

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

VIA TELECONFERENCE

Wednesday,
May 13, 2020
10:30 a.m.

BOARD MEMBERS:

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

ON THE RECORD REPORTING
(512) 450-0342

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
CALL TO ORDER	4
ROLL CALL	4
CERTIFICATION OF QUORUM	4
PUBLIC COMMENT	none
PRESIDENT'S REPORT	6
Tab A: Homeownership Finance Report	9
Tab B: Development Finance Report	9
Tab C: Quarterly Compliance and Resident Services Reports	9
Tab D: Quarterly Fundraising Report	9
Tab E: Monthly Financial Reports	9
ACTION ITEMS IN OPEN MEETING:	
Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on March 18, 2020.	12
Tab 2 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 Fawn Ridge Apartments Project.	13
Tab 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 Marshall Apartments.	20
Tab 4 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	25

Review Board and Declaration of Expectation to Reimburse Expenditures with Proceeds of Future Debt for the Shady Oaks Manor Apartments.

Tab 5	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 W. Leo Daniels Towers.	31
Tab 6	Presentation, Discussion and Possible Approval of a Resolution amending the provisions of Resolution No. 18-19, as amended by Resolution No. 20-01 relating to the Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Ventura at Fairgrounds Apartments) and resolving other matters incident and related thereto.	36
Tab 7	Presentation, Discussion and Possible Approval of an Amendment to the Guidelines, Scoring Criteria and Targeted Housing Needs for the Allocation of Qualified Residential Rental Project Tax Exempt Bonds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2020.	39
Tab 8	Presentation, Discussion and Possible Approval of the 2020 Texas Foundations Fund Guidelines.	43
Tab 9	Presentation and Discussion on Developing a Statewide Housing Task Force.	48
Tab 10	Presentation, Discussion and Possible Approval of Additions to the Corporation's Fiscal Year 2020 Broker Listing.	58
	EXECUTIVE SESSION	none
	ANNOUNCEMENTS AND CLOSING COMMENTS	60
	ADJOURN	60

P R O C E E D I N G S

1
2 MR. DIETZ: Then it is 10:30 a.m. on Wednesday,
3 May 13, and I want to welcome everybody to the first
4 completely virtual meeting of the Texas State Affordable
5 Housing Corporation. And before we get started, we'll do
6 our roll call here.

7 Bill Dietz? I am here.

8 Valerie Cardenas?

9 MS. CARDENAS: Present.

10 MR. DIETZ: Courtney Johnson-Rose?

11 MS. JOHNSON-ROSE: Present.

12 MR. DIETZ: Lali Shipley?

13 MS. SHIPLEY: Present.

14 MR. DIETZ: And Andy Williams?

15 MR. WILLIAMS: Present.

16 MR. DIETZ: Okay. We do have a quorum. And
17 before we get started, I know there will be some direction
18 on how exactly this meeting will be run here shortly, but
19 I'd like to ask everybody, before speaking each time, just
20 to identify themselves so that we all know who it is
21 that's speaking.

22 And so, before we begin, let's start with the
23 Pledge of Allegiance. And as I remind -- I'm involved in
24 my son's Boy Scout troop, and as I remind them, you don't
25 need a flag for the Pledge of Allegiance, so if you don't

1 have a flag present, don't worry about it.

2 Just go right ahead and join us for the Pledge
3 of Allegiance. So, I will lead us.

4 (Pledges were recited.)

5 MR. DIETZ: And that worked better than some
6 Zoom meetings I've been doing in Boy Scouts. Thank you.
7 And before we begin, is there any public comment?

8 (No response.)

9 MR. DIETZ: Hearing none, do we go straight to
10 the President's Report, or do we have -- are we doing the
11 overview --

12 MS. ELLINOR: Bill, I think --

13 MR. DIETZ: -- before we do the President's
14 Report?

15 MS. ELLINOR: -- yeah. Let's do a quick
16 overview, just so everyone on the call understands --

17 MR. DIETZ: Great. Perfect.

18 MS. ELLINOR: -- the protocol and their tool.
19 So, this is Sarah, everyone. Thank you, Bill.

20 So again, as Bill mentioned, please keep your
21 line muted until it's your turn to speak or until you wish
22 to speak, just to cut down on background noise. When you
23 unmute your line, you may have to unmute both your webinar
24 component as well as your phone, or it may be one or the
25 other. Everyone seems to be different.

1 So, if you begin speaking and it sounds like
2 people can't hear you, just try both. Announce yourself,
3 as he said, as a courtesy to the court reporter,
4 Elizabeth, and this includes Board members.

5 So, Board members, if you wish to make a
6 comment on a particular tab item, just make sure you
7 introduce yourselves. I know that people that are
8 presenting the tab items are used to that, but you may not
9 be. So -- and then everyone listening in the audience,
10 you are on listen-only mode.

11 So, if you wish to make a public comment or,
12 you know, would like to comment on something, please
13 indicate so in the chat feature. I'll be monitoring that,
14 and I will unmute your line individually, should you like
15 to make a comment.

16 I think that's all. So, I'll go ahead and
17 start off with David Long in your President's Report.

18 MR. LONG: Bill, you good to go?

19 MR. DIETZ: Great. Absolutely. Thank you,
20 Sarah, for that explanation. David, we're ready for the
21 President's Report.

22 MR. LONG: Okay. Again, for the record, this
23 is David Long. Good morning, Chairman Dietz and Board
24 members. Given that the Board meeting is being held via
25 webinar and teleconference this morning, I'm going to

1 streamline my President's Report because we have a rather
2 long agenda.

3 So, first, let me just thank the Board members
4 for meeting under these unique circumstances. As Mr.
5 Dietz mentioned, this is the first time we've ever had a
6 Board meeting under these circumstances and via this
7 virtual nature.

8 So, I want to thank you guys for being able to
9 be available under these circumstances. I also want to
10 make a special thank you to Sarah Ellinor and Rebecca
11 DeLeon for their role in coordinating and hosting today's
12 Board meeting.

13 I know each of the Board members received a
14 training call from Sarah and she was able to kind of go
15 over the process and the procedural points of this
16 meeting. So, thank you, Sarah and Rebecca, for making
17 that happen.

18 I also want to thank all the staff that
19 participated in getting this Board book together. It's
20 been a little unique for us to do it separate and apart
21 from each other, but it worked out just fine. As the
22 Board may or may not know, we've been working from home
23 since March 19.

24 During that time, we've been able to maintain
25 TSAHC's business as usual, which I'm very proud of. We've

1 been able to maintain calls and coordinate with all of our
2 third-party vendors, as well as our partners in the
3 industry that we work with and our lenders and realtors
4 and everybody else.

5 So, I want to thank the staff and I'm very
6 proud of what we've been able to accomplish in that. They
7 actually have done a really good job. We had a little bit
8 of fun one day on a call. Staff sent in some pictures of
9 their home offices, and it was quite interesting to see
10 what some of the staff considered to be home offices.

11 So, they've done a really good job of making
12 their home offices very functional. We anticipate going
13 back into the office, assuming all is still given the go-
14 ahead, on June 1. Until then, we will continue to allow
15 staff to work from home if they wish.

16 Some staff, I know, started to go back into the
17 office this week, but it's a very limited number, and
18 we'll continue to make sure that the staff, when they do
19 return, are receiving the supplies needed to make sure
20 that they have the ability to maintain social distancing,
21 the cleanliness, health and safety of the staff, which is
22 our utmost concern.

23 For the Board members, program and financial
24 reports are under Tabs A through E of your Board book that
25 was sent out to the Board members and to the public on our

1 website. I would allow any of the questions you might
2 have on that to be brought up at this time, just because
3 we have the staff that are available to answer those
4 questions.

5 One of the unique reports in that, obviously,
6 is our compliance -- Quarterly Compliance and Resident
7 Services Report. And then in addition, we have our
8 quarterly -- well, it's not really quarterly, but we have
9 our quarterly fundraising report.

10 We get that -- we know about it on a daily
11 basis, and are reported monthly, but it does have -- the
12 quarterly fundraising report is in there as well. So, if
13 you don't have any questions, I would just let the Board
14 know that yesterday, via conference call, the Loan
15 Committee met.

