

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

TSAHC Offices
2200 East Martin Luther King, Jr. Blvd.
Austin, Texas 78702

Wednesday,
June 12, 2019
10:35 a.m.

BOARD MEMBERS:

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

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P R O C E E D I N G S

1
2 MR. DIETZ: It is 10:35 a.m. on June 12, and
3 the Texas State Affordable Housing Corporation Board
4 meeting is called to order.

5 We'll do roll call first. Bill Dietz, Chair, I
6 am here.

7 Valerie Cardenas?

8 MS. CARDENAS: Present.

9 MR. DIETZ: Courtney Johnson?

10 MS. JOHNSON-ROSE: Present.

11 MR. DIETZ: Lali Shipley?

12 MS. SHIPLEY: Present.

13 MR. DIETZ: Andy Williams?

14 MR. WILLIAMS: Present.

15 MR. DIETZ: Okay. We are all present. So, we
16 do have a quorum.

17 If you will please join me in the Pledge of
18 Allegiance before we begin.

19 (The Pledge of Allegiance and the Texas
20 Allegiance were recited.)

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

23 (No response.)

24 MR. DIETZ: Hearing no public comment, we'll
25 move straight into the president's report from Mr. Long.

1 MR. LONG: Thank you, Mr. Chairman, members.

2 First, welcome to all the new members. I
3 appreciate the time that they took. For the record, Mr.
4 Chairman, all three of the new members did complete their
5 training, and I'd like to thank Ms. Kennard and Mr. Gregg
6 for their participation in making sure that the new
7 members completed their training. So welcome, everybody.

8 Quick update for the new Board members, I do
9 this every month but, basically, just a quick overview of
10 what's been going on in the office. So in front of you
11 you'll find your board books. You'll find the program,
12 fundraising and financial reports under tab items A
13 through C in the board book.

14 I would like to mention we also have an update
15 on the new office building in there that will be included
16 under one of the report items, which is under tab B is an
17 update on our new office building that we've been working
18 on.

19 And the Loan Committee met yesterday. Ms.
20 Cardenas attended via phone, and while we didn't take any
21 action on any new loans or any existing loans, we did
22 discuss some potential new items that we're going to be
23 considering over the next several months. And, we also did
24 review and discuss all of the staff reports and typically
25 look at our portfolio and make sure that everything is in

1 good shape.

2 Regarding Homeownership Programs training,
3 staff continues to stay extremely busy. They conducted
4 the Down Payment Hurdle classes and provided training to
5 100 Realtors since our last Board meeting. Two hundred
6 and three loan officers participated in the Corporation's
7 online webinar training last month to learn about our new
8 homeownership down payment assistance options, and we also
9 signed up ten new mortgage companies that were approved
10 and can begin offering our single family programs. To
11 date, that's about 190 mortgage companies that we have
12 that participate in total with our Single Family
13 Homeownership Programs.

14 Under fundraising, the HEART Program, Housing
15 and Economic Assistance to Rebuild Texas Program, the
16 Corporation has been offering grant awards to our
17 nonprofit partners that we look to, and TSAHC awarded a
18 \$20,000 grant to Victoria Long Term Recovery to support
19 home repairs for low income households in Victoria. The
20 grant also includes some additional technical assistance
21 that we coordinate with Enterprise Community Partners.

22 For the record, this is a program that we
23 started last spring with ECP in support of nonprofits that
24 provide home repairs and other housing assistance to
25 households that were affected by Hurricane Harvey. To

1 date, we've awarded more than \$1.4 million in support of
2 35 local nonprofits, and this program is funded by the
3 Rebuild Texas Fund, the Meadows Foundation, the Center for
4 Disaster Philanthropy, and a commitment of TSAHC program
5 revenue that the Board approved at our last budget.

6 Under the Housing Connection, the Corporation
7 recently awarded \$1.1 million in the Rebuild Texas Fund --
8 or I should say we recently were awarded \$1.1 million.
9 These monies will support the second phase of our grant
10 awards under the HEART Program, and we'll provide more
11 information about the HEART Program under tab item 7 when
12 we will ask the Board to consider program guidelines that
13 will be used in that Phase II process.

14 We continue to receive individual donations in
15 support of our upcoming Housing Connection training. That
16 will be held later this month at the Federal Reserve Bank.

17 Since December, the Corporation has been awarded \$60,000
18 in grants and received \$16,000 in donations from mortgage
19 companies, loan officers and Realtors throughout Texas in
20 support of that program. So, we'd like to thank them for
21 all of their support and their participation and
22 recognizing what we do with that in terms of training
23 other entities.

24 Regarding marketing, Homeownership staff
25 recently launched our Lender Advisory Council which is

1 comprised of eight of our top producing loan officers in
2 Texas Homebuyer Homeownership Programs. The council will
3 meet quarterly to share their feedback and make
4 suggestions for the program.

5 In honor of June as National Homeownership
6 Month, the staff launched a campaign to promote the Homes
7 for Texas Heroes Program through email, blog posts, and
8 social media. The campaign includes new flyers and other
9 promotional materials to help educate lenders, realtors
10 and homebuyers about the benefits of the program.

