

**BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
Held at the offices of
Texas State Affordable Housing Corporation
2200 E. Martin Luther King Jr. Blvd.
Austin, TX 78702
November 15, 2018 at 10:30 a.m.**

Summary of Minutes

**Call to Order, Roll Call
Certification of Quorum**

The Board Meeting of the Texas State Affordable Housing Corporation (the “Corporation”) was called to order by Bill Dietz, Chair, at 10:30 a.m., on November 15, 2018, at the offices of Texas State Affordable Housing Corporation, 2200 E. Martin Luther King Jr. Blvd, Austin, TX 78702. Roll Call certified that a quorum was present.

Members Present

Bill Dietz, Chair
Jerry Romero, Vice Chair
Valerie Cardenas, Member
Lori Cobos, Member

Board Member Absent

Bob Jones, Member

Staff Present

Betsy Aldrich, Senior Accounting Manager
Celina Stubbs, Manager, Asset Oversight and Compliance
Dave Danenfelzer, Senior Director, Development Finance
David Long, President
Frank Duplechain, Homeownership Programs Specialist
James Matias, Senior Manager, Asset Oversight and Compliance
Janie Taylor, Executive Vice President
Joniel Crim, Director, Homeownership Programs
Katie Claflin, Director, Communications & Development
Lacy Brown, Corporate Secretary
Laura Ross, Manager, Communications & Development
Melinda Smith, Chief Financial Officer
Michael Wilt, Manager of External Relations
Nick Lawrence, Controller
Sarah Ellinor, Manager, Homeownership Programs

Guests

Bill Gehrig, Greenberg Traurig, LLP
Aaron Gregg, Greenberg Traurig, LLP
Tim Nelson, Hilltop Securities
Mitch Weynand, AHA!
Jolene Keene, AHA!
Blaine Barker, Dominion
Chris Spelbring, Raymond James
Scott Marks, Coats Rose, P.C.
Routt Thornhill, Coats Rose, P.C.

Public Comment

No public comment was given.

Mr. Dietz informed the Board and those in attendance that in the interest of some time-sensitive issues related to Tab Items 2 and 3, the Board would be taking those two items up first.

Tab 2 Presentation, Discussion and Possible Approval of a Resolution Authorizing the Issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Ventura at Tradewinds Apartments) Series 2018, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

Mr. Long introduced Mr. Neslon, Hilltop Securities. Mr. Nelson pointed out that the only change from the write-up included in the board packet is the name of the initial purchaser, which will be Associated Investments. Mr. Nelson asked the Board for approval of the resolution presented under Tab 2. Mr. Dietz inquired if the Board had already seen the information in the resolution. Mr. Romero stated that the agreement had already been induced by the Board. Mr. Nelson confirmed that the agreement had been induced by the Board in July.

Ms. Cobos made a motion for approval of a Resolution Authorizing the Issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Ventura at Tradewinds Apartments) Series 2018, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith. Mr. Romero seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken and the motion passed unanimously.

Tab 3 Presentation, Discussion and Possible Approval of a Resolution Authorizing the Issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Ventura at Fairgrounds Apartments) Series 2018, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

Mr. Nelson explained that this resolution was similar to the previous resolution, noting the transaction was structured and the development team was the same. He reminded the Board that this agreement was also induced in July and would close on January 10, 2019. He asked for approval of the resolution under Tab 3.

Mr. Romero made a motion for approval of a Resolution Authorizing the Issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Ventura at Fairgrounds Apartments) Series 2018, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith. Ms. Cobos seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken and the motion passed unanimously.

President's Report

Mr. Long informed the Board that the Corporation's program reports could be found under Tabs A through D, and as requested, a summary of the Texas Foundations Fund projects is included in this month's board packet. Mr. Long stated that the Corporation's Loan Committee met the previous day, and in addition to reviewing and discussing reports related to existing loans, the Committee discussed and considered a loan to Accessible Housing Austin or AHA!. Mr. Long stated that the loan is on the agenda for consideration by the Board. Mr. Long asked Ms. Cardenas and Mr. Romero for any additional comments. Ms. Cardenas stated that the Committee discussed ways to enhance the loan review process.