16 We met at 10:30. We did consider a 90-day
17 extension to a loan that the Board had previously
18 considered a while back in committee as eligible and
19 authorized to make an extension on that, and the Committee
20 approved a 90-day extension to Hamilton Valley portfolio
21 project.

22 The loan was delayed, obviously, due to some
23 circumstances and the volatility in the market, not to
24 mention the COVID-19 issues that we're dealing with. So,
25 we do anticipate within that 90 days that transaction will

1 close, and that loan will be able to be -- the extension
2 of 90 days to be sufficient.

3 In addition, the Committee reviewed the typical
4 program reports and our loan portfolio reports. We didn't
5 have any additional issues that were addressed, and the
6 staff also reported on some ongoing activity they are
7 looking at that may eventually come to the Loan Committee
8 in the future.

9 Andy Williams, Board representative to the Loan
10 Committee, was also present via phone call, and so at this
11 time, Mr. Williams, if you have any comments or questions
12 that you'd like to kind of add on, I'm happy to let you do
13 so at this time.

14 MR. WILLIAMS: Thank you, David. I do not have
15 any comments or questions. Thank you.

16 MR. LONG: Okay. Thank you. And again, thank
17 you, Andy, for joining. The last thing I'll bring up in
18 my President's Report, Mr. Chairman -- so I'll streamline
19 the program areas because I've had a chance to talk with
20 each of the Board members or provide you each updates on
21 some things that were in the program area reports.

22 But I will let you know that, a while back, the
23 Board approved an RFP for our financial auditor services.

24 That RFP goes out rather timely, and we do have three
25 responses back from that. At this time, we're not ready

1 to make a recommendation to the Board.

2 We haven't completed our review and scoring of
3 those responses, but we do anticipate having those to you
4 in the near future, and at that time, we'll be bringing
5 that to the Board for their consideration and voting on
6 that.

7 With that, Mr. Chairman, I'll go ahead and
8 conclude my remarks. I would just again add that the
9 staff have been doing an exceptional job in making sure
10 that everything is getting done. We have a lot of things
11 that are going on in a lot of the program areas.

12 As I mentioned before, each of you should have
13 gotten some updates from me. And with that, I'll
14 conclude. The only other thing I'll add with is, I know
15 Mr. Thornhill is online. He is with Coats Rose, serving
16 as general counsel for the Corporation, and so if you have
17 any questions during the meeting, Mr. Thornhill is
18 certainly available to answer those questions.

19 And then also, the last thing is, the next
20 meeting of the Corporation is generally scheduled for
21 June 10, which is the Wednesday, June 10. So, with that,
22 I'll conclude, unless there's any questions.

23 MR. DIETZ: Great. This is Bill Dietz
24 speaking. Thank you, David. Are there any questions or
25 comments from Board members pertaining to the President's

1 report?

2 (No response.)

3 MR. DIETZ: Okay. Hearing none, we'll go into
4 our action items for today's meeting. Tab 1 is the
5 "Presentation, Discussion and Possible Approval of Minutes
6 of the Board Meeting held on March 18." And so, are there
7 any comments, corrections, questions about the minutes?

8 (No response.)

9 MR. DIETZ: If not, is there a motion to
10 approve the minutes?

11 MS. CARDENAS: This is Valerie Cardenas. So,
12 moved.

13 MR. DIETZ: Thanks, Valerie. Is there a
14 second?

15 MR. WILLIAMS: This is Andy Williams. I'll
16 second.

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

19 (No response.)

20 MR. DIETZ: Okay. All in favor -- I guess we
21 will say, aye, and then I'll -- each time, I'll call for
22 any opposed, so that we can have an opportunity to
23 vocalize that as well. So, all in favor, please say, aye.

24 (A chorus of ayes.)

25 MR. DIETZ: Okay. Any opposed?

1 (No response.)

2 MR. DIETZ: Okay. Then the -- Tab 1, the
3 minutes from the Board meeting on March 18, are approved.

4 Tab Item 2 is the "Presentation, Discussion and
5 Possible Approval of a Resolution Regarding the Submission
6 of one or more Applications for Allocation of Private
7 Activity Bonds, Notices of Intention to Issue Bonds and
8 State Bond Applications to the Texas Bond Review Board and
9 Declaration of Expectation to Reimburse Expenditures with
10 Proceeds of Future Debt for the Fawn Ridge Apartments
11 Project."

12 Is there a presentation regarding that tab
13 item?

14 MR. DANENFELZER: Yes. This is David
15 Danenfelzer, Senior Director of Development Finance. I'll
16 just ask one question. Sarah, should I go ahead and share
17 my screen at this point?

18 MS. ELLINOR: Sorry. Do you have something
19 that you need to present to them, or is it just your
20 virtual --

21 MR. DANENFELZER: Just the --

22 MS. ELLINOR: -- presentation?

23 MR. DANENFELZER: -- Board packet. It's just
24 the Board packet.

25 MS. ELLINOR: No. You don't need to present

1 that to them, I don't believe, unless --

2 MR. DANENFELZER: Okay.

3 MS. ELLINOR: -- they should have that up in
4 front of them, unless they want you to share it but --

5 MR. DANENFELZER: All right. I'll go ahead and
6 do just a verbal presentation, then, of some of the notes
7 I was going to share on this particular project. We are
8 discussing Fawn Ridge Apartments. It is located in The
9 Woodlands, Texas.

10 It's a 120-unit acquisition and rehab project
11 that will be completed by Involved Communities -- or
12 Involved Community Management, which is the official
13 developer of the project. The property is primarily a
14 Section 8-based contract property.

15 So, there is assistance to individual
16 households at the property through the Section 8 Program,
17 but it is privately owned and operated. It does meet our
18 targeted housing need for at-risk preservation projects.
19 And as the, you know, financial summary and everything and
20 the write-up show, the total budget for this project is
21 about \$24.9 million.

22 And while about 15.5 million of the project
23 will be in the form of bonds, there's also tax credits,
24 reserves and other funding coming into the project. This
25 is using a very familiar project -- or product to us now

1 in the lending world.

2 It's called the Freddie Mac TEL Program, or
3 Tax-Exempt Loan. We've done a number of these in recent
4 years. We're currently closing a project right now with
5 one of these products, and so it is something that we're
6 very familiar with, and you know, we've got a lot of
7 support internally and with the Texas Bond Review Board on
8 this structure.

9 I know that the developer is probably just
10 listening in today. I don't know that they registered,
11 but I will mention that Involved Communities is a group or
12 organization formed in 1996, and they have more than
13 10,000 units across the nine-state region, predominantly
14 in the south, southeast, to Texas, and a few other
15 scattered states.

16 They run a number of different programs on a
17 charitable basis, including the state of -- part of the
18 state of Alabama's 529 College Savings Plan, providing
19 health care and other guidance to their tenants and a lot
20 of community management and community services.

21 While I'm not familiar with Involved Community
22 Management directly -- I've not worked with them and we've
23 done a project with them before -- they are supported
24 locally in Texas by Barry Palmer with Coats Rose as
25 developer counsel, as well as Janna Cormier, who's a

1 consultant with JC Development Consultants.

2 She's actually the principal. And we have
3 worked with both of these groups multiple times on other
4 transactions, so we know that they're well-supported for
5 new projects here in Texas. With that, I'll go ahead and
6 just open the floor, or give it back to Mr. Dietz for any
7 questions from Board members.

8 MR. DIETZ: Great. Thank you, David. Are
9 there any questions from Board members?

10 MS. CARDENAS: This is Valerie. So, I was
11 reviewing it, right -- and it says that the majority of
12 that will remain -- the tenants will remain in the
13 complex. Very few will be displaced. I guess in all of
14 these costs, if there's individuals that are displaced,
15 would that cover any of their relocation, temporary
16 relocation?

17 How --

18 MR. DANENFELZER: Yes.

19 MS. CARDENAS: -- would that be handled?

20 MR. DANENFELZER: It -- sure. So, every
21 project is required to have a relocation plan. That's
22 required both for the tax credits and for the bonds. The
23 relocation plan for this will be developed, and it will be
24 provided to us prior to closing on the project, and we'll
25 make sure that it has been approved by both HUD, which is

1 the Section 8 entity overseeing that, as well as the Texas
2 Department of Housing, which oversees the tax credits.