11 The Communications and Development Department
12 has hired Anna Orendain -- and I'm sure I butchered that,
13 Anna, I'm sorry -- as our summer intern. Anna is a recent
14 graduate of UT and will support the various marketing and
15 communication projects that we'll be working on over the
16 next several months. And so, we're very excited to have
17 her on board and she's been on board since the beginning
18 of this week and she's doing a great job. So I'll let
19 somebody else recognize her. Michael can embarrass her
20 later during his presentation. But, Anna is in the back.

21 Asset Oversight and Compliance, our multifamily
22 reviews, on May 20, the division closed on its third and
23 final home in the expansion of the Single Family Rental
24 Program where we were buying homes and then we lease those
25 to moderate income families, moderate to low income

1 families.

2 If you recall, Mr. Chairman, you had asked that
3 we expand that outside the scope of the MSA of Austin and
4 we did so in San Antonio. And, on May 20, we closed on our
5 third home in San Antonio and that will utilize all the
6 funds that the Board authorized for us to purchase homes
7 in San Antonio.

8 The home, for the record, the last one
9 purchased, is in northeast San Antonio. It is a 4-
10 bedroom, 2-1/2 bath, about 1,675 square feet. The good
11 thing about this is an example of what we do when we buy
12 these homes. The market rents in that area are about
13 \$1,550 a month, and our tenant who moved in on June 1 is
14 paying rent of \$1,162. So we try and stay well below the
15 market rents for that area and provide them an opportunity
16 to have really nice housing in a high-opportunity area.

17 Staff participation, I kind of like to tell you
18 what we're doing for the record. Janie and Celina are
19 actually at NCSHA Multifamily Credit Connect Conference in
20 San Francisco today and tomorrow and Friday. And so, they
21 wanted to send their wishes to the new Board members, but
22 they're actually attending the conference, so that's
23 something that we do there.

24 On June 6, Michael Wilt moderated a panel at
25 the Bisnow event on affordable housing. And Cassandra

1 attended the Center for Development Progress Training
2 Academy in Houston, and through that training it will
3 enhance the Corporation's development and management of
4 our properties in our Land Bank program.

5 Legislative update. While the 86th Texas
6 Legislative Session ended on May 27, Michael Wilt will be
7 providing you an update and a recap under tab item 8 in
8 the board book, so I'll wait for Michael to kind of do
9 that for you.

10 And I also like to always recognize our
11 professionals that are in attendance, so one, that the
12 Board members get to know them, and two, just to make sure
13 that everybody knows who's here. Karen Kennard and Aaron
14 Gregg are here with Greenberg Traurig. They're our
15 general counsel, and the Board members had a chance to
16 meet with them yesterday and last week with Ms. Shipley.

17 Claire Merritt is here with Hilltop Securities,
18 our municipal advisor. Chris Spelbring is here with
19 Raymond James, our underwriter firm. And Linda Patterson,
20 who you will be hearing from under one of the tab items,
21 is our investment advisor and she's here with Patterson
22 and Associates. And if I missed anybody else, I
23 apologize.

24 Mr. Chairman, as always, our next scheduled
25 meeting is July 10, tentatively, and we'll keep you

1 informed as we move forward.

2 And with that, unless there's any questions,
3 I'll conclude my remarks.

4 MR. DIETZ: Thank you.

5 Any questions or comments from the Board?

6 (No response.)

7 MR. DIETZ: Then we'll move into the action
8 items for our open meeting today. Tab 1 contains the
9 Presentation, discussion and possible approval of the
10 minutes of the Board meeting held on May 8, 2019.

11 Is there a motion to approve?

12 MS. CARDENAS: So moved.

13 MS. JOHNSON-ROSE: Second.

14 MR. DIETZ: It has been moved and seconded. Is
15 there any discussion?

16 (No response.)

17 MR. DIETZ: Any public comment?

18 (No response.)

19 MR. DIETZ: All in favor, please say aye.

20 (A chorus of ayes.)

21 MR. DIETZ: Any opposed?

22 (No response.)

23 MR. DIETZ: Okay. The minutes from the Board
24 meeting held on May 8, 2019, are approved by the Board.

25 Tab item 2, Discussion and designation of a

1 vice chair for the Texas State Affordable Housing
2 Corporation Board of Directors.

3 So we've got three new Board members. And, I
4 guess, let me take this opportunity just to welcome our
5 three new Board members. We're really excited to have
6 each of you here, Courtney, Lali, and Andy. And because
7 of some of the turnover in the Board, we've found
8 ourselves without a vice chair currently.

9 Traditionally, the vice chair is probably the
10 senior ranking Board member, and Ms. Cardenas has been
11 with us almost a year. Are there any alternative
12 suggestions? That would be my suggestion for a motion.
13 Any motion to that effect?

14 MS. JOHNSON-ROSE: So moved to recommend for
15 vice chair Ms. Cardenas, if she's open to serving.

16 MR. DIETZ: Great. Thank you. So it's been
17 moved that we appoint by the Board the vice chair as Ms.
18 Valerie Cardenas. Is there a second?

19 MR. WILLIAMS: I second.

20 MR. DIETZ: All right. It's been moved and
21 seconded.

22 Is there any public comment?

23 (No response.)

