer, control and dictate the use of the funds. We have total control because they're our monies and we don't have to over-restrict them if we don't want to. So, it just goes directly to creating and preserving affordable housing and helping those people in the most need, so it's a great program.

MS. CARDENAS: You mentioned $3 million.

MR. LONG: Since inception.

MS. CARDENAS: Since inception. Okay. So, it's been around $500,000 per cycle?
MR. WILT: No.

MR. LONG: No. It started off much smaller, but we've grown it over time. Yes, ma'am.

MS. CARDENAS: Okay. And the objective is to continue to increase this.

MR. LONG: Right.

MS. SHIPLEY: So, what exactly changed from the 2020? Was it just feedback from the surveys?

MR. WILT: Well, nothing substantial changed. We updated dates and then to reflect the fact that we have a new grant management system we made applicants take an eligibility quiz a requirement before they could apply, and then there's just the option now to request a grant within our grant management system as opposed to us setting up something online for them to do it. We just had to get that in, nothing substantive changed.

MS. SHIPLEY: Okay.

MR. DIETZ: Any other questions?

(No response.)

MR. DIETZ: All right. Is there a motion?

MS. CARDENAS: Motion for approval.

MS. SHIPLEY: I'll second.

MR. DIETZ: It's been moved and seconded that we approve the Texas State Affordable Housing Corporation's Texas Foundations Fund Draft 2020.
Guidelines.

Any public comment?

(No response.)

MR. DIETZ: All in favor?

(A chorus of ayes.)

MR. DIETZ: Any opposed?

(No response.)

MR. DIETZ: Okay. It is approved. Thank you very much.

The next tab item is the presentation and discussion and possible approval of the Texas State Affordable Housing Corporation's 2020 Annual Action Plan.

MR. WILT: Good morning. I'm Michael Wilt again, Senior Manager of External Relations, here to present the Corporations Draft 2020 Annual Action Plan and ask for Board approval.

In December you approved the draft plan for publication and allowed us to make it available for public comment from December 19 through January 20. We didn't receive any public comment on the draft plan.

The only change we made since that time is on page 7 and that's to update the numbers within homeownership activity. So, in the 2019 Homeownership program activity synopsis, you'll see that the number of families that we've assisted is now the most accurate
number we have to date. We can't include an accurate number in the draft form because we don't know that until much later.

As a reminder, this plan is prepared in accordance with Texas Government Code Section 2306.566. It requires us to develop a plan to address the state's housing needs. Our annual action plan must be included in the State Low Income Housing Plan prepared by the Texas Department of Housing and Community Affairs. After the Board approves it, we'll be sending it over to them and it gets included in that State Low Income Housing Plan, and then that gets sent over to the Governor, Lieutenant Governor and Speaker.

With that, I will take any questions.

MR. DIETZ: Questions, comments?

MS. CARDENAS: The only comment I have is, I guess, we helped 50 more families in 2019 from 2018. That just seems like a small amount, just with all the programs that we offer.

MR. WILT: Well, I mean, if you add the 2016 and 2017 numbers in front of you, your mind would be blown, I think. We made some major changes in the past and then our numbers exploded and now they're kind of flatlined. I don't know what we can do next. I imagine you'll see them kind of stay like this.
MS. CARDENAS: Regardless of that it's going up, I just know we have a lot of great programs and so I just kind of saw it as like 50 families divided over 12 months with all the activities that y'all do it just seemed kind of low.

MR. WILT: That's just for homeownership, though.

MS. CARDENAS: Okay.

MR. LONG: Just the homeownership program.

MS. CARDENAS: Okay. Well, you set the bar high if we're going to look at vacancies next year, we're going to expect it. That was the only comment I had.

MR. WILT: I'll try to break 10,000, I'm just setting a goal for somebody.

(General laughter.)

MR. DIETZ: And this is the actual approval of the plan. Right?

MR. WILT: Yes.

MR. DIETZ: Is there a motion?

MS. CARDENAS: Motion for approval.

MR. WILLIAMS: I'll second.

MR. DIETZ: It's been moved and seconded.

Is there any public comment?

(No response.)

MR. DIETZ: All in favor?
(A chorus of ayes.)

MR. DIETZ: Any opposed?

(No response.)

MR. DIETZ: The 2020 Annual Action Plan is approved.