3 The relocation plan basically is a plan of how
4 to move and complete the rehab, so the tenants are least
5 impacted. It may include some temporary relocation of a
6 tenant from one unit to another after it has been rehabbed
7 so that their unit can then be rehabbed, or it may also
8 allow them to move out of the property and have temporary
9 lodging while the rehab is undergoing.

10 We know that, with COVID-19, that has become a
11 significant question for a lot of developments that are
12 currently under rehab. It is one of the major impacts to
13 one of our other developments, that David mentioned
14 earlier, Hamilton Valley.

15 In this case, they'll have to develop that
16 plan, but we do know that, because of some of the extra
17 precautions that regulatory agencies are asking developers
18 to take in rehab, there will probably be a little bit more
19 money put aside to make sure that not only is -- are the
20 tenants treated well and relocated properly, but then
21 there's proper cleaning of each of their units prior to
22 reoccupation. So --

23 MS. CARDENAS: Okay. Thank you. And then one
24 last question. I guess I read that the neighborhood has a
25 higher percentage of renters, right, in The Woodlands and

1 Harris, but with the household median income for that
2 census tract -- is at 95, and Harris at 90, and so 97 of
3 the 120 are designated for Section 8.

4 So, I guess I'm just wanting some clarity with
5 such higher income levels versus Section 8. I guess I'm
6 assuming that with Section 8, you're going to have certain
7 income levels. Right?

8 MR. DANENFELZER: Right.

9 MS. CARDENAS: And so, these --

10 MR. DANENFELZER: Right.

11 MS. CARDENAS: -- and it's saying, well, these
12 are higher. So how is that working, that 97 of the 120
13 units are Section 8, when we're saying that, for this
14 census tract, the household median income is higher?

15 MR. DANENFELZER: Right. And so, what we're
16 actually seeing there is that the majority of the other
17 units, the other apartment complexes in this census tract,
18 are market rate, and they are actually pushing the median
19 income upwards for this census tract.

20 So, what we have is actually is what we
21 consider a high opportunity area, one where incomes are
22 generally higher. Access to educational services and
23 other commercial services is higher than it might normally
24 be in a census tract with much lower median incomes.

25 And so, these 97 assisted units represent --

1 they may represent all of the affordable units in this
2 census tract, and we're seeing that those individuals have
3 higher access to, you know, other services which would be
4 customary near a higher income area.

5 And so, we would generally consider that a
6 really good thing, that we're allowing people to integrate
7 into higher income areas and not have to be, you know,
8 segregated in lower income census tracts.

9 MS. CARDENAS: Okay. Thank you.

10 MR. DIETZ: Great. Thank you. And this is
11 Bill Dietz. Any other questions from Board members?

12 (No response.)

13 MR. DIETZ: Okay. Then is there a motion to
14 approve?

15 MS. CARDENAS: This is Valerie. So, moved.

16 MR. DIETZ: It has been moved. Is there a
17 second?

18 MS. SHIPLEY: This is Lali. I'll second.

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

21 (No response.)

22 MR. DIETZ: Okay. Since there is no public
23 comment, all in favor, please say aye.

24 (A chorus of ayes.)

25 MR. DIETZ: Are there any opposed?

1 (No response.)

2 MR. DIETZ: Okay. Tab Item 2, the approval of
3 the resolution regarding the submission of the private
4 activity bonds relating to the Fawn Ridge Apartments
5 project is approved.

6 I'm going to move on to Tab Item 3, which is
7 the "Presentation, Discussion and Possible Approval of a
8 Resolution Regarding the Submission of one or more
9 Applications for Allocation of Private Activity Bonds,
10 Notices of Intention to Issue Bonds and State Bond
11 Applications to the Texas Bond Review Board and
12 Declaration of Expectation to Reimburse Expenditures with
13 Proceeds of Future Debt for the Marshall Apartments."

14 Is there a presentation relating to this tab
15 item?

16 MR. DANENFELZER: Yes. David Danenfelzer,
17 Senior Director of Development Finance again. Before I
18 begin the presentation on Marshall Apartments, I do want
19 to make one thing clear. I kind of skipped over it in the
20 last presentation.

21 But the last agenda item and the next three are
22 inducement resolutions for bond projects. This is not the
23 Corporation's approval of these projects in final form.
24 This only gives the Corporation authority to apply and
25 reserve volume cap for these projects, and it also gives

1 us authority to move forward with the developer and its
2 financing team to develop bond documents, to create a
3 program and project that will be -- meet all of the state
4 and federal requirements necessary for this -- for the
5 bonds.

6 And then we will bring these projects back to
7 the Board prior for final approval at some point in the
8 future, when they are ready to be closed. So, I just
9 wanted to be clear on that. This is not a final approval
10 of these projects.

11 You all will get to see them before they are
12 approved in final form. So, with that said --

13 MR. DIETZ: Does that -- I'm sorry. This is
14 Bill Dietz. Does that apply --

15 MR. DANENFELZER: Sure.

16 MR. DIETZ: -- to Tab Items 2 and 3 and any
17 other tab items, or is that just 2 and 3 that applies to?

18 MR. DANENFELZER: Tab Item 2, Tab 3, Tab 4, and
19 Tab 5. I believe it --

20 MR. DIETZ: Okay.

21 MR. DANENFELZER: -- was all three, or all four
22 of those tabs are inducement resolutions.

23 MR. DIETZ: Pardon. Thank you for that
24 clarification.

25 MR. DANENFELZER: Yeah. So back on track with

1 Tab 3. We're talking about Marshall Apartments. It's a
2 100-unit acquisition and rehab project, very similar to
3 Fawn Ridge. It is supported with Section 8 project-based
4 contract, as noted before.

5 So it is very, very similar, and has all the
6 same parties in regards to the developer, Involved
7 Community Partners -- Community Management, and has a very
8 similar bond structure, although the total bonds -- or
9 total project costs for this is 19.5 million, and again,
10 the bond amount anticipated is 19.1 million, and this will
11 be, as well, structured as a Freddie Mac TEL project.

12 So -- I'm sorry. Was there a question there?

13 MR. LONG: David, this is David Long. There
14 was a lot of background static during that part of your --

15 MR. DANENFELZER: Oh.

16 MR. LONG: -- presentation. I don't know if
17 you heard that or not, but if anybody's got their phone
18 on -- not on mute and we could get it muted while David
19 presents, that would be very helpful. Thank you.

20 MR. DANENFELZER: Does anyone need me to repeat
21 anything so far?

22 (No response.)

23 MR. DANENFELZER: All right. Hearing none, I'm
24 going to go ahead and continue with my presentation. The
25 Marshall Apartments is located in Austin, Texas. It's

1 actually relatively close to our current offices, and it
2 is a longstanding project here in central Austin.

3 The neighborhood is historically a single-
4 family neighborhood, and this project is located adjacent
5 to one of Austin's magnet schools, Kealing Middle School.

6 And it also has a similar makeup in the sense that, while
7 the median households for this census tract are generally
8 a little bit lower compared to that other census tract we
9 looked at in The Woodlands, if you look at the
10 neighborhood or the zip code in general, it is actually
11 much higher.

12 And so, this is kind of a unique census tract
13 in the way it was carved out in the incomes for this area.

14 But we have seen, through market analysis, that many of
15 the homes in this neighborhood, and particularly in the
16 adjacent census tracts, have gone through an enormous
17 amount of gentrification and in cost increases.

18 Average home prices are now between \$300 and
19 \$400 a square foot for this area. So, this is a very
20 fast-changing neighborhood and has been for about five or
21 six years. Again, I don't know that there's need to go
22 much into a developer summary.

23 We discussed Involved Community Management
24 before and their support team with Coats Rose and JC
25 Development Consultants. So, I'll go ahead and open it

1 back up for questions from the Board.

2 MR. DIETZ: Are there any questions from the
3 Board on Tab Item 3?

4 (No response.)

