TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

TSAHC Offices
6701 Shirley Avenue
Austin, Texas 78752

Wednesday,
December 15, 2021
10:33 a.m.

BOARD MEMBERS:

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

I N D E X

P R O C E E D I N G S

MR. DIETZ: It is 10:33 a.m. on December 15, and the Texas State Affordable Housing Corporation Board of Directors is called to order.

We'll do our roll call.

Bill Dietz, Chair, I am present.

Valerie Cardenas, Vice Chair?

MS. CARDENAS: Present.

MR. DIETZ: Courtney Johnson Rose is absent.

MR. DIETZ: Lemuel Williams?

MR. L. WILLIAMS: Present.

MR. DIETZ: And Andy Williams?

MR. A. WILLIAMS: Present.

MR. DIETZ: Okay. We do have a quorum.

Before we begin, please join me in the Pledge of Allegiance to the flag of the United States of America.

(The Pledge of Allegiance was recited.)

MR. DIETZ: And to the Texas flag.

(The Texas Pledge was recited.)

MR. DIETZ: Is there any public comment before we begin?

(No response.)

MR. DIETZ: I don't hear any, so Mr. Long, do we have a president's report?

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

Members, good morning.

This is the last meeting for calendar year 2021, and I would be remiss if I didn't say what a unique and successful year for TSAHC it's been. We started 2021 by moving into this new office space, which we've grown to really love; however, we did so with the staff working from home, so it's been a little interesting as we've gone from virtual meetings to where we're now back in person.

The staff continues to work from home and would like to continue to do so through the end of next month, pending any updates from the Governor's Office or other state direction, but I will assure you that it's business as usual.

Regarding the successes of the year, I mentioned that we were able to increase our staff during COVID. We now have 30 staff members from the 24 we started with.

The Corporation, as of the meeting earlier this month, we will probably end the year with about just around $5 billion in single family mortgage volume. We currently have -- and Mr. Williams can confirm this for me -- we have about $15 million outstanding in development loans, and the Board is going to be looking at another loan today on the Board agenda, and hopefully that will get us closer to $20 million.

We have seen a lot of our charitable giving grow, we have stronger demand than ever, and I just want to thank the Board for your continued support and your leadership in making us be able to move forward in the direction we've gone forward with over the last year.

Later this morning we'll be presenting the second half of our strategic plan for 2022, and I look forward to the staff's presentations and your comments on that. I think the plan reflects our growth, our stability and our capacity to take on new initiatives as we move into 2022.

Yesterday the Loan Committee met via teleconference, and while we didn't consider any new products or loans, we did review all of our outstanding loan portfolio and found everything to be in good shape. I always like to thank Mr. Williams for his participation on that. Andy joins us via teleconference every time, and I appreciate his input and his leadership on that.

Under single family, we continue to have our homeownership team conduct our Overcoming the Down Payment Hurdle classes. We conducted twelve of those since the last meeting.

We are continuing to offer our lender training courses; 281 loan officers signed up for the required training, and we completed 371 trainings during that period since the last time frame. We continue our online Realtor webinars for our lenders and Realtors; 294 Realtors and lenders have been trained for this period.

Under fundraising and development, the Corporation participated in Giving Tuesday, a global day of giving held annually on the Tuesday after Thanksgiving. We received $7,800 in donations from lenders and Realtors, with $3,500 in additional funds committed. All funds will support our Housing Connection, the Corporation's programs for housing counselors.

The Corporation was awarded a $7,000 grant as part of our participation in the Wells Fargo wealth opportunities restored through home ownership work initiatives.

TSAHC was approached initially by Local Initiatives Support Corporation, or LISP, to participate in this initiative, which brings together housing and community development organizations to help create homeownership opportunities for households identifying Black, Indigenous, and people of color in Houston. So, we're very thankful for the opportunity to participate in that.

Under our marketing, we've been talking about the opportunity for podcasts and everything, and I'd like to thank Mr. Williams; he's our most recent participant.

He participated in creating the most recent episode which was released on Friday, the 12th of December, and it focuses on tips for purchasing a fixer-upper.

In that, Ms. LeVecque, our Director of Homeownership Programs, interviewed Mr. Williams about the advantages of buying a fixer-upper, what to look for, how to manage the process, and financing options that are available.

I've listened to it, it's a great episode -- as they all have been -- and I appreciate everybody that's participated. If you haven't, you will get called if you want to participate; we will give you that opportunity.

We did mail out our holiday cards earlier this week to our partners, so each of you should be receiving one of those. We hope it's something that you receive in a very happy and very spirited opportunity for us to thank you again to you.

The rehab at our old office building, 2200, I know you haven't been over there lately, but we completed a rehab on that, and we already have one tenant signed up that will start on January 1.

I guess I should go back. We took the old building and we created it into three suites. Of those three suites, one of those has been rented to a nonprofit that's a housing counseling organization called

Frameworks, and they will take occupancy on January 1. We have the other two suites that we just started marketing this week.

I'd like to thank James Matias for his expertise and leading that charge and managing what I considered to be a somewhat difficult rehab given the people that we worked with on that, so thank you to James for his effort on that.

Under our permanent supportive housing initiative that we've been working on, we just completed the final session of that program, which is TSAHC's training and technical assistance program for developers interested in creating permanent supportive housing.

Our goal is to help facilitate the creation of 150 supportive housing units in the next few years, and we are really fortunate to have had a good team of partners in that this year, and we're looking forward to them being able to finally put everything together and wrap up everything in mid January.

I would like to recognize the funders of that program; we could not do that without our funding partners. And under that we received grants from JP Morgan Chase, Wells Fargo, Insperity, Dominium, Texas Capital Bank, Frost Bank, Regents Bank, and Texas Community Bank. So, thank you to each of them for making sure that we get that done at no cost to the participants.

Foundations Fund, it's our program that the Corporation started in 2008 where we grant out to other nonprofits funding to assist them in either the development of or the services related to affordable housing.

We'll begin to plan our next Texas Foundations Fund early in 2022. We're going to submit a survey that we will send out to our nonprofit partners later this month, and we'll learn more about what interests they have in terms of where they want that funding to go so we can develop our application accordingly.

And obviously, as we make those decisions, we bring those to the Board and let you decide and formalize our selection who we get to make those awards to.

I will tentatively say this, our next Board meeting is in January; I don't know exactly the date. We just got done talking a little bit about it, and I'll check with Ms. Johnson Rose to make sure, but we're looking probably at the third Tuesday of the month in January, so I don't know the exact date of that without looking at my calendar, but obviously Rebecca and I will work to make sure that that's formalized, and we'll send you out a notice accordingly. Okay?

And with that, Mr. Chairman, I'll conclude my remarks and president's report, unless you have any questions.

MR. DIETZ: I have one question. So, the old facility at 2200 that we're renovating, is the makeup of the possible tenants -- is it excluded to 501(c)(3) entities that are involved in affordable housing?

MR. LONG: We will focus on that. Yes, the answer is we're trying to rent solely to nonprofits. We will focus on housing-related activity entities that provide that, similar to Frameworks, who is a housing counselor organization.

Obviously, our focus is to give nonprofits in housing an opportunity, but if we can't, we will stick with the nonprofit model to make that happen. We can't guarantee that nonprofit entities that are in housing will need that space specific to what it is in terms of size and capacity and time frame.

MR. DIETZ: Right. But I guess there are entities that are involved in affordable housing that aren't nonprofit.

MR. LONG: Correct.

MR. DIETZ: So, we could still be meeting the goal of leasing --

MR. LONG: We can certainly look at that if that's what you'd like us to do. We've always focused on nonprofits.

The property at 1910 that we purchased for that same purpose as three nonprofits in it, including the community development organization, so we've tried to focus on nonprofits because we feel like they end up with the hardest budget needs to meet, and we'd rather have them put less of their overhead funds into overhead and rent than in services, but we can certainly look to for profits if you would prefer us also to incorporate that.

MR. DIETZ: I was just thinking of kind of fitting in.

MR. LONG: Housing related.

MR. DIETZ: Housing related fitting in our mission objectives.

MR. LONG: Okay. We'll certainly keep that in consideration, and we'll keep you informed as we consider new tenants.

