

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

TSAHC Offices
6701 Shirley Avenue
Austin, Texas 78752

Wednesday,
July 21, 2021
10:31 a.m.

BOARD MEMBERS:

WILLIAM H. DIETZ, JR., Chair
VALERIE V. CARDENAS, Member
COURTNEY JOHNSON ROSE, Member (remote)
ANDY WILLIAMS, Member
LEMUEL WILLIAMS, Member

ON THE RECORD REPORTING
(512) 450-0342

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P R O C E E D I N G S

MR. DIETZ: Everybody, welcome to the Texas State Affordable Housing Corporation Board meeting for July. It is 10:31 a.m. on July 21, and we're called to order.

(Off-the-record discussion about audio.)

MR. DIETZ: I called the meeting to order when y'all couldn't hear us, so we're officially in session, and to start us off I'll do our roll call to make sure we have a quorum.

William Dietz, Chair, I am here.

Valerie Cardenas, Vice Chair?

MS. CARDENAS: Present.

MR. DIETZ: Courtney Johnson Rose?

MS. JOHNSON ROSE: Present.

MR. DIETZ: Lemuel Williams?

MR. L. WILLIAMS: Present.

MR. DIETZ: And Andy Williams?

MR. A. WILLIAMS: Present.

MR. DIETZ: Okay. We are all here and accounted for, and so we do indeed have a quorum.

Before we go further, please join me as we pledge allegiance to the United States Flag.

(The Pledge of Allegiance was recited.)

MR. DIETZ: And to the Texas Flag.

1 (The Texas Allegiance was recited.)

2 MR. DIETZ: I skipped the first opening phrase.

3 Before we go further, is there any public
4 comment? And we'll save public comments that are relating
5 to any specific agenda item till later, please, and this
6 would just be for general public comments.

7 (No response.)

8 MR. DIETZ: I don't hear any.

9 And so, Mr. Long with our president's report.

10 MR. LONG: Thank you, Mr. Chairman. Members,
11 good morning.

12 Ms. Cardenas, welcome to our new building for
13 the first time.

14 MS. CARDENAS: Thank you.

15 MR. LONG: Just quick highlights. I know we
16 have several people interested in speaking on several of
17 the tab items, so what I'll do is I'll just briefly go
18 over my president's report, some highlights.

19 While we are conducting this meeting in person
20 and virtually under the Governor's Disaster Declaration
21 which has continued, it's my understanding in September we
22 will likely go ahead and have our meeting all in person.

23 I will suggest to you that currently we are not
24 looking at having an August meeting unless there is
25 request by the Board members or we have items that pop up

1 that we would need to. We typically skip a meeting in the
2 summer months, and August just kind of happened where
3 things are falling out.

4 The 86th Legislative Session ended last month,
5 and one very positive outcome of that was the extension of
6 TSAHC's Sunset review from 2023 to 2027. I think this is
7 really important for us to have that additional time to
8 continue doing the work we're doing in providing
9 affordable housing across the state.

10 The tab items A through C provide the Board our
11 financial and program area reports. If there is any
12 questions on those, we can certainly bring up staff to
13 answer any questions.

14 Of note, one thing I would mention to you is
15 the Corporation has been involved in a program called
16 Neighborhood Stabilization. It was federally funded
17 program funded almost ten years ago in support of bringing
18 back the housing market after the foreclosure crisis.

19 We have been in that participation as a direct-
20 funded entity with TDHCA for the last eleven years, and
21 effective August 31 we're going to transfer and assign any
22 remaining properties we have under that, essentially
23 terminating our relationship under that program.

24 We've held that program under our ACT Program,
25 and we just feel like we can continue to manage our ACT

1 properties without having additional layering of
2 management and everything else, so we're going to look to
3 terminate that back to the Department. I've been in
4 contact with them, and they are working with us to do
5 that, and they are very positive on what we're doing so
6 that's going to happen by the end of the month -- excuse
7 me -- the end of August.

8 The Texas State Affordable Housing
9 Corporation's Loan Committee met yesterday, the 20th, at
10 10:00 a.m. We did it in person and via conference call.
11 Mr. Williams, our Board member representative, was in
12 attendance as well.

13 We approved two new loans, both for \$375,000
14 under our affordable housing partnership loan. One is in
15 Dallas, and the other one is in Garland. We also looked
16 at our standing reports for existing loans and outstanding
17 properties that we are always considering.

18 Under the Single-Family Programs update, we've
19 continued to see strong demand for training through our
20 Down Payment Hurdle courses and our training that we offer
21 for our lenders in order to participate.

22 As a result of all of that, we completed 412
23 required trainings for loan officers and 275 Down Payment
24 Hurdle trainings were completed for loan officers. We
25 added three new lenders to our program since the last

1 Board meeting, and we will continue to have our webinars
2 and lender trainings also available online through our
3 webinars that we offer.

4 Fundraising, a couple of high notes: the
5 Corporation received a \$50,000 grant from JPMorgan Chase
6 in support of 2021 Texas Supportive Housing Institute; and
7 we also received a \$2,500 individual donation in support
8 of our 2021 Housing Connection training. We will kick off
9 the virtual training related to Housing Connection. That
10 was done on July 13, earlier this month, and we invited
11 some of our sponsors to join us to kick that off.

12 Regarding permanent supportive housing, I know
13 I mentioned this earlier, but the Corporation released our
14 application for the 2021 Texas Supportive Housing
15 Institute on July 2. Applications are due by the end of
16 the month, and I know staff will be looking at and scoring
17 those to see who we will have participating in that.

18 The marketing team and kind of updates on
19 what's going on regarding outreach: We released a new
20 segment on July 16 of our podcast, and it was focusing on
21 tips for submitting competitive offers in today's housing
22 market, which obviously the market in Texas is crazy, and
23 so we felt like that was a really good topic for us to
24 cover. It featured Joniel and Gracie Perez, one of
25 TSAHC's top loan officers, and Alicia Mendoza, one of

1 TSAHC's participating Realtors, and I think there's a
2 friendly competition internally between the staff as to
3 who's getting the most downloads of their podcasts on
4 that. So, we're really excited that that one is getting a
5 lot of buzz.

6 We recorded an additional segment for how
7 student loans affect the home buying process, and we're
8 looking forward to that to be released in late August.

9 As I mentioned earlier about us looking to
10 expand what we're doing, the Corporation's website has
11 always been a really highlighted area for us. We feel
12 like we've done a really good job of maintaining that
13 website, and as a result, we decided that we would go out
14 with an RFP for ongoing website maintenance and helping us
15 make sure that that website is maintained and upgraded as
16 we need it to.

17 That RFP went out on June 15, and we have
18 responses in, and we're working on going through those,
19 we're scoring those, and we'll hopefully have a new
20 partner that we can work with on that.

21 The Corporation's 2020 annual report is
22 completed. I think the Board members got a copy of it
23 virtually; it was sent to you in conjunction with the
24 Board package you got, but those should be out and
25 released later this month in hard copy, and we'll make

1 sure the Board members each get one of those.

2 I would note that the TAAHP Conference, the
3 Texas Affiliation of Affordable Housing Providers
4 Conference, is actually this week in Austin, and both Mr.
5 Andy Williams and Mr. Lemuel Williams attended that.
6 We're thankful that they had the chance to go. Dave
7 Danenfelzer also spoke on one of the panels, and we had
8 three other staff members that attended, so we were well
9 represented.

10 The next Scheduled Board meeting, Mr. Chairman,
11 is set for September 15 at 10:30, and as I mentioned
12 before, we do not anticipate having a meeting in August.

13 And with that, I'll conclude my remarks, unless
14 there's any additional questions or comments.

15 MR. DIETZ: Great. Thank you.

16 Any questions from the Board?

17 (No response.)

18 MR. DIETZ: That will move us to our action
19 items for the meeting today. Tab item 1 is the
20 presentation, discussion and possible approval of the
21 minute of the Board meeting that was held on June 9.

22 Are there any corrections, additions,
23 questions, et cetera, with regard to the Board minutes
24 from last month?

25 (No response.)

1 MR. DIETZ: If not, may I have a motion to
2 approve?

3 MR. L. WILLIAMS: Chair, this is Lemuel. I
4 make a motion to approve the June 9 meeting minutes.

5 MR. DIETZ: Is there a second?

6 MS. CARDENAS: Second. Valerie Cardenas.

7 MR. DIETZ: It's been moved and seconded that
8 we approve the Board minutes from the June 9 meeting as
9 submitted. Is there any public comment?

10 (No response.)

11 MR. DIETZ: Hearing none, we'll continue with
12 our roll call style vote.

13 Andy Williams?

14 MR. A. WILLIAMS: Yes.

15 MR. DIETZ: Lemuel Williams?

16 MR. L. WILLIAMS: Yes.

17 MR. DIETZ: Courtney Johnson Rose?

18 MS. JOHNSON ROSE: Yes.

19 MR. DIETZ: Valerie Cardenas?

20 MS. CARDENAS: Yes.

21 MR. DIETZ: And Bill Dietz, yes.

22 So, the minutes from last month are approved as
23 submitted.

24 Tab item 2 is the presentation, discussion and
25 possible approval of a resolution authorizing the

1 restructuring of two series of Texas State Affordable
2 Housing Corporation single family mortgage revenue bonds,
3 designated as 2011 Series B and 2009 Series B bonds,
4 through the redemption of a related series of bonds, and
5 all matters related thereto.

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

7 I just want to confirm before we start, is
8 David Jones on the call?

9 MR. JONES: I'm here.

10 MR. LONG: Okay, David. Let me do a quick
11 introduction, and then I'll go ahead and turn it over to
12 you, and you can kind of give the Board kind of the
13 summary of the memo you put together that's in the Board
14 packet. Okay?

15 MR. JONES: Fine. Thank you.

16 MR. LONG: So, the Corporation issues single-
17 family mortgage revenue bonds and when we do so we
18 typically have an optional redemption facility in the bond
19 documents that allow us to have an option to redeem those
20 bonds after ten years.

21 The 2011-B and 2009-B were issued and uniquely
22 done in that they were part of national NIBP program, New
23 Issuance Bond Program, and what it was is they were
24 subsidized by the federal government to help keep mortgage
25 rates down because the bond market wasn't generating

1 sufficient rates in order to make it work well, and so
2 that's why you have this as a dual-bond structuring.

3 The Corporation has talked with our counsel,
4 has talked with our financial advisors -- and Mr. Jones
5 will give you an update here in a second -- and we've
6 determined -- we've done this in the past, I might add,
7 and what we're looking to do is redeem the bonds.

8 And we usually would buy a portion of the bonds
9 showing that we invest in our own product, as well as in
10 the past we've also taken a portion of it and sold some of
11 them off and take those monies to put back into our
12 programs.

13 The Corporation at this time would like to ask
14 the Board that we would purchase the entire portfolio this
15 time. It's not a large portfolio; it's just over
16 \$6 million I think is the outstanding balance right now.
17 It's changed; as the mortgages pay down, so are the bonds
18 outstanding.

19 And so, what we're looking at doing is asking
20 the Board, through this resolution, to approve us to move
21 forward with the redemption of the entire amount, but
22 instead of selling part of it, we would buy the entire
23 transaction, and then we would be the invested owners in
24 our own transaction, if you will.

25 So, it's a really great opportunity for us to

1 secure a good opportunity for return on investment, as
2 well as showing that we have faith in our own structured
3 transactions that we put out.

4 So, David, do you want to kind of give a
5 summary of the memo you put together.

6 MR. JONES: Yeah, I'd be happy to. Thank you,
7 David.

8 Mr. Chairman, members of the Board, I prepared
9 a memorandum both for staff as well as for you to just
10 describe --

11 MR. LONG: David, real quickly, can you
12 introduce yourself for the record?

13 MR. JONES: Yeah, absolutely. David Jones, CSG
14 Advisors. We serve as financial advisor to the
15 Corporation for its single-family programs.

16 MR. LONG: Thank you.

17 MR. JONES: I'm based in CSG's Atlanta, Georgia
18 office, and we've been serving you for a little over a
19 year and a half now.

20 So, with that as background, we did work with
21 staff and the bond trustee to look at the details of these
22 two bond series and really what would be the impact of
23 potentially optionally redeeming the bonds on this par
24 optional call date of September 1 that's coming up.

25 And as Mr. Long described, there's a little

1 under \$7.4 million of bonds outstanding as of June 1; it's
2 actually paid down to about \$7 million as of July 1, and
3 the bonds currently have a weighted average coupon of just
4 over 3 percent, so that's basically the borrowing cost to
5 the Corporation for having those bonds outstanding.

6 We put together this memo really to analyze
7 what is the economic impact of optionally redeeming the
8 bonds. We did it in a way to look at, number one, what's
9 the existing present value economic benefit over time to
10 the Corporation of just leaving the bonds outstanding, and
11 we reflect that in the memo.

12 And on page 90 of the package there's a table
13 saying, "Take No Action." That's the net present value if
14 the Corporation just left the bonds outstanding, between
15 \$900,000 to a million dollars of present value, depending
16 on the prepayment speed of the mortgage-backed securities.

17 If they prepay a little bit faster, the value is a little
18 bit less; if they stay outstanding longer, the value is a
19 little bit greater.