5 MR. DIETZ: Okay. And hearing none, is there a
6 motion?

7 MS. CARDENAS: [inaudible].

8 MR. DIETZ: I couldn't quite make -- is it --

9 MS. CARDENAS: This is Valerie. So, moved.

10 MS. JOHNSON-ROSE: This is Courtney. Second.

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

13 (No response.)

14 MR. DIETZ: And Sarah, I presume that, at any
15 point in time, if there was a public comment, you would be
16 alerting us. Correct?

17 MS. ELLINOR: Yes, sir. There's no --

18 MR. DIETZ: Okay. Great.

19 MS. ELLINOR: -- public comment.

20 MR. DIETZ: Okay. Good. Is -- then it has
21 been moved and approved. There's no public comment. All
22 in favor, please signify by saying aye.

23 (A chorus of ayes.)

24 MR. DIETZ: Are there any opposed?

25 (No response.)

1 MR. DIETZ: Okay. Well, Tab Item 3 is
2 approved.

3 On to Tab Item 4, which is the "Presentation,
4 Discussion and Possible Approval of a Resolution Regarding
5 the Submission of one or more Applications for Allocation
6 of Private Activity Bonds, Notices of Intention to Issue
7 Bonds and State Bond Applications to the Texas Bond Review
8 Board and Declaration of Expectation to Reimburse
9 Expenditures with Proceeds of Future Debt for the Shady
10 Oaks Manor Apartments."

11 MR. DANENFELZER: Hi. This is David
12 Danenfelzer, Senior Director of Development Finance. And
13 this project looks like the previous two. We're talking
14 about Shady Oaks Manor which is a property located in Fort
15 Worth, Texas with 138 units, and this is, again, an
16 acquisition and rehab project.

17 Shady Oak Manor is a senior community and does
18 have Section 8 project-based contract associated with it,
19 so it does meet both our senior and our preservation set-
20 asides or targeted housing needs for the TSAHC's Bond
21 Program. The acquisition and rehab have a budget of
22 18.2 million, or approximately 18.2, and of course, that
23 will be rounded out by housing tax credits, deferred
24 developer fees and other income and funding to the
25 project.

1 One difference between this and the previous
2 two is that the bonds will be purchased by -- through a
3 private placement agreement with Bellwether Enterprise,
4 another group that we're very familiar with, a very large
5 national organization that purchases bonds very frequently
6 in Texas. And so, it is a structure that we're familiar
7 with.

8 And there's -- and it will look basically like
9 many of our other private placement transactions that
10 we've done in recent years, including the Hamilton Valley
11 project, which we're working on currently. Shady Oaks
12 Manor is, as I mentioned, located in Fort Worth.

13 It's relatively close -- or it's actually
14 relatively far away from the downtown area, but it is
15 along State Highway 199 and 820. It's in an area which,
16 you know, we generally would consider sort of one of the
17 inner-ring suburb areas of Fort Worth, and the census
18 tract, again, has kind of unique characteristics in the
19 sense that most of the census tract for this particular
20 property is actually associated with Lake Worth and a park
21 system.

22 So, looking at the economics and the market
23 study, what's kind of unique in the sense that, while the
24 median incomes for the tract were low, we do know that
25 adjacent tracts were also higher and in much better

1 condition. But also, this census tract in particular has
2 a relatively low number of total households because it is
3 related -- literally adjacent to a lake and a very large
4 regional park for Tarrant County.

5 Again, you know, I'll mention that the
6 developer on this is Involved Communities and has the same
7 support team in Coats Rose and JC Development Consultants.
8 So, I'll leave it open for questions.

9 MS. CARDENAS: This is Valerie. So, since this
10 is the same developer, it's just kind of a general
11 question. Do we have a certain cap in extending credit to
12 a single developer? You know, criteria just -- I mean, I
13 don't know, just to make sure that they're not
14 overextended financially, and then -- or overextending
15 themselves, and then also just with the project management
16 itself?

17 I know they're a big company, but you know,
18 just a question to ask.

19 MR. DANENFELZER: Yeah. I think that's a good
20 question. One point of clarity is that the Corporation is
21 not extending credit. What we are actually doing is
22 making sure that the credit facility by the bond purchaser
23 and the developer meets the federal and state requirements
24 for the issuance of private activity bonds.

25 While we do look at the creditworthiness, and

1 our financial advisor or municipal advisor does look at
2 the financial worthiness of each of the applicants and
3 looks at their background, we don't necessarily consider
4 this an extension of credit.

5 It's really just to make sure that, again --
6 that the agreements to loan, or bond agreements, between
7 the two parties meet all the federal and state
8 requirements. We will certainly continue ongoing asset
9 oversight and compliance of the properties to ensure
10 they're meeting those requirements long-term, but again,
11 we don't currently have any caps that we set on individual
12 developers.

13 And at this point in time, for the three
14 developments that they're proposing, it's under
15 \$45 million total for the three transactions, and you
16 know, I'd note that the -- that we are allowed and we have
17 done deals as large as \$75 million per project, using
18 private activity bonds.

19 So, this would be, you know, between the three
20 deals, about half of what we have extended to one single
21 developer in the past.

22 MS. CARDENAS: Okay. Yeah. So, it's in line.
23 And maybe the extension of credit wasn't the right term.
24 Right? For lack of a better word.

25 We're basically endorsing the project, putting

1 it together, doing the analysis, and like you said, making
2 sure that it meets, you know, all the different levels of
3 requirements. And so yeah. It was just a question to
4 see -- and I'm glad you answered that.

5 You said, hey, we've seen projects, you know,
6 to a single developer or -- the highest at 75. And so, it
7 was just -- you know, is there ever a cap? Not so much a
8 cap. Right? But to where we just say, you know, that
9 maybe they are overextending themselves?

10 MR. DANENFELZER: Yeah. And certainly, in our
11 review of these developers, as we get more into it as
12 well, you know, we will depend on our municipal adviser to
13 kind of key us in on any risks for the developer level.
14 But we also trust that the bond purchaser, the banks that
15 are purchasing these bonds or investing in them, have also
16 done their due diligence and made sure that they feel that
17 the developer is creditworthy.

18 MS. CARDENAS: Good.

19 MR. DIETZ: Great, great. Thank you, David.
20 Any other questions for David from this tab item?

21 MR. WILLIAMS: This is Andy. David, and for
22 the Board, I'm actually very familiar with this project,
23 and this is a really great project simply because, from
24 the data you don't see, it's really a high opportunity
25 area, and this was a project that was syndicated, and the

1 residents currently in that community are being kind of
2 gentrified.

3 So, for someone to come in and kind of re-
4 syndicate this project, it's exactly what our mission is,
5 because that tract of land for senior housing is about
6 10 minutes from downtown. It anchors Lake Worth and Fort
7 Worth. So, it's a high opportunity area that's being
8 transitioned really quickly, and it's really exciting for
9 me to see someone take that project down, and we're
10 actually going to be a part of it.

11 MR. DIETZ: Great. Well, that's good to hear.

12 Any other comments or questions for David? All right.
13 If there are none, is there a motion?

14 MR. WILLIAMS: This is Andy. I'll motion to
15 approve.

16 MR. DIETZ: Thanks, Andy. Is there a second?

17 MS. SHIPLEY: This is Lali. I'll second.

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

20 (No response.)

21 MR. DIETZ: Okay. Hearing none, all in favor,
22 please signify by saying aye.

23 (A chorus of ayes.)

24 MR. DIETZ: Any opposed?

25 (No response.)

1 MR. DIETZ: Okay. Then Tab Item 4 relating to
2 the Shady Oaks Manor Apartments is approved.

3 Tab Item 5 was the "Presentation, Discussion
4 and Possible Approval of a Resolution Regarding the
5 Submission of one or more Applications for Allocation of
6 Private Activity Bonds, Notices of Intention to Issue
7 Bonds and State Bond Applications to the Texas Bond Review
8 Board and Declaration of Expectation to Reimburse
9 Expenditures with Proceeds of Future Debt for the W. Leo
10 Daniels Towers."

11 MR. DIETZ: David?

12 MR. DANENFELZER: Sure. Dave Danenfelzer,
13 Senior Director of Development Finance. This project, as
14 Mr. Dietz noted, is for the W. Leo Daniels Towers located
15 in Houston, Texas and includes 100 units reserved for
16 seniors.