Mr. Long provided an overview of the various trainings and events conducted by the Homeownership team since the last Board Meeting, including Mr. Duplechain and his continuous efforts with the Overcoming Down Payment Hurdle classes. Since the last Board Meeting, Mr. Duplechain had conducted seven classes and reached out to over 200 Realtors in the process. Mr. Long informed the Board that Ms. Davila was attending a conference in Florida for education on the software used by the Corporation for program compliance.

Mr. Long then recognized Mr. Romero and the Wells Fargo Housing Foundation for its \$15,000 contribution in support of the Corporation's counselor training programs. The funding will directly support the Corporation's weeklong training in Dallas. Mr. Romero added that Wells Fargo has been a big supporter of the Corporation for a long time and had awarded over \$1 million as an equity investment 12 years ago that was recycled almost five times.

Mr. Long informed the Board of the \$5,000 grant from BBVA Compass Foundation. These funds will support the Corporation's June 2019 Housing Connection training. The Corporation also received a \$250,000 program investment from the Austin Community Foundation. The award is structured as a three-year loan commitment at a 2% interest rate. The Corporation will use the funds to support the AHA! at Briarcliff project.

Mr. Long then informed the Board on the staff's activities during the last month. Mr. Wilt participated on a panel at the Community Action Network Regional Housing Summit in San Antonio earlier that month. Ms. Claflin and Mr. Long attended a workshop in La Grange regarding the long-term disaster recovery funds available for Hurricane Harvey relief. Mr. Long also noted that Ms. Taylor, Mr. Wilt and himself had a follow-up meeting with Senator Lucio's office regarding housing related items that may come up during the upcoming legislative session. Mr. Wilt attended a meeting with the U.S. Interagency Council on Homelessness (USICH) to discuss the Corporation's participation with USICH and the Texas Interagency Council. Mr. Long informed the Board that Ms. Taylor and Mr. Danenfelzer had attended a training at the National Development Finance Summit and Mr. Danenfelzer was part of a panel presentation during the training.

Mr. Long concluded his report acknowledging the professionals in attendance and noting that the next Board Meeting is scheduled for December 13, 2018.

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on October 18, 2018.

Mr. Dietz pointed out that the Board had a revised redline copy of the minutes of the Board Meeting held on November 15, 2018, which set forth proposed changes that were recommended by Ms. Cobos. Ms. Cobos stated that her proposed redline revisions of the minutes were intended to clarify the Board's discussion on legislative outreach efforts, program policy changes, and the strategic plan presentation. Mr. Long confirmed that he had received Ms. Cobos's proposed redline edits and had provided them to the Board Members. Mr. Long indicated that copies of Ms. Cobos' revised redline minutes were available at the back of the room for the public. Ms. Cardenas added that she appreciated Ms. Cobos making the revisions.

Mr. Romero made a motion to approve the minutes of the Board Meeting held on November 15, 2018, including the proposed changes that were presented by Ms. Cobos. Ms. Cardenas seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken and the motion passed unanimously.

Tab 4 Presentation, Discussion and Possible Approval of an Amended Loan Commitment to Accessible Housing Austin in the Amount of \$995,000 for the AHA! at Briarcliff Apartment Project.

Mr. Long noted that this loan was originally brought to the Board as a \$695,000 loan, however, over the past several months, the costs for the project had changed. Mr. Long stated that the Loan Committee met the day before the Board meeting and discussed an increase of about \$300,000 making this project request amount \$995,000. The Loan Committee approved the request,

including a construction loan for up to 24 months with a 2.5% interest rate and a permanent loan for 180 months at a 5.75% interest rate.

Ms. Cardenas noted that the two-year construction phase is outside of the 180 months that would be financed at the permanent rate of 5.75%. So in essence, the total project from beginning to full amortization is 204 months. Mr. Long concurred.

Mr. Romero informed the Board that the Loan Committee had a detailed discussion regarding interest rates and how to ensure that the Corporation is being equitable in assessing fees and rates to developers. Mr. Long reminded the Board that during his President's report that he had mentioned the funding from the Austin Community Foundation which was factored into the consideration for offering a lower rate during the 24 month construction phase.