20 And just using that as kind of the base case,
21 we valued the optional redemption in two ways. One, we
22 say if the Corporation took its cash and redeemed these
23 bonds early, what would be the value of the mortgage-
24 backed securities if they were to put them on the open
25 market and try to sell them.

1 And so we just looked at the MBS market price
2 valuation method of the benefit of redeeming the bonds,
3 and that's between \$400,000 and \$500,000 of improvement
4 over taking no action.

5 And we looked at one other valuation method,
6 which would just be discount the cash flows from the
7 mortgage-backed securities as they pay down over time and
8 as the Corporation receives P&I payments, and that
9 improvement over taking no action is between \$250,000 and
10 \$300,000 in total.

11 So, any way you slice it, there's certainly
12 good benefit to optionally redeeming the bonds with the
13 Corporation general fund cash. We also show the amount of
14 present-value bond interest expenses saved over the life
15 of those bonds if they had stayed outstanding.

16 The mortgage-backed securities themselves,
17 there's around \$7.2 million outstanding as of July 1, and
18 we just refreshed the numbers, and it was like the amount
19 of cash needed to optionally redeem the bonds is about
20 \$6.6 million by the Corporation.

21 So, I think the way we've been looking at this
22 would be, just given the strong new production of the
23 Corporation on its single-family programs and the cash
24 generated from all this TDA activity, it's a great
25 opportunity to use some of that cash to make a modest

1 investment in sound mortgage-backed securities and hold
2 those as a long-term investment. The MBS have an average
3 coupon of 3.75 percent and so that's a pretty strong
4 coupon given all the other alternative investments out
5 there today.

6 So, it's really our recommendation to proceed
7 and authorize the optional redemption of these bonds, and
8 happy to answer any questions on the analysis or anything
9 else by the Board.

10 MR. DIETZ: So, I just want to make sure I
11 understand correctly. So, we've got these bonds that have
12 come up on their call date or redemption date, so we're
13 redeeming them or calling them, but rather than
14 refinancing them by issuing another bond, we're just going
15 to buy the bonds back, basically, from the current
16 bondholders, which I assume are probably institutional.

17 MR. LONG: Institutional investors.

18 MR. DIETZ: Did I say all that correctly?

19 MR. JONES: Yeah, that's correct, and in fact,
20 the actual transaction will be the authority will transfer
21 funds to the trustee to assure those bonds will be fully
22 paid off, and as a result of that, the bond trustee will
23 transfer all of the assets and mortgage-backed securities
24 to the Corporation as a result.

25 MR. DIETZ: Okay. So, we're not holding on to

1 the bonds themselves. We're redeeming the bonds, and
2 we'll own the underlying mortgage-backed securities.

3 MR. LONG: Mortgage-backed securities. That's
4 correct.

5 MR. DIETZ: That are currently funding the
6 interest on the bonds. Right?

7 MR. JONES: That is correct.

8 MR. DIETZ: Okay. Great. Thank you. That
9 helps clarify it for me.

10 Any other questions from the Board?

11 (No response.)

12 MS. JOHNSON ROSE: No question. I will make
13 the motion to move forward.

14 MR. DIETZ: Okay. Ms. Johnson Rose has moved
15 that we approve the resolution as presented. Is there a
16 second?

17 MR. A. WILLIAMS: I'll second.

18 MR. DIETZ: And it's been seconded.

19 Any public comment? Any further discussion or
20 questions?

21 (No response.)

22 MR. DIETZ: Okay. We'll do our roll call style
23 voting.

24 Andy Williams?

25 MR. A. WILLIAMS: Yes.

1 MR. DIETZ: Lemuel Williams?

2 MR. L. WILLIAMS: Yes.

3 MR. DIETZ: Courtney Johnson Rose?

4 MS. JOHNSON ROSE: Yes.

5 MR. DIETZ: Valerie Cardenas?

6 MS. CARDENAS: Yes.

7 MR. DIETZ: And Bill Dietz, yes.

8 So, the resolution authorizing the
9 restructuring of the two series of bonds from 2009 and
10 2011 is approved.

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

12 MR. DIETZ: On to tab 3, which is the
13 presentation, discussion and possible approval of a
14 resolution authorizing the issuance of Texas State
15 Affordable Housing Corporation multifamily tax-exempt
16 mortgage-backed bonds for the Gardens of Balch Springs
17 Apartments, Series 2021, an indenture of trust, a
18 financing agreement, a bond purchase agreement, an asset
19 oversight, compliance and security agreement, a regulatory
20 agreement, a preliminary official statement and a final
21 official statement; authorizing the execution of documents
22 and instruments necessary or convenient to carry out the
23 issuance of the bonds; and other provisions in connection
24 therewith.

25 MR. DANENFELZER: Good morning. This is David

1 Danenfelzer, senior director of Development Finance.

2 Thank you for reading all of that into the
3 record. I know it's a mouthful when it comes to these
4 bond resolutions and the details that we're required to
5 follow.

6 This is a project we've looked at before. We
7 induced this late last year, and staff has been working on
8 it throughout this year to prepare all of the necessary
9 bond documents, to complete all of our underwriting, hold
10 public comment periods and TEFRA hearings.

11 But the summary of the project is fairly
12 simple. It's a new construction, multifamily deal
13 targeting seniors in Balch Springs, Texas. There's a
14 total of 200 units, of which 120 will be affordable to
15 low-income seniors at 60 percent and below of area median
16 income.

17 The project total budget is right now
18 \$37.3 million, and roughly \$186,000 per unit. As you
19 know, there's been a lot of news about construction costs.

20 These are the latest numbers we have. We are hopeful,
21 though, that with more recent trends in literally the last
22 two weeks with lumber prices coming back down to much more
23 normal, or at least springtime kind of numbers, that we'll
24 be able to maintain this total development cost and get
25 the project moving forward.

1 About \$23 million is used for the construction
2 of the project, the site acquisition is \$1.7 million, and
3 the remaining fees are about \$12.3 million of soft costs,
4 pre-development costs and other things that have to go
5 into the project.

6 The bond structure is fairly normal for things
7 that we have been doing in the last few years; it is what
8 we consider an agency issuance. Regents Bank will be the
9 seller servicer for a Fannie Mae M-TEB program. That
10 basically stands for tax-exempt bond program.

11 And again, staff has looked at market
12 conditions, looked at the financials, looked at the
13 developer, which has a lot of experience. In particular,
14 JPI, which is the primary development partner, is mostly
15 known for its market rate development, but they have put
16 together a new team of well experienced affordable housing
17 development partners, and so we're excited to have JPI
18 kind of come in with their skill and ability both in
19 construction and market knowledge, but also with a great
20 team in Ryan and Natalie Combs with Prudentia as sort of
21 guiding them through the affordability part of this, so we
22 have a really solid team here.

23 There's not much else I can add to this. I
24 will note that if approved today, which is staff's
25 recommendation, we will be going to the Texas Bond Review

1 Board tomorrow to get approval on this, and we do intend
2 to close in early September -- or actually -- I'm sorry --
3 late August.

4 The next deal will be early September that
5 we're going to be talking about. So, we are lining up a
6 number of closings in the next few weeks, and so we're
7 hopeful that the Board supports staff's recommendation
8 today.

9 MR. DIETZ: Where is that?

10 MR. DANENFELZER: Balch Springs?

11 MR. DIETZ: Yeah.

12 MR. DANENFELZER: Balch Springs is right at the
13 intersection where I-20 and 635 on the east side of Dallas
14 split. So, if you're on I-20 going east towards Texarkana
15 or going east and you hit that 635 split, basically that
16 is Balch Springs.

17 I'll admit I just drove through there three or
18 four weeks ago on my summer vacation driving north, but it
19 is directly south of Mesquite, which when you tend to get
20 to Mesquite, you see a lot more signs and information
21 about it. Balch Springs doesn't have a big sign saying
22 "Welcome to Balch Springs" right there on the highway, but
23 it is a fast-growing community.

24 We have looked at a number of other projects in
25 the last couple of years. We know that just within the

1 past five years approximately 5,000 new units have gone on
2 the ground in Balch Springs, both market rate and
3 affordable, so there's a lot of growth in this area.

4 This development is also part of a larger
5 master-planned community that will include several hundred
6 thousand square feet of commercial retail as well as, I
7 think, another thousand units of both condominium and
8 rental market rate housing.

9 MR. DIETZ: So, do we view that as kind of part
10 of the Metroplex?

11 MR. DANENFELZER: It is part of the Metroplex,
12 and it meets our targeted housing need, because it is
13 senior targeted housing. Generally, we don't do family
14 new construction in the large urban areas, but because
15 this is targeting low-income seniors, it meets our set-
16 aside for that under the housing needs targets.

17 MS. CARDENAS: So, I guess just clarifying. It
18 sounds like it's going to be a great development, but if
19 the average cost is 186,000, and just kind of reading on
20 that the surrounding neighborhood is roughly about 141,9-
21 in comparison to the city's median of 129-, I'm trying to
22 grasp how that is lower income level -- or at 60 percent,
23 120 units would be reserved at 60 percent AMFI, so I'm
24 just trying to grasp that whole concept.

25 MR. DANENFELZER: Yeah. The construction cost

1 of 186,000 is where we targeted, and what we have to
2 understand is when we're doing affordable housing we're
3 building essentially market-rate housing at whatever the
4 going rate is, so 186,000 is a fairly good cost,
5 particularly for the Dallas Metroplex at this time for new
6 construction.

7 But the tax credits and the lower cost bond
8 financing bring down the payments that the developers have
9 to make, and therefore, it makes them able to lower rents
10 and provide that affordable housing well below the market
11 rents which would normally be achieved by this same
12 property if it didn't have those restrictions.

13 MR. DIETZ: Any additional questions?

14 (No response.)

15 MR. DIETZ: Or is there a motion?

16 MS. CARDENAS: Motion to approve.

17 MR. DIETZ: It's been moved that we approve the
18 resolution as submitted. Is there a second?

19 MS. JOHNSON ROSE: Second. Courtney Rose.

20 MR. DIETZ: Moved and seconded. Is there any
21 public comment at this time?

22 (No response.)

23 MR. DIETZ: Hearing none, we'll do our roll
24 call style voting.

25 Andy Williams?

1 MR. A. WILLIAMS: I have to recuse myself on
2 this project. I recused myself on the initial one because
3 I'm familiar with the project.

4 MR. DIETZ: Okay. So, noted.
5 Lemuel Williams?

6 MR. L. WILLIAMS: Yes.

7 MR. DIETZ: Courtney Johnson Rose?

8 MS. JOHNSON ROSE: Yes.

9 MR. DIETZ: Valerie Cardenas?

10 MS. CARDENAS: Yes.

11 MR. DIETZ: And Bill Dietz, yes.

12 So, with one abstention, the project is
13 approved, and the resolution is approved as submitted.

14 Thank you, Mr. Danenfelzer.

15 MR. DANENFELZER: Thank you.

16 MR. DIETZ: Tab item 4 is the presentation,
17 discussion and possible approval of a resolution
18 authorizing the issuance of Texas State Affordable Housing
19 Corporation multifamily housing revenue note,
20 Riverstation, Series 2021, a funding loan agreement, a
21 project loan agreement, an asset, oversight, compliance
22 and security agreement, and a regulatory agreement;
23 authorizing the execution of documents and instruments
24 necessary or convenient to carry out the issuance of the
25 note; and other provisions in connection therewith.

1 MR. DANENFELZER: Good morning. David
2 Danenfelzer, senior director of Development Finance.

3 This is another project which we have been
4 working on for the past year. We have again worked with
5 our bond counsel, issuer counsel, and municipal advisor,
6 along with the entire development team and finance team to
7 bring this back to you and get a final bond resolution
8 approved.

9 The transaction, located in Dallas, involves a
10 236-unit acquisition and rehabilitation project that does
11 target families. It is located in -- I heard this just
12 yesterday -- Near-South Dallas. I don't know why people
13 keep changing neighborhoods, but apparently there's a
14 South-South Dallas now.

15 (General laughter.)

16 MR. DANENFELZER: In any case, this is a
17 longstanding property, and the project is being done by
18 Dominion, which is a large national developer of
19 affordable housing based out of Minneapolis, and we have
20 worked with Dominion on several projects in the past, most
21 recently the Fairgrounds and Tradewinds projects that were
22 located in Midland, Texas. Those were new construction in
23 Midland. This is an acq-rehab, which is also one of the
24 major sectors that Dominion partakes in.

25 The total budget for the project is

1 approximately \$48.6 million. We are using a Freddie Mac
2 TEL structure on this, very similar to the Fannie Mae, but
3 the apparently decided they couldn't use the TEB, so they
4 used the TEL for their acronym.

5 But it is essentially an originated mortgage by
6 Merchants using the Freddie Mac structure for the bonds,
7 tax-exempt equity, and approximately \$18.3 million will be
8 available for the project. And I'll note there are no
9 seller notes or cash flow sharing.

10 That is something that often comes up with the
11 BRB questioning, so I've added that to my writeups, but
12 while there are some related parties between the current
13 ownership and the new owner, there is no seller note
14 involved. So that has become a question I'm trying to add
15 in to my writeups moving forward.

16 I don't know that there's much else I can say
17 other than, again, this is a great development team that
18 we've worked with before. They have great experience both
19 in new construction and acquisition-rehab projects, and
20 staff recommends approval of the resolution today.

21 MR. DIETZ: Questions, comments from the Board?

22 (No response.)