But it's really a neat building. I mean, you guys have been in the building before but the renovations, it's not as nice as this, but it really turned out well and we're very pleased.

Anyway, with that, I'll conclude.

MS. CARDENAS: I just have one, I guess, comment or question. So, we look at the numbers for the Homeownership Programs, the down payment assistance, we have listed here the top 20 originating counties, you know. So serving as a Board member, right, and if you want to say, yes, representing the whole State of Texas but more so South Texas, you know, one, I'd like for us to think what can I do to help as a Board member, right, to get Hidalgo County, which is also a very large county in Texas, to have numbers represented here and to help promote TSAHC because, obviously, again, that's our mission, affordable housing.

And so trying to keep in mind to reach the four corners of Texas, if we want to call that, right, and of course, you know, the centralized part of it, but seeing all the numbers here, you know, we have a lot of concentration in certain counties, and so to think about the strategic plan -- which I know that staff did a very good job -- but going into 2022 what can, one, I do to help as a Board member, and that goes for each of us. Right? But how can we make sure that we've got, you know, a diverse deployment, right, of funds going to certain parts of Texas, and in this case, South Texas.

MR. LONG: One, that's a great comment, and I appreciate the Board does participate and help us in a lot of ways. I think what we can do is we can talk to staff internally and find out, specific on the mortgage side, how we can find out which organizations -- because a lot of the lenders come to us and say we want to participate in the program.

If there's lenders in the South Texas area that have offices that aren't participating but they have offices that are participating elsewhere in the state, maybe we can encourage them to help us by participating in our program in the Valley area, or we can reach out to those organizations that are not currently participating.

We can also figure out how we can coordinate working with you and then also find out if there is opportunities through other organizations down there to help market our programs beyond what we're currently doing.

And we're always open to do that, going down and making trainings available or just doing marketing events, whatever we can do, we're happy to make that happen.

So, if you don't mind, we'd just encourage our staff to have a conversation internally, and we can get with you to find out how best to make that work based on some of the information we have about the lender portfolio we already have.

MS. CARDENAS: Good.

MR. LONG: Okay.

MR. DIETZ: Any other questions?

(No response.)
MR. DIETZ: Great. Thank you.
We'll move into our action items for our open meeting. The first tab item is the Presentation, discussion and possible approval of the in minutes of the Board meeting that was held on November 17, 2021.
Are there any corrections, adjustments, questions, comments, et cetera, with regard to the minutes?
(No response.)
MR. DIETZ: If not, is there a motion?
MS. CARDENAS: Motion for approval of the minutes.
MR. L. WILLIAMS: Chair, this is Lemuel Williams. I'll second that.
MR. DIETZ: It's been moved and seconded that we approve the minutes as submitted.
Is there any public comment?
(No response.)
MR. DIETZ: Hearing none, all in favor please say aye.
(A chorus of ayes.)
MR. DIETZ: Any opposed?
(No response.)
MR. DIETZ: All right. The minutes from the

November 17, 2021, Board meeting are approved.

Tab item 2 is the Presentation, discussion and possible approval of a resolution authorizing the Texas State Affordable Housing Corporation to take preliminary action to carry out the financing of The Park on 14th located in Plano, Texas, including creating entities, negotiating finance documents and filing applications to obtain debt financing and invest equity in the project.

MS. RAMIREZ: Good morning. This is Cassandra Ramirez, development finance manager with TSAHC.

As mentioned, this agenda item is related to the approval of a resolution authorizing TSAHC to take preliminary action to carry out the financing of The Park on 14th, located in Plano.

To give you a little bit of project background, TSAHC owns the site, and over the past few years we've brought this project to you for approval of the different financing packaging.

To give you a little bit of background, especially for new Board members, TSAHC purchased this site in 2012 to include it as part of its Affordable Communities for Texas Program, with the intention of always developing multifamily housing on the site.

In 2015 an RFP was issued and TSAHC selected Diana McIver & Associates to be its development partner for this project. Janine Sisak, with Diana McIver & Associates, is in attendance.

In 2018 the development team submitted a full 9 percent low-income housing tax credit application, but it wasn't successful in financing. It's a very competitive program.

In 2019 we submitted a pre-application, but we determined that it wasn't going to be competitive in financing; we just left it at the pre-application stage. In 2020 we explored private activity bonds and 4 percent tax credits, and you guys approved an inducement resolution last year, but we weren't able to get the necessary community support, due to procedural changes at the City of Plano, to get the approval necessary to move forward with the 4 percent tax credits.

So, in 2021 we're coming back. We seek Board approval to take necessary actions to apply for a HUD 221(d)(4) loan, a deferred forgivable loan from TDHCA for multifamily housing, City of Plano financing of roughly $300,000 that will be a reimbursement source for some of the construction costs like for infrastructure, and we request approval of an up to $5 million TSAHC equity investment into the project.

So just to let you know, since we brought this project to you in 2020, the building design has not changed significantly. We are proposing 62 units of multifamily housing, four stories.

Our site is well suited for multifamily housing. It's right by downtown Plano, right by the DART rail station, multiple bus stops, retail, jobs. It will include, as I mentioned, 62 units: 13 of the units are going to be affordable to households at 50 percent or below, 19 units will be affordable to households at 80 at 80 percent or below, and then 30 units will be at market rate.

So, to give you an idea of what we're projecting the rents to be, right now the most affordable rent would be $485 for a one-bedroom/one-bath, and the two-bedroom/two-bath market rate rent is roughly $1,600.

So right now, the total development budget that we're looking at is $14.5 million, of which construction costs are about $10.7 million, and soft costs, financing costs, developer fee, everything else rounds out to $3.8 million.

Right now we are putting together financing applications, but we need your approval to submit them, and the HUD 221(d)(4) application that we're working on right now, we're anticipating to submit for $8.8 million, the TDHCA deferred forgivable loan we're underwriting at $1.2 million, the City of Plano TIF financing that, as I mentioned, is a reimbursement source for some of the construction costs, are $300,000, and we're projecting we're projecting $4.2 million in TSAHC equity, which is less than the $5 million.

When you review a resolution the numbers are higher in the resolution, and we're requesting an increase to the funding source amounts just in case construction costs are higher or the loan amounts could be increased, and right now the underwriter of the 221(d)(4) loan came to $8.8-, so we're looking at costs but are requesting approval for the higher value so that we can submit financing applications without having to come back to the Board.

TSAHC's equity investment is anticipated to earn a yearly return on investment of at least 5 percent over the initial 15 years of financing, and at the end of the financing period, TSAHC will own a majority interest in the project and can benefit from refinancing at a future date, which would include the repayment of the equity and any interest earned.

Right now, we're finalizing our financing applications. We anticipate submitting the HUD 221(d)(4) application later this week or next week, and the NOFA for the TDHCA funds is going to open up in early February, so we're really going to submit all of our financing late winter/early spring.

And at the same time the development team is working on the building plans, permits and company agreements and everything that goes into starting construction and getting permits, so we're time-lining a construction start, closing of all financing by the fall of 2023, September.

So that was a mouthful, but we recommend that the Board approve the resolution authorizing TSAHC to take action to carry out the financing of The Park on 14th, including creating the entities and applying for the financing that I noted.

MS. CARDENAS: Did you mention why there wasn't any initial support, or you said there was no support at one point from the City of Plano?

MS. RAMIREZ: So, we have received support in the past with the tax credit application, and so that's why we were able to submit, and I believe one year we even got deferred project.

They had a different process in 2020 with a different community hearing. Everything was virtual, so communication was limited to virtual meetings at night, and I think a lot of the communication was limited.

And they had some questions on our market study, but you know, we were able to substantiate that there is market demand, and our HUD 221(d)(4) lender is approving the market demand. So, it was a very difficult process to describe last year going through the community process, but we're hopeful that the 221(d)(4) -- but we are going to be pursuing community support and working with the neighborhood and with the city.

And the City of Plano staff is supportive of this project, and they have been over the years, but it's going to be an ongoing thing. So, with the approval of the financing, we can go back to the city and we can go back to the community with a more defined plan on what the project looks like and how it's going to be financed.