MR. WILT: Thank you.

MR. DIETZ: Next is tab item 6, presentation, discussion and possible approval of the request for proposals for the Corporation's financial audit.

MS. SMITH: Good morning. My name is Melinda Smith. I'm the chief financial officer.

As you may recall, we just completed our financial audit for 2019, and historically, we have issued an RFP for audit services every three years, and 2019 was the last year on our contract with Maxwell, Locke and Ritter. So, we're requesting the Board's approval for us to issue a new RFP for audit services for the next three years.

MR. DIETZ: So, as a reminder, we have an annual audit and we hire a firm and contract with the accounting firm for a three-year period, so three audits per contract term.

MR. LONG: Correct.

MR. DIETZ: Any questions?

(No response.)
MR. DIETZ: Is there a motion?

MS. CARDENAS: Motion for approval.

MS. SHIPLEY: I second.

MR. DIETZ: Any public comment?

(No response.)

MR. DIETZ: All in favor?

(A chorus of ayes.)

MR. DIETZ: Any opposed?

(No response.)

MR. DIETZ: Okay. The approval to move forward with the request for proposals is approved.

MS. SMITH: Thank you.

I would like to add that this RFP is a little different from the other ones because the auditors report directly to the Board and the Audit Committee.

MR. DIETZ: Yes. That's a good clarification.

MS. SMITH: Thank you.

MR. DIETZ: Okay. Tab item 7 is review and discussion and possible approval of the annual performance review of the president of the Corporation and any related actions. And for this tab item we will now move into closed session per Texas Government Code 551.074, personnel matters, and we're doing that at 11:26.

(Whereupon, at 11:26 a.m., the meeting was recessed, to reconvene this same day, Wednesday, February
12, 2020, following conclusion of the executive session.)

MR. DIETZ: We are back in open session at

11:53.

No specific action was taken during closed
session. We did discuss the performance review of the
president of the organization.

Is there a motion to make an adjustment in the
salary of the president of the organization commensurate
with the performance review?

MS. CARDENAS: So, moved.

MR. WILLIAMS: I'll second.

MR. Dietz: It's been moved and seconded. All
in favor?

(A chorus of ayes.)

MR. DIETZ: Any opposed?

(No response.)

MR. DIETZ: None. Any public comment?

(No response.)

MR. DIETZ: No public comment, so it is
approved.

Great. Any other conversation or questions?

MR. LONG: The only thing that I always like to
do is remind you that the next scheduled Board meeting is
scheduled for Wednesday, the 11th of March. Again, I
always tentatively save that date, it's what we have on
our Board calendar, but we also align that with whatever activities we might have that would cause us to not -- if we don't have enough activity, we won't bring the Board in, but I think we're actually set to have a Board meeting in March because we do have things we need to bring to you.

MR. DIETZ: I can't attend on the 11th.

MR. LONG: And that's a tentative date. If the Board wants to change it, we just pick the second Wednesday of every month, but if the Board wants to move it to the third or whatever, we're happy to do that. That's up to you guys.

MS. SHIPLEY: And that's not the best day for me either.

MR. LONG: Would you like us to have Rebecca send out like an email just asking what dates are available and see if that works, and if there is a date that works? Do you want to stay with a Wednesday, like the third Wednesday of the month, or do you want to change it?

MR. DIETZ: That's up to the 18th. Correct?

MR. LONG: Mr. Williams, does that work for you, the 18th, do you know?

MR. WILLIAMS: I'm pretty flexible.

(General talking and laughter.)
MR. LONG: So why don't we do this, I will ask Rebecca -- she's sitting right back there -- I'll have Rebecca send out an email to the Board members so Ms. Rose is available and make sure that she's available and we'll figure out the date that works and we'll set it up that way.

MR. DIETZ: Great.

MR. LONG: Thank you very much.

MR. DIETZ: Thank you.

All right. If there's no other business, then we are adjourned at 11:56.

(Whereupon, at 11:56 a.m., the meeting was adjourned.)
CERTIFICATE

MEETING OF:     TSAHC Board of Trustees
LOCATION:      Austin, Texas
DATE:      February 12, 2020

I do hereby certify that the foregoing pages, numbers 1 through 47, 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:  February 19, 2020

(Transcriber)

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