

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

VIA RINGCENTRAL

Wednesday,
June 10, 2020
10:00 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

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P R O C E E D I N G S

10:31 a.m.

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2
3 MR. DIETZ: So, welcome everybody to the
4 June 10, 2020, meeting of the Texas State Affordable
5 Housing Corporation. As we are not meeting in person due
6 to the March 13, 2020 disaster declaration, we will be
7 meeting telephonically in the RingCentral meetings.

8 So, I will call roll to begin with here. Bill
9 Dietz, Chair? I am present. Valerie Cardenas?

10 MS. CARDENAS: Present.

11 MR. DIETZ: Courtney Johnson-Rose?

12 MS. JOHNSON-ROSE: Present.

13 MR. DIETZ: Lali Shipley?

14 MS. SHIPLEY: Present.

15 MR. DIETZ: And Andy Williams?

16 MR. WILLIAMS: Present.

17 MR. DIETZ: Okay. We are all present
18 telephonically, and so we do have a quorum. And before we
19 go further, let's start the way we always do with the
20 Pledge of Allegiance.

21 (Pledges were recited.)

22 MR. DIETZ: Okay. Before we begin, is there
23 any public comment?

24 (No response.)

25 MR. DIETZ: Okay. Hearing none, I'll just

1 remind the Board members or anybody that's going to speak
2 to please identify yourself prior to speaking so that we
3 all know who's talking, and we'll -- with that, we'll just
4 move into the President's report. Mr. Long?

5 MR. LONG: Thank you, Mr. Chairman, Members.
6 My name is David Long. I just wanted to give you a quick
7 update. I know I sent -- the Board members have a copy of
8 my full President's Report, and in the effort to kind of
9 minimize how much time I spend speaking during the
10 webinar/conference call, I will go ahead and just
11 summarize what I sent you guys.

12 I do want to kind of take a few minutes to talk
13 a little bit about what's going on internally with the
14 office here at TSAHC. I think it's important for you to
15 know that we are taking every step possible to ensure the
16 staff are safe. The people that we work with, our
17 professionals, our team, has made every effort we can to
18 draft and have written protocols that have been sent to
19 the staff about how to manage and ensure safety when we do
20 return to the office.

21 But let me step back and just kind of tell you
22 what we're doing. Based on some calls that I've had with
23 the Governor's Office, as well as with other executive
24 directors, we are currently working from our home offices
25 through July 3, and we are anticipating returning to the

1 office on Monday, July 6.

2 As a result of that, being something that's
3 predicated on additional information we may receive from
4 the Governor's Office and other local authorities, we will
5 leave that date in place until we're told otherwise. But
6 I wanted to reassure you that, as a result of what we're
7 seeing and what we're hearing, we are allowing staff to
8 continue to work at home.

9 I will add to that, though, that I'm really
10 excited and proud of the staff. We have not, as far as I
11 know, missed anything that's going on. We continue to
12 stay extremely busy. Staff have done a phenomenal job
13 with staying on top of all of the workload.

14 We are staying engaged, as you will see from
15 some of the stuff that was in the report. We're doing
16 webinars for lender trainings. We're doing -- we're
17 closing bond deals. We are making sure vendors are
18 getting communications back and forth so that single-
19 family mortgages are being originated.

20 We are doing everything we need to do to make
21 sure that it's business as usual at TSAHC. So, for that,
22 I commend the staff, and I also commend the Board for your
23 leadership during these unique and very critical times for
24 us to kind of stay on top of everything.

25 A quick update on a couple of other things.

1 The Loan Committee met yesterday, June 9, at 10 o'clock,
2 via teleconference. Everybody attended. We also had
3 staff that called in, and Mr. Williams attended via
4 teleconference as well.

5 During that meeting, we had the opportunity to
6 read our standing reports. No major issues on the
7 standing reports. We did also approve a \$100,000 loan to
8 Chicon phase 2, to the redevelopment of a project that
9 we're working on with the group that did the Chicon
10 phase 1.

11 That \$100,000 loan was made as a pre-
12 development loan, the first one we've made under a funding
13 that we put together for a pre-development loan fund. So
14 that's a pretty exciting loan to get that out the door.

15 We've only had this program in the fund books
16 for about three weeks, maybe less, and it's nice to have a
17 committee making an approval to move forward with that.
18 And so hopefully we will see that project not only go to
19 pre-development, utilizing our funds, but also move on to
20 another project that we will be a participant in.