23 MR. DIETZ: Or is there a motion?

24 MR. A. WILLIAMS: This is Andy. I motion to
25 approve.

1 MS. ELLINOR: We lost audio. I'm not sure if
2 you are speaking.

3 MR. A. WILLIAMS: Yes. Can you hear me?

4 MS. ELLINOR: We can hear you now. Sorry about
5 that. If you could repeat that for Courtney?

6 MR. DIETZ: Yes. So, you heard Mr.
7 Danenfelzer' s report?

8 MS. JOHNSON ROSE: I did.

9 MR. DIETZ: Okay, great. So, I just asked if
10 there was any questions, and there has been a motion by
11 Mr. Andy Williams to approve the resolution as submitted.

12 So, is there a second, or are there any comments or
13 questions?

14 MS. JOHNSON ROSE: This is Courtney. I'll
15 second.

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

18 (No response.)

19 MR. DIETZ: Hearing none, we'll do our roll
20 call style voting.

21 Andy Williams?

22 MR. A. WILLIAMS: Yes.

23 MS. ELLINOR: Lemuel Williams?

24 MR. L. WILLIAMS: Yes.

25 MR. DIETZ: Courtney Johnson Rose?

1 MS. JOHNSON ROSE: Yes.

2 MR. DIETZ: Valerie Cardenas?

3 MS. CARDENAS: Yes.

4 MR. DIETZ: And Bill Dietz, yes.

5 So it is approved as submitted.

6 Thank you again, Mr. Danenfelzer.

7 Tab item 5, as you will recall, we voted at our
8 meeting last month to revisit this particular tab item
9 this month, the presentation, discussion and possible
10 approval of a motion to resubmit applications for
11 allocation of private activity bonds, notices of intention
12 to issue bonds, and state bond applications to the Texas
13 Bond Review Board for the Sandpiper Cove Apartments
14 project.

15 MR. DANENFELZER: Good morning again. David
16 Danenfelzer, senior director of Development Finance.

17 I'll spare a summary of the project; we've
18 talked about this several times. You all know it's a 192-
19 unit project in Galveston that is an acquisition-rehab
20 being conducted by the ITEX Group, Jeshurun, and Nautical
21 Development Companies.

22 The writeup that we've presented today does
23 vary slightly from last month's writeup. We have added
24 additional information that has been provided by various
25 parties over the last month.

1 The first thing I would want to note is that
2 ITEX Group provided updated underwriting figures, and it's
3 noted in the last paragraph on page 2 of 6 of the
4 writeup -- I'm not sure what that relates to in the actual
5 Board book.

6 MR. LONG: 121.

7 MR. DANENFELZER: 121, apparently, in the Board
8 book.

9 The most notable changes that the staff
10 reviewed in these updated underwriting numbers is that the
11 total development costs increased from \$43.8 million to
12 \$49.3 million.

13 The construction costs that we look at
14 calculating construction costs to determine a per-unit
15 number increased from \$12.8 million to \$16.7 million,
16 which equates to \$86,900 per unit.

17 And the most significant increase in the
18 sources, there is no changes in the bond volume that's
19 available to this project, but the increased cash for
20 these new costs is considered from higher tax credit
21 allocation, which would be received based on the higher
22 total development costs, as well as an increase in the
23 deferred developer fee.

24 This is the developer's fee which they can
25 defer during construction and then collect on the back end

1 through cash flow after the payment of debt. So, I wanted
2 to make sure that was highlighted, because that is a
3 change from last month's writeup.

4 Secondly, we did receive a letter of public
5 comment -- and I know there's at least one or two speakers
6 today that provided this letter from Texas Housers. It
7 has been presented to the Board, and there is copies at
8 the back for anyone in the public that would like a copy.

9 A summary of that letter, though, is to simply
10 say that Texas Housers responded to one of the questions
11 from the Board meeting last month about what would happen
12 to tenants. They are responding sort of directly to a
13 question of how long it would take if this project were to
14 convert from a project-based to a tenant-based voucher
15 system, how long would it take for tenants to be able to
16 move or make access to those choices.

17 Basing their summary of the letter involved,
18 this is all contingent, as they note, on HUD approving the
19 conversion and moving forward. They looked at a similar
20 project completed in 2019 in the Houston area named Arbor
21 Courts, and it took approximately three months from the
22 date that HUD approved the transfer or conversion of that
23 contract to vouchers to when the first tenants began
24 moving out and moving into alternative housing and getting
25 a choice of where they can move.

1 So, I wanted to just make note of those two
2 differences.

3 The last change to the writeup is the
4 recommendation. Staff changes the recommendation simply
5 to note that at this time staff recommends that the
6 termination of the current application that we -- you
7 know, based on the number of reasons there, including
8 future flood risk, the condition of the property, the risk
9 the lawsuit poses to feasibility of the property, from an
10 underwriting perspective the staff just found it too hard
11 to recommend approval of this, and at this time wanted to
12 clarify its recommendation for the Board.

13 And we want to also clarify too that if volume
14 cap was available later, that it's not impossible for the
15 applicant to reapply for volume cap at a later date, but
16 we do know that we don't have a target date of when that
17 volume cap would become available for the applicant, so
18 not an easy choice either way.

19 And with that, I'll close my remarks unless you
20 have questions.

21 MR. DIETZ: First, are there any questions from
22 the Board for Mr. Danenfelzer?

23 MS. JOHNSON ROSE: Mr. Chair, this is Courtney.
24 I did have a question.

25 MR. DIETZ: Yes.

1 MS. JOHNSON ROSE: Is there any status -- I saw
2 in the package and read through the support letter from
3 HUD -- is there any update on that particular lawsuit that
4 was filed, is there any update?

5 MR. DANENFELZER: The most recent update -- my
6 apologies, first, for speaking over you. What I
7 understand, the most recent motion in the courts was to
8 maintain the lawsuit in the D.C. District Court.

9 There had been a motion by HUD to remove it and
10 bring it to the Texas district courts, but the tenants won
11 that decision, and the court case is moving forward in the
12 district court; it is not being relocated.

13 That was the last active motion that we were
14 aware of. With these cases they can take many months, if
15 not sometimes years, and so we're not certain where the
16 case will go at this time.

17 MR. DIETZ: Okay.

18 MS. JOHNSON ROSE: Okay. Thank you.

19 MR. DIETZ: And just to clarify your last point
20 you made in your commentary, there is some new
21 information, and you went over that, summarized that for
22 us, but at this point in time staff recommendation is not
23 to approve?

24 MR. DANENFELZER: Yeah. We understood from
25 last month that the way the Board -- or the way our

1 writeup was presented last month, it only kind of allowed
2 for one recommendation, so we provided an alternative in
3 the last section, which would offer the Board the option
4 to move to terminate this application rather than to move
5 to approve the agenda item as it's originally written.

6 So, we provided two options there because we
7 understood the Board was kind of stuck having only one
8 option based on our writeup last month.

9 MR. DIETZ: Sure. And so that staff
10 recommendation would be to terminate the application?

11 MR. DANENFELZER: Correct.

12 MR. DIETZ: And then you said something else,
13 that I didn't quite understand. You said that it would
14 not be possible in the future to go back?

15 MR. DANENFELZER: Well, they could reapply. By
16 terminating the application, if they wanted to reapply for
17 volume cap for next year or in future bond rounds, we
18 would be able to reconsider it, look at the full
19 application. We might know at that time that the lawsuit
20 had been resolved and so that risk could be taken off the
21 table, we could see that other risks or other issues that
22 we've noted have been resolved to staff's satisfaction and
23 then be able to bring it back at a future date.

24 MR. DIETZ: I see.

25 MR. DANENFELZER: But at this point one of the

1 hurdles, we have is that the application is stopping the
2 remaining pipeline we have of moving forward, and we
3 either reserve the volume cap for this project, if you so
4 choose for us to move forward, or if we terminate the
5 application. Then we can move to the next application in
6 line and continue to utilize the remaining volume cap we
7 have for this year.

8 But because of last month's action we couldn't
9 move forward in our pipeline until this application was
10 either terminated or you gave us authority to move back
11 and re-reserve the volume cap.

12 MR. DIETZ: So, a termination of this
13 application would likely result in an ability to use this
14 bond cap for this project, but they could reapply next
15 year, for example.

16 MR. DANENFELZER: Correct.

17 MR. DIETZ: A new bond cap.

18 MR. DANENFELZER: Right.

19 MR. DIETZ: Great. Any other questions from
20 the Board?

21 MS. CARDENAS: But in essence, I mean, by
22 terminating the application you're terminating -- you're
23 dispositioning the credit itself.

24 MR. DANENFELZER: Well, just the volume cap
25 allocation, which we have other deals in line so they

1 would all of a sudden -- we would go to the next deal in
2 line and begin working on that and reserve those bonds.
3 They could reapply and go to the end of the line.

4 MS. CARDENAS: No, I understand. But I apply
5 for something and you're just moving me down the line, are
6 you telling me yes or no, why are you just moving me down
7 the line? As an applicant I need a disposition.

8 MR. DANENFELZER: Correct. And it's an option.
9 They could also go to another bond issuer for volume cap.
10 The problem we face is that with the risks involved,
11 staff doesn't feel it's ready to move forward or able to
12 move forward. We could reserve bonds and have a complete
13 failure of this application and lose that volume cap
14 before we even get to close.

15 MS. CARDENAS: And I'm not disagreeing with
16 that. Right? I just want us as an organization to be
17 transparent for what it is, right, and not mince words or
18 jumble words and say, well, we're going to terminate an
19 application and then they can come back.

20 I mean, to me I think we just need to be
21 transparent, whatever our decision is as a Board, to say
22 yay or nay, and not you can come back. Okay, but what's
23 my answer today? I wouldn't want that as an applicant; I
24 would want to know are you going to do this deal or not,
25 end of story.

1 MR. DANENFELZER: Absolutely. That's
2 understood.

3 MR. LONG: And I think the other side of that
4 is Mr. Danenfelzer was trying, I think, in his comments
5 was that there are four or five things that staff has held
6 as kind of concerns, and if those concerns were remedied
7 between now and the time they brought it back, then that
8 would change the potential scope of the presentation to
9 the Board if they came back for an additional application.

10 Not that we are saying yes or no; we're just pointing out
11 that that is something that with more time would maybe
12 give them time to do that. Not saying that we're saying
13 no or yes, I mean, obviously that's the case, and I
14 appreciate what you're saying. We want to be as
15 transparent as possible.

16 MS. CARDENAS: Yeah, and let's obviously
17 provide that. I mean, if it's, you know, hey, at this
18 time we can't move forward because of X, Y and Z, or as an
19 organization we just don't deem that risk appropriate,
20 that's fine, but I just want to make sure that, you know,
21 there's not any gray area, because we're already on month
22 five, or I don't know how many months we've been carrying
23 this along.

24 MR. DANENFELZER: Correct.

25 MS. CARDENAS: And so, I just want to protect

1 the integrity of the organization too, to say it's yes or
2 no, and this is why, and not be, you know, skirting around
3 the issue.

4 MR. DANENFELZER: Thank you.

5 MR. DIETZ: Any other questions for Mr.
6 Danenfelzer?

7 MS. CARDENAS: Now, I know you didn't write
8 this letter, but just so that I'm clear, does it mean --
9 and I know that they're saying, hey, in this particular
10 scenario, you know, they issued vouchers within three or
11 four months.

12 MR. DANENFELZER: Correct.

13 MS. CARDENAS: Is this saying they issued the
14 vouchers for, for lack of a better word, permanent
15 residency or these vouchers were issued while this
16 particular project was under construction, like it was a
17 temporary housing voucher versus these are vouchers if you
18 don't want to wait for your project to be done, you can go
19 into this other complex and you can live there for however
20 long?

21 MR. DANENFELZER: Right. The speakers for
22 Texas Housers will likely answer that question as well,
23 but I can confirm that the vouchers that are provided
24 through this process are owned by that tenant as long as
25 they qualify for that moving forward.

1 They are able to use that voucher at any
2 apartment complex within the United States that accepts
3 that voucher, so they continue to move -- if they choose
4 to move to another apartment unit in Galveston if there is
5 one available, they can do so.

6 They could move to Houston, they could move to
7 Maine, if they chose, with that voucher to a unit that
8 accepted the HUD Section 8 portable voucher. So, they can
9 move anywhere within the United States with that, and it
10 is always theirs as long as they income-qualify for that.

11 MS. CARDENAS: Okay. I just didn't know if it
12 was -- I just wanted for my clarification if there's even
13 such a thing, right, as a temporary voucher like while
14 your building is under construction or renovation use
15 that, or if it's like, hey, I decided I don't ever want to
16 move back to where they're renovating, and I can take this
17 voucher and live wherever I want.

18 MR. DANENFELZER: These are permanent vouchers
19 as long as the person qualifies. They can lose it if
20 they're very successful at finding new employment and
21 earning lots of money, then they just don't qualify for
22 the voucher anymore.

23 MS. CARDENAS: Okay. Thank you.

24 MR. DIETZ: Any other questions or comments for
25 Mr. Danenfelzer?

1 (No response.)

2 MR. DIETZ: And as proceeding, as we do with
3 all of our agenda items, our process here will be
4 discussion, we'll have any motions, any seconds, and then
5 we will open for public comment with respect to any
6 motions that have been made.