Mr. Romero noted that the increased loan amount was being recommended due to higher than anticipated construction costs. Ms. Cardenas added that part of the Committee's tightening up of policies included making sure loan commitments are re-evaluated in a timely manner, noting that normal business practice is for commitments of 30 to 90 days.

Mr. Romero then asked Ms. Keene, Executive Director of AHA!, if she was fairly certain that construction would be complete within the 24 month period. Ms. Keene informed Mr. Romero that they are expecting the construction period to last 12 months. Mr. Romero suggested that the documents should state "up to a 24 month" construction period. Mr. Long agreed and stated that the documentation would be reviewed by legal counsel to make sure that all the approved loan terms were incorporated into the loan documents.

Ms. Cobos thanked Ms. Cardenas and Mr. Romero for their diligence and evaluation of the loan request for AHA!.

Mr. Romero made a motion for Approval of an Amended Loan Commitment to Accessible Housing Austin in the amount of \$995,000 for the AHA! at Briarcliff Apartment Project. Ms. Cardenas seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken and the motion passed unanimously.

Tab 5 Presentation, Discussion and Possible Approval of the General Counsel of the Corporation.

Mr. Long began his presentation by referencing a summary of staff scoring of responses that were received in response to the Corporation's request for proposal (RFP) for general counsel services. Mr. Long indicated that RFP responses were received from four law firms - Coats Rose, Greenberg Traurig, Naman, Howell, Smith & Lee, and The Fulton Group. Mr. Long noted that seven staff members had evaluated the RFP responses submitted by the law firms.

Ms. Cardenas inquired about staff's experience with the law firms that were not serving as the Corporation's current general counsel. Mr. Long responded that the Corporation had not worked directly with the other law firms. He, however, noted that Naman, Howell, Smith & Lee had served

as trustee counsel on several of the Corporation's single-family bond transactions and that the Corporation's staff had prior working relationships with attorneys at Coats Rose due to the law firm's expertise in the affordable housing industry. Ms. Cardenas explained that her question was intended to better understand staff's scoring of the RFP responses. Mr. Long responded that the RFP process used by the Corporation provides RFP respondents an equal opportunity to provide answers in response to the key areas of consideration outlined in the Corporation's RFP, including fees, experience in the affordable housing industry, subject matter experience, and capacity as legal counsel. Staff individually reviewed, scored, and ranked the four law firms based on their responses to these key areas in the RFP.

Ms. Cobos asked for further information regarding how the specific staff was selected to review the RFP responses. Mr. Long noted that the staff members that reviewed and scored the RFP responses have either a working relationship with the current general counsel or administer programs that from time to time require working with the current general counsel. Mr. Long stated that each staff member received a copy of the RFP, the RFP responses, and a score sheet that identified the key categories addressed in the RFP. Mr. Long added that after the individual staff reviewed the RFP responses that he conducted a group meeting to discuss specific portions of the RFP responses submitted by the law firms.

Mr. Dietz stated that it appeared that the internal scoring system that was used weighed different categories differently, such as a maximum of 40 points for subject matter expertise versus a maximum of 10 points for experience with similar organizations. Ms. Cardenas stated she wants to make sure that everything was answered with objectivity rather than subjectivity. Mr. Long explained that he did not participate in the scoring process and the scoring information provided to the Board reflected an honest assessment from staff based on their review of the RFP responses.

Mr. Long then informed the Board that both law firms that scored the highest, Coats Rose and Greenberg Traurig, were in attendance at the Board meeting.

Mr. Romero asked who developed the RFP and the key points for scoring the RFP responses. Mr. Long stated that the RFP was developed internally based on staff input regarding the areas of expertise and importance to the Corporation. Mr. Long added that staff also incorporated language from prior RFPs issued by the Corporation, including the last general counsel RFP.

Mr. Dietz noted that the two highest scoring law firms were in attendance at the Board meeting. He suggested that representatives from each law firm come forward to address the Board and provide the Board with the opportunity to ask questions regarding the law firm's experience. Mr. Dietz then asked representatives from Coats Rose to come forward to address the Board. Mr. Thornhill, with Coats Rose, introduced himself along with his partner Mr. Marks, and provided the Board with some background on their professional experience and their law firm's experience and capacity. The Board engaged in a detailed discussion with the representatives from Coats Rose.