21 The rest is really program update. As I said,
22 I sent this report to each of you. As you saw in the
23 report, TSAHC continues to have business as usual.

24 We're still fundraising, including funding. We
25 had trainings that were going on, on the Single-Family

1 side. David Danenfelzer will be making presentations
2 today. It will be the David Danenfelzer show today, when
3 it comes to the transactions that you're looking at for
4 your consideration.

5 We had -- I will say that June is National
6 Homeownership Month, and we'll be releasing a nine-episode
7 webinar to -- that you can go on -- people can go on and
8 look and listen to, and it focuses on the home-buying
9 process. I've listened to the first two episodes. I
10 encourage you, as the Board members, if you want to, to go
11 on to our website, open those up and listen to them.

12 I think the staff have done a phenomenal job of
13 putting them together, and I think it's really an
14 important way for us to have outreach to the people that
15 we are trying to ensure have access to not only our
16 programs, but ensure that they understand as much as they
17 possibly can about the home-buying process.

18 Under the Single-Family Rental Program, we did
19 have the opportunity to identify three additional
20 purchases that we want to start putting our reservation
21 on. Those will close sometime in next year, but we did go
22 ahead and make a reservation on three condominiums in an
23 affordable complex in south Austin called the Canopy at
24 Westgate.

25 Those three condominiums -- the project is

1 being developed by the City of Austin, Momark Development
2 and Austin Habitat for Humanity. So, we're real excited
3 about your name on a couple of reservations for those
4 properties.

5 We'll continue to monitor that development, and
6 hopefully, we'll be able to purchase and close on those
7 loans next year. With that, Mr. Chairman, I will go ahead
8 and conclude my remarks. I know everybody has already
9 heard, as far as professionals -- Routt Thornhill is on
10 the phone, general counsel with Coats Rose.

11 So, if anybody has any questions during the
12 meeting, don't hesitate to ask. Next scheduled Board
13 meeting is July 8, Wednesday, July 8, at 10:30. We'll
14 keep you informed as we move forward into the summer
15 months and we get to close to that time frame as to
16 whether or not we'll be actually holding that meeting
17 based on demand for the Board's time.

18 So, Mr. Chairman, with that, I will conclude,
19 unless there's any further comments or questions.

20 MR. DIETZ: Great. Thank you, Mr. Long. Go
21 ahead, Courtney.

22 MS. JOHNSON-ROSE: Mr. Chairman, I did have a
23 question. David, thank you for sending this out to us
24 beforehand. It was great to have, and as I was saying,
25 was so useful, thoroughly so. I did have a question on

1 the new pre-development loan program --

2 MR. LONG: Sure.

3 MS. JOHNSON-ROSE: -- that being the Austin
4 metro. Is that program a possibility for other areas, not
5 just Austin?

6 MR. LONG: I'm going to turn that over to
7 Cassandra and Dave Danenfelzer to respond to. I would
8 tell you right now, I think its kind of a pilot loan
9 fund and the funding kind of came for that area, but I'll
10 let them discuss if there's maybe some future thought on
11 expanding it, as far as the pilot goes.

12 But David or Cassandra, do you want to respond
13 to Ms. Rose's comments on that, or question?

14 MR. DANENFELZER: Good morning. This is David
15 Danenfelzer, Senior Director of Development Finance.
16 First of all, it would be great if I could see you all.
17 Anyways, I'm trying to imagine all your smiling faces up
18 there looking back at me. But yeah.

19 So, the funding that we received for this came
20 through the Austin Community Foundation. They had been
21 entertaining a number of requests from local housing
22 organizations about pre-development but did not have a
23 real mechanism of providing a loan product in that manner.

24 So, because of some of our previous
25 partnerships with them, including the Chicon phase 1,

1 which we've talked about previously, as well as another
2 project in Austin called AHA! at Briarcliff, Austin
3 Community Foundation has built, you know, a good
4 relationship with us, and we with them.

5 So, they came to us to see if we could
6 potentially provide this channel for pre-development funds
7 in the Austin area. It's an excellent program for us to
8 launch. We really like how it's been structured. But I
9 will note, we are hopeful that this is recoupable, and
10 this is something that we may be able to reach out to
11 other community funds across the state.

12 We'll find other funders that would be able to
13 bring it beyond the Austin metro area.

14 MS. JOHNSON-ROSE: Okay. Excellent. Thanks.
15 Thank you for that.

16 MR. LONG: Any other --

17 MR. DIETZ: Great.

18 MR. LONG: -- questions?

19 (No response.)