7 I do have a list in front of me of people that
8 I know want to make public comment. I would ask that we
9 keep those public comments to three minutes, as is our
10 standard practice.

11 So, any other questions or comments, or is
12 there a motion?

13 MS. JOHNSON ROSE: Mr. Chairman, I'm going to
14 make a motion to approve this project and move it forward.

15 After review of all the information, I feel like we
16 should approve it.

17 MR. DIETZ: Okay. It has been moved --
18 Courtney, correct me if I'm wrong, but my understanding of
19 your motion is that we approve that we resubmit the
20 applications for allocation of private activity bonds as
21 listed in tab item 5. Correct?

22 MS. JOHNSON ROSE: Correct.

23 MR. DIETZ: Okay. So that's the motion that
24 has been made. Is there a second?

25 (No response.)

1 MR. DIETZ: And I'll just remind the Board
2 members there's no obligation, obviously, to make a second
3 but also making a second does not indicate that you are
4 necessarily in favor of Courtney's motion; it just
5 indicates that you want that motion brought to the table
6 for discussion and have a vote. If we don't have a
7 second, that motion will die and we can have an
8 alternative motion by any other Board member.

9 MS. CARDENAS: I'm confused again. For further
10 discussion?

11 MR. DIETZ: Yes. So, what I'm indicating is
12 that Courtney moved an approval of this; however, that
13 does not in any way obligate Courtney to vote for the
14 motion that she made. That could simply mean that
15 Courtney wants this motion brought before the Board for
16 discussion and to hear all the public comments, and then
17 Courtney may very well decide that she wants to vote
18 against the motion, even though she made it.

19 And so, I'm just suggesting that if you're
20 inclined to second the motion so that we begin that
21 process, you're welcome to do so. That does not obligate
22 either you or the person that made the motion to vote in
23 favor of the motion.

24 MS. CARDENAS: Second the motion.

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

1 that we resubmit the application for allocation of the
2 private activity bonds. Is there any public comment?

3 I think what I'll do for public comment is
4 first go through the list of people here in front of me
5 that I know want to make public comments, and then if
6 there are additional people that would also like to make
7 public comment, you're welcome to do so, and some of these
8 people are in person and some of them have joined us
9 virtually.

10 The first one on my list is Miranda Sprague,
11 the senior vice president of ITEX, and I believe she's
12 here virtually.

13 MS. SPRAGUE: I am here virtually. Can you
14 hear me?

15 MR. DIETZ: We can. And forgive me if I
16 mispronounced your name.

17 MS. SPRAGUE: I'm sorry, what was that last
18 piece?

19 MR. DIETZ: I said forgive me if I
20 mispronounced your name, but if you could just introduce
21 yourself and tell us your address.

22 MS. SPRAGUE: It's completely fine.

23 Good morning, Board. My name is Miranda
24 Sprague with ITEX. I'm speaking in support of the
25 Sandpiper Cove rehab as a co-developer of the proposed

1 development.

2 We agree the residents of Sandpiper Cove are
3 the asset, and they are the first priority. Our request
4 for your approval revolves around the residents obtaining
5 a better living situation that can allow them to thrive.

6 If Sandpiper Cove units were to be lost, it
7 would be a detriment to the residents as well as Galveston
8 Island because of the already lacking low-income housing
9 stock, especially for larger units like the ones found at
10 Sandpiper Cove, which include three-bedroom, four-bedroom
11 and even five-bedroom units.

12 We'll be the first to say that Sandpiper Cove
13 does need rehab. That is why we've continued with our due
14 diligence to ensure the rehab scope of work is complete
15 and thorough.

16 To date, the hard costs are nearly \$85,000 a
17 unit. If the cost of the flood wall is to be removed, the
18 hard costs are \$78,000 a unit. There will be no reduction
19 in rehab quality due to the implementation of the flood
20 wall, unlike what is stated in the Board book writeup.
21 This is an \$18,000 a unit increase from our previous TDHCA
22 application submission, which had \$67,000 a unit of hard
23 costs at the time.

24 If approved today, we'll move forward with our
25 resubmission to TDHCA to provide the updated numbers and

1 necessary forms in order for the staff to bring this back
2 to their board for preapproval. They previously approved
3 this deal in March. We'll work swiftly to close the deal
4 and start the rehab for the residents.

5 We expect the rehab will take up to 24 months
6 and it will occur in phases. The development will pay for
7 relocation and adhere to URA requirements. Some residents
8 will be temporarily relocated offsite before moving back
9 to onsite rehabbed unit, and other residents will be moved
10 only once into rehabbed units.

11 I respectfully request the Board's support
12 today on this resolution, because with the bond allocation
13 we can complete the rehab, so the residents have both safe
14 and decent housing that is available on Galveston Island
15 where there is already a shortage of low-income housing,
16 especially for larger bedroom sizes.

17 I appreciate your time. Thank you.

18 MR. DIETZ: All right. Thank you very much.

19 Next on my list -- unless there's a specific
20 question from the Board for any of the public speakers,
21 then please just alert me before I move on. Yes?

22 MR. L. WILLIAMS: Chair, this is Lemuel
23 Williams.

24 Based upon the first speaker, could the cost be
25 reiterated again?

1 MS. SPRAGUE: So right now, the hard costs,
2 just the direct hard costs into the development, without
3 any contingency or contractor general requirements,
4 overhead and profit, is nearly \$85,000 a unit.

5 If you remove the flood wall, because that was
6 a comment within the Board writeup that it would impact
7 the quality of the rehab, you still have \$78,000 a unit in
8 just direct hard costs, and that doesn't include
9 contingency or contractor general profit or overhead.

10 MR. L. WILLIAMS: Thank you.

11 MR. DIETZ: Thank you.

12 MS. SPRAGUE: You're welcome.

13 MR. DIETZ: Any other questions at this time?

14 (No response.)

15 MR. DIETZ: Moving along to our next public
16 speaker, Loia Wilkerson. I think she's here in person.

17 MS. WILKERSON: Good morning. Thank you, Mr.
18 Chairman, thank you, Madam Vice Chair, and honorable
19 members. My name is Loia Wilkerson. I'm director of
20 supportive services for ITEX.

21 I want to draw some correlations between a
22 property that is very similar to Sandpiper Cove. This is
23 Villa Americana; it's a 258-unit property in Houston,
24 Texas. And I want to talk about the successes that we
25 have in our supportive services.

1 We currently feed approximately 150 children a
2 day on that property. This is something that we can also
3 achieve at Sandpiper; we can bring in a feeding program.
4 We serve breakfast, lunch and a snack, and we all know how
5 important that is, especially during the summer months.
6 We can definitely mirror that on this particular property,
7 so the nutritional needs of our children can be met.

8 We have partnered with the Boys and Girls Club
9 of Houston. They waived the fees for our children and the
10 families, they have access to safe play areas,
11 supervision, arts and crafts, tutoring.

12 So, we partner with them, they're directly
13 across the street from this particular property, and like
14 I said, they waived the fees for us and for our families,
15 and so they have a lot of utilization just from our
16 families on that property. So, we've had a lot of success
17 with that. It keeps our children busy during the summer
18 months when they're prone to getting into some trouble, so
19 we keep them active that way.

20 Directly across the street from Sandpiper Cove
21 is Wright Community Center, and I've spoken with them.
22 They're willing to waive their fees for our children at
23 Sandpiper Cove. They have free daycare, Monday through
24 Saturday, 8:00 a.m. to 6:00 p.m., and when school starts
25 back they have a free after-school program.

1 They're literally located on the west end of
2 the property directly across from that west end. The
3 children can go there, their parents can drop them off, or
4 the children can go alone. They will be fed also there.
5 They have qualified childcare workers and arts and crafts
6 and tutoring as well, so we can meet that need for our
7 children there.

8 Also, for the Villa Americana we provided a
9 naturalist discovery program through our partnership with
10 Harris County. They have day camps, they go out to a
11 neighboring property where they learn about bugs and
12 leaves and things of that nature, and they also bring
13 animal encounters onto the property, not anything vicious
14 or anything like that, but you know, rabbits and lizards
15 and things like that, so we have that. We can mimic that;
16 we can partner with Moody Gardens and bring that to our
17 children as well.

18 We have Aztec GED program and life skills. We
19 purchased this program because it has a 93 percent success
20 rate for the first time that they're testing, and they can
21 access this program through their handheld devices.

22 We're looking at putting in hydroponic vertical
23 gardens at ITEX's cost, which would be \$10,000 per unit
24 for those hydroponics. We partner with Texas A&M to
25 provide the seedlings, and they're willing to put our

1 seniors through the master gardening program to maintain
2 that gardening program.

3 We feel it's very important to teach
4 sustainable gardening habits and healthy nutritional
5 habits. Texas A&M also comes in and teaches healthy
6 cooking and how to eat according to our food program that
7 we approve.

8 We've also partnered with --

9 MR. DIETZ: That's about three minutes, so if
10 you just have a brief closing.

11 MS. WILKERSON: Okay. Well, let me just say
12 why I work at ITEX, because ITEX has never told me no and
13 I've always been told we will find the money once we've
14 identified a need, and we've been very successful with
15 that.

16 Thank you very much.

17 MR. DIETZ: Thank you.

18 Any questions?

19 (No response.)

20 MR. DIETZ: Okay. Thank you.

21 MS. WILKERSON: Thank you.

22 MR. DIETZ: Next public comment will be from
23 Don Ball. Mr. Ball, if you could introduce yourself and
24 state your address and position for the record.

25 MR. BALL: Good morning. My name is Don Ball.

1 I live at 2715 Palm Circle West, Galveston, Texas 77551.

2 I am executive director of Nautical Affordable Housing,
3 Inc.

4 I would like to thank Mr. Long and staff, Mr.
5 Dietz, the chairman and Board members for allowing us to
6 present our plans and tell you about the tremendous
7 support Sandpiper Cove is going to remodel the apartments
8 of all residents of Sandpiper Cove. To do this we do need
9 your funds and your support.

10 Locally we have a large support group of
11 residents at Sandpiper Cove. Also, locally, Mayor Craig
12 Brown, Galveston City Manager Brian Maxwell, the Galveston
13 City Council.

14 We also spoke with the mayor and the city about
15 a police substation at the location, and they said that
16 they could help provide this to control any crime in the
17 area; the Galveston GEDP and board, Galveston Independent
18 School Board President Tony Brown, Moody Methodist Church,
19 Galveston Housing Authority, State Representative Mayes
20 Middleton, who has a home here on the island, U.S.
21 Congressman Randy Weber, who offices in League City,
22 Galveston Housing Authority, HUD and TDHCA.

23 At our last meeting a gentleman spoke in
24 rebuttal of what I said, questioning the mayor's support.

25 After the meeting I asked Mayor Brown about this. He

1 stated that he does support and stands with the letter
2 that he gave stating he supports this, and you have a copy
3 of this letter.

4 I would also like to mention that City Manager
5 Brian Maxwell grew up and lives on the island and
6 commented that contrary to comments that the only time
7 Sandpiper Cove has ever flooded was during Hurricane Ike
8 and that the buildings are about three feet above street
9 level. They may have leak problems but only flooded
10 during Hurricane Ike. They are also in a higher area of
11 the bay side of the island's streets and have less street
12 flooding than other areas on the island.

13 I live on Galveston Island. I'm a member of
14 Moody Methodist Church, and some of our outreach and
15 ministries interact with many of Sandpiper Cove residents.

16 I'm very aware of the need for updates for the complex.
17 I also am very aware of the tremendous shortage and need
18 for affordable and project-based voucher housing for some
19 of our sweetest, kindest, nicest, most fragile population

20 Galveston is more of a service community
21 instead of a city of factories and plants. The highest-
22 paid largest employers on the island are American National
23 Insurance and UTMB. The median wage on the island is
24 \$44,902. For the rest of the state the median wage is
25 \$59,570, a difference of \$14,668.

1 Because of Galveston being a tourist and
2 service location, many of these jobs pay minimum wage or
3 less with tips. This leaves many families falling below a
4 living wage and creates a need for help to live and pay
5 rent. There are many homeless people here that work and
6 live out of their car or other places with no home. They
7 do not make enough to pay a market-rent apartment, and
8 many are already on someone's waiting list on the island.

9 Decent low-income rental housing is in very
10 short supply, and the need to provide it is exceedingly
11 great. We ask that you approve this bond request so these
12 wonderful low-income residents will have a safe, ADA-
13 accessible, sanitary, dry, decent upgraded quality
14 affordable place to live.

15 Thank you.

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

17 Any questions?

18 (No response.)

19 MR. DIETZ: Okay. Our next public comment will
20 be from Raynold Richardson. Mr. Richardson, if you could
21 introduce yourself and state your address and position.

22 MR. RICHARDSON: Okay. Raynold Richardson. I
23 am the sole member of Jeshurun Development, which is the
24 co-developer to the site. I am the vice president of J
25 Allen Management Company also.

1 I just want to say to the Board that when this
2 first started for J Allen Management Company back in March
3 or April of 2020, we had a conversation with the HUD
4 office in Fort Worth, and they wanted to make a change in
5 management on the site due to the problems and the issues
6 that were going on at the time and the poor living
7 conditions.

8 We accepted the challenge, we came on board to
9 manage the site, even due to the limited financial
10 resources that the owners would not put in, and this is
11 why we eventually came alongside with ITEX to make a
12 contract to purchase the site to go to get the tax credits
13 and the bonds in order to address the physical plant.