24 MR. DIETZ: Any further discussion?

25 (No response.)

1 MR. DIETZ: All in favor?

2 (A chorus of ayes.)

3 MR. DIETZ: Any opposed?

4 (No response.)

5 MR. DIETZ: It passes, so Ms. Cardenas is the
6 new vice chair. Congratulations.

7 MS. CARDENAS: Thank you.

8 (Applause.)

9 MR. DIETZ: And tab 3 is the Discussion and
10 possible approval of the Audit Committee membership.

11 There are two standing committees that a Board
12 member serves on, the Audit Committee and the Loan
13 Committee. There aren't any other committees that I'm
14 overlooking, are there?

15 And so, we do need to have two Board members on
16 the Audit Committee, we have one Board member on the Loan
17 Committee. And I guess currently both of the Board
18 members that were previously on the Audit Committee have
19 now moved on, so we need to have two new people, two new
20 Board members on that Audit Committee. Traditionally, the
21 chairman of the Audit Committee has been the vice chair,
22 and so does this require a motion, a formal motion on the
23 Audit Committee membership?

24 MS. KENNARD: (Speaking from audience.) You
25 need to make a motion.

1 MR. DIETZ: So, I guess, we can handle it as
2 two separate motions for the two different positions, or
3 we can do it all as one motion.

4 MS. KENNARD: (Speaking from audience.) Yes,
5 just one.

6 MR. DIETZ: So I might suggest that, if she's
7 willing and able, Ms. Cardenas be appointed the chairman
8 of the Audit Committee, and then we would need one other
9 Board member to serve on the Audit Committee as well. Any
10 discussion?

11 MS. CARDENAS: I certainly thank you for the
12 opportunity to sit on Audit Committee and I can certainly
13 do that. So I guess, yes, we'll need to now make a
14 recommendation for an additional member, and then since I
15 currently serve on Loan Committee, I would need to come
16 off of that committee. Is that correct?

17 MR. DIETZ: Yes. We would need somebody to
18 serve on the Loan Committee. And I believe when you were
19 first were on Loan Committee, the previous director on
20 that kind of came to the first few meetings with you, or
21 sat in on the phone calls with you to kind of help guide
22 the transition.

23 MS. CARDENAS: Yes.

24 MR. DIETZ: So if you're willing to do that and
25 help with that transition process, that might be helpful.

1 MS. CARDENAS: Certainly.

2 MR. DIETZ: So we could probably handle all
3 that as one motion. I might suggest the Loan Committee,
4 it is helpful to have some knowledge about financing,
5 lending. Mr. Williams has had some experience through the
6 various things that you've been involved in and might be
7 an appropriate choice for the Loan Committee. The Loan
8 Committee meets a lot of times via phone, right, monthly?

9 MS. CARDENAS: Yes, I've been able to.

10 MR. DIETZ: So it doesn't actually require
11 another trip to Austin.

12 MR. LONG: The Loan Committee meets typically
13 the day before the Board meetings, so as we did yesterday,
14 we always meet in advance of the Board meeting. It's not
15 a quorum scenario so we don't post in our posted meeting.

16 It is just an internal meeting for review and discussion
17 of our portfolio, and that member then can call in if they
18 want to and we set that up via conference call, if you
19 would like to do that. So just letting you know kind of
20 the process for doing that.

21 If you happen to come in the day before and
22 want to attend in person -- Mr. Romero used to attend in
23 person just because he got here early enough to do so --
24 but that's up to the Board members. I know Ms. Cardenas
25 attends via phone and then she flies in, so it's up to

1 y'all how you want to go about that. But it meets monthly
2 and you can do it from anywhere if you want to do it by
3 phone.

4 MS. CARDENAS: It's the day before a Board
5 meeting.

6 MR. LONG: Yes, the day before the Board. And,
7 Ms. Cardenas, you probably, having sat on it for almost a
8 year now, you can tell kind of what the expertise is and
9 kind of what the time constraint is on it. And we can be
10 pretty flexible on it, as well, since it's not -- like the
11 other day we had to change the time on it just to
12 accommodate some scheduling.

13 MR. DIETZ: The Audit Committee meets really
14 only twice a year, unless there's another called meeting,
15 and that's once to review the audit that's prepared by our
16 external auditor, or I guess a couple of times related to
17 each audit, each annual audit.

18 MR. LONG: And then the budget, as well.

19 MR. DIETZ: And then the budget, yes, the audit
20 and the budget. And then those meetings are traditionally
21 held the same day as the Board meeting, just at nine
22 o'clock or so.

23 Mr. LONG: And those are posted meetings.

24 MS. JOHNSON-ROSE: So those are public.

25 MR. DIETZ: Public.

1 MR. LONG: Public meetings and they're posted,
2 that's correct.

3 MR. DIETZ: Any discussion about all of the
4 above?

5 MS. JOHNSON-ROSE: Mr. Chairman, I have a
6 background in finance in terms of economics and financial
7 background, so I would love to serve on the Audit
8 Committee.

9 MR. DIETZ: Interest in serving. Great.

10 MS. JOHNSON-ROSE: If that helps.

11 MR. WILLIAMS: And I do have a background in
12 underwriting and finance, so I would love to serve on the
13 Loan Committee.