20 MR. LONG: Okay.

21 MR. DIETZ: Great, great. Thank you, Mr. Long
22 and Mr. Danenfelzer. Any other questions or comments from
23 the Board before we move on?

24 (No response.)

25 MR. DIETZ: All right. If not, then we will

1 move into the action items for our meeting today. Tab
2 Item 1 is the "Presentation, Discussion and Possible
3 Approval of the Minutes of the Board Meeting held on May
4 13, 2020."

5 If you need to take a minute to review those,
6 and does anybody have any questions? Any Board members
7 have any questions or comments about the minutes?

8 MS. JOHNSON-ROSE: No, sir.

9 MR. DIETZ: Okay. Is there a motion to
10 approve?

11 MS. JOHNSON-ROSE: So, moved by Courtney Rose.

12 MR. DIETZ: Great. What about a second?

13 MS. SHIPLEY: Yes.

14 MS. CARDENAS: This is Valerie. I'll second.

15 MR. DIETZ: Okay. It's been moved and seconded
16 that we approve the minutes of the Board meeting held on
17 May 13, 2020. All in favor, please unmute and say aye.

18 (A chorus of ayes.)

19 MR. DIETZ: Are there any opposed?

20 (No response.)

21 MR. DIETZ: Okay. Then the minutes from the
22 May Board meeting are approved. Tab Item 2 is the
23 "Presentation, Discussion and Possible Approval of a
24 Resolution Regarding the Submission of One or More
25 Applications for Allocation of Private Activity Bonds,

1 Notices of Intention to Issue Bonds and State Bond
2 Applications to the Texas Bond Review Board and
3 Declaration of Expectation to Reimburse Expenditures with
4 Proceeds of Future Debt for the Park on 14th Apartments."

5 Mr. Danenfelzer, I believe you're going to
6 enlighten us about this tab item.

7 MR. DANENFELZER: Yes. Good morning again.
8 David Danenfelzer, Senior Director of Development Finance.
9 Yeah. The Park at 14 is -- at 14th is a planned
10 Department complex. As noted in the write-up, it will --
11 it has a plan to be a 60-unit project targeting families
12 in the Plano area of low and extremely low income.

13 The project has been something that we've been
14 working on for a number of years. This is a project that
15 the Corporation actually owns. We purchased it back in
16 2012, and we've been working on a number of different
17 plans through different processes to try to get it
18 redeveloped for affordable housing through the years.

19 We are currently actually in an application
20 cycle for 9 percent housing tax credit for this site, and
21 our development partner, Diana McIver & Associates. That
22 application is moving forward, but the application round
23 is very competitive.

24 We're close to being in the award -- kind of
25 targeted awards, but we're not right there. So, in order

1 to kind of look at other options, we did discuss with the
2 development team whether or not bond application would be
3 worthwhile.

4 We decided it's a good back-up plan, if for any
5 chance the 9 percent application does not come through.
6 And so, in order to make sure we meet certain timelines
7 and allocation requirements for bonds, we wanted to bring
8 this to you for an inducement at this time.

9 And I'll note right now that the number of
10 inducements are just an approval by the Board giving staff
11 the authority to move forward with certain actions
12 including the application for reservation of bonds,
13 developing of bond documents, and engaging our
14 professional service providers, bond counsel, municipal
15 adviser and issuer counsel in the process of moving the
16 project forward.

17 This is not an allocation of funding or an
18 approval of the bond. We will develop all that material
19 and come back to you once those are developed and we have
20 a final bond resolution ready to discuss with the Board,
21 if we go that direction.

22 But this approval today will give us the option
23 to go through a bond-issuing process and take the project
24 forward, utilizing some of our volume cap from this year
25 or potentially next year in 2021, if the time isn't quite

1 right for this year.

2 I don't know if there's any more I can add to
3 the write-up that you have before you. You know, I will
4 note that, again, we've been working with Diana McIver &
5 Associates for about three years now on this project.
6 We've taken it through the 9 percent competitive tax
7 credit round twice, but it is again -- it is a very
8 competitive process.

9 Less than half of the applications that go in
10 at the beginning of the year even make it to the full
11 application cycle, and unfortunately, there is a limited
12 number of tax credits available, and so we are -- like I
13 said, previously, we're right outside the bubble right now
14 of getting tax credits, but there are changes to the
15 scoring and other things ongoing.