14 And we were in the process of doing that and
15 got the approvals from TDHCA and other folks, and the only
16 hiccup was coming to get the bonds from TSAHC, which we
17 think is a valuable site.

18 And I know that your staff has done a pretty
19 good review of it, and I have a high degree of respect for
20 your staff, but I think one thing about the marketability
21 of the site as far as having enough affordable housing in
22 Galveston is that the Galveston Housing Authority, they
23 administer three programs. They administer the public
24 housing program, the Section 8 project-based program, and
25 the tenant-based voucher Section 8 program.

1 And on those programs in public housing, they
2 have 1,583 folks on their waiting list, under the Section
3 8 project program they have 960 folks on their waiting
4 list, and on the tenant-based voucher program they have
5 1,309 folks on their waiting list, which is a total of
6 3,852 people, and so Oleander Homes in your Board book
7 writeup would not address the dire need for the housing in
8 that particular area. And if anyone knows the history of
9 Galveston, you know the affordable issues that the island
10 itself has had with HUD in the past.

11 And I also want to state as far as Arbor Court
12 is concerned, that process was a long-term process that
13 Texas Housers made mention of. I was the director of
14 multifamily housing for HUD for 14 to 15 years. I've been
15 retired five years, and the process to try to get those
16 folks tenant-based vouchers started years ago.

17 Because of the flooding issues on a consistent
18 basis, that side of the town where Arbor Court was located
19 every time you would get a heavy rain. So, the situation
20 and the circumstance is entirely different from Sandpiper
21 Cove, which has only really flooded one time during
22 Hurricane Ike because of the situation. It's three feet
23 above the flood plain or the grade at the site. So, the
24 circumstances are different.

25 I would really encourage you -- you know, I

1 know the Board doesn't have a lot of time to go into
2 detail on these things, but I wish we had more opportunity
3 to go into the details of what transpired at the site.
4 J Allen Management Company has been there trying to do the
5 best we can without the resources to address all of the
6 needs, but we've done the best we can with the resources
7 that we have.

8 So, I would recommend to the Board that you
9 approve this and give us an opportunity to bring this back
10 into the shape it needs to be to address the affordable
11 needs of the people there in Galveston, Texas.

12 Thank you so much, and I'm available for
13 questions.

14 MR. DIETZ: Thank you, Mr. Richardson.

15 This is Bill Dietz speaking. I do have one
16 question. You mentioned that you came on -- your company
17 came on as the management company, when was that?

18 MR. RICHARDSON: That was April 2020.

19 MR. DIETZ: April of 2020. Okay. And you said
20 that was due to --

21 MR. RICHARDSON: Due to non-performance of
22 Millennial, which is the owner right now, and the
23 management company they had in place, which they
24 self-managed.

25 So, we replaced them because the items and the

1 issues and the health and safety type deficiencies were
2 not being addressed. HUD brought us on board, and we
3 addressed those issues. We have every two weeks
4 conference calls with HUD to talk about what we've done to
5 address the issues to the best of our ability based on the
6 resources that we had coming through the Section 8 voucher
7 project.

8 MR. DIETZ: Okay. Thank you. That clarifies
9 that.

10 Any other questions?

11 (No response.)

12 MR. DIETZ: Our next speaker is Bobken
13 Simonians, who I believe is here in person.

14 MR. SIMONIANS: Good morning, Mr. Chair,
15 commissioners.

16 I'm a bit baffled about this whole Sandpiper
17 Cove issue. I used to be director of housing for the City
18 of Clear Lake for eleven years and chief development
19 officer for Houston Housing Authority for seven and a half
20 years.

21 I've been with ITEX eight years; I've spent a
22 lot of my time in the affordable housing space. The goal
23 is to make sure we help the tenants where they are. The
24 goal is to provide affordability to areas that they need
25 it.

1 What we have here is a lot of misconceptions
2 and misunderstandings and misinformation that basically
3 muddies the whole process. We have 192 units,
4 approximately 400 people living there. The tenants
5 applied and live there on their own choice; nobody forced
6 them there.

7 The property owner did not do them right. They
8 did not spend appropriate money to maintain the property.

9 HUD stepped in, wrote them up; they are forcing them to
10 remedy the situation.

11 As part of the remedy, ITEX was invited in,
12 brought in, J Allen Management was brought in. We have a
13 purchase and sale agreement. We are funding the repairs
14 currently for a project that we don't own because we don't
15 want these tenants to suffer at that property.

16 There is this misunderstanding/misconception,
17 oh, yes, you can just do that and convert to Section 8
18 from project-based to tenant-based. That is not true. It
19 is a long process, different programs, and it's not going
20 to happen. HUD has already refused it based on their
21 statutory rules that they are working with.

22 There is misconception, oh, it floods every
23 time it rains. That is not true. Last flooding was
24 during Ike, it did not flood during Hurricane Harvey. My
25 house was under five feet of water in the Energy District,

1 but Sandpiper Cove did not flood.

2 What we are doing in conjunction with J Allen
3 and HUD, trying to purchase the property, we are spending
4 over \$50 million to repair this property. Yes, we do have
5 some benefits there as well, but the objective is to make
6 sure the tenants that live there, that they have the
7 benefit of the safe and sanitary apartments.

8 So, I don't know where this whole story is
9 coming from, why the misinformation, why the confusion,
10 why the mixing up all the whole thing. If it's a risk,
11 TDHCA approved it, unanimous vote approval with very
12 strong recommendations from their staff. They went
13 through the same information that this Board is going
14 through. They approved it without any question, and they
15 actually congratulated us to proceed with this.

16 HUD is 100 percent behind this deal. We have
17 set up meetings several times with HUD staff at the
18 highest levels in Washington, in Texas with their lawyers
19 about the lawsuit. We hired a third-party law firm, Nixon
20 Peabody, who are experts in HUD-related issues. They
21 basically said this lawsuit does not have any merits.

22 Now here we are back here, we are talking about
23 the risks that have been addressed, they have been
24 discussed, they have been resolved apparently, but not to
25 everybody's benefit.

1 The point is that we have a population living
2 in a bad situation, and we are there to help, and this is
3 the only way to do it. If you don't give us the bonds, we
4 won't be able to do it; it's going to go to its original
5 situation and these people are going to continue to suffer
6 the way they have been because for some misconception that
7 there is a problem with this.

8 So please take a look behind the whatever it
9 is, I don't know, and take your heart to the right place.

10 We have a track record with HUD, we have done this
11 before, we have done it right, we have done it very
12 successfully, HUD knows it, HUD wants us there, and we
13 want to help this development. Help us to do the right
14 thing.

15 MR. DIETZ: Thank you. And we passed without
16 stating your name for the record.

17 MR. SIMONIANS: I thought everybody knew me.
18 Sorry.

19 MR. DIETZ: Name and position for the record.

20 MR. SIMONIANS: My name is Bobken Simonians
21 with ITEX. I am the chief operating officer of ITEX
22 Development.

23 MR. DIETZ: Great. Thank you.

24 Any questions?

25 (No response.)

1 MR. DIETZ: Okay. Thank you very much, Mr.
2 Simonians.

3 Our next public comment from Christopher
4 Akbari, who I believe is virtual. Mr. Akbari, if you
5 could just state your name and position for the record.

6 Sarah, do we have Mr. Akbari on?

7 MS. ELLINOR: I don't believe that he has
8 joined us. I do not see him with us, so we can move on to
9 the next on your list.

10 MR. DIETZ: Okay, great.

11 The next public comment would be from Kimberly
12 Brown. Ms. Brown, if you could just state your name and
13 position for the record.

14 MS. BROWN-MYLES: Yes. Good morning. My name
15 is Kim Brown-Myles. I'm with Lonestar Legal Aid. I'm
16 counsel for the plaintiff in the Sandpiper Residents
17 Association v. HUD lawsuit, and I will also be counsel in
18 the Jackson v. HUD and Hawkins v. HUD in the Arbor Court
19 and Coppertree lawsuits, which are similar lawsuits that
20 were filed against HUD in the last couple of years that
21 our firm and Daniel & Beshara, P.C. also co-counsel with
22 us on all three of those lawsuits.

23 I'm here to clarify for the Board questions
24 about out lawsuit, and ITEX's counsel and HUD have also
25 submitted comments on the lawsuit, and I wanted to clarify

1 some, I think, misstatements.

2 Plaintiff's complaint against HUD fell under
3 the -- was brought in the U.S. District Court of the
4 District of Columbia in June of 2020 under the APA, asking
5 the court to review HUD's decision to withhold tenant
6 protection vouchers, which is a special allocation of
7 funding under the Consolidated Appropriations Act, to
8 provide relief to those tenants who are in a project-based
9 rental assistance property that has both been issued --
10 where the owner has received a notice of default and the
11 deficiencies have not been cured that were itemized in the
12 notice of default and where there are still imminent
13 health and safety risks present at the property.

14 In the plaintiff's complaint we set forth the
15 health and safety risks that are still present to
16 Sandpiper Cove residents, and we cited specifically HUD's
17 own notice of default, which included missing and
18 inoperable smoke detectors, pest infestations, leaking
19 plumbing, including faucets and pipes, clogged drains,
20 inoperable kitchen appliances, holes in ceilings and
21 walls, damaged doors, frames and thresholds.

22 We also cited significant criminal activity at
23 the project, electrical problems, inoperable air
24 conditioners, and pervasive mold, to name a few of the
25 imminent health hazards that the residents are still

1 currently facing.

2 Now, I know that there have been statements in
3 the Board record that our lawsuit is brought to terminate
4 the housing assistance payment contract between HUD and
5 the owner of Sandpiper Cove. That is not the case.

6 We are asking HUD -- we are asking the court to
7 review HUD's decision under the APA regarding its decision
8 to withhold tenant protection vouchers that it can issue
9 right now.

10 And so, HUD can still maintain and do whatever
11 enforcement action in terms of monitoring the owner's
12 rehabilitation of the project without the tenants having
13 to face, be subject to any type of the imminent health and
14 safety risks that are present at the complex right now.

15 MR. DIETZ: Ms. Brown?

16 MS. BROWN-MYLES: Yes, sir?

17 MR. DIETZ: That's about three minutes, so if
18 you could just any closing comments that you have.

19 MS. BROWN-MYLES: We just wanted to make
20 sure -- and folks can ask me questions if they wish. We
21 wanted to make sure that the Board understood that there
22 have been no precedential decisions that have been issued
23 in the Fifth Circuit.

24 The two cases -- one of the cases that was
25 referenced earlier, Jackson v. HUD, the Arbor Court case,

1 that case is at the Fifth Circuit now, and the Hawkins v.
2 HUD case, so basically both of those cases are still
3 pending, so there is no precedent undermining the merits
4 of the current lawsuit.

5 And I know that there was some comment about
6 Arbor Court. If the Board has questions, I can answer
7 those questions about how the distribution of vouchers
8 went at that complex.

9 Thank you.

10 MR. DIETZ: Thank you.

11 Any questions for Ms. Brown?

12 (No response.)

13 MR. DIETZ: Okay. Our next public comment will
14 be from Ericka Bowman. If you could just state your name
15 and position or address for the record.

16 Sarah, is Ms. Bowman with us?

17 MS. ELLINOR: Yes. Ericka, I see that you're
18 on mute. I'm going to unmute you.

19 MS. BOWMAN: Can you hear me?

20 MS. ELLINOR: Yes.

21 MR. DIETZ: We can hear you now, yes.

22 MS. BOWMAN: Perfect. This is Ericka Bowman.
23 I am a tenant navigator or organizer with Texas Housers.
24 I just wanted to briefly speak about -- I know I've
25 mentioned multiple times in regards to what the tenants

1 are requesting, but I wanted to bring that back to the
2 Board again, because I think that overall this is the most
3 important part of this whole situation.

4 The tenants have expressed their concerns of
5 how the redevelopment is going to take place, and they
6 feel that by the redevelopment plan that's set-in place
7 that it's not going to address the needed deeply rooted
8 issues at Sandpiper Cove. Sandpiper Cove is an extremely
9 old unit and refurbishing and repairing is just not going
10 to fix the main issues.

11 There's been instances where tenants have
12 gotten their walls repaired, and then the mold has
13 steadily come back. They're concerned about the
14 concentration of poverty and the crime around the area.
15 They're afraid of the flooding, of course, that's taken
16 place. They're afraid, more importantly, of the mold in
17 their properties.

18 I guess what I'm getting at is I know that the
19 Board's concern is immediate need, and we too understand
20 that there must be an immediate response, because these
21 tenants are still sitting in the same conditions, and the
22 longer we wait we understand that's the longer they're
23 having to suffer, but more importantly, wanting to make
24 sure that this is done right, and by being done right, it
25 needs to be torn down and rebuilt.

1 My co-worker and I took a trip this past week
2 to a couple of properties that's been redeveloped by ITEX,
3 some in Port Arthur.

4 I know I can only speak on what we saw and what
5 we witnessed and not necessarily the conversations that we
6 had with tenants on these properties, but it all goes back
7 to our biggest fear, which is these repairs aren't being
8 done properly and issues are starting to reoccur or have
9 already started to reoccur again, meaning mold is starting
10 to come back in some of the properties. Some of the
11 properties have been completely -- even though that's been
12 flooded, has been completely refurbished and built
13 properly, some door frames and some other things still
14 remained on these properties.