17 The project developer will be ITEX Group, which
18 is a group we've worked with before, but has been around
19 Texas a long, long time. Leo Daniels is also a unique
20 project, a little bit different than the others in the
21 sense that, while it is an at-risk preservation and senior
22 supportive housing development for our target housing
23 needs, this project will also be receiving some funding
24 through the City of Houston's CDBG Disaster Relief Program
25 related to Hurricane Harvey.

1 Because of that, while the total budget of
2 22.8 million will be met by both tax-exempt bonds, housing
3 tax credits and deferred developer fees, the City's CDBG
4 Program will provide a large infusion here of funding so
5 that it will take up most -- pay down most of the bonds.
6 The permanent bond amount long-term will be only
7 4.35 million, and so that 10 million in additional City
8 money will help bring those bond amounts down.

9 As far as, you know, initial underwriting, it
10 looks very strong. We're very happy to be involved and
11 help rehabilitate this property, which is a bit older, but
12 at the same time, you know, in a good area of Houston and
13 someplace that we'd like to, you know, continue to support
14 and rehab.

15 The renovations will be quite significant on
16 this, probably much more than other properties, because of
17 some of the damage that was received during Hurricane
18 Harvey. There has been quite a bit of deferred
19 maintenance since that event occurred and -- by the
20 current owner, and so the rehab will be quite significant,
21 with completely new roofing, sort of exterior sheeting,
22 new doors, windows, hardware, lots of both repairs
23 interior and exterior to the development.

24 And as noted before, too, in the other
25 presentations, we will have some relocation of the

1 tenants. That will all be handled, and that relocation
2 plan will be developed and approved by the Corporation
3 prior to, you know -- you know, prior to final approval by
4 the Board.

5 ITEX Group, moving on to developer summary, is
6 a Texas-based, for-profit developer. While they were
7 formed in Port Arthur, really, their executive offices are
8 now in Houston, though they do have a group of staff still
9 based in Port Arthur. And they have over 6,900 units in a
10 number of different states including Texas, Louisiana and
11 Colorado.

12 Chris Akbari is the principal and president/CEO
13 of the company. He took over from his father a number of
14 years ago, who formed the company, and has been a
15 longstanding, you know, participant both in affordable
16 housing, but other both nonprofit and sort of university
17 and other programs throughout the state, and particularly
18 in the southeast of Texas.

19 The development team also includes consultants
20 who are familiar with -- and I'll note too that Coats Rose
21 is also the developer counsel on this, and Barry Palmer,
22 once again, is involved in this transaction. I'll go
23 ahead and leave it open for questions at this time

24 MR. DIETZ: Great. Thanks, David. This is
25 Bill Dietz. Are there any questions from Board members or

1 comments?

2 MS. SHIPLEY: This is Lali. I might just be
3 missing it, but is there a projected cost per unit for
4 this development for the renovation?

5 MR. DANENFELZER: Yeah.

6 MS. SHIPLEY: Like 106?

7 MR. DANENFELZER: That would be the rehab.
8 Yeah. Let me go up to the --

9 MS. SHIPLEY: Right.

10 MR. DANENFELZER: -- presentation part, because
11 there's -- I do mention it in the presentation that
12 there's about \$106 per unit of rehab going on, which is
13 quite high, but this property, as I noted, has received
14 damage and does have a higher-than-normal rehab per unit
15 requirement.

16 The tax credit --

17 MS. SHIPLEY: Okay.

18 MR. DANENFELZER: -- program requires only
19 \$37,000 per unit, but this one is obviously significantly
20 higher.

21 MS. SHIPLEY: -- because of [inaudible]?

22 MR. DANENFELZER: Yeah. And then if you go
23 into the underwriting summary, in the second page, which
24 is the summary of sources and uses, you'll see the total
25 cost per unit is \$228,378. So, these are individually

1 costly units, but really quite within the market of
2 today's rehab and even new construction properties.

3 This is becoming a number more and more
4 familiar to us.

5 MS. SHIPLEY: Okay.

6 MR. DIETZ: Great. Thanks, David. Any other
7 questions or comments?

8 (No response.)

9 MR. DIETZ: Is there a motion?

10 MS. CARDENAS: This is Valerie. So, moved.

11 MR. DIETZ: Okay. We've got a motion from
12 Valerie, and I think I heard somebody about to do a
13 second.

14 MR. WILLIAMS: This is Andy. I'll second.

15 MR. DIETZ: Okay. Great. Thanks, Andy. So,
16 it has been moved and seconded. Is there any public
17 comment?

18 (No response.)

19 MR. DIETZ: Okay. Hearing none, all in favor,
20 please signify by saying aye.

21 (A chorus of ayes.)

22 MR. DIETZ: Any opposed?

23 (No response.)

24 MR. DIETZ: Okay. Then Tab Item 5 is approved.
25 On to Tab Item 6, which is the "Presentation, Discussion

1 and Possible Approval of a Resolution amending the
2 provisions of Resolution No. 18 19, as amended by
3 Resolution No. 20-01 relating to the Texas State
4 Affordable Housing Corporation Multifamily Housing Revenue
5 Note (the Ventura at Fairgrounds Apartments) and resolving
6 other matters incident and related thereto."

7 So, presentation about Tab Item 6.

8 MR. DANENFELZER: Sure. Dave Danenfelzer,
9 again, Senior Director of Development Finance. This
10 particular project, you've looked at many times. We've
11 actually approved these bonds in the past as well. To
12 give you a short history of it, we did look at this
13 project actually in 2018 and were hoping to close in 2019.

14 Due to some issues with the City of Midland and
15 requirements for additional road work that needs to be
16 done on the site, that was delayed last year, and we had
17 hoped to be able to close that in January 2020. However,
18 that has been pushed back slightly, predominantly because
19 of different changes in how the bond program worked, but
20 also with timing of reservations.

21 But we have -- you know, we renewed the
22 reservation early this year. We've been working towards
23 closing and we had originally hoped to close in early May.
24 However, about four weeks ago, the developer called us and
25 was -- had been -- informed us that, due to COVID-19, that

1 the primary construction lender, JPMorgan Chase, had
2 withdrawn from the transaction.

3 They had quoted that, because of COVID-19 and
4 high exposure in the oil markets, they were no longer able
5 to participate in the transaction. This is obviously
6 somewhat of a unique situation. We don't often see
7 construction lenders pulling out, but we're also in a very
8 unique and historic time.

9 The developer, however, has very strong ties to
10 a number of different financial partners, and they were
11 able to very quickly replace the lender -- replace Chase
12 with two different organizations. One is ATEX Lending --
13 or ATEX Financial, and Greystone Financial.

14 The overall structure of the project is not
15 changing at all. All we are doing is swapping out in the
16 individual parties that are lending. Those parties have
17 done all of their due diligence and have pre-underwritten
18 the project.

19 They are ready to go with all of the same terms
20 and conditions that the bonds had when we approved this
21 earlier this year and did a previous amendment, as is
22 noted in the body the resolution there, on January 22, but
23 we do need to amend our resolution to update it, in order
24 to update it so that it does mention ATEX and Greystone.

25 And I'll note that, in the body of the

1 resolution, the actual partner that is being used, the
2 initial purchaser by ATEX is America First Multifamily
3 Investors. And so that's just a point of clarity. We
4 want to make sure that you understand that that entity is
5 not by its branded name, ATEX.

6 It's actually America First Multifamily
7 Investors. But again, Freddie Mac is really the ultimate
8 purchaser of these bonds, even though Greystone will be
9 the seller servicer, and Freddie Mac has reconfirmed its
10 commitment to this project, and helped them with reduced
11 interest rates as well.

12 So even though there may have -- there has been
13 a little bit of increase since the beginning of the year
14 in total construction costs, it's well within our buffer
15 of understanding and we're, you know, well able to meet
16 all those needs to get the project completed.

17 So, this really did happen quite quick, and I
18 want to thank our bond counsel for jumping on it and
19 helping us go through all the hurdles, and we've
20 communicated these changes also to the Texas Bond Review
21 Board, who continues to support the project.