MR. DIETZ: And can you remind me where -- you mentioned at the very beginning where this originated. This is just land right now. Is that correct?

MR. LONG: That's correct.

MR. DIETZ: And this is from -- we own the land?

MS. RAMIREZ: Yes.

MR. DIETZ: And is this the land that we own because there was an unsuccessful -- where did this come from?

MR. LONG: This essentially was -- if you remember, we purchased this land from the City of Plano Housing, and they basically had the opportunity to release it and so we purchased it. It had some existing dilapidated structures on it, and we had that razed and we had every intention of working with the prior development partner -- which we can't get into too much; if you remember, there was litigation, and that partnership evaporated -- and since then we have been working to reevaluate how to best move forward with this project.

We are very fortunate -- and I want to state this for the record -- to work with DMA. Diana McIver individually has just been inducted into the Affordable Housing Hall of Fame.

She has been doing this for more time, more years and more success than most people can ever imagine, and we're very fortunate to have her and her team as a partner on this deal.

They have been with us, working with us since 2015 trying to find a way to make this work, and they have thrown every financing capital stack structure that you can come at, and we just have found, uniquely, that after all that going on and the push-back or the failure to get in some scoring criteria that we needed to get somewhere, the Corporation can actually fund this, we have the financial resources to do this ourselves.

Now, granted, we are going to create a capital stack, that Cassandra just went over with you, that incorporates other funding, but the Corporation has the opportunity to move this project forward finally with a significant amount of success, potentially, in putting affordable housing in an area of the city that is highly needed and great corridor access being downtown.

As Cassandra mentioned, it's on the rail line, it's got several bus stations around it, and it is in walking distance of downtown, and it is a phenomenal location for us to be able to build on.

That, incorporated with our partnership and the ability that the Corporation has the financial resources to fund this under the original project plan we had with multiple units going up, I think it's a phenomenal opportunity.

And so, we've talked this through with counsel, we've talked this through with Diana McIver and her team -- and as Cassandra said, Janine is here if you want to ask questions of Diana McIver's team -- but we're very positive on where this puts us, and we think that we can certainly move forward with the project, given the Board's consideration and authority and approval to go forward.

MR. DIETZ: Did I understand correctly that it's had community support in the past but at the current time we haven't passed that threshold, but you anticipate passing that threshold after we get this financing put together and present it to the community with a comprehensive package?

MS. RAMIREZ: We do want the community support, but there was a resolution with no objection that was required of the tax credit program that's not required for the (d)(4) program, so you know, we want to be good neighbors and we want the community to support our project, but if we didn't get a community resolution, the resolution of no objection or disfavor wouldn't affect the financing through the (d)(4).

MR. DIETZ: Is there any opposition?

MR. LONG: I would say in the past there has been opposition partly from competition, people who would rather us not build this and buy the land from us.

We've had multiple -- I can't even tell you how many offers we've had to sell the land to somebody who wants to incorporate into a project they have either adjacent to us or build on it because they think they can do something different with it.

And I've held off on trying to forgo using the land as a funding source to go buy something else because I really thing this has merit, I think the land originally as the Board approved for us to purchase it how long ago it was --

MS. RAMIREZ: 2012.

MR. LONG: -- 2012, is still there, and if anything, it's more valuable than it's ever been, and yet we have been able -- we can keep that cost down because we own it outright and we can go into this with a great opportunity to provide affordable housing in a very needed area of the city.

MR. DIETZ: So, we'll end up being the owner, or majority owner, at least, of the multifamily project.

MR. LONG: That's correct.

MR. DIETZ: Do we have any currently, or would this be the first time?

MR. LONG: We own the multifamily property in the Rollins-Martin apartment complex over in East Austin that the Board authorized, and we are currently working to finish refurbishing and rehabbing all those units, but yes, that's the only property we own that's a multifamily.

We've been looking to do something like this and maybe expand on this scope of business. We just have tried to do it in a very systematic and very methodical manner, and so this would be one that if we can make this a success, I think it sets a blueprint for us to do others going forward -- rather than just buying an existing structure.

MR. DIETZ: Right.

MR. L. WILLIAMS: Chair, I have a couple of questions and a comment.

So, David, what you just said prior to answering a couple of the chairman's questions, I guess, as counsel and community members heard, I guess, for lack of a better term, the passion and mission that you stated as to why you were reluctant to selling the land to private investors or others who have inquired? Did they hear that part?

MR. LONG: I don't know that they heard that comment. It wasn't directly from me. I mean, I think our developer partner, DMA, has done a really good job of expressing TSAHC's interest to continue to pursue reasons why we want to develop this property.

Having DMA being a partner says a lot. They are a very well-respected developer in affordable housing. As I mentioned, Ms. McIver's recognition recently to the Affordable Housing Hall of Fame speaks volumes to what we're trying to do, and I think if anybody just, for lack of better term, reads between the lines, it's there, but I have not called the city and said, hey, this is how passionate we are about this, but I think it's been certainly conveyed that we want to do this, for lack of a better way to say it.

MR. L. WILLIAMS: Appreciate that. Thank you.

Regarding the, I guess, resolution that's on the table right now, talking about some of the construction costs and we're looking at, I guess, construction is supposed to start fall of 2023?

We're heading into 2022, so I guess kind of plus or minus within a year from now do you potentially foresee construction costs going above the allotted amount, kind of that buffer that you see?

MS. RAMIREZ: We're hopeful not. I mean, we haven't priced it yet, but that's why we are requesting the buffer.

MR. L. WILLIAMS: Okay.

MR. LONG: We're hopeful that the buffer gives us that gap that we're looking for.

MS. RAMIREZ: I'm sorry. Construction starts in 2022.

MR. L. WILLIAMS: Oh, 2022.

MS. RAMIREZ: We're submitting our financing applications this coming February, (d)(4) is going in in December, and we're looking to start construction in September 2022.

MR. L. WILLIAMS: Okay, okay.

MR. LONG: But we can't dictate or guess what the market is going to look like in terms of construction costs. Lumber has seen a little bit of a reduction in cost, but if you're building a house, you'll know just how delayed that causes you to be in terms of just availability. So, supply and demand dictates that price, but we're hopeful that the buffer that we've placed into this request will give us more than enough room to make that work.

MR. L. WILLIAMS: Okay. Last question, it's kind of more of just fact check for me and just kind of understanding. So, I'm looking at the fifth whereas: The Corporation intends to invest an equity contribution in an amount to not exceed $5 million. The equity investment, is that coming from the current equity that's already accrued in the land, or is that coming from our investment assets?

MR. LONG: Both.

MR. L. WILLIAMS: Okay, okay. I ask that because, I mean, when I hear equity contribution, either that could be done through bonds, loans, or current cash that's on hand, so I'm just asking.

MR. LONG: We would use our existing liquidity, program approved funding, and the land value itself, as well.

MR. L. WILLIAMS: Okay. Thank you.

MR. LONG: You bet.

MR. DIETZ: Any other questions?

My only other question, so big picture kind of strategically, if we're anticipating doing more of this, we've got one project we own and this one and we might do more in the future, does that put us -- are we competing with some of our partners that we traditionally would provide financing for?

MR. LONG: I mean, I guess the answer to that is I don't know. I mean, I think we've been very strategic about when we go to do one of these transactions that we look for ways to find the right partner.

Working with DMA, they're going to look for a funding source if they were doing this as a project themselves; we just happen to be that partner. So, if we can find ways where we can share, then I don't think it's competition, I think it's just a good complement of one another's resources and capacities to make affordable housing available in the State of Texas.

Is there going to be competition from the private sector to us? Yeah, we could sell this land in a heartbeat, and somebody would develop something that's not affordable, but to me that's not competition, that's somebody using it for something other than we would use it for.

MR. DIETZ: I mean, other affordable housing.

MR. LONG: Other affordable housing, I mean, I think if the City of Plano had a housing authority that wanted to come in and use this -- not use it but said we've already got a project right next door, we would consider that, but I don't think that's the pushback we're getting right now.