15 So, we understand that there is a huge problem
16 when it comes to subsidized housing and the conditions
17 that a lot of families are being forced to live in today,
18 and we understand that we have to figure out ways to
19 readdress these and to fix these issues, because obviously
20 families are suffering even after repairs and
21 refurbishment has been done to properties.

22 Properties are needing to be rebuilt and done
23 properly so that years down the line they aren't faced
24 with these same conditions, and that's why we're asking
25 the Board to allow these tenants to have that opportunity

1 to live in properties, to live in homes that are safe and
2 sanitary for them, that aren't going to have to -- years
3 down the line or maybe even closer than that have to be
4 stuck in these conditions yet again.

5 MR. DIETZ: And that's about three minutes.

6 MS. BOWMAN: And we're hoping that by denying
7 this bond, that this will allow the tenants the
8 opportunity to receive vouchers so that they and their
9 families can for sure be moved into properties that will
10 provide them safe and sanitary living conditions.

11 MR. DIETZ: Thank you, Ms. Bowman. That's
12 about three minutes, if you have any final comment or
13 anything. Or does anybody have questions?

14 (No response.)

15 MR. DIETZ: Okay. Thank you.

16 Our next public comment is Mr. David Wheaton
17 with Texas Housers, and he's here in person.

18 MR. WHEATON: Good morning, members and
19 chairman of the Board. My name is David Wheaton, and I'm
20 against the ITEX proposal.

21 The current site of Sandpiper Cove Apartments,
22 where developers propose to rehab in place, has life-
23 threatening problems. These problems make it inaccessible
24 as a site for public investment, and the developers have
25 not demonstrated that their rehab plan would address these

1 problems.

2 Sandpiper Cove has flooded repeatedly, and
3 there have been some conversations as to how much it
4 floods and how little it floods, but FEMA's flood maps
5 show that Sandpiper Cove is in the special flood hazard
6 area, classified as AE-12 and AE-13.

7 This means that the area of Sandpiper Cove has
8 a 1 percent chance of flooding between 12 and 13 feet
9 above ground. That means any construction should 12 to 13
10 feet above ground where appropriate.

11 There is a recent nearby HUD development at the
12 Oleander site where they built eleven feet above ground,
13 which means that it can be done. Sandpiper's rehab plans
14 show properly elevated -- that they are only going to
15 elevate it eleven inches, so we're talking from eleven
16 feet to eleven inches. This is definitely inadequate.

17 And so what we're asking for and the tenants
18 deserve is a systemic solution. What ITEX is proposing is
19 only a partial solution. Building a flood wall in a
20 dangerous flood hazard area is a partial solution. These
21 residents require and should be given a systemic solution.

22 And even then, even elevating the building is
23 not always going to be a solution for the repeated
24 flooding on the grounds of the property and even the
25 surrounding streets that also flood at Sandpiper Cove,

1 which leaves tenants and their children who play outside
2 exposed to raw sewage from infrastructure overflow both on
3 the property and in the surrounding area. That is
4 something that doesn't get talked about a lot. Right?

5 These kids can't go outside and play because
6 they have raw sewage buildup. That is not a part of their
7 plan to address the sewage problem. And so all the
8 programs that they may have for kids and their feeding
9 programs won't be able to happen because kids can't go
10 outside.

11 According to the study by the Texas A&M
12 University Planning Department, the Sandpiper Cove is in
13 an extremely high social vulnerability area as well.
14 Repeated flooding of grounds and the street isolate
15 tenants, many of whom don't have cars, and must walk or
16 bike to school or work or to their other destinations.
17 The level of rehab proposed by the developer is entirely
18 inadequate to protect tenants' lives, health and
19 belongings from flood.

20 So, in conclusion, we're asking, you know, for
21 this Board to show the residents of Sandpiper that they
22 deserve a systemic solution to problems that have been
23 building up since 2008, since Hurricane Ike, and this
24 building a flood wall, not elevating it, only elevating it
25 eleven inches is a partial solution; it is not a systemic

1 solution. It is not going to help these tenants and these
2 people for long term.

3 And that is what these bonds are made for and
4 supposed to be for, and this is what it's supposed to be,
5 for residents for them to have a long-term solution, for
6 there to be affordable housing and have safe secure, not
7 just affordable housing.

8 We heard a lot of speakers say there's a
9 problem with affordable housing in Galveston. There is,
10 we're not saying that there isn't, but we want it safe,
11 safe and unhazardous affordable housing for these black
12 and brown residents. That is what we do, and that is what
13 we're hoping to get.

14 And if you have any questions about the letter,
15 I'm also happy to address any questions that you have
16 about the letter that Texas Housers wrote or about what
17 happened at the Arbor Court project as well.

18 MR. DIETZ: Great. Thank you.

19 Any questions for Mr. Wheaton?

20 (No response.)

21 MR. DIETZ: Okay. Thank you very much.

22 Are there any other individuals that would like
23 to make a public comment, either here with us present, or
24 Sarah, if you could let me know if there's anybody online
25 that would like to make a public comment that has not

1 spoken.

2 MS. ELLINOR: I do not see any at this time,
3 Bill.

4 Again, for those that are dialed in, if you'd
5 like to make a comment, please let me know by typing into
6 the chat feature, and I can unmute you. Otherwise, I
7 think we are all done.

8 MR. DIETZ: Okay. So, it has been moved and
9 seconded that we resubmit applications for allocation of
10 private activity bonds, notices of intention to issue
11 bonds, and state bond applications to the Texas Bond
12 Review Board for the Sandpiper Cove Apartments project.

13 Are there any questions from the Board for Mr.
14 Danenfelzer or anybody else, or is there any discussion
15 that we'd like to have as Board members?

16 MR. L. WILLIAMS: Chairman, this is Lemuel
17 Williams. I have a quick question for Mr. Danenfelzer.

18 On the document that was given to us from Texas
19 Housers, I'm looking at the bottom, the last paragraph,
20 last sentence: "We are also setting a plan to meet with
21 Galveston city officials to seek similar financial
22 assistance for Sandpiper Cove residents that Arbor Court
23 residents received for moving expenses."

24 As I read this document, I mean, I saw that
25 there's a timeline for vouchers. There's opportunity for

1 them to get vouchers, but when it comes to financial
2 assistance, are these financial assistance fully paid for,
3 or is it subsidized, to your knowledge?

4 MR. DANENFELZER: My understanding is that all
5 assistance would be provided through the HUD office, HUD
6 programs, so any assistance for whether it's moving from
7 one location to a new apartment and provided by HUD
8 through a voucher process or whether that's direct payment
9 to the tenant or to the moving company, I'm not sure.

10 But in the past my understanding is that HUD
11 manages the disbursement of all those funds directly to
12 tenants for their moving expenses and then for their
13 protection voucher.

14 MR. L. WILLIAMS: Okay.

15 MR. DIETZ: And again, this letter represents
16 Mr. Wheaton's best guess as to what HUD would do based on
17 historical perspectives, but it's outside of anybody in
18 this room's control.

19 MR. DANENFELZER: Correct. HUD is the one that
20 determines how the process exactly works, what needs to
21 happen. They do have standard procedures for these
22 events, and they have used them in the past, similar to
23 Arbor Court, so it is expected, based on this letter and
24 even our experience, that HUD would follow a similar path
25 to the Arbor Court's process of providing the protection

1 vouchers and moving the tenants.

2 MS. JOHNSON ROSE: Bill, this is Courtney.

3 MR. DIETZ: Yes.

4 MS. JOHNSON ROSE: I had a question. I know
5 that the biggest concern that I've gathered in terms of
6 approval of the project is the lawsuit and the potential
7 loss of the vouchers.

8 Is there another income plan in place if,
9 worst-case scenario, the vouchers were lost? It looks
10 from the information we've seen; it looks like that may be
11 unlikely that they are lost, but in case, let's just deal
12 with worst-case scenarios. Is there alternative income
13 source?

14 Could these units just be rented out without
15 the vouchers that would still make the project feasible
16 and the units able to collect rent and the developer able
17 to perform on their debt service obligations?

18 MR. DANENFELZER: Our understanding of that
19 event, if the project-based contract were removed or even
20 a portion of that were removed, those units that were no
21 longer project-based would revert to then the highest
22 allowable rent under the Housing Tax Credit Program and
23 our bond regulatory agreement.

24 That rent is typically between \$150 to \$300
25 less per month based on the unit size. And so when staff

1 reviewed a risk, what we did is looked at what the
2 project-based rental agreement allows for per unit and
3 then looked at how many units would have to lose that
4 project-based assistance before the project failed to meet
5 our minimum debt coverage ration of 1.15, we found that
6 only 9 percent of the units would have to be lost from the
7 project-based to the tenant-based vouchers with tenants
8 leaving for that to then cause the project to be at risk
9 of default.

10 We obviously have no idea how many tenants
11 would move, but we reasonably assumed that -- we just
12 tried to look and see where is that breaking point in our
13 underwriting. It could be 5 percent that would move, it
14 could be 50 percent.

15 We're uncertain what would happen, but we do
16 know that if 9 percent of those units converted to just
17 the tax credit maximum rents, the project would be at risk
18 of defaulting on both the bond payment and its tax credit
19 affordability requirements -- mostly the bond payments is
20 what's critical from our perspective.

21 MS. JOHNSON ROSE: Correct. Did the developer
22 have a response to that in terms of -- that's what we're
23 seeing on our side in terms of pro forma, but did the
24 developer present a response to that to say what their
25 contingency plan is?

1 MR. DANENFELZER: I have not received any
2 contingency plan. I know that the developer has assured
3 us that they are guaranteeing the repayment of the bonds
4 financially, but it still would potentially have the
5 effect of us having to have a default as issuer of the
6 bonds, which has other consequences for the Corporation
7 which are not positive.

8 MR. DIETZ: And I'll just say -- and if our
9 legal counsel could correct me if I'm wrong here, but
10 we've already had opportunities for public comment, but if
11 the Board were inclined to recall somebody that was on the
12 staff of the developer with ITEX to ask that specific
13 question, that would be within our purview to do so.

14 MR. THORNHILL: Correct.

15 MS. CARDENAS: I have a couple of questions.
16 And maybe this is going to be the developer. There has
17 been discussion from obviously flooding, from repairs
18 sounding like patchwork, but what I heard from one of the
19 speakers was that in 2020, I guess they were not appointed
20 but either came in to serve as new management for lack of
21 oversight from the prior management team of the project.

22 So, I'm just trying to provide some clarity,
23 right, in fairness, because comments can be made, but it's
24 always about the facts. Right? And so, is it safe to say
25 that we're trying to make a decision on things that did

1 not occur in the past but that management group is no
2 longer there, and so moving forward obviously this is
3 going to be an entire renovation?

4 So I guess my question is was that just a
5 repair somebody called, hey, I've got mold in my wall,
6 they just repaired it, or are we talking about in the past
7 there was an initiative such as this and now we're fast
8 forward 10 years, 15 years, I don't know, and we're saying
9 the project was not done correctly and deteriorated, or
10 was it just, hey, called the landlord because I have mold
11 in my wall and my roof and nobody fixed it or it was
12 patchwork?

13 MR. DANENFELZER: Without a doubt this property
14 has suffered for many years from both deferred maintenance
15 and just complete lack of maintenance. The conditions
16 that myself and David Long and some of the subs went on
17 site and viewed from the exterior was quite evident of
18 both broken windows, failing stairwells, other conditions
19 on site.

20 We did not go into any occupied units, only
21 units which had, by industry standards, been called make
22 ready, but even those units did not receive a full rehab,
23 just painting of the walls and ceilings, some replacement
24 of countertops, and then at the time we didn't see
25 replacement of any appliances or anything like that.

1 We did take a virtual tour with tenants which
2 was coordinated by Texas Housers, and during that they
3 took us inside virtually, and what I mean by that is they
4 had an iPad or phone which they walked around and showed
5 us interior conditions.

6 There were a number of tenants which we entered
7 into their apartments to view mold on every wall of the
8 bedroom, tenants, entire families sleeping on air
9 mattresses and blankets in their living rooms because the
10 rest of the apartment was mold-ridden, water conditions in
11 bathrooms and other things. So, we saw horrific
12 conditions in that.

13 What we understand that J Allen Management has
14 taken over since March of last year, we know that they
15 have made efforts to make improvements to do make ready of
16 some units which are vacant.

17 We also understand that they are not being
18 funded by Millennial Housing, which is the current owner,
19 but the conditions we experienced just this spring, a
20 couple of months ago when we did that virtual tour
21 continue to be extremely significant, and we understand
22 it's at this point somewhat of a triage for J Allen to try
23 and make as many -- you know, put as many band-aids as
24 they can on a property that is in almost complete failure.
25 And I don't think J Allen and ITEX will argue that this

1 property needs an enormous amount of investment to get it
2 to a place that it's livable.

3 But staff's recommendation, again, on the
4 conditions is that the risk of default is possible, maybe
5 not probable, from the lawsuit, that the inability to
6 really help tenants currently is really visible to us, and
7 while maybe it's not technically flooding, we know that
8 from insurance claims, from news reports, and from claims
9 for public assistance from HUD or from the Texas GLO, very
10 regularly this property is applying for and has received
11 assistance to make repairs, and we continue to see this
12 level of disrepair and failing at the property right now.