22 So, at this point, I'll turn it over for
23 questions, if there are any.

24 MR. DIETZ: Thanks, David. Are there any
25 questions from the Board?

1 (No response.)

2 MR. DIETZ: David, this is Bill Dietz. So,
3 this is, physically, it's just the exact same thing that
4 we've approved with the substitution of lending partners
5 that you referenced. Correct?

6 MR. DANENFELZER: Correct. Right.

7 MR. DIETZ: Great. Any questions from the
8 Board or comments?

9 (No response.)

10 MR. DIETZ: Okay. Is there a motion?

11 MS. JOHNSON-ROSE: Mr. Chair, this is Courtney.
12 I'll make the motion for possible approval.

13 MR. DIETZ: Thanks, Courtney. Is there any --
14 is there a second?

15 MS. CARDENAS: This is Valerie. Second.

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

18 (No response.)

19 MR. DIETZ: Okay. Hearing none, all in favor,
20 please signify by saying aye.

21 (A chorus of ayes.)

22 MR. DIETZ: Any opposed?

23 (No response.)

24 MR. DIETZ: Okay. Then the motion passes -- is
25 approved. On to Tab Item 7, which is the "Presentation,

1 Discussion and Possible Approval of an Amendment to the
2 Guidelines, Scoring Criteria and Targeted Housing Needs
3 for the Allocation of Qualified Residential Rental Project
4 Tax Exempt Bonds under the Multifamily Housing Private
5 Activity Bond Program Request for Proposals and the
6 501(c) (3) Bond Program Policies for Calendar Year 2020."

7 Is there a --

8 MR. DANENFELZER: Hi.

9 MR. DIETZ: -- on this tab item?

10 MR. DANENFELZER: Hi. This is Dave
11 Danenfelzer, again, Senior Director of Development
12 Finance. As you can tell, I've been a little bit busy,
13 and so with -- one of the real reasons for this change is
14 because of statutory changes which occurred last year in
15 the Private Activity Bond Program.

16 The most significant one of that was the fact
17 that the individual per-project limit was originally
18 25 million prior to last year, and the Legislature rose
19 that number up to 50 million per project. Now, that has
20 taken off a great deal of pressure on what used to be
21 something that, after August 15, which was a significant
22 benchmark date for the program statewide, at that point,
23 developers could come in with developments over 25 million
24 and apply for larger projects around the state.

25 Because of that change last year, though, and

1 that raising of the cap to 50 million, many deals have
2 been able to get in line earlier, larger deals,
3 particularly in urban areas, 200, 300, 400 units, and
4 those deals have kind of moved through the process.

5 But one unique thing that is changing is it is
6 also allowing smaller deals that did not get volume cap
7 early in the year to apply now for volume cap reservations
8 and then wait until August 15 to see what additional cap
9 becomes available from other sub-ceilings or other areas
10 of this -- of the private activity world that are not
11 utilizing their initial set-asides.

12 So, in reaction to that, one of the things
13 that's happened for our program is that we've received
14 applications in excess of the volume cap that were
15 initially allocated on January 1. We will be able to meet
16 all of the projects that you approve today with the volume
17 cap we have, but we do know that there's additional
18 projects that are planning to apply for our June and July
19 Board meetings, and we realize that there may be a risk in
20 how we collect our fee structures and not getting fees in
21 a timely manner, and being able to cover the professional
22 costs that our bond counsel and others take on in
23 reviewing these applications and getting them to the
24 inducement stage.

25 So, with that long introduction, I'll just

1 state that there's two sections related to our fees,
2 Section 12(b) and 12(c), which we're amending today. What
3 we'd like to do is move the inducement fee, which
4 originally was five days after the inducement resolution
5 was proposed, to five business days before.

6 In this way, we will get that funding. We'll
7 be able to pay any costs of bond counsel or our activities
8 related to the inducement process and ensure that we can
9 move quickly after the inducement process to do things
10 like public hearings and other actions, without having to
11 wait.

12 We're also asking to sort of change some of the
13 language and just clarify when the professional deposit
14 fee, which is collected to cover not only the bond counsel
15 but also our municipal advisor and our issuer counsel fees
16 -- and this will help ensure that we also have additional
17 capital from the developer and fees to pay for the work to
18 get to our bond reservation application.

19 We just want to make sure that we're not left
20 holding the tab for bond counsel and other services if
21 developers try to push too many deals into the pipeline
22 and then don't get their reservations in August and then
23 leave us holding the bill for that work. So, it is a
24 little bit preemptive, but we also know that, because of
25 the demand that's coming in June and July, this will be

1 kind of a necessary change to make sure that we don't get
2 left holding the bill.

3 MR. DIETZ: Great. Thanks, David. Is there
4 any question for David from the Board or comment?

5 (No response.)

6 MR. DIETZ: Or if not, is there a motion?

7 MR. WILLIAMS: This is Andy. I'll motion to
8 approve.

9 MR. DIETZ: Thanks, Andy. Is there a second?

10 MS. SHIPLEY: This is Lali. I'll second.

11 MR. DIETZ: Okay. We have a motion. It's been
12 moved and seconded. Is there any public comment?

13 (No response.)

14 MR. DIETZ: Okay. Hearing no public comment,
15 all in favor, please signify by saying aye.

16 (A chorus of ayes.)

17 MR. DIETZ: Is there any opposed?

18 (No response.)

19 MR. DIETZ: Okay. Hearing none, it is
20 approved. Tab Item 7 is approved. On to Tab Item 8,
21 which is the "Presentation, Discussion and Possible
22 Approval of the 2020 Texas Foundations Fund Guidelines."

23 MR. WILT: Good morning, Chairman and Board
24 members. This is Michael Wilt, Senior Manager of External
25 Relations. And can you just confirm that y'all can hear

1 me?

2 MR. DIETZ: Loud and clear.

3 MS. CARDENAS: We can hear you.

4 MR. WILT: All right. Perfect. I feel like
5 Dave should do this one. He's on a roll, but I guess I'll
6 go ahead and do it. I am here to present Tab Item 8.
7 This is an action item, asking the Board to approve the
8 2020 Texas Foundations Fund Guidelines.

9 With your approval of the guidelines today, we
10 plan to open the application as early as tomorrow, May 14.

11 As you might recall, in February, which seems like a
12 couple years ago, we released the draft of the guidelines
13 for public comment, and that public comment was open from
14 February 13 through March 16.

15 During that time, we received two comments, one
16 saying that everything was working just fine. Let's not
17 change anything. And the other comment suggested a
18 change, and I'll get to that in a little bit. It's
19 reflected in the redlined version that you have in your
20 Board book.

21 And I'll walk you through that change and other
22 changes that we made, and then there was one for our
23 attorney. So, if you start in the 2020 partner
24 application process, we updated the dates. This is
25 because we didn't have an April Board meeting.

1 We would have brought these guidelines to you
2 at that time and opened the application earlier. So now,
3 we intend to open it this month, and then we're extending
4 the deadline to apply for two weeks, until June 19. In
5 the partner threshold requirements on page 2, if you move
6 down a little bit, under six, financial requirements,
7 there's language that's been added that financial reviews
8 have to be done by a third-party certified public
9 accountant.

10 This came at the request of our attorneys.
11 Melinda Smith, our CFO, reviewed it and made a slight
12 modification. So, the language that exists in this
13 redlined version is a combination of the attorneys'
14 suggested language and then Melinda's suggestion as well.

15 On page 4, this is the last one, and it's the
16 new language around the administrative allowance. We're
17 going to -- we propose allowing an administrative
18 allowance of up to 5 percent of the grant amount, or
19 10 percent in special circumstances if the partner can
20 justify it.

21 This is based on a comment that we received,
22 and also, feedback in general from all the nonprofit
23 partners that we work with, whether it's through this
24 program or our HEART Program, that as budgets tighten and
25 these programs are becoming harder to execute, which is an

1 ongoing situation, they need a little administrative
2 support to continue operating their programs.