16 So, we're hopeful that we may move up the
17 ladder here in the next month for the planned July 23
18 allocation of those tax credits by the Texas Department of
19 Housing and Community Affairs. So, I'll close my comments
20 at this point, and ask if there's any questions?

21 MR. DIETZ: Great. Thank you, David. Any
22 questions or comments from the Board?

23 (No response.)

24 MR. DIETZ: Okay. If there aren't any
25 questions or comments, then we would entertain a motion.

1 MS. JOHNSON-ROSE: Mr. Chairman, this is
2 Courtney with a motion to approve.

3 MR. DIETZ: And is there a second?

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

5 MR. DIETZ: Okay. Great. It's been moved and
6 seconded. All in favor, please unmute and say aye.

7 (A chorus of ayes.)

8 MR. DIETZ: Okay. Any -- great. Thanks. Any
9 opposed?

10 (No response.)

11 MR. DIETZ: Okay. I do not hear any, so the
12 resolution is approved. On to Tab Item 3, the
13 "Presentation, Discussion and Possible Approval of a
14 Resolution Regarding the Submission of One or More
15 Applications for Allocation of Private Activity Bonds,
16 Notices of Intention to Issue Bonds and State Bond
17 Applications to the Texas Bond Review Board and
18 Declaration of Expectation to Reimburse Expenditures with
19 Proceeds of Future Debt for the Sandpiper Cove
20 Apartments."

21 MR. DANENFELZER: Okay. Good morning again.
22 David Danenfelzer, Senior Director of Development Finance.
23 Again, I'll start this one with just reminding you that
24 this is an inducement resolution. It is not approval of
25 the project.

1 So again, like I had noted, you're just
2 allowing us to move forward with the process of reviewing
3 drafting documents, and then we will bring this back to
4 you, if it meets all of our requirements and get a final
5 bond approval sometime later in this year.

6 This project is with ITEX Group, a developer
7 that we also induced a project with last month. That was
8 called W. Leo Daniels Towers in Houston. This project is
9 in Galveston.

10 And it is a 192-unit project located pretty
11 much in the center of the island, a little bit on the
12 north side, if you're familiar with Galveston. I always
13 consider the main drag more of an east-west route. But in
14 any case, the project is older.

15 It was built in 1969 and has a variety of
16 different apartment sizes. The total development project
17 is about 41.8 million, and the project is going to be a
18 little bit unique, because the project does qualify for
19 historic state and federal tax credits. And so, there
20 will be an additional tax credit coming up, outside of the
21 traditional 4 percent housing tax credit, which will help
22 pay down those bonds.

23 But not all of the bonds will be paid down.
24 There will be a portion of the bond amount that will be --
25 that will continue on for this project through the life of

1 the project. That will be the 15 or 30 years.

2 Now, there's also a significant amount of
3 rehab. You'll notice the 74,000 per unit, and that is a
4 large number. But again, some of that is driven up by the
5 need to ensure that the historic tax credit and federal
6 tax credit are properly preserved, and so that the
7 property will not just get a brand-new window.

8 It will get a new window which has some
9 historic content and the Secretary of the -- the U.S.
10 Secretary of Interior's Standards for Historic
11 Preservation. We looked at market conditions for the
12 project as well. We do think it's a good neighborhood.

13 It's a mix of residential and some small
14 businesses, but predominantly residential, though it is
15 located just south of the outside of a railroad and
16 shipping docks. But again, if you're familiar with
17 Galveston, almost the entire north side of the island is a
18 rail dock and shipping dock, so it's hard to get away from
19 those areas on the island, unless you're right on the
20 beach.

21 You know, we looked at some of the median
22 household incomes for the area, which are lower than the
23 state's average for this census tract. But overall,
24 Galveston does have a lower median household income than
25 the state as well, which is an interesting indicator for a

1 community that we often consider a vacation destination.
2 But I think that's also a key indicator that it's
3 predominantly a service industry, but then also a shipping
4 industry, and most of the people that live on the island
5 do work more in the service industries rather than in the
6 industrial jobs and other things.

7 Most of the people in those areas apparently
8 live more mainland, Texas City and elsewhere, and then
9 commute into town. We do have a note again about
10 relocation and tenant resources for this project. Like
11 all rehabilitation projects, you know, there is a
12 significant amount of rehab that is done inside, so the
13 relocation of tenants will be minimized as much as
14 possible, and there is a plan that is required for this to
15 occur, to make sure that tenants are not displaced.