13 MS. CARDENAS: So, would it be something to
14 consider if there was a conditional approval, right, that
15 it be conditioned upon: one, elevation level to this;
16 two, you know, making sure of this. Right? If it
17 something that TSAHC decides to entertain that it would be
18 issued as a conditional approval. Because I'm just trying
19 to distinguish, right, the sins of the past to what is
20 trying to be remediated. Right?

21 If it's, hey, make sure that there's mold
22 remediation if it's not already outlined in the remodel or
23 the rehabilitation of the project. Right? Is that
24 something that we'd consider?

25 MR. DANENFELZER: Those are discussions that we

1 have had. We know that it has been asked of the
2 developer, is there a possibility of raising the
3 buildings. Structurally and functionally, no. These are
4 buildings built in the 1960s. A significant of this
5 project is historic tax credits, so raising or elevating
6 the buildings would likely put those credits and financing
7 at risk.

8 And the sheer cost of raising slab-on-grade
9 buildings which are over 50 years old, to above the flood
10 elevation plain, typically 18 inches above that flood
11 elevation, is infeasible from a financial standpoint and
12 with the available funding that we have or can provide
13 either from the bonds or tax credits and other sources.

14 MS. CARDENAS: I'm just trying to wrap the fact
15 that we've got one side, okay, we've got the vouchers that
16 could potentially be issued, but then I've heard
17 throughout all the conversations that there's a lack of
18 affordable housing, I mean, we just lack that, so you can
19 have all the vouchers you want, you can give them away
20 free, but there's nowhere to go, and so then meanwhile we
21 also have a population, right, that is in dire need.
22 Right? And so that's what I'm trying to concentrate on,
23 at least for me personally.

24 MR. DANENFELZER: And that has been a concern
25 of staff's as well. We know that right now there's a

1 little over 30 units that are vacant and available on the
2 island of Galveston at other tax credit or bond financed
3 properties, so it does not meet the need of the 192.

4 We know that in the entire area of Galveston
5 County there's an additional 230 vacant units that would
6 accept these vouchers, but it does require someone to move
7 from Galveston to Texas City or La Marque or other cities
8 nearby.

9 MS. CARDENAS: Which is not so easy to do for
10 some of these individuals.

11 MR. DANENFELZER: It's not super easy, correct.

12 But I also know that regardless of where we look at an
13 acquisition-rehab project, we look at the waiting lists,
14 and when we looked at waiting lists for the River Station
15 property, the City of Dallas Public Housing Authority told
16 us that they closed it two years ago, and there remain
17 16,000 people on that list.

18 Everywhere we look those waiting lists are
19 long. Affordable housing is not available, and that's the
20 job we try to chip away at every month, is to try to
21 provide addition or preserve additional units every month.

22 But we wanted to make sure, though, that if the
23 folks here want to stay it's going to be difficult in the
24 immediate term, that's without saying, there's only 30
25 units on the island that they could move to and stay in

1 Galveston. There are other units within Galveston County
2 and the surrounding areas they could move to that have
3 assistance.

4 And we also noted in the writeup that Oleander
5 Homes, which is going to be coming on in approximately two
6 years, will have 174 new units that will be open to
7 voucher-holders and another 174 to project-based rental
8 assistance.

9 So, we know it's in the future, it's two years
10 away, but it is a factor we considered. And it's not an
11 immediate solution; we just wanted to make sure we
12 understood or could provide that information to the Board
13 when those questions are asked.

14 MR. DIETZ: To follow up on one of the
15 questions she asked, she asked about mold remediation, is
16 that already built into the project, mold remediation, et
17 cetera?

18 MR. DANENFELZER: Our understanding that mold
19 remediation is built into it, that the rehab will be
20 significant as planned. In any case we know that the
21 interior rehab of the units will be significant.

22 We are hopeful that it would involve a complete
23 gut rehab, brand new roofs, elevation changes and better
24 drainage onsite, and that's without a doubt. But at the
25 same time, you know, TSAHC monitors this process, but it

1 cannot absolutely guarantee that these units will be
2 watertight and waterproof. Again, the flooding risk, the
3 risk from rain is all something that happened.

4 We know that rehab budgets end up going over
5 all the time, and so there is a risk that it won't be a
6 perfect renovation, but I'll state that the level of
7 renovation is not one of staff's concerns in the writeup;
8 it's more the other risks we've noted as far as financial
9 risk because of the lawsuit, potential risk of flooding in
10 the future, and other concerns we've had about the
11 project.

12 And so it could end up being an amazing rehab
13 and there not be any flooding or issues in the future, but
14 these other risks are really important for us to at least
15 tell the Board so that you know that this is not -- not a
16 deal is risk-free but some deals just have more risk than
17 others.

18 MS. CARDENAS: When we talk about flooding --
19 it looks like we're beating that dead horse -- I mean, are
20 we talking about flooding like it's just a rainstorm on a
21 Saturday and Sunday, or are we talking hurricane?

22 I mean, I'm in South Texas, we get a Cat 1, I
23 don't care if you're 20 feet above your flood level, if
24 you're not in a flood zone, I mean, we're out, everybody
25 is going to be flooding.

1 We've been facing significant flooding back
2 home, and thank God it's not a hurricane, but it's just
3 rain, it's just rain that we've had. Right? So, if
4 Galveston gets a hurricane, I mean, all of Galveston is
5 getting flooded. Right? But if we're talking about it's
6 just raining a huge downpour for 30 minutes and we're
7 talking about significant flooding, is that what we're
8 talking about?

9 MR. DANENFELZER: We know that -- I don't know
10 the specific statistics for how much rain per hour needs
11 to fall and all that. I do know that the property and the
12 current owner have made insurance claims and also filed
13 for subsidies from the state during Hurricane Irma, which
14 rained approximately an inch and a half in about a two-
15 hour period. That's a significant rain anywhere.

16 MS. CARDENAS: That's significant rain.

17 MR. DANENFELZER: But we know that that can
18 happen in Central Texas, it can happen in Dallas, it can
19 happen anywhere. And that's part of what gives us
20 concern, is that that heavy rain has caused them to claim
21 insurance, and there was a news article about flooding
22 inside units during Hurricane Irma last year, and that's
23 why we did bring up the flood issue.

24 We know the flood wall is the primary solution
25 that the developer has proposed, and we've presented the

1 data from their engineers about how that would work and
2 how those systems have worked in other places over time.

3 MR. DIETZ: Other questions for Mr.
4 Danenfelzer?

5 Courtney, you were about to ask something, I
6 think, and I may have interrupted you.

7 MS. JOHNSON ROSE: Thank you. No, I was just
8 kind of agreeing with Valerie's comments, just wonder if
9 we don't approve this project what happens to these units.
10 It sounds like they're in deplorable shape, it sounds
11 like people live there right now, and it needs a
12 significant work.

13 So, I understand the concerns and the risks,
14 but I'm also understanding what the role of TSAHC is is to
15 try to help fill the gap on projects like this that have a
16 need and --

17 MR. DIETZ: Courtney, you kind of faded out
18 there right at the end.

19 MS. JOHNSON ROSE: So, I guess my biggest thing
20 was, Bill, if we could hear -- it sounds like our biggest
21 concern from TSAHC is financial risk if the lawsuit does
22 take the vouchers away, and I would like to hear if there
23 is a contingency, a financial contingency plan that the
24 developer has.

25 MR. DIETZ: So, for the Board, I know we've

1 been talking, and I've received indications from
2 individuals, both for and against, that they're willing to
3 come back and talk. If we want to hear from one of them,
4 we probably ought to hear from both.

5 Specifically, I know Mr. Simonians might want
6 to address some of the things that we've been discussing
7 and perhaps exactly that question that you just asked,
8 Courtney, and Ms. Bowman, who again is representing the
9 tenants in the lawsuit, also suggested she might provide
10 some additional clarification.

11 So, if the Board is inclined, we may want to
12 recall those two individuals, but go ahead before we do.

13 MR. A. WILLIAMS: I've just got one more
14 question of David.

15 Just so the Board understands, David, explain
16 the process. This still has to go to the Bond Review
17 Board as well for approval.

18 MR. DANENFELZER: That's true. The typical
19 practice, once we have a bond resolution approved, which
20 we'd have to bring it back again once we get the
21 reservation -- if the motion on the table is approved, we
22 would go back for our reservation for bonds, we would
23 bring back a final bond resolution to this Board for
24 approval, and then at that time we would go to the Texas
25 Bond Review Board and present them.

1 That is a review process, the Bond Review Board
2 is made up of representatives of the Governor, Lieutenant
3 Governor and the Comptroller's offices. They would then
4 have really the final say on the bond issuance, and we
5 will essentially provide the same report and the
6 background that we have now.

7 I'll be frank; it is somewhat a concern of mine
8 that the Bond Review Board will have great concerns about
9 this as well as presented. There are issues, but I can't
10 speak for them, obviously, but I just know from past
11 experience market conditions and other risks that are
12 associated with the deal are elevated there, and we try
13 and make sure that we bring as clean and as neat of a
14 transaction as possible to the Bond Review Board to ensure
15 that they will approve it.

16 MR. A. WILLIAMS: And I just want to confirm,
17 TDHCA approved it, TDHCA through the scoring system, we
18 are underwriting, so the staff has underwritten the
19 project, the Bond Review Board is underwriting as well.
20 Correct?

21 MR. DANENFELZER: They'll look at both our
22 underwriting report as well as TDHCA's underwriting
23 report, and they'll look at all of the conditions, whether
24 it's market or not.

25 For example, in the past when oil prices are

1 dipping, they will require me to provide some form of
2 information about how much income could be lost in order
3 to make sure that these units are still going to be good
4 if oil falls below \$10. A lot of that is underwriting,
5 the art of underwriting, but at the same time we look at
6 historical numbers and present that to the BRB, if that's
7 the case. This obviously wouldn't be a question -- or
8 that wouldn't be a question for this project.

9 MR. DIETZ: So just to kind of tag onto that,
10 so basically were we to approve this specific application,
11 then that simply causes you to go forward with the bond
12 process, and then it's going to come back to us for an
13 approval.

14 MR. DANENFELZER: You will have to review it
15 one more time for the bond resolution. That was the step
16 we were at in March. Because of a lack of a motion that
17 was voted on or approved at that time --

18 MR. DIETZ: That's what made it a two-step
19 process now.

20 MR. DANENFELZER: -- it created an extra step
21 in the process for us to come back and get new authority
22 from you to re-reserve the bonds.

23 So, we're asking for that -- or that's the
24 motion on the table today, and then we will come back with
25 a bond resolution. We will be able to do that quickly. I

1 would imagine we would come back in September with that
2 bond resolution, and typically once you vote the bond
3 resolution, I will submit within 48 hours the application
4 to the Bond Review Board.

5 MR. DIETZ: Now, the lawsuit, because that's
6 really one of the main -- it sounds to me that's one of
7 the primary concerns. I've kind of heard, well, HUD has
8 never lost a lawsuit like this so why worry about it, but
9 I've also heard today, well, there's never been an exact
10 lawsuit like this. Did I understand that correctly?

11 MR. DANENFELZER: That's staff's understanding
12 as well, that the lawsuits noted in the applicant's and
13 HUD's letters are similar but not exactly the same, and
14 that the letter from Lonestar Legal Aid describes a
15 process where this is an unprecedented form of action.

16 And we're trying not to put weight on either
17 side of it; we just want to make sure you understand it's
18 a real risk and that it's a risk we've never had on a
19 transaction before.

20 We've never brought to you a transaction that
21 had a lawsuit which could possibly cause the bonds to
22 default on. It's something we did not find out until
23 after the inducement, and during the public comment
24 process we learned of the lawsuit, and that's why we
25 brought it to your attention.

1 MR. DIETZ: It's like the probability of the
2 risk is not very high, but it is a definitive risk.

3 MR. DANENFELZER: It is a definitive risk,
4 nonetheless.

5 MR. DIETZ: Any other questions?

6 MR. A. WILLIAMS: The last question I have is
7 if the Bond Review Board doesn't move forward with it,
8 what happens to the reservation? Do we lose those?

9 MR. DANENFELZER: Well, we would lose the
10 volume cap; the volume cap would just sit out and expire.
11 We could potentially go back to the Bond Review Board, but
12 you know, it's just an uncertainty. I won't know that
13 until I go to them.

14 They can either choose to approve it, or they
15 usually tend to just not act until the expiration of the
16 reservation, and then at that point we would lose that
17 volume cap.

18 MR. DIETZ: Other questions or discussion, or
19 do we want to recall perhaps those two individuals to
20 provide any additional clarification? I'd be inclined to
21 recall them unless there's an objection.

22 (No response.)

23 MR. DIETZ: Okay. So, let's have Mr. Simonians
24 first come up, and Mr. Simonians, if you wouldn't mind
25 specifically addressing the question about a contingency

1 plan, and then if there's anything in addition to that.

2 MR. SIMONIANS: There was a lot of discussion,
3 so I don't know what the specific questions were, but
4 there are a couple of points that need to be made.

5 MR. DIETZ: I can kind of rephrase the
6 contingency plan question for you. You know, if the
7 lawsuit were to be successful and as a result of that you
8 lost some of the funding ultimately, is there a
9 contingency plan or what would happen?

10 MR. SIMONIANS: First of all, be mindful of
11 this is a partnership with HUD. HUD is actually pushing
12 us to get this done, is partnering with us and is enabling
13 us.

14 HUD is telling us, through all the lawyers all
15 the way to Washington, D.C. that we have conversations,
16 that this is not going to happen, that cancellation would
17 not happen. That's first number one, so we are not
18 expecting a contingency.

19 And number two, we said, okay, that may be an
20 issue. Let's go outside and talk with other experts. We
21 have Nixon Peabody with lawyers which have like 150, 200
22 years' experience combined. They told us the same thing.
23 They researched it, they said, this is not going to
24 happen.

25 So, the contingency plan is we make sure through

1 our due diligence with HUD that Section 8s would not be
2 canceled. If it does get canceled, you need to also
3 realize that there is a bond purchaser, like Citibank, who
4 does their own due diligence. They evaluate the
5 possibility, and they are buying these bonds. Without
6 them buying the bonds, we don't have a use for bonds. So
7 that's another layer of protection for us.

8 Thirdly, we are guaranteeing the bonds. So as
9 far as TSAHC is concerned, there are several layers before
10 it becomes an issue. And by the way, as far as the Bond
11 Review Board, the Bond Review Board is concerned more
12 so -- they get involved more so if it's a public bond that
13 is sold to moms and pops.

14 If it's sold to a major institutional investor,
15 like Citibank, like whatever insurance company, they are
16 not as concerned because their job is to protect the
17 public who are purchasing those bonds. Here the purchaser
18 is an institution, and they are protected.

19 That's my response in general, unless you have
20 any specific questions. There are other things I could
21 also clarify if you like.

22 MR. DIETZ: Sure, if you want to, just a short
23 comment.

24 MR. SIMONIANS: Yeah. As far as new
25 construction versus rehab, we are all for new

1 construction; that would make it a much better project.
2 We all agree with that, we don't dispute it, but it will
3 cost about \$25 million more. Where is the money coming
4 from? So, it's not the best solution, but it does deal
5 with the current problem and it fixes it.

6 As far as the scope of work is concerned, no
7 issue about mold. We had three different inspections
8 conducted to make sure we identify all the mold, where it
9 is. We are scoping and changing all the damaged pipes
10 underground so the gentleman who was talking about sewage
11 in the yard and children cannot play, that doesn't happen
12 again.

13 So piping, all appliances, all kitchens, all
14 roof, electricity, compressors, it's going to be very
15 similar to a new project. It's going to be the same
16 layout, but it's going to be a new project.

17 You walk in there, the kitchens are new, the
18 countertop is new, the plugs are new, the wiring is new,
19 the piping is new, the roof is new, flooring is new. So,
20 we are not cutting corners, but we are trying to give the
21 best we can give with the resources we have.

22 If you don't do it with these resources, it
23 doesn't happen very often that the stars line up, the tax
24 credit lines up, the low-income housing tax credits with
25 the bonds, the 4 percent lines up, historic tax credit

1 lines up, all of these line up to make this happen.

2 If we don't get the allocation to issue the
3 bond and get the 4 percent and get this done, I don't
4 think this is going to happen again, and this property is
5 going to be in this situation for the next ten years or so
6 or more.

7 MR. DIETZ: Great. Thank you.

8 Any questions for Mr. Simonians while we've got
9 him.

10 MR. L. WILLIAMS: I have one question. If this
11 project doesn't happen, what impact to your business or to
12 ITEX's business this will take?

13 MR. SIMONIANS: We have already invested close
14 to \$2 million in this deal. We are helping J Allen
15 Management to take care of life safety issues on the
16 property.

17 We don't have to, we're not responsible for it,
18 we have a purchase and sale agreement, we don't own the
19 property, but we are trying to make sure that some of the
20 most dangerous issues are taken care of outside. We have
21 so far spent \$2 million on this. If this fails, we
22 probably lose that money; that's the impact.

23 Remember, when we started spending money, we'd
24 initially get the approval from the TSAHC Board. I'm not
25 blaming the Board, but we thought we had a project so

1 let's go ahead and make sure it happens, let's help
2 whatever needs to be done so that we'll get to start, so
3 we started spending money because we had the first
4 approval. So that's why. We are not just crazy to spend
5 money for no reason at all.

6 MR. L. WILLIAMS: Thank you.

7 MR. DIETZ: Any other questions?

8 Courtney, you can still hear us. Right? Do
9 you have any questions?

10 MS. JOHNSON ROSE: Yes, I'm here. I don't have
11 any questions. It wasn't 100 percent clear on the
12 contingency plan, but it sounds like there are several
13 layers between TSAHC based upon how this project was
14 actually put together, is what I gather.

15 MR. DIETZ: Thank you very much.

16 MR. SIMONIANS: Thank you. Hope to hear your
17 favorable approval.

18 MR. DIETZ: Thank you.

19 And then if we could similarly have Ms. Bowman.
20 Ms. Bowman, are you online and unmuted?

21 MS. BOWMAN: Can you hear me?

22 MR. DIETZ: We can, yes. And since you're not
23 present, if you could just state your name again for the
24 record and provide us with any clarification or insights.

25 MS. BOWMAN: Yes. My name is Ericka Bowman. I

1 am a community navigator with Texas Housers.

2 If there is a way after I make this statement
3 if I can compare this to our attorney that actually worked
4 with Arbor Courts and also working with Sandpiper Cove,
5 she will even go more in detail as far as the contingency,
6 because I'm thinking if the lawsuit had no merit, then the
7 judge would have thrown it out, so I know that she can
8 speak on that a little bit more in depth.

9 And if I could actually speak in regard to -- I
10 know that some of the Board members have made comments in
11 regards to the fear of there being no available
12 properties.

13 I know that last time we had Buck Edelman on
14 the call, and he spoke in regards to the Galveston
15 Apartment Association coming together and having, I
16 believe, over 150 units that they'll willing to provide
17 for these tenants over at Sandpiper Cove if vouchers are
18 administered to these tenants.

19 We understand, and as I explained earlier, the
20 tenants, they definitely understand that what they're
21 asking seems weird. And I know that the Board is
22 expressing, has stated multiple times that if we don't
23 move now, then we're doing them a disservice.

24 But I believe the disservice is to move too
25 quickly and to provide them with housing that will

1 eventually harm them and their children yet again because
2 it's not being done properly.

3 So, although I know that the Board is concerned
4 and really want to be able to provide immediate help in
5 this situation and ITEX is responding in a way of saying
6 that they are able to do that, that even at this time
7 underneath ITEX management, there's still mold in some of
8 these apartments.

9 As I stated earlier, the properties that we
10 visited recently that have been redeveloped by ITEX, we
11 saw some concerns that we're fearing will possibly happen
12 to this property, Sandpiper Cove.

13 We're hoping and praying that this property is
14 done the way it needs to be repaired and that band-aids
15 are no longer the option at this time, and millions of
16 dollars aren't being put into paint and welding of
17 staircases that have been pretty much welded so many times
18 and the voices of the community being ignored.

19 We're hoping that the Board understands and
20 take this into consideration, that even though we know the
21 concern is immediate, that it has to be done the proper
22 way or they will still be sitting in these homes facing
23 the same exact issues that they're facing today.

24 And if possible, I would love it if you would
25 allow Kim, who knows more about the lawsuit than I do, be

1 able to speak in regards to that question.

2 MS. CARDENAS: Ms. Bowman, I have a question.
3 This is Valerie Cardenas.

4 You keep stating that it's not going to be done
5 in the proper way or that there's still mold. I mean, I
6 think we would agree that we know at its present state
7 there is mold, right, and so they're having to go and
8 assess in order to do this remediation.

9 Have you looked at the entire proposal as to
10 what exactly is going to be done? And I'm only asking
11 that because you keep stating it's not going to be done
12 the proper way, so what is not the proper way from your
13 perspective?

14 MS. BOWMAN: Right. Yes, we over at Texas
15 Housers -- we have went through and looked over the entire
16 proposal and to our concern the underlying systemic issue
17 is that it's flooded multiple times, which means the mold
18 is deeply set and studs and other areas of the building --
19 and I wish I had more of constructural vocabulary to use,
20 but the lack of it is that this is not going to eliminate
21 the mold within the structure, and more importantly, as
22 the witnesses have talked about already, is the
23 possibility of it re-flooding and creating this
24 infestation of mold within the structure yet again.

25 So, I'm not sure if I was able to give you an

1 in-depth answer to your question, but maybe the attorney
2 could be able to speak to that a little more if you have
3 more concerns.

4 MR. DIETZ: Okay. Thank you. I think your
5 comments are adequate for me. Does anybody have any other
6 questions?

7 (No response.)

8 MR. DIETZ: Okay. Thank you very much, Ms.
9 Bowman.

10 Okay. Any other comments, questions for Mr.
11 Danenfelzer, discussion?

12 (No response.)

13 MR. DIETZ: Courtney, you can hear us. Right?
14 Do you have any further questions? I just want to make
15 sure.

16 MS. JOHNSON ROSE: No questions.

17 MR. DIETZ: Okay. Well, so I'll just restate
18 there has been a motion and a second that we resubmit the
19 application for allocation of private activity bonds for
20 the Sandpiper Cove Apartments project.

21 We've had public comment, and if there is no
22 further discussion or further questions, we'll move
23 forward with our roll call style vote.

24 Anything else any Board members want to
25 discuss?

1 (No response.)

2 MR. DIETZ: Okay. All right. Then let's move
3 forward with our roll call style vote, and again, the
4 motion is to approve the application.

5 Andy William?

6 MR. A. WILLIAMS: No.

7 MR. DIETZ: Lemuel Williams?

8 MR. L. WILLIAMS: No.

9 MR. DIETZ: Courtney Johnson Rose?

10 MS. JOHNSON ROSE: Yes.

11 MR. DIETZ: Valerie Cardenas?

12 MS. CARDENAS: Yes.

13 MR. DIETZ: And Bill Dietz, yes.

14 So, the motion passes to submit the application
15 for allocation of private activity bonds. This is a very
16 challenging one, and I fully believe that everybody on
17 both sides of this issue has the best interests of the
18 citizens of Texas, and specifically the citizens that are
19 impacted by this project, at heart.

20 And so, my hope and prayer is that if this does
21 continue to go forward and gets approved by the Bond
22 Review Board, et cetera, that ITEX will do exactly what
23 they've said they're going to do and take care of the
24 citizens that are impacted by this project.

25 So, with that said, we'll move on to tab item

1 6, the review, discussion and possible approval of the
2 annual performance review of the president of the
3 Corporation and related actions.

4 For this tab item we will go into closed
5 meeting. On personnel matters, Texas Government Code,
6 Article 551.074 enables us to go into closed meeting. It
7 is right now 12:46, and we're going into closed meeting.

8 (Whereupon, at 12:46 p.m., the meeting was
9 recessed, to reconvene this same day, Wednesday, July 21,
10 2021, following conclusion of the closed session.)

11 MR. DIETZ: It is 1:12 and we are out of closed
12 session and back into our open meeting.

13 Sarah, can you hear me or is anybody there?

14 MS. ELLINOR: Yes, I can hear you just fine.

15 MR. DIETZ: Great, perfect. So, we're back in
16 our open meeting.

17 We took no action in our closed session, and so
18 with regard to tab item 6, which was the review,
19 discussion and possible approval of the annual performance
20 review of the president of the Corporation and related
21 action, is there a motion?

22 I would entertain a motion perhaps to revisit
23 this tab item next time we meet as a Board.

24 Do we need to table it or just revisit it?

25 MR. THORNHILL: You can revisit it, yes.

1 MS. CARDENAS: I make a motion to revisit tab
2 item 6 as presented.

3 MR. L. WILLIAMS: Chair, this is Lemuel. I
4 second that.

5 MR. DIETZ: Okay. It's been moved and seconded
6 that we revisit the annual performance review of the
7 president next time we meet as a Board. Is there any
8 public comment?

9 (No response.)

10 MR. DIETZ: No public comment, so all in favor,
11 we'll do our roll call style vote.

12 Andy Williams?

13 MR. A. WILLIAMS: Yes.

14 MR. DIETZ: Lemuel Williams?

15 MR. L. WILLIAMS: Yes.

16 MR. DIETZ: Courtney Johnson Rose?

17 MS. JOHNSON ROSE: Yes.

18 MR. DIETZ: Valerie Cardenas?

19 MS. CARDENAS: Yes.

20 MR. DIETZ: And Bill Dietz, yes.

21 So, we will officially review that annual
22 performance review at our meeting in September, since
23 we're not meeting in August.

24 Great. Anything else or any other
25 announcements or closing comments?

1 MR. LONG: Just a reminder that, as I said
2 earlier, that the current meeting that we have scheduled
3 is the September meeting.

4 MR. DIETZ: Great. Okay, perfect. Thank you
5 very much.

6 Then it is 1:14 and we are adjourned.

7 (Whereupon, at 1:14 p.m., the meeting was
8 adjourned.)

C E R T I F I C A T E

MEETING OF: TSAHC Board

LOCATION: Austin, Texas and via RingCentral

DATE: July 21, 2021

I do hereby certify that the foregoing pages,
numbers 1 through 101101, 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: July 27, 2021

(Transcriber)

On the Record Reporting
7703 N. Lamar Blvd., #515
Austin, Texas 78752