But I would tell you, we try and be very respectful of that situation. I'm not going to say we're not ever going to have a conflict, and if we did, we would work to resolve it, and if we brought it to the Board we would make you aware of that conflict and make sure that the Board not only knows about it but then gives us direction, yea or nay, on the project that we brought to you, knowing that conflict existed, if it did exist.

MR. DIETZ: Thanks.

MR. LONG: And I was going to ask -- I know she's here -- do you guys want to talk with the development representative at all? Do you have any questions for her?

MR. DIETZ: I can't think of any specific questions.

MR. LONG: I don't think she's dying to jump up here, but if you want her to, she's happy to come up and answer your questions.

MR. DIETZ: I don't have any questions to ask. Okay, great. Thank you.

Any other commentary or discussion?

(No response.)

MR. DIETZ: If not, is there a motion.

MR. L. WILLIAMS: Chair, this is Lemuel Williams. I make a motion to approve a resolution authorizing the Texas State Affordable Housing Corporation to carry out financing of The Park on 14th, located in Plano, Texas, including creating entities, negotiating finance documents, and filing applications to obtain debt financing and invest equity in the project.

MR. DIETZ: It's been moved. Is there a second?

MR. A. WILLIAMS: I'll second.

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

(No response.)

MR. DIETZ: Hearing no public comment, so all in favor -- we'll just do a voice vote -- please say aye.

(A chorus of ayes.)

MR. DIETZ: Any opposed?

(No response.)

MR. DIETZ: Okay. The resolution is approved.

MS. RAMIREZ: Thank you all.

MR. DIETZ: Thank you.

Tab item 3, the Presentation, discussion and possible approval of the guidelines, scoring criteria and targeted housing needs for the allocation of qualified residential rental project tax exempt bonds under the Multifamily Housing Private Activity Bond Program request for proposals and the 501(c)(3) Bond Program policies for calendar year 2022.

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

Every year we propose changes to our policies and RFP for the Private Activity Bond and 501(c)(3) programs. We presented those changes to you in October and have published them to our website.

We received no public comment on those, which is pretty typical. Most folks, developers and other advocates don't really look at our sort of process of awarding these allocations too much. We're a very small issuer within the state of Texas, but probably more importantly, that we've never really created a program that's controversial in any way or had any controversy.

But we do have a number of changes this year and they are outlined there. We did discuss those in October, and I'm here to answer any questions you may have about those changes or the policies in general.

MS. CARDENAS: On page 75, I just want to make sure that I'm reading the wording correctly from what was previously stated. It says, "At least 20 percent of the total number of housing units will be available to persons earning more than 60 percent." Should it be 60 percent or less?

MR. DANENFELZER: No. In this case what we're trying to do is incentivize mixed income. The previous writing of this was tested in a project recently, and there was some confusion internally as we discussed it.

What we had previously written there is not more than 80 percent were affordable to households earning less than 60 percent, meaning you have affordable units in 80 percent of your property, but 20 percent had to be market rate or unrestricted.

In this case we've reversed that language a little bit with the same meaning. Now we're just focusing on the 20 percent which may not be restricted to households -- or should be available to households above the 60 percent of area median income. So, we kind of flipped the logic: Before it was 80 percent were less than 60, now it's 20 percent have to be more than 60.

MS. CARDENAS: I understand, but then it's like more than 60 now means 70, 80, 90?

MR. DANENFELZER: Right. It could be anything above that 60 percent AMI requirement.

MS. CARDENAS: Because then the next one says, you know, at least 15 percent between 80 and 120, so it's like, well, you just said 60 or more and then you're 80 and 120. So, I didn't know if someone got real technical and said, well, this is -- I'm making 110 percent of AMI, then I don't know why there's a deviation between at least 20 percent of the total number of units and then at least 15 percent when you could really overlap both of them. Do you understand what I'm saying?

MR. DANENFELZER: You could, however -- one point of clarification is it is either the first standard or the second standard.

So, in the first standard, the 20 percent of those units that are not affordable, not restricted, we're not going to care, you could have all market rate, you could restrict them to 80 percent, whatever you want to do with that 20 percent of your units as long as there is 20 percent that are not below 60.

In the second test -- which is a different test, not a cumulative test -- what we're trying to incentivize is that there be at least 15 percent of your units that are targeted to that what we consider moderate income, 80 to 120. You could still have 5 percent that were market rate, you could have much more affordable, but we want to then utilize that second test to target moderate income, not just allow market rate.

MS. CARDENAS: Okay.

MR. DIETZ: I guess that's just a typo where it says "person" instead of "persons"?

MS. CARDENAS: Right.

MR. DANENFELZER: And I always apologize. These things get looked at by so many of us; it's always amazing how we find one.

MR. LONG: And the Board members find it in Board meetings.

(General laughter.)

MR. DANENFELZER: There's always a typo somewhere, and I apologize, but it's an iterative process which we go to you to iterate and improve on it. Thank you.

MR. DIETZ: Any other substantive changes in here that you should point out to us?

MR. DANENFELZER: The biggest one is, I think, the changes to Section 5. If you look at it, it seems to be rewritten in its entirety. There are some recycled sections that were utilized, but most importantly, that section 5 provides staff and applicants a bit more clarity on how we actually manage our pipeline of applications and puts a little more teeth into steps -- or gives staff a little bit more authority to manage the pipeline actively rather than passively.

In the past we've had applications that came in and we induced those applications, and we start communicating right away: Hey, are you ready to get your bond reservation? Well, could I wait a couple more months, could I wait a couple more months?

And what happens is we hold that volume cap in our books kind of for that project, and if we get to a certain point in the year where another deal comes in and says, hey, I can reserve and get this deal closed by Christmas, can I do it, I have to tell them no, because I've got this other deal that I've been waiting on to get ready to go.

So, what we've kind of changed there is to say -- put some more standards in there. One big one is that when you induce an application or get your first inducement resolution approved, you now have 90 days to get your reservation and begin the process of moving forward through the financing or you're going to go to the back of the line.

The same goes is once you have that reservation, you need to be able to be ready to apply for your 4 percent tax credits. If you can't do that within 30 days, we can tell you: You need to reapply for that reservation and extend it now.

Because what can also happen is folks have gamed the system in the past and said, We'll get our reservation by June but that will bring us to January 1, so what I can do is in can wait till December; I can withdraw and resubmit and then I get another six months. Meanwhile, we've got other deals that are waiting for bond cap, but we can't utilize it because they're kind of gaming the system and holding it open.

We didn't have any of this language in there before, and so it was kind of like, well, we can't force you to withdraw and resubmit your reservation, but we see that there's an advantage to making sure that deals move expeditiously through our system rather than holding inducements and holding other volume cap sort of hostage until we can move forward.

MR. DIETZ: Any other questions or comments?

(No response.)

MR. DIETZ: Is there a motion?

MS. CARDENAS: So, moved.

MR. DIETZ: It's been moved that we approve the guidelines as submitted. Is there any second?

MR. L. WILLIAMS: Chair. This is Lemuel. I'll second that.

MR. DIETZ: It's been moved and seconded that we approve the guidelines, scoring criteria and targeted housing needs for the allocation of qualified residential rental project tax exempt bonds under the Multifamily

Housing Private Activity Bond Program request for proposals and the 501(c)(3) Bond Program policies for calendar year 2022.

Is there any public comment?

(No response.)

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

(A chorus of ayes.)

MR. DIETZ: Any opposed?

(No response.)

MR. DIETZ: It's approved.

MR. DANENFELZER: Thank you very much.

MR. DIETZ: Thank you.

Tab item 4 is the Presentation, discussion and possible approval for publication and public comment of the draft of the Texas State Affordable Housing Corporation's 2022 Annual Action Plan.

(General talking and laughter.)

MR. WILT: Good morning, Chairman Dietz, Board members. I'm Michael Wilt, senior manager of External Relations. I'm here to present our draft 2022 Annual Action Plan.

This plan is prepared in accordance with Texas Government Code Section 2306.566, which requires us to develop a plan to address the state's affordable housing needs. According to Section 2306.0721(d), our annual action plan must be included in the State Low Income Housing Plan prepared by TDHCA.