16 Almost all of the tenants will return to this
17 project when it is completed. Some may be temporarily
18 replaced. And we do know from some other recent projects
19 that are currently closing that both state and federal
20 regulators are requiring some additional steps to be taken
21 because of COVID-19, and so we are -- you know, we'll be
22 working with the developer and looking for those plans to
23 come out with certain additional steps to ensure a lower
24 amount of contact between contractors who may be going in
25 to work on the kitchens and the actual tenants.

1 And we'll kind of update you later, once we
2 have a full plan developed and then bring it back for bond
3 approval. I'll try to cut short the rest of my
4 presentation and just let you know that, you know, ITEX
5 Group is a group that is based in Texas.

6 We've worked with them, like I noted earlier,
7 on the W. Leo Daniels Towers project in Houston. We are
8 familiar with them and their development team. And at
9 this point, I'll turn it back to y'all for any questions.

10 MR. DIETZ: Great. Thank you, David. Any
11 questions for -- or comments from the Board?

12 (No response.)

13 MR. DIETZ: Okay. Hearing none, I would
14 entertain a motion?

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

16 MR. DIETZ: Is there a second?

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

18 MR. DIETZ: Okay. It has been moved and
19 seconded. All in favor, please unmute and say aye.

20 (A chorus of ayes.)

21 MR. DIETZ: Great. Any opposed?

22 (No response.)

23 MR. DIETZ: Okay. The resolution is approved.
24 Thank you very much, David.

25 MR. DANENFELZER: Thank you.

1 MR. DIETZ: And it looks like, Mr. Long, unless
2 I'm mistaken, that brings us to the end of our action
3 items for today's meeting. Is that correct?

4 MR. LONG: We would probably try and minimize
5 the amount of time we spend having -- putting together a
6 full Board meeting. I will say, one of the blessings that
7 comes out of being able to meet like this during these
8 unique times is that we're able to pull the Board members
9 together, minimize the amount of time you have to be away
10 from your daily activities, enable -- allow us to be able
11 to have you available to help us move forward with some of
12 the transactions.

13 So, while today's meeting was a short meeting,
14 we really appreciate your availability and time spent with
15 us. I think it's good for us to know that we have you
16 available, and we'll continue to meet like this until
17 we're told otherwise.

18 So hopefully, this is a way that allows all of
19 us to get together rather quickly, even when we have small
20 agendas. Mr. Chairman, we do not have any need to go into
21 closed session. I'd remind the Board members again, as I
22 said earlier, that the next scheduled Board meeting is
23 scheduled for July 8 at 10:30.

24 We will keep you posted as agenda items become
25 available for that meeting. And unless there's anything

1 else from the Board members, or any of the staff, with
2 that, Mr. Chairman, we would be able to conclude the
3 meeting.

4 MR. DIETZ: Great. Well, I, as Chair, would
5 just like to say to the staff and all our partners, thank
6 you for your continued commitment to the organization in a
7 difficult time. I know it's hard, like Mr. Danenfelzer
8 said earlier, to keep doing this without everybody being
9 able to see each other, and so we appreciate everybody's
10 commitment.

11 And it also may be difficult when you are
12 distressed or distraught about, you know, global events,
13 and so appreciate everybody's continued commitment, and
14 I'll say, on behalf of the Board, just as human beings,
15 you know, we abhor racism. We abhor the abuse of
16 positions of authority, and we abhor institutionalized
17 inequality, and we recognize that issues like that have
18 been endemic to societies for a long time, and I'm proud
19 to be a part of an organization that, as a result of both
20 its mission, its leadership and just a commitment of all
21 the staff and partners, is working in some small way to
22 combat those things.

23 So, thank you to everybody, and you've got the
24 full support of the Board in any way that you need us.

25 MR. LONG: Thank you, Mr. Chairman.

1 MR. DIETZ: Any other further comments from the
2 Board, or any public comment?

3 (No response.)

4 MR. DIETZ: Okay. Hearing none, we will
5 adjourn at -- it's about 11 o'clock on June 10 and thank
6 you very much.

7 (Whereupon, at 11:00 a.m., the meeting was
8 adjourned.)

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C E R T I F I C A T E

MEETING OF: TSAHC Board
LOCATION: via RingCentral
DATE: June 10, 2020

I do hereby certify that the foregoing pages,
numbers 1 through 2323, 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: June 12, 2020

(Transcriber)

On the Record Reporting
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