3 And we actually used to allow for an
4 administrative allowance when our grants were larger. We
5 took it out due to the matching grant system. The grant
6 amount, while we're handing out -- working with more
7 organizations, are a little bit smaller, and if you take
8 out an admin fee, it doesn't leave an incredible amount
9 left over, but we feel like that, given the current
10 situation, it is fair and the right thing to do, to go
11 ahead and add that administrative allowance back in.

12 That concludes my comments. Happy to answer
13 any questions you have.

14 MS. SHIPLEY: This is Lali. Oh --

15 MR. DIETZ: Go ahead, Lali.

16 MS. SHIPLEY: -- thanks. Michael, what exactly
17 is considered an administrative allowance? And is that
18 something that needs to be specifically outlined for
19 partners somewhere?

20 MR. WILT: We -- administrative allowance can
21 go for -- to pretty much anything. It can just be -- and
22 we kind of allow for it within the current guidelines for
23 things like staff salaries, but just related -- any sort
24 of program costs that are related to implementing the
25 program that don't go towards direct costs, and this is

1 typically more common in the home repair side than it is
2 with supportive services side.

3 So say, the home repair side, there -- you rack
4 up some either staff time or ancillary bills that aren't
5 directly related to the home repair itself and the
6 contract work that is procured to do those home repairs,
7 anything outside of the scope of direct costs that would
8 go towards the home repair would be considered
9 administrative costs.

10 MS. SHIPLEY: Okay. And that's not something
11 that partners need to, I guess, prove or follow up, that
12 they've used the funds in a certain way? It's kind of
13 deliberately less flexible?

14 MR. WILT: Yeah. We ask for a budget whenever
15 they apply for the grant program. So, it is something
16 that we'll review to make sure that the administrative
17 costs aren't unreasonable.

18 But typically, we allow a little bit of
19 flexibility with them, and leave it up to them on how they
20 administer the program -- or administer the grant, I
21 should say -- the program that the grant supports.

22 MS. SHIPLEY: Okay. Great.

23 MR. WILT: Great.

24 MR. DIETZ: Good. Any other questions or
25 comments?

1 (No response.)

2 MR. DIETZ: Okay. Hearing none, is there a
3 motion?

4 MS. CARDENAS: This is Valerie. So, moved.

5 MR. DIETZ: Is there a second?

6 MS. SHIPLEY: This is Lali. I'll second.

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

9 (No response.)

10 MR. DIETZ: Okay. Hearing none, all in favor,
11 please say aye.

12 (A chorus of ayes.)

13 MR. DIETZ: Any opposed?

14 (No response.)

15 MR. DIETZ: Okay. Then the 2020 Texas
16 Foundations Fund Guidelines are approved. On to Tab Item
17 9 -- yeah. Thank you. On to Tab Item 9, which is the
18 "Presentation and Discussion on Developing a Statewide
19 Housing Task Force."

20 So, this does not carry with it any approval.
21 We're not taking any action today. We're just simply
22 having a presentation and discussion about the potential
23 to develop a Statewide Housing Task Force.

24 MR. LONG: Yeah. Mr. Chairman, this is David
25 Long. I'll go ahead and start. I just want to

1 acknowledge that Andy Williams has been a huge part in
2 this discussion. So, first, thank you to Andy. And we've
3 had a chance to discuss the developing consequences and
4 potential opportunities that may result from the current
5 economic downturn that we're seeing as a result of the
6 COVID-19 and resulting changes in unemployment and
7 everything else.

8 I would like to kind of maybe make a
9 comparison. In 2007, the housing crisis that developed as
10 a result -- that developed, left a lot of financial
11 institutions and investors in severely-overvalued real
12 estate and mortgage-backed securities portfolios, and we
13 saw a dramatic increase in the foreclosures that were not
14 only in Texas, but across the country.

15 Numerous safeguards and changes were
16 implemented throughout the industry to mitigate poor
17 lending practices that led to massive foreclosures, and
18 while the devastation was extensive and a lot of families
19 were negatively impacted, the ability to deploy financial
20 resources, capital, if you will, in an effort to acquire
21 and bring the thousands of foreclosed properties online,
22 back online, created an opportunity for affordable housing
23 providers.

24 TSAHC, being one of those providers, developed
25 a program and was able to acquire several properties in

1 that -- during that process. We worked -- we developed --
2 David Danenfelzer and his team developed not only the
3 program, but a very extensive partnership -- group of
4 partners that they worked with to develop these
5 properties, creating affordable housing and homeownership
6 opportunities across Texas.

7 I would suggest that a similar opportunity may
8 be available to us as a result of the current economic
9 downturn. There was a recent article, a report in the
10 Wall Street Journal, that investors are looking to deploy
11 resources and take advantage of the opportunity that may
12 be created by the pandemic, if you will, pandemic-created
13 economic downturn that we're seeing. And by putting
14 together these funds, they plan to acquire the debt that
15 the lenders are trying to get rid of, whether that be
16 through the real estate or acquiring the mortgage-backed
17 securities and whatever it might be.

18 In anticipation of both the commercial and
19 residential real estate portfolios that will be impacted,
20 there'll be a lot of anticipated downsizing and downturn
21 in that industry. There are indicators right now that
22 about 11 percent of the more commercial mortgage
23 converted -- that have been converted into mortgage
24 securities will go delinquent in early May.

25 That amount is actually -- that percentage is

1 actually greater than what happened during the housing
2 crisis in 2008. CoreLogic recently reported that, while
3 delinquencies are at historic lows and they continued to
4 fall through February, their last month of reporting,
5 which was the 26th straight month of declines in
6 delinquencies in mortgages, they are expecting a jump, a
7 significant jump, in the months ahead, as the impact of
8 the coronavirus outbreak continues to impact not only the
9 economy but employment opportunities and the overall
10 ability of the people to maintain their housing needs.

11 The development funds and investors that are
12 preparing right now, as I mentioned earlier, they're being
13 proactive. They want to be able to create funds that they
14 can acquire and be intentional about how their funds are
15 deployed and put into work for utilization and acquisition
16 of these properties that may become available.

17 And the creation of a Statewide Housing Task
18 Force would position our Corporation, TSAHC, to expand our
19 outreach, improve our data access, and provide the ability
20 for us to create affordable housing in high opportunity
21 areas and typically areas we may have not been able to
22 access in the past.

23 I think part of the benefit we would garner
24 through a task force would be being able to access
25 resources both in intellectual as well as the data I

1 mentioned earlier, and I think one of the things that Mr.
2 Williams has been talking about extensively with me and
3 with David Danenfelzer is how we bring together the
4 resources from the talent that may be available to tap
5 into serve on this task force.

6 Mr. Williams himself has extensive knowledge
7 and experience in this industry as well as professional
8 relationships that would be beneficial to developing the
9 task force. So, I would like for Andy, if you don't mind,
10 to bring to the presentation kind of your thoughts and
11 perspective on how you think this task force can move
12 forward.

13 So, with that, Mr. Williams, if you want to
14 kind of add on, I'm happy to chime in as we go along.

15 MR. WILLIAMS: Thank you, David and Board,
16 fellow Board members. I've been speaking with David.
17 This -- actually -- conversation started prior to COVID-19
18 and a lot of it came from some of the, you know, vantage
19 point I've had on the ground looking at some of the
20 smaller communities.

21 So in addition to the action items that David
22 was able to articulate for us being able to execute our
23 mission in the distress, the fact is, Texas has a high
24 unemployment area, and our mission of workforce housing is
25 going to have to become the light, because it really is

1 the workforce community that is being affected.

2 And based on my professional experience, some
3 of these communities, both urban and rural markets,
4 they're ill-equipped. We have task forces standing up in
5 cities, municipalities, and they're trying to figure out
6 the problem.

7 The problem just got worse, and I believe the
8 task force will essentially do that. It will give us a
9 tactical advantage in the market so that we can reach the
10 local communities in the in-state, provide housing to
11 local families, and we can build a coalition of capable
12 builders and developers and make them aware of our
13 opportunity to collaborate and to refund projects, because
14 oftentimes, in some of the communities that I work in and
15 around, they are limited, and so a lot of this is about
16 capacity-building.

17 A lot of this is about creating, mixing some
18 communities, as we've seen some of the projects that
19 have -- are coming through, the opportunity areas of
20 developers, for-profit developers, market-rate developers,
21 take a pause.