Mr. Dietz then asked representatives from Greenberg Traurig to come forward to address the Board. Mr. Gehrig, with Greenberg Traurig, introduced himself along with his partner Mr. Gregg, and provided the Board with some background on their professional experience and their law

firm's experience and capacity. The Board engaged in a detailed discussion with the representatives from Greenberg Traurig.

Mr. Dietz asked the Board whether it would be appropriate to limit the scope of future information gathering to the two top-scoring law firms, Coates Rose and Greenberg Traurig. Ms. Cobos made a motion to limit the search to the law firms of Coates Rose and Greenberg Traurig and postpone the final decision on the general counsel decision until the December Board Meeting. Mr. Romero seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken and the motion passed unanimously.

Tab 6 Staff Presentation and Discussion of the Texas Foundations Fund.

Ms. Claflin provided the Board with an overview of the Texas Foundations Fund, which was created in 2008 by the Corporation as a grant-making program for local nonprofits to address the needs of households earning up to 50% of the median family income in Texas. Ms. Claflin stated that staff conducted a survey prior to launching the program to determine what housing activities to fund and identify key priorities for the program. Ms. Claflin noted that the survey determined that critical home repair, accessibility modifications of homes, and supportive housing services were highly unmet needs. The survey also revealed that these needs were critical for people with disabilities and those living in rural areas. The staff and Board determined that those identified areas would be the focus of the program.

Ms. Claflin stated that since its inception the Corporation has had 10 annual funding rounds and one round specifically to assist after Hurricanes Ike and Dolly. Ms. Claflin stated that the Board approves the amount available for each funding round through the annual budget process, and noted that the Board initially allocated \$250,000 for each funding round. In most recent years, the Board increased funding for the program, with this round having \$350,000 in available funds. In 2016, the Corporation changed the structure of the Texas Foundation Funds from a competitive grants program to a matching grants program that is available to all eligible applicants meeting certain threshold requirements. Ms. Claflin concluded her remarks by stating that when the program structure changed it allowed the Corporation to serve more organizations and reach more communities throughout Texas.

Mr. Wilt then provided the Board with both a high-level look and a granular look at the program over the years. Mr. Wilt stated that the Corporation has awarded more than \$3.2 million over the duration of the program. Mr. Wilt provided further detail information explaining that the Corporation had awarded grants to 46 organizations serving 98 of the 254 Texas counties. He stated that the grants have funded home repairs for 414 households and have helped fund supportive services for 11,000 households.

Mr. Wilt further explained that home repairs have primarily consisted of roof repairs and accessibility features, such as wheelchair ramps, but the Corporation has also funded other health and safety modifications and repairs, such as septic systems in rural areas. Mr. Wilt then explained that supportive service grants help three types of households: single adults, families with children, and youth aging out of foster care. Mr. Wilt listed the types of services that are provided for those

individuals with the program's funding, including job training and after-school programs for children.

Mr. Wilt then provided an overview of where in the state the program grant funding is assisting families, including what regions of the state have received the most funding.

Mr. Romero thanked staff for providing this information and showing the Board how a fairly small amount of funds can help cover a lot of the state. He emphasized the importance of continuing the program and helping organizations that are doing great work. Mr. Wilt added that since moving from a competitive to a non-competitive program structure that the Corporation has not dropped off in its coverage of the state. Mr. Dietz inquired about how long the Corporation has been administering the non-competitive process. Mr. Wilt responded that the Corporation has conducted two cycles of two-year agreements under the non-competitive process. Mr. Dietz asked whether the non-competitive process was working well. Mr. Wilt responded that the non-competitive process is working very well because the Corporation is able to serve more organizations, including organizations that the Corporation was not able to serve when the application process was competitive. Mr. Dietz concluded that the Texas Foundations Fund is a good program and an important program for a lot of the Texas population.

Adjournment

Mr. Long reminded the Board Members that the next Board Meeting is scheduled for December 13, 2018. Mr. Dietz asked if there was any further business before the Board; none was offered.

Mr. Dietz adjourned the meeting at 12:25 PM.

Respectfully submitted by _____
Lacy Brown, Corporate Secretary