There are two concurrent processes. We have our Annual Action Plan that we send out for a draft and bring back to the Board after the public comment period in February. TDHCA has their State Low Income Housing Plan that's also gone before their board in December and out for public comment, they'll bring back to their board in February.

We each approve them separately, the two are combined after they're finally approved, and then they're sent to the Governor's, Lieutenant Governor's and Speaker's offices.

I want to thank all the program directors for being responsive and providing all their data and information that's included in the draft plan, and I want to thank Katie and Danny for reviewing the plan as well and providing some edits.

Regarding the process, we're asking that you approve the draft plan for publication and make it available for public comment, beginning tomorrow, December 16 and concluding on Friday, January 21, 2022.

That's more than the 30 days that we're prescribed to provide for public comment. During that public comment period we also have a public hearing that will be conducted virtually in conjunction with TDHCA on Wednesday, January 12. We will collect any public comment and bring it back to you for final approval in February.

I should also note that the program activities and numbers only reflect activity through the end of October of this year, so whenever we bring it back in February, the data numbers activity will be updated to reflect end of 2021 activity.

A few highlights that I wanted to bring to your attention. Our homeownership programs continue to post record volumes. As of October 31, we've already assisted more than 17,700 households.

Last year in the entire calendar year we assisted 16,325 households, so we've already passed that number through the ten months of the year, and in 2019 we assisted 9,397 households, so we're basically on track to double our homeownership volume over the course of just two years. The combination of factors, interest rates, our expanded income eligibility and just overall hot housing market in Texas all contributed to this.

Our Multifamily Private Activity Bond Program continues to be heavily subscribed. We closed on nearly $105 million in bond financing this year, and we have another $115 million in potential issuances in the pipeline for next year.

Our Single-Family Rental Housing Program will likely be expanding to the Dallas-Fort Worth area next year. We piloted this program originally in Austin, it's since expanded to San Antonio, so we're looking forward to expanding it to a third area.

And lastly, we built on the success of our 2020 Texas Supportive Housing Institute by offering it again with enhancements. For the four teams that are going through it right now, we're about to conclude that in January, and we look forward to continuing to improve on that as we deliver it once again next year.

With that, I'll take any questions.

MS. CARDENAS: I have a question. On the down payment assistance options, these are tied to the first lien obtained through secondary market financing?

MR. WILT: This is all of our down payment assistance. Any type of product that they use will be reflected in these numbers.

MS. CARDENAS: So, I guess what I'm asking is, you know, you've got your GSE programs through Fannie, Freddie, FHA. Any of these monies or down payment assistance programs that you have, can they be on -- obviously it's single family, one to four, primary residence but the first lien funded through a bank's portfolio program.

In other words, you know, the borrower doesn't qualify for secondary market plans and for your Fannie, Freddie. Because there's a lot of CDFI institutions, right, and so there's funds that are allocated through Federal Home Loan Bank and so you would deploy, right, those funds through Federal Home Loan Bank to CDFI institutions to help either build for low to moderate income borrowers, but then again, they need the down payment assistance. Right?

And so, they either have to seek those funds through local city programs or through local county programs, and so I'm just trying to understand if there's the possibility of TSAHC formulating programs, you know, down payment assistance programs that are not tied to a secondary market investor. Do you understand what I'm saying?

MR. WILT: Yeah. That's a pretty technical question.

MS. CARDENAS: Because I think there's a greater need, you know, for that -- there's a great need for that, right, also working with local nonprofit agencies, but that candidate isn't going to meet the nuances of secondary market guidelines, right, so the bank because they're in partnership -- and again, you know, whether it's through community development finance institutions or other means, they still need that down payment assistance.

And so, I'm just also wanting to see how TSAHC could also meet that gap. Right? Because I think it would be a great undertaking for us as an organization to say we also help this other area in different areas in Texas.

MR. WILT: I think that activity would be reflected in our Development Finance programs and not necessarily our Homeownership programs to the extent that we are creating homeownership opportunities through some of our development financing programs if they're using CDFI products or any other type of financing.

We will create homeownership opportunities for people that are not using our DPA program and that rely on local or other sources of DPA to purchase a house that we helped finance.

So that would be probably housed under Development Finance; it's not necessarily Homeownership. Homeownership numbers are just the secondary market which we describe.

MR. LONG: The other part I would add to that, Ms. Cardenas, is that currently our DPA is only offered through our existing programs as a combination of getting a first lien and then a second available, or the grant, the DPA, whether it be grant or second. That's partly because of how we finance it.

To set up a stand-alone DPA product would require us to have probably some further discussion about how we might want to fund that, as well as how we would maintain it or structurally fund it, and then service that product if it was an amortizing or non-amortizing second.

Currently under the grant product, obviously we only offer a grant and forgivable second, so we don't see that money back, but we fund that through our partnership with Lakeview, our master servicer, and their pricing model allows us to fund that up front and then they service both the first and the second.

So, we would have to identify how best to do that. It doesn't mean we can't, but we can certainly start talking about that, but I think the hurdle we run into is how do we finance it, because currently those DPAs that we offer are funded through the ability for us to offer a first lien and a second together as a combination.

MS. CARDENAS: And I guess that's what I'm asking is, you know, maybe for us to be open-minded, like you said, to see how if we did entertain that -- I don't like to use the word "creative financing" -- but you know, if we did entertain a program like that, you know, how would we fund it, like just kind of go through the mechanics. Because I do feel that there is, you know, a need.

I mean, there's a lot of monies to be deployed through these CDFI programs, and of course, it's always the down payment, and then with these low to moderate income thresholds, right, housing is getting expensive.

And so right now just a nice basic home can cost you, at least in our area, about $130,000. Well, but based on the income levels they have to have no debts, right, whatsoever just to qualify for that $130,000, which is not realistic.

I mean, they need a car to get to work, right, so that they can repay the mortgage, so then they need down payment assistance to bring, to inject some monies down to bring that ratio down so they can qualify. But they don't meet secondary market guidelines. Right? And so, it's like, well, where do we get those monies?

Well, we have to build in a certain city. As an example, the City of Harlingen gives away up to $40,000 for down payment assistance, Hidalgo County had a program where they would give $10,000, and it didn't matter if it was a bank portfolio loan or if it was a secondary market.

So, I'm just wanting to see how can TSAHC play a role in that because I think it would be great for our organization. But I understand, like you said, it's not just about handing over money, how do we fund the program, and I just want us to explore that.

And if we can't do it, we can't do it, but if we can, I think it would be great for us as an organization to say we're also helping in this other capacity, it doesn't have to just be tied to what I call secondary market programs.

MR. LONG: Well, first, let me concur with you, that's very much the need. I mean, we all know that the biggest hurdle to homeownership is the upfront down payment funds that you're required to have, whether it be on an FHA loan or the conventional products which you go after, and so we understand that. So let us look at that, let us discuss with some of our partners.

I think Michael hit the nail on the head; you know, we do development financing where we'll have a development partner who will fund to build single family residences and they will find ways to keep that structure, we give them down payment or we're providing the affordability component, and sometimes the communities that we build in will offer something.

But let us look and see what TSAHC has available, what our partners think might be a way to fund that, and if the Board wants to allocate resources accordingly, we can give you ideas or the tentative structures that we've come up with that might make that happen as a third-party funding source.

When I say third party, we're not doing it through our program; we're doing it through a first lien at a third-party entity that's been utilizing down payment to get the borrower to the closing table through down payment.

MR. WILT: Yeah. I'd also be interested to understand the challenges that these potential borrowers have faced. You mentioned debt, so the debt-to-income ratio would be a problem, and maybe some sort of credit box that's too tight.

MS. CARDENAS: And trust me, we grab from HELP, because the Federal Home Loan Bank also has the HELP grant, right, which they just increased it to up to $11,000.

But you know, it's always the challenge of getting a borrower's income to meet this box, based on 60 percent AMFI or 80 percent, and then the cost of the home, and so sometimes $11,000 isn't even enough. Right? And those are forgivable as well for a certain period of time.

But it's just, you know, to see if there's anything we can come up with for an offering such as that.

MR. LONG: One last thing I would mention is that we do have an award out to CVCB in the Valley. We made a million-dollar loan to them at very, very low cost so that they could fund mortgages, and we hold those mortgages as collateral.

Again, we're not talking about down payment assistance, I realize, but the idea there was that they were going to find a way to put borrowers in homes who weren't meeting the conventional underwriting criteria, but still allow them to purchase homes that they were controlling the product, they understood the quality and the concern, and we trust them as a good builder partner for us.

And so that's one way, but again, we're not talking about the down payment; we're just finding another way to get a borrower who can't meet the conventional underwriting criteria into a home using a structure that we've developed with that partner.

MS. CARDENAS: We have the product and the funds to build; it's unfortunately the challenge of the down payment.

MR. LONG: Right.

MR. WILT: One last thing I'll mention. We're part of a collaborative in the Houston area to create 5,000 net new homeowners over the next several years, and I anticipate -- we've engaged a consultant to come up with our implementation plan, and I anticipate some of the challenges that are faced by the population in Houston will be similar to the Valley, so that will give us a better understanding of their needs and what sort of product we can offer to help them.

MR. LONG: We'll keep you posted.

MS. CARDENAS: Yeah. Something for us to think about.

MR. LONG: Okay. Thank you. Appreciate your feedback.

MR. DIETZ: Any other questions, comments?

MR. LONG: Again, this is just going out for public comment. We will be bringing it back with any public comment received and also any updates, as Michael mentioned, regarding the numbers and the data that's in the existing plan.

MR. DIETZ: Is there a motion?

MS. CARDENAS: So, moved as presented.

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

MR. DIETZ: It's been moved and seconded that we approve for the publication and public comment of the draft of the Texas State Affordable Housing Corporation's 2022 Annual Action Plan.

Any public comment?

(No response.)

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

(A chorus of ayes.)

MR. DIETZ: Any opposed?

(No response.)

MR. DIETZ: Okay. It's approved as submitted. Thank you.

And tab item 5, which requires no Board action, is the Presentation and discussion of the Texas State Affordable Housing Corporation's Fiscal Year 2021 and 2022 Strategic Plans.

MS. TAYLOR: Now it's my turn.

Good morning, Chairman Dietz and Board members. I'm Janie Taylor, executive vice president.

This morning staff will be presenting the Fiscal Year 2021 Strategic Plan and outcomes, as well as the Fiscal Year 2022 Strategic Plan.

As I mentioned last month, in previous meetings we've had difficulties getting through all the department's presentation, so this year we're splitting up the presentations between two Board meetings to give staff more time to present.

Today is part two and the last part, and you will hear from staff that lead Development Finance, Multifamily Oversight and Compliance of rental programs, and then I'll come back at the end and do the Administration.

The staff will each take five to ten minutes to highlight a few goals and outcomes in fiscal year 2021 and highlight a few new goals or tactics for fiscal year 2022.

You should each have a copy of the Strategic Plans in front of you. Please feel free to ask any questions during the presentation, and we'll start with Dave Danenfelzer.

And also, thank you so much for bringing up those two ideas that you brought up. As somebody who grew up in Hidalgo County as well, it's something that I bring up every once in a while. I think my staff gets tired of me promoting the Valley, but you know, I do think there's great opportunity there for our programs.

And then addition, the only part I was going to add -- David answered the previous question -- is that we did that sort of one time. We got a huge grant from Wells Fargo several years ago, and it was for a specific market, and so we did do additional DPA, I think it was about $5,000 per borrower, but we did also still include it with our current program, it was just above and beyond what they could get with our program.

But as David said, we'd have to find a source of funding. We do see every once in a while, somebody that's using our program and then they're getting additional funding from a city or county, we do see that and that's allowed because they're not the same funding source, they're usually using federal dollars, so that's something that is possible.

But again, like you said, that borrower has to meet agency guidelines, and that's not always the case. So, we'll definitely take a look at that in the Homeownership Program.

Thank you.

MS. CARDENAS: Thank you.

MS. TAYLOR: I'll pass it on to David.

MR. DANENFELZER: Good morning again. Dave Danenfelzer, senior director of Development Finance.

The strategic plan for Development Finance is not changing much at all for the next year. I have not looked at your Board packets; I don't know if you have last year's and this year's proposals. You do? Okay.

The main difference, actually, is that we are removing Department Goal 3 from last year, which was our role in Department Goal 3, which was basically the construction of this building. It's complete so we don't need that goal anymore. That was an easy one for me.

(General laughter.)

MR. DANENFELZER: But the two more important goals, really, how we looked at our program and what kind of success we're having on a year-to-year basis continue to be the same.

Under goal one, each of the different departments or areas that I look at, which is the Texas Housing Impact Fund, our Private Activity Bond Program, and our Affordable Communities of Texas Land Bank, we try to track interest in the program, outreach or calls, things that are done, people asking about how to finance projects and look at all of those inquiries, and then we also look at the sort of conversion rate, what does that result in in applications and in awards.

And so we fell on this kind of series of metrics several years ago, and it really does seem to show that year over year we've been doing a good job of increasing interest in our programs, particularly the work that our marketing development team, run by Katie Claflin, has done to kind of promote our programs on the web and elsewhere, the conferences that myself or Cassandra or other staff go to to promote the programs.

We've seen steady growth over the years of the number of people calling us on a regular basis and then the number of loans and applications that we get, which is great.

And I'll note it's not 100 percent conversion rate for applications; we do collect more applications than we award. I hope that's good news. It's not that we aren't trying; it's really that if an application is not good, you are not going to see it, and that's my big goal, part of our staff's purpose is to only bring you those deals which we believe will be successful in the long term.

So, the goals on under Department Goal 1, or the tactics under there have not changed much at all, and the same goes for Department Goal 2, ensuring financial feasibility, again, these are kind of things that we want to ensure that we're regularly maintaining the policies and looking at them, updating them.

One thing I noticed in looking at sort of the history of our metrics, really Tactic 1, reviewing our program policies annually, has been one that five years ago -- I know I drafted the RFP and policies for bonds in 2007 when I first started and we didn't update them for several years, and really part of the reason was because we didn't force ourselves to regularly look at them and to gather staff together to question them and to kind of push them.

And now regularly we have changes every year by collecting the public input but also getting staff to kind of really put input in and our professional teams, our financial advisor, our bond counsel, to kind of really look at our policies on a yearly basis and push us to make them better a little bit every year.

And the same thing goes for our tracking and quarterly updates on the Land Bank. We do meet with David and Janie, our staff does, about our portfolio, and it has changed a lot this year.

We transferred back 133 properties from the NSP program to TDHCA and our local partners, but that also changes sort of our growth in the future, how do we grow, what do we do to expand the program moving forward and puts new challenges on us.

And then, of course, we are always looking at applying for grants or other funding sources. We've done a really good job the last couple of years, particularly with the help of, again, Katie and Laura helping us get money from the Capital Maintenance Fund, additional capital and renewed capital from Austin Community Foundation, Texas Capital Bank, Texas Community Bank and others. So, we'll continue to kind of push that every year to see where we can grow and expand the programs' financial capabilities.

MR. DIETZ: Any questions, comments?

(No response.)

MR. DIETZ: Great. Thank you very much.

MS. STUBBS: Good morning, Board Chair and Board members. It has been a while since you have seen me. Let me start right there.

I'm Celina Stubbs. I'm the senior manager for the Asset Oversight and Compliance Department. Today I will be discussing two of our five strategic goal plans outcomes, followed by our 2022 goals. I will discuss Goals 1 and 4, and my colleague James Matias will follow me by discussing the remaining three goals for our department.

So, our first goal is to monitor properties financed through TSAHC's private activity bonds and our Texas Housing Impact Fund to ensure program compliance with federal, state and corporate requirements.

We do this in a number of ways that you have in front of you, but the two I'm going to discuss is that we conduct annual asset oversight and compliance reviews.

In 2021 our department completed asset oversight reviews for 59 properties in Texas and compliance reviews for 57 properties. That's roughly over 5,700 units in Texas. To put these numbers into perspective, there was an increase of 24 asset oversight reviews this year and 22 compliance reviews, so we have been extremely busy.

In January 2021, we decided to conduct our annual visits both in person and virtually. This came up because of the COVID pandemic. We decided in January 2021 that this is how we are going to review our properties moving forward.

We're going to do this by visiting a property virtually one year and then the next year will be an in-person visit. The only caveat to that is for any new developments that come on, they will always start with an in-person review so we can get our eyes on the property.

We also ensure program compliance by reviewing our affordable property set-asides and resident service requirements on a monthly basis through our online compliance system.

What this means is that our team reviews status reports for all 59 properties every month. This was slightly different and a little bit more difficult this year because of IRS Notice 2020-53 and 2021-12.

These IRS Notices were published to provide some temporary relief for owners in response to the COVID pandemic, and what this did was allow owners to waive the requirement to complete income recertifications between April of 2020 and September of 2021.

Our team successfully kept track of each property and whether they chose to utilize this waiver, which, again, made it a tad bit difficult.

Our review of resident services was also slightly different due to the pandemic. In March of 2020 we issued an announcement that resident services that were being offered that would have more than ten people in one room, we asked to suspend those, and it was an effort to keep a social distance and keep everybody at the property safe.

Because of that announcement, we had a few developers that provided less than the amount required for that specific period of time. However, October of this year, October of 2021, we have notified everybody that resident services need to be provided in full to make sure that they're meeting their requirements.

With that announcement, we asked managers to continue to take good health and safety precautions and to always continue to clean common areas, restrooms, doorknobs or handrails at the properties.

Our 2022 goals remain the same, but I will say that while we're staying the same, we are adding, as of now, six additional asset oversight and compliance reviews, and on top of that -- as David Danenfelzer has mentioned, they have been extremely busy -- we will now be monitoring program compliance for two new programs that are going to be administered through the Texas Housing

Impact Fund.

So, we have a lot on our plate coming up, and I'll be happy to tell you next year that we managed it well.

(General laughter.)

MS. STUBBS: Our department Goal 4 is to increase and maintain multifamily compliance monitoring contracts. We measure this by two tactics. The first was to maintain our compliance contract services which we have. In August of 2021 we renewed our contract with Prodigem for another year term.

The Prodigem contract consists of five developments that are located in Texas, Oklahoma and Louisiana. What they do is they submit their first-year tenant files to us for review and within two days we return them to say that, yes, they comply and meet the affordable set-aside or they do not, and we offer corrections that they submit to us before we approve the file. In 2021 we have approved over 60 tenant files for this contract.

The second tactic we used was to conduct at least one webinar regarding program eligibility on our compliance training or anything of that nature. In the last twelve months our department has published several announcements regarding program requirement changes.

For example, the IRS notice that I discussed earlier, resident services updates in accordance with CDC guidelines that were issued, and of course, the virtual process of annual reviews that we started in January of 2021.

James Matias was asked to join a TSAHC podcast in the last year, and I was asked to sit on a panel at an annual Housing Tax Credit and Bond Conference to discuss what the back-to-normal compliance looks like for our industry.

This particular goal we have decided to revise this language for the 2022 year, and what it will state is that we promote department programs, promote industry changes, and maintain and increase our compliance monitoring contracts.

And we just wanted to revise that language to incorporate everything that we've been doing this last year and what we see continuing to happen as this pandemic has not ended, if it ever will.

So, we just want to make sure that we capture everything and what our department, our capabilities that we have and what we serve our community with.

So that concludes my presentation. If you have any questions, I can answer those for you now.

(No response.)

MS. STUBBS: Well, thank you.

MR. DIETZ: Thank you.

MR. MATIAS: Good morning, Board Chair and Board members. I'm James Matias, also a senior manager of Asset Oversight and Compliance.

I'll be going over the goals for our department, those are Goals 2, 3 and 5, if you're following along. Sorry, that we made you jump through hoops there to find those. I'll start with the 2021 performance, followed by some highlights for 2022.

And Celina and I, we broke this up kind of as the asset oversight and compliance of the bond properties and then this is talking about assets that we own. David mentioned one that had come up earlier in the meeting, and so I'm going to just kind of run through that before I jump into them.

TSAHC has the Rollins-Martin Apartments, a 15-unit LIHTC property in East Austin. We also own 26 single family homes, 20 in the Austin area and six in San Antonio, and we have two commercial office buildings in East Austin on MLK; one is our old office and then an additional building a couple of blocks away. Everything that we have is affordable, no market rate properties.

With that being said, let me get started in the 2021 performance. Department Goal 2 was to maximize the earned revenue for our Single-Family Rental Program. This year we maintained a high retention rate for our properties, with 92 percent return of our residents.

We had 23 renewals out of a possible 25. We also maintained our targeted ROI of 4 percent or better for the portfolio. The Austin portfolio had a 5.6 return, and the San Antonio portfolio and a return of around 4.5 percent.

Last, I'm happy to report that we expanded our program, which is something we want to do each year if possible. We acquired a home in Liberty Hill, Texas, northwest of Austin, and in addition to that, we closed on a condo in South Austin at a complex called the Canopy at Westgate. We have two additional condos under contract at Canopy at Westgate, but they're going to close in fiscal year 2022.

So, I'll move on to Department Goal 3. This was to effectively manage Rollins-Martin Apartments and maintain LIHTC compliance, Low Income Housing Tax Credit compliance. We completed all the tenant recertifications that were required, but as Celina mentioned, the state had waiver requirements because you have to meet with tenants to complete these certifications, so we didn't have very many to do. You know, we took the waiver and we decided not to meet with residents to do that, so we were in compliance there.

In addition, I'm happy to report that we endured and passed both the compliance reviews and the UPCS inspection that are conducted by TDHCA.

The compliance review was done in January of 2021, and we had no findings of any sort. This is where they come out and review a portion of your files to make sure you're recertifying residents -- well, of course, last year we didn't have to -- and then any new residents that you're certifying their income and maintaining the files and so on.

In addition to that, the UPCS inspection, which is the physical inspection conducted by TDHCA when they come out to your property, was very clean, no findings for the most part.

They did come up with one issue where the barbecue and picnic area they said was not ADA accessible. This is just something the way the original developer built it prior to us buying it, so it’s something I'll talk about later in Goal 5 to tell you how we amended that.

Department Goal 5 is to maintain and manage safe, decent, and affordable rental programs by pursuing optimal maintenance performance. This is basically kind of a rundown of our maintenance department to maintain these assets and take care of work orders and things like that.

The maintenance department did a great job. We had an average completion time of about six days. Sounds high. You know, if somebody has got an HVAC that's out, of course, we were out there the next day, but the average for all, if we had to order parts and things like that.

In addition, because of the pandemic, you know, if somebody just had a broken blind we would avoid going in that unit, so that was a little bit higher than we want to see, but still we had a good turn time on that.

In addition, we had very good turn times on the vacant units to make those ready. The Single-Family Rental Program had three homes that we made ready and that was about 16.8 days on average. The Rollins-Martin Apartments had two vacancies, and those took us about 17 days to turn those units.

The last tactic in Goal 5 was to oversee capital improvement projects, ensuring the proposed timeline and the budgets considered. The department had two major capital improvements projects.

One was at Rollins-Martin. We created a semicircle driveway to help trash trucks pick up the dumpsters. The trash service told us that they wanted to stop serving us because they needed to back out onto a busy street, and we kind of needed to mend that problem, which we did.

In addition, coincidentally, we had that project underway when had the finding for the ADA compliant barbecue picnic area and sidewalk, so it just happened to be that we were getting bids on something, and we added additional concrete work to take care of that at the same time.

It was kind of a good coincidence that we had so we could use the same contractor. Both of those things were taken care of and once we sent the proof to TDHCA, they cleared that item for the noncompliance on the barbecue picnic area.

The second large improvement project is the full renovation of the 2200 MLK office space, which many of you are familiar with because we used to office there. This project started about nine months but just got our CO just about ten days ago, so even though it started in 2021 and finished in 2022, I really wanted to let you guys know about it because we're super excited to have that finished, and we're marketing that property at this time, three suites. We have one tenant identified and the other two hopefully to come soon.

So now I'm going to jump into the 2022 goals. Department Goal 2 is to maximize the earned revenue from the Single-Family Rental Program. Of course, we'll do our best to maintain a high retention rate of our tenants and maintain the return on investment that we're looking to get.

In addition, we'll diversify and expand our portfolio, as we want to. First, we have two additional condos that I mentioned that are going to close, hopefully one in December and hopefully one in January, but new construction is iffy at this point.

Second, we have a $2 million budget, as Michael mentioned earlier in his review, to expand into the Dallas-Fort Worth area. The areas that I'd like to move the program in DFW have kind of been identified.

In addition, we've got a property manager in place that's a former partner or a current partner -- I'm not sure -- former, and they're going to be handling the property management for us. So, thank you to the Board for approving the budget that makes that possible.

Department Goal 3 is to effectively manage Rollins-Martin Apartments. As mentioned earlier, we'll continue to complete those decertifications and adhere to any state and federal requirements.

And second, I’m excited to report that regarding Rollins-Martin Apartments, we just set into motion that we're going to rehab the remaining seven units at Rollins-Martin. To this point it's been seven years, and we've done eight of the 15 and we kind of hit a stall and we haven't done a unit in the last two years, and that's mainly just because of no vacancy, so we have project and a plan in motion to complete the remaining seven.

Last but not least, Department Goal 5 is to maintain and manage safe, decent and affordable rental programs with our maintenance program. As I mentioned earlier, to accomplish this we'll track quick turn times on work orders and make readies, we're going to complete preventive maintenance timely.

Preventive maintenance last year kind of got delayed because, you know, residents didn't want you coming into their units. This year we intend to get back on track, and we're going to keep a detailed watch over any capital improvement projects that we have going, the main one we know about at this time is the rehab of Rollins-Martin.

Before you guys ask any questions, I just wanted to thank the staff that we have. Celina and I, we've got a department of four. She told you about two very cumbersome goals that we have to meet, and I told you about three, and we just do a fabulous job with what we were all able to get accomplished with just four staff.

So, thank you for their hard work, Jesse and Estefania and Celina, and also myself.

If you guys have any questions, I'd like to answer them at this time.

MR. L. WILLIAMS: Chair, I have one.

I guess with the workload that you have right now and we're kind of seeing in the future that's coming up, do you foresee any additional headcount, can you manage with what you have?

MR. MATIAS: We plan to maybe rearrange some things. As we have the Rollins-Martin rehab project underway and the expansion into Dallas-Fort Worth. That may take me away from being able to do the best asset oversight and compliance reviews.

We did hire one staff member this past year, so it used to just be three so now it is four, so that works. And then in addition, Celina mentioned we're going to be doing 60-something oversight and compliance reviews -- I don't remember the exact number -- 64-ish, and there's 20 that should drop off after this year.

So probably my answer would be that we won't see an additional staff person this year. We can probably just manage that, and then that portfolio's properties will drop off and then maybe next year we wouldn't be so strapped in fiscal year 2023.

MR. L. WILLIAMS: So, I guess you're saying you can manage the workload with what you have?

MR. MATIAS: Yes.

Any other questions?

(No response.)

MR. MATIAS: Thank you for your time.

MR. DIETZ: Thank you.

No reason for us to go to closed meeting.

MR. LONG: Janie has to do the administrative stuff and wrap it all up.

MS. TAYLOR: And we'll be done.

I think it is 11:59, still good morning. This is Janie Taylor, executive vice president. I will be presenting the strategic plans for the administration and accounting areas.

This last year was challenging with most of the staff working from home; however, as you can see from the staff presentations in November and today, the staff has continued to perform at a very high level.

I'm happy to report that the administration and accounting staff has also continued to accomplish their goals and tactics necessary to keep the organization moving forward.

I want to recognize Melinda Smith, our CFO, and her team, because they have not skipped a beat in making sure we are meeting our financial and budgetary requirements, and they frequently worked hand in hand with program staff to produce reports or answer budget questions. In addition, David Long and I continue to meet frequently with Melinda and Nick to evaluate our financial reports.

I would like to call your attention to specific tactics in the 2021 plan. I'll start with Department Goal 2 and Tactic 3. We want to periodically RFP professional services, and this past year the marketing team RFP'd for web and FPO services, and while we stayed with the same company, the RFP process did provide us with a good sense of what other companies could offer when we're ready for a complete web redesign.

Moving on to Department Goal 4, Tactic 1, as our programs have grown, so has our need for additional staff. During our weekly meetings with directors, we frequently discuss staff needs -- just like you brought up, Mr. Williams -- and work close.

This can at times lead to us reexamining and modifying the organizational structure. For example, this past year we promoted Danetta McGrew to manager of the MCC Program, and we hired two additional employees to help her administer the program, and in addition, Danetta now reports to the director of Single-Family Compliance, who is Tim Almquist.

I'm going to stay on Department Goal 4 and talk about Tactics 2 to 6, which were added this past fiscal year to make sure we were regularly reviewing our employee handbook, standard operating procedures, and making updates as needed.

We also encouraged every single department to create SOPs and capture how they perform regular time. Some groups were better than others, but we saw that there was a need for some of us to be really make sure that they were creating SOPs, and I'm happy to report that every department has been working on creating SOPs this past year and will continue to do so going forward and update them. This also makes training new employees a lot easier.

And with the pandemic and winter storm this year, it has shown us that anything can happen, and so we want to make sure our business continuity plan is updated, and I want to thank again Melinda Smith for taking on that task and making sure we're prepared for the next emergency.

Over a year ago we participated in an organizational survey conducted by our partners at JPMorgan Chase. The survey results showed areas where staff feel we are excelling, and it also showed areas we can improve.

Most of the improvement areas center around staff development and advancement, and while we've made great strides in providing more structured professional development by making training courses available to all staff, we are still working on how to provide more opportunities for advancement. That's something that can be difficult with a smaller staff, but we hope that next year we can provide you with a significant update for that particular tactic.

And for fiscal year 2022 we've decided to keep the same goals and tactics, but you know, I'd actually welcome additional suggestions, and I've already been emailing my staff and texting them and letting them know about the two that Valerie brought up, so we'll certainly be adding those.

And that concludes my presentation and the presentations of strategic plans for the year. I really want to thank all of you for your feedback and your time and support throughout the year, and let me know if you have any other questions.

MS. CARDENAS: Great job, everyone. From last Board meeting to this one, everything was well prepared and explained and transparent, so thank you to you and the entire team.

MS. TAYLOR: We're trying to improve the process. Thank you.

MR. DIETZ: It's helpful to hear from everybody and hearing about some things that we don't always hear about in the normal course of a Board meeting.

MR. LONG: And also, just the pressure to be in front of you on a regular basis.

MS. TAYLOR: Practice.

MR. DIETZ: Well, now there's no reason to go into closed Board meeting. Correct?

MR. LONG: No, sir, there is not.

MR. DIETZ: Any other action items or announcements or closing comments or any of the above?

MR. LONG: Like I mentioned earlier, we'll coordinate with the Board members, and Rebecca and I will get back with you on a tentative Board meeting date, and also would then send out, based on that tentative meeting in January, kind of a schedule for 2022, giving you tentative dates for each month, and then coordinate from there. But right now, if it was held on the third Tuesday of January, it would be the 18th.

And with that, we don't have anything else, Mr. Chairman.

MR. DIETZ: Okay, great. Well, thank you to the Board for an efficient meeting today, and in keeping with Matias's comments, I'd like to thank myself as well.

(General laughter.)

MR. LONG: I would like to say one more thing, and that is I hope you all have a very happy holiday season and a happy new year and that you stay safe and enjoy whatever time you have with your family and friends. So, thank you again for all you've done for us.

MR. DIETZ: Thank you. Is there a lunch?

MR. LONG: There is a lunch.

MR. DIETZ: Okay, great. So, we'll adjourn to lunch at 12:05.

(Whereupon, at 12:05 p.m., the meeting was adjourned.)

C E R T I F I C A T E

MEETING OF: TSAHC Board of Trustees

LOCATION: Austin, Texas

DATE: December 15, 2021

I do hereby certify that the foregoing pages, numbers 1 through 75, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas State Affordable Housing Corporation.

DATE: December 19, 2021

____
(Transcriber)

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