22 This is really an interesting opportunity for
23 TSAHC and us to take a tactical stance on providing, you
24 know, subsidized housing in opportunity areas that are in
25 close proximity to commercial transit that really is a

1 unique situation. But at the same time, because of the
2 massive layoffs and the unemployment, our indication from
3 looking and researching internally in our conversations is
4 that the workforce community is going to be affected,
5 which is going to put additional strain on the staff.

6 And a lot of this is about augmenting the
7 staff. The Board and the staff, we do a great job for the
8 state of Texas, but we're limited, and I believe that
9 right now is the time to take a proactive approach, tap in
10 and garner some more resources, and get very laser-focused
11 on workforce and affordable housing, and be proactive
12 versus reactive, as we come out of COVID-19.

13 MR. LONG: And so -- this is David Long again.
14 Mr. Chairman and members, I don't think we're actually --
15 Andy, correct me if I'm wrong -- but I don't think we're
16 really looking for the Board to take action on this. We
17 just wanted to let you know kind of what the thought is in
18 terms of moving forward.

19 I think Mr. Williams would love for this to be
20 something that the Corporation has an active participation
21 in, but certainly not taking the lead on, per se, from the
22 standpoint of all of our staff managing being the task
23 force.

24 I think there are significant individuals that
25 not only we may know of, that Mr. Williams knows of,

1 potentially as the Board members, you guys have input,
2 that you can provide that could help us create a really
3 strong task force membership that would guide us and give
4 us insight and help us access data and other resources
5 that we can utilize to be proactive, as Mr. Williams said,
6 in trying to address the needs that are going to come out
7 of the current economic downturn.

8 So, Andy, do you have a --

9 MR. DIETZ: This is Bill --

10 MR. LONG: -- yeah. Go ahead, Bill. Go ahead.

11 I'm sorry.

12 MR. DIETZ: No. I was just going to say, thank
13 you very much to Andy and to David for your kind of
14 leadership on, you know, putting together some thoughts
15 and ideas for us about this endeavor. It sounds really
16 interesting.

17 MR. LONG: So, Andy, I guess from this
18 standpoint, Andy, are you really just -- do you want us to
19 just continue to come back to the Board with kind of
20 updates? Is that how you envision us moving forward?
21 Because I think one of the things, we need to do is
22 discuss kind of a mission, further define a mission, as
23 well as identifying task force membership that we want to
24 maybe consider and identify how best to access those
25 personal resources.

1 MR. WILLIAMS: Thank you, David. Yes, that is
2 correct. My thoughts were just to bring it to light, and
3 then also, you know, allow the Board to comment and share
4 their thoughts, if they share my perspective, as we, you
5 know, look at, you know, what does, you know, 2022, 2025
6 look like for Texas?

7 And you know, if not, you know, share that as
8 well.

9 MR. DIETZ: Great. Any comments from Board
10 members or questions for Andy, for David?

11 MS. CARDENAS: This is Valerie. So, I think,
12 you know, obviously any endeavor that is going to help
13 stimulate our economy in Texas, you know, in whatever
14 sector of business is great. I would suggest, if you --
15 there was a lot of talking.

16 There was a lot of information. I'm more of a
17 visual -- I guess if -- maybe update us, if it's even just
18 one page, to say, this is what it would look like. This
19 is what the end result may potentially look like, right,
20 which would, you know, benefit all and TSAHC having a hand
21 in it.

22 So, I know this is very preliminary. It was
23 just, you know, to bring it to light, as you mentioned,
24 but if there -- for the next time, if it's just to say,
25 look. We're estimating the task force will be so many

1 individuals. This is what we're trying to accomplish, and
2 again, this would be more or less what would be hopefully
3 the end result.

4 MS. JOHNSON-ROSE: This is Courtney. I totally
5 agree that this is a great concept, and I think the point
6 is well-taken that the workforce housing, as well as
7 affordable housing, is going to become even more important
8 and critical for the state in the upcoming year and months
9 to come.

10 So I think that it's great to have a task force
11 or a group that is constantly talking about opportunities
12 and where opportunities are, and a great mechanism for
13 TSAHC to be able to use, to pretty much source developers
14 and being able to kind of spread the word to a targeted
15 group about the resources that we offer.

16 So, I think it's great in concept. To
17 Valerie's point, would love to hear more about it.

18 MR. LONG: This is David Long. And what -- I
19 guess what I would say is, certainly, we will work --
20 staff will work with Mr. Williams to try and put together
21 a one-pager, a white paper, if you will, narrative to
22 allow for the Board to have a better perspective of what
23 this looks like as we move forward.

24 And we certainly will keep you informed as we
25 move along as well. So I will take that initiative with

1 Mr. Williams, and we'll work internally with staff at
2 TSAHC, as well as with Mr. Williams' leadership and
3 guidance to kind of move forward with kind of assembling
4 the task force, and we'll keep you up to date as we move
5 along.

6 MR. DIETZ: Great. Thanks again. This is Bill
7 Dietz. Thanks again, Andy and David. Any other questions
8 or comments about this particular endeavor?

9 (No response.)

10 MR. DIETZ: Okay. If not, then we will move
11 into Tab Item 10, which is the "Presentation, Discussion
12 and Possible Approval of Additions to the Corporation's
13 Fiscal Year 2020 Broker Listing."

14 MS. SMITH: Good morning.

15 MR. DIETZ: Do we have a presentation about
16 that?

17 MS. SMITH: Yes. Good morning. This is
18 Melinda Smith. I'm the Chief Financial Officer. And this
19 is really just a procedural item. Our investment
20 advisors -- the investment advisor that helps us with the
21 Corporation's investment has asked us to add a list to the
22 broker listing -- a name -- pardon me -- to the broker
23 listing and the Public Funds Investment Act requires that
24 the Board approve the broker listing.

25 So, we're adding the name, Robert W. Baird, to

1 the list of brokers that the advisors can use to purchase
2 securities.

3 MR. DIETZ: Great. Thank you, Melinda. Any
4 questions or comments about that broker listing?

5 (No response.)

6 MR. DIETZ: Okay. If not, is there a motion?

7 MS. CARDENAS: This is Valerie. So, moved.

8 MR. DIETZ: Thanks, Valerie. A second?

9 MR. WILLIAMS: This is Andy. I'll second.

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

12 (No response.)

13 MR. DIETZ: All right. And then before we vote
14 to approve, note for the record that -- this is Bill Dietz
15 again -- that I am abstaining from this particular tab
16 item due to a business relationship with one of the listed
17 brokers.

18 And so, we'll go forward with the vote. All in
19 favor, please signify by saying aye.

20 (A chorus of ayes.)

21 MR. DIETZ: Any opposed?

22 (No response.)

23 MR. DIETZ: Okay. So, the Corporation's Fiscal
24 Year 2020 Broker Listing is approved with four ayes and
25 one abstention.

1 MS. SMITH: Thank you very much.

2 MR. DIETZ: Thank you. Great. All right. Is
3 there any reason to go into a closed meeting today?

4 MR. LONG: This is David Long. No, sir.
5 There're not any items needing to be addressed under
6 closed session.

7 MR. DIETZ: Great. Any other business or
8 comments or discussion points before we close our meeting?

9 MR. LONG: Just a reminder, Mr. Dietz. David
10 Long again. Currently, the next scheduled Board meeting
11 tentatively is June 10.

12 MR. DIETZ: Fantastic. Well, thank you very
13 much. I think that went pretty well. Thanks again to
14 Sarah and Rebecca and anybody else that worked hard to
15 make this unique format happen, and I appreciate
16 everybody's attendance and efforts in making this flow
17 very smoothly. So, with that, we are adjourned.

18 (Whereupon, at 11:49 a.m., the meeting was
19 adjourned.)

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C E R T I F I C A T E

MEETING OF: TSAHC Board
LOCATION: teleconference
DATE: May 13, 2020

I do hereby certify that the foregoing pages,
numbers 1 through 6161, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Elizabeth Stoddard before
the Texas State Affordable Housing Corporation.

DATE: May 15, 2020

(Transcriber)

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