14 MR. DIETZ: I think that would be very
15 appropriate, so I would entertain a motion to that effect
16 that we have Mr. Williams serve as our Loan Committee
17 member, that Ms. Cardenas serve as chair of the Audit
18 Committee, and Ms. Johnson-Rose serve as the other Audit
19 Committee member.

20 MR. LONG: You can make it.

21 MR. DIETZ: Can I make that motion?

22 MR. LONG: Yes, you can.

23 MR. DIETZ: Then I will make that motion.

24 MS. JOHNSON-ROSE: I will second it for you,
25 sir.

1 MR. DIETZ: Great. It's been moved and
2 seconded. Is there any discussion or is there any public
3 comment?

4 (No response.)

5 MR. DIETZ: Okay. All in favor?

6 (A chorus of ayes.)

7 MR. DIETZ: Any opposed?

8 (No response.)

9 MR. DIETZ: Okay. That passes and we have our
10 Audit Committee membership and our Loan Committee.

11 We'll move on to tab item 4, which is the
12 Presentation and discussion by Patterson and Associates
13 regarding the Corporation's investment portfolio.

14 MS. PATTERSON: Especially for the new Board
15 members, my name is Linda Patterson, obviously part of
16 Patterson and Associates.

17 My background is in public investments and
18 public finance, starting in the City of Fort Lauderdale,
19 and then moving to Fort Worth where I served for 16 years
20 and ended up as treasurer of Fort Worth, and then came to
21 Austin to be the deputy state treasurer under Kay Bailey
22 Hutchison, and then moved over and I'm pretty proud to
23 say, 25 years this year formed Patterson and Associates.
24 So it's been a long haul, real quick, but a long haul.
25 What we do is we serve only public entities, cities and

1 states, hospitals, boards, you name it, so that's what we
2 do.

3 So what I'm charged with doing today is to
4 bring you up to date. I'd like to talk a little bit about
5 the economy first because it sets the stage for what is
6 happening, what's impacting your portfolio, how it's
7 impacting it.

8 Every day is a new day right now. Ever since
9 the beginning of the year, we've had markets that are
10 gyrating, and that's why I call this The Same Story. It's
11 really the same thing that's been hammering the markets
12 since the beginning of January and that is the trade
13 tantrums, as I like to call them, and trade has been the
14 big part of what has been affecting the markets.

15 When we have good news, as we did in May,
16 everybody is happy, the markets are up, the equities are
17 up, the money flows out of the fixed income market and
18 flows into the equity markets, driving them higher,
19 driving our rates a little bit higher.

20 And then we turn around and we see what Mexico
21 has taken on and then we go back down again, and then
22 Mexico is settled, we go back up again. So you can really
23 see the effects of the tweets and the tantrums about
24 what's going.

25 If you remember, in December, after two years

1 of hikes, nine separate hikes by the Federal Reserve on
2 the overnight interest rates, we were looking at an
3 additional -- the market was counting on three additional
4 rate hikes during 2019.

5 As we slowed down, as we normally do in
6 January, then actually saw some slowing of the economy,
7 then we started talking about, well, maybe there's going
8 to be just one rate hike. Now, when it got really bad, it
9 was three rate cuts. It doesn't seem to be supported by
10 the facts but that's what the talk was, and that was
11 really what the markets are reacting to.

12 In fact, now, unless we get some kind of move,
13 I think probably at that G20 meeting later this month, the
14 market is now pricing in about a 70 percent chance that we
15 will get a rate increase in July. You have to think that
16 Chairman Powell and the Markets Committee is going to be
17 pressured by the bond vigilantes. I doubt if that's the
18 case. But, we do think that there is a possibility, at
19 least, of one additional ease during this particular
20 calendar year.

21 The geo-politics of the situation, tied in with
22 the trade, is something else that has been a major effect
23 for the markets. The leaving or the abdication or the
24 resignation of Theresa May has been a major factor, as has
25 Brexit been a major factor for two years now.

1 What's happening now, the way that works is
2 they'll have a little bit of a period here where they'll
3 have to elect a new PM, but they still have that October
4 deadline. They have to hit that October deadline or it's a
5 no deal exit. That will be very, very difficult for all
6 the trading partners and for the financial entities in the
7 UK. So, that's a major factor that's going on.

8 Another thing that's going on with Europe right
9 now is Italy. Italy has been thumbing its nose at the EU
10 ever since the new president came in, and he continues to
11 do that. There is a rule under the European Union that
12 the debt level should be 60 percent of GDP and no farther.

13 Italy's is about 123, so the EU is deciding what they're
14 going to do to react to Italy's stance on this whole
15 thing.

16 And then, of course, you have North Korea and
17 you have Syria, both saber rattling, Venezuela pretty much
18 imploding. At the end there, it was just so amazing I had
19 to throw it in. Venezuela has not for several years told
20 us what their inflation rate is but it is 130,000-plus
21 percent inflation there. So, something is going to happen
22 there.

23 Another thing that's happening, of course, is
24 China, and that's China, internally. China, internally,
25 has gotten to the point where they have made about 12

1 major stimulus moves to keep their economy going. So
2 there's always that news about, well, China has do to do
3 this deal. China doesn't have to do the deal.

4 China is trying very hard to keep itself liquid
5 and keep its debt down. They never had debt before
6 because they were always able to manipulate the economy.
7 Now, they have not and their debt, since the financial
8 crisis, has increased seven times. The household debt,
9 because it's now becoming a middle-class society, has
10 increased three times in the last ten years. So that's a
11 significant problem for them and it's one that is feeding
12 into this whole situation of the trade. So, it's not as
13 clear-cut as it sometimes appears to be in the press.

14 This one, the pace slows, the market is, of
15 course, saying that the economy is slowing. The Regional
16 Federal Reserve Banks' reports that come out, the Beige
17 Books, are really indicating a slowing. But, it's a
18 slowing, it's a stuttering, it's not a stopping of the
19 economy.

20 And we've had several reports over the last
21 month or so which really shocked the market -- and you'll
22 see the effects on the next slide -- and that is that
23 durables was down, and that's durable products. This is
24 durables without aircraft, and that was down
25 significantly, and that says people just aren't buying the

1 big ticket items. And GDP, it doesn't sound like very
2 much but it is, started the year at 3.2, is now at 3.1,
3 and so that's a slowing factor that the market is very
4 concerned about.

5 You also have employment which has slowed down.
6 Although we've had two kind of unusual, or I think you
7 could just say funky reports that came out that are very,
8 very low, in the 20,000s; it just doesn't sound right.

9 But that employment is going down but the wage
10 pressure is going up. And, it's really the wages that
11 drive people buying things and that's what keeps the
12 economy moving. So, also with the wage pressure going up,
13 that's inflation going up.

14 We saw last week, or earlier this week, PPI
15 coming in, Producer Price Index indicator of inflation and
16 it was up significantly, and that just argues against rate
17 hikes. It definitely argues against having rate cuts
18 because the Fed doesn't want that inflation to take and
19 run. It's very difficult to bring that back down again.
20 So, they're going to watch that very, very closely.

21 Now, CPI came in this morning pretty much as
22 expected, so no big problem. Housing, which is your area,
23 obviously has slowed a little bit. Existing homes have
24 slowed a little bit, new homes have slowed considerably,
25 which is a concern to the market. You have new homes

1 coming in now at a little bit higher price. They're
2 coming in at \$342,000 on the average home for a new one.
3 That's up about 11 percent, and so that, even though the
4 mortgage rates have come down a little bit, is a real
5 border for new owners of new homes.

6 And then the other big area that's affecting
7 what's going on is the farmers. And, there's a new program
8 that's about to come out to the tune of about \$16 billion
9 that will address particularly corn and sorghum and
10 soybeans because they've been hit by the tariffs perhaps
11 hardest and also by the spring flooding. And so, you're
12 going to see a little bit of a difference there.

13 Emerging markets are up. And you can see on
14 those charts, we're stuttering along. We're not falling,
15 and that's where it comes to be a question of what's
16 really happening on the yield curve. This is the yield
17 curve, May coming in on the solid red line. And, you can
18 see that inversion really strongly down from the two-year
19 to the five-year. The two-year this morning was under 2
20 percent and the ten-year at a 2.13. So, it's moved
21 considerably, especially from when you look at October or
22 so.

23 The equity markets, though, are robust. They're
24 running. We had six good days, but the bond market is
25 taking the brunt of it. And it's interesting, I think, if

1 you look here -- if I have a pointer -- right in here
2 where we've had a little inversion for a long time, that's
3 out to about the one-year area, and the one-year area is
4 key. That area is key because that's money market funds,
5 and when people are concerned, they go to safety. So they
6 run into, and they want to keep their powder dry, so they
7 run into the money market funds, they keep their cash
8 liquid, when all that money is chasing a set supply of
9 treasuries and agencies and commercial paper. It's running
10 into that sector, and so it's pushing the prices up and
11 the rates down, and that's why we've had that front line
12 inversion for a long time.

13 Now, the back inversion back here, which is
14 getting more and more serious, although some of the
15 long-term holders are just hanging on there, which would
16 make sense if they're anticipating that the rates are
17 going down. They're going to have better profits in their
18 bonds.

19 But, in here that's not just economy, that is
20 more comparability. I just checked it this morning and
21 our ten-year is sitting at a 2.13, which is awful. I
22 wouldn't want to put ten-year money out there at 2.13.
23 Germany's ten-year is a negative .24, Japan's ten-year is
24 a negative .12. Only the UK is in positive position of
25 the major markets at a .6 positive. So when you look at

1 ours at a 2.13, it looks a lot better than getting a
2 negative, which would be your secondary choice on an
3 international investment.

4 So, there again, you have huge amounts of
5 international investors, the pension funds, the big funds,
6 the banks moving that money into the five- to 30-year
7 area, and they don't want to go out to the 30-year too
8 much. But, they'll stay in that five- to ten-year area,
9 sitting there waiting for the rates to go down a little
10 bit.

11 But, that is not, I don't think, totally
12 indicative of what's happening in the economy. And, that's
13 why I remain more of an optimist on this because it's
14 really the bond markets are almost taunting the Fed to
15 cut, and I think that Chairman Powell is going to say, I'm
16 waiting on the data. And so, that's why I can't buy into
17 the July cut. I'm definitely in a minority there, but it's
18 because there's something else going on here.

19 So, how has that been affecting your portfolio?

20 And I just noticed this when I sat here, I thought it
21 would be clever if I changed and put the latest data on
22 the top; but I didn't change the beginning and ending
23 narrative. So, this is the ending book value and market
24 value up at the top.

25 Your quarter ends in May and we don't have the

1 figures for that yet. But, the month ending April, you can
2 see that you were sitting at \$25 million on a book value,
3 your actual ownership is \$973- and the market value being
4 slightly lower, \$19,000 lower.

5 That's a natural unrealized loss and that's the
6 fact that the interest rates have been going up. When
7 interest rates go up, prices go down; and so that's why
8 you have a natural unrealized loss. And of course, it's
9 unrealized unless you sold, unless it's actually realized;
10 so it's more an indication of volatility than anything
11 else.

12 We've extended the portfolio. It's now at the
13 end of April, 171 days versus 69 days at the end of the
14 last quarter, and that's because of what's happening in
15 the yield curve. Since the beginning of the year, we've
16 been trying to extend portfolios where cash flow allows
17 that to happen because you, when rates are falling, you
18 want to lock into the rates that you have and let the
19 rates fall below you, which is also good because you're
20 gathering gains as those go down and so you can come out
21 with a profit. You can see the difference because the
22 unrealized loss in February was \$30,000, it's \$19,000 and
23 that's just the move of the curve going down.

24 But you ended the April portfolio at \$2.199-
25 and interest earnings for the fiscal year through April of

1 \$309,000. So, it's looking very good to get close to --
2 depending on what happens with the rates -- at least.
3 \$600,000 interest for the year.

4 If you look at the diversification in the
5 portfolio, again, April being on the left-hand side and
6 compared that to your last quarter end of February, you
7 can see there haven't been very many changes. The ones
8 I've circled, the bank is the most surprising one, and
9 it's jumped up, and that's primarily because of the money
10 that has to sit in insured bank accounts, and it's not
11 really hurting you too much. The rates look awful, you can
12 see them at the bottom at a 1.21. They're sitting in
13 Frost because that is the requirement for those funds, but
14 you have to return that interest to the Feds anyway, so
15 give them a little bit less.

16 The other thing you can see that's changed here
17 a little bit is Logic going from 38 percent of the
18 portfolio down to 21 percent, and that's us extending the
19 portfolio slightly, trying to get them out there a little
20 bit and lock in the yields that are possible.

21 And you see it more clearly here. With April
22 over on the left-hand side you can see where cash flow
23 permits and where rates permit. We've extended out to the
24 six- and nine-month area, a little bit farther into the
25 nine- to twelve-month area and the over one year, and

1 that's just an effort to lock in the yields before they
2 potentially fall down.

3 And of course, if they go up they wouldn't go
4 up real quickly I wouldn't think. Although the old saying
5 in the market is that when rates come down, they come down
6 on the stairs -- when they go up, they go up on the
7 stairs; and when they come down, they come down on the
8 escalator. And this is a changing market; so, it's a
9 little bit difficult and you just want to place your
10 portfolio to make sure that you're covered either way.

11 In the surplus funds portfolio, again, the
12 narrative, the words are wrong. The ending book value is
13 the \$3.3 million, with an unrealized gain of \$199,000.
14 This is newer money, it's more stable money, and
15 therefore, it's going to stay that way.

16 Here again, we haven't extended this. This is
17 money that is actually managed, per se, but you have about
18 a 5.6 ending yield in there. And you can see the
19 difference between the quarter yield and the ending yield,
20 the rates are sinking just ever so slightly and your
21 interest earnings for the fiscal year up through April is
22 \$144,000.

23 These funds are in three particular groups:
24 they are Ginnie Maes, Fannie Maes and Freddie Macs.
25 They're all in the 16- to 20-year area, they're going to

1 stay there, they're not traded. They're simply sitting in
2 there and recognized as the surplus funds.

3 And then, your direct lending portfolio
4 overview, it ended at \$147,000, and this is as of April,
5 because you got the new funds in May, so that \$147,000 and
6 it's sitting totally in bank accounts earning nothing.
7 That's the allocation for the direct lending.

8 There are three programs. One was the Willows
9 Replacement, now it's the Willows Replacement Reserve, but
10 you can see that holds the bulk of the money, and \$48,000
11 for Rita Blanca and \$2,000 for Neighborhood Stabilization.

12 So, I'd be glad to answer any questions that
13 you have, except where rates are going.

14 (General laughter.)

15 MR. DIETZ: Do we know what like our whole
16 return is of the portfolio, like the last year?

17 MS. PATTERSON: When you say return, that's a
18 little difficult. Return is on a trading portfolio and
19 that's our rate of return that would incorporate the
20 money, the profits and the market price. So I can give
21 you the yields and that's of a portfolio that's stable and
22 that is our bonds.

23 MR. DIETZ: Right.

24 MS. PATTERSON: So the yield is basically going
25 to be -- I can calculate it for you -- it's probably going

1 to be right around 2.2.

2 MR. DIETZ: And is that our net yield?

3 MS. PATTERSON: Yes, that's net.

4 MR. DIETZ: Okay. Any other questions?

5 (No response.)

6 MR. DIETZ: Well, I think that's very helpful
7 for us to have that presentation, especially since we have
8 some new Board members and we can see what's going on with
9 the Corporation's investment portfolio, so thank you for
10 that.

11 MS. PATTERSON: Well, staff knows they can call
12 any time they want to talk about economics or the
13 portfolio, so I send that also out to Board members.

14 MS. SMITH: I would like to clarify, if I
15 could. For example, that last screen that you saw, direct
16 lending, those are all funds that we keep for multifamily
17 projects, those are their debt service and reserve funds;
18 it's not really our money, and that's why you're seeing
19 zero interest earned on that.

20 We're required to keep those funds in specific
21 bank accounts that don't earn interest and are there for
22 someone else. So, those are not our funds that are just
23 sitting there idle.

24 MR. DIETZ: And for the benefit of the Board,
25 we have very specific guidelines about how to invest all

1 of the funds. Correct?

2 MS. SMITH: Very specific, and limitations on
3 what we can invest in.

4 There's also additional money, I think what you
5 were referring to a moment ago, we got a grant from the
6 Capital Magnet Fund that was roughly \$3.7 million and that
7 was included in that overall bank number that you saw at
8 the beginning.

9 That bank account percentage of 18 percent was
10 really large; but there again, we're required by the
11 Federal Government to keep it in a very specific, it has
12 to be insured or collateralized -- actually it has to be
13 insured, doesn't it, Nick?

14 MR. LAWRENCE: Correct.

15 MS. SMITH: So, that's why that percentage was
16 so large. Normally, we would not keep that much just in
17 the bank like that.

18 MR. DIETZ: And we pay an annual fee, correct,
19 for your services? A percentage-based fee?

20 MS. PATTERSON: No. It's a flat fee.

21 MR. DIETZ: Oh, it's just a flat fee. Okay.

22 MS. PATTERSON: As you keep growing, I wish it
23 was a percentage.

24 (General laughter.)

25 MS. SMITH: I have to say, it's been the same

1 ever since we started with you many, many years ago, which
2 we very much appreciate.

3 MR. DIETZ: Well, thank you for all your work
4 for us. We really appreciate it.

5 And I don't think this item requires any action
6 from the Board. It was just for our information.

7 MS. PATTERSON: Thank you.

8 MS. SMITH: Thank you.

9 MR. DIETZ: Okay. Tab item 5 is the
10 Presentation, discussion and possible approval of a
11 resolution appointing hearing officers for the
12 Corporation. Is that you, Mr. Long?

13 MR. LONG: Yes, sir.

14 So tab item 5, in the past the Corporation has
15 had a need for hearings officers for both multifamily and
16 single-family transactions. What we're asking for in this
17 resolution is essentially to have kind of a standing set
18 of hearing officers that could be authorized to act on
19 behalf of the Corporation for various hearings, not just
20 the single-family or multifamily transactions, to the
21 extent that we also incorporated in here that it would be
22 various executive officers, including and in addition to
23 the officers at the Corporation. But, we also added that
24 it could include the Corporation's bond counsel where we
25 might need them, which would be Norton Rose Fulbright, at

1 this point in time. And we felt that was giving us enough
2 coverage that if we had a scenario come up that we would
3 be able to cover any and all needs.

4 Nine times out of ten or more, like 99 times
5 out of 100, the staff will be able to serve in that
6 capacity. So in this case you have the directors of the
7 divisional programs, Multifamily Division; David
8 Danenfelzer on Finance, Joniel Crim at Homeownership, and
9 then myself, and then obviously you have Norton Rose
10 Fulbright and whoever their representative might be to
11 serve in that, and then, of course, Janie Taylor as
12 executive vice president. But again, they're not noted by
13 name, they're noted by position, so it just gives us that
14 flexibility to have good coverage.

15 MR. DIETZ: Don't we already have this in
16 place, we're just renewing it?

17 MR. LONG: We're just renewing it and expanding
18 it beyond what it was.

19 MR. DIETZ: What are the expansions
20 specifically?

21 MR. LONG: Adding more people. So, normally, in
22 the past it would be we'd just have the program officers
23 do it, and so it's adding myself and Janie as well as bond
24 counsel, just to give us more coverage in case something
25 happens.

1 MR. DIETZ: Any questions or comments?

2 MS. CARDENAS: How often do we see, I guess,
3 the need? I mean, there's always going to be a need, but
4 how often?

5 MR. LONG: On the single-family programs, every
6 time we issue bonds we have to hold a hearing, so we do
7 that, and the same thing with David Danenfelzer's
8 programs, if we issue bonds on that scenario, we do the
9 same there. Other than that, I'm not aware that a hearing
10 officer will be needed beyond that, but this just gives us
11 coverage should something come up.

12 MS. CARDENAS: And I was asking just to
13 understand if there was where we were in a situation or a
14 bind where there wasn't representation and so that's why
15 we're also expanding it.

16 MR. LONG: No. I think it was just more at the
17 recommendation of bond counsel that we just kind of cover
18 our bases, so you add an executive staff, myself, Janie
19 and Melinda as CFO, and then the program staff which have
20 always been in place, and then we added bond counsel.

21 So, it's really just coverage more than it is a
22 need should it arise. But, we felt it was an appropriate
23 expansion just to ensure that we don't ever have a
24 scenario where we're not available to attend a hearing
25 because that could cause a delay in the actual

1 transaction.

2 MS. CARDENAS: Okay.

3 MR. DIETZ: Any other questions, comments?

4 (No response.)

5 MR. DIETZ: I would entertain a motion that we
6 approve the resolution appointing hearing officers for the
7 Corporation.

8 MS. CARDENAS: So moved.

9 MR. DIETZ: Is there a second?

10 MS. JOHNSON-ROSE: Second.

11 MR. DIETZ: It's been moved and seconded that
12 we approve the resolution appointing hearing officers for
13 the Corporation.

14 Is there any public comment or further
15 discussion?

16 (No response.)

17 MR. DIETZ: All in favor?

18 (A chorus of ayes.)

19 MR. DIETZ: Any opposed?

20 (No response.)

21 MR. DIETZ: The resolution passes.

22 On to tab item 6, which is the Presentation,
23 discussion and possible approval of a resolution regarding
24 the submission of one or more applications for allocation
25 of private activity bonds, notices of intention to issue

1 bonds and state bond applications to the Texas Bond Review
2 Board for the Ventura at Fairgrounds Apartments.

3 MR. DANENFELZER: Good morning. My name is
4 David Danenfelzer. I'm the senior director of Finance and
5 wanted to give this introduction of the proposal.

6 What we have today is the Ventura Fairgrounds
7 project which was actually proposed last summer. We
8 reviewed it, and the Board did approve an inducement
9 resolution at that time. We applied for reservation of
10 volume cap for the project in August of last year, and
11 under state rules we have 150 days to get a project from
12 that point of reservation all the way to the closing date.

13 At that time, there were two transactions by
14 the same developer, Dominion, the Ventura at Tradewinds
15 and the Ventura at Fairgrounds. They were able to get
16 Tradewinds through the whole process of site plan review
17 and permitting on time with the City of Midland, but the
18 Fairgrounds property posed some additional problems with
19 site plan review, and so the project was delayed, and we
20 were not able to close in January by the end of the
21 150-day timeline.

22 The developer and his team has gone ahead and
23 finalized the site plan review with the City of Midland,
24 and they are ready to submit for permitting and get that
25 going again. The whole transaction is still very

1 feasible, and particularly, as Ms. Patterson noted, we've
2 had a little bit of a decline in rates in the last couple
3 of months and weeks, and that is actually helping the
4 feasibility of the project.

5 We have maintained our underwriting at the
6 original interest rate that we had back in the proposal in
7 January, but we do believe those will also come down and
8 make the project a little bit more feasible once we get to
9 closing.

10 The schedule for this, however, is that we do
11 need to get your approval to resubmit the application for
12 reservation of private activity bonds, which is the
13 proposal and the resolution before you today.

14 We'll go ahead and resubmit on August 15, for
15 that volume cap. And there's a reason for that, we have
16 to wait until August 15 when state rules allow us to apply
17 for more than \$20 million per project. This project
18 requires \$40 million in bonds and is 300 units, so we'll
19 have to wait until that date, but we will submit on that
20 date, get a new 150-day time clock to close on.

21 However, we're fairly confident we'll get
22 through that quite a bit early because all the bond
23 documents are already drafted and ready for execution. We
24 will just simply need to go through the state's steps of
25 reservation, re-approval by the State Bond Review Board,

1 and then the closing procedures. But, we do anticipate
2 this closing sometime in October or early November once we
3 finalize the State Bond Review Board's process.

4 So, we're really pretty happy to bring this
5 back to you. But, I'll open the floor up for any questions
6 about the project, in case there are any.

7 MR. DIETZ: So, we've actually approved this
8 once before and just because of the time issue?

9 MR. DANENFELZER: Right. In fact, last
10 November. the Board actually approved the closing of this
11 transaction and we moved toward closing in January, just
12 were not able to get there because of the site plan review
13 problems.

14 MS. SHIPLEY: If you don't get the site plan
15 again, will that affect this approval?

16 MR. DANENFELZER: That's a great question.
17 Actually, they do have site plan approval now, and so now
18 they're just preparing to submit the permitting. But, they
19 didn't want to submit permitting and finalizing the
20 construction costs until we have the reservation in hand.

21 It makes it quite a bit easier at the city level and also
22 to guarantee your contractors because they will have to go
23 out and re-bid. They do have a lot of sway with this
24 contractor because they're already building the other
25 property, and I believe the contractor has done a good job

1 of holding costs in check.

2 We've also seen some re-balancing of costs
3 within the construction market, particularly in the
4 Midland area. There's a little more access and supply for
5 labor in Midland lately, so that's helping bring down
6 costs a bit. Some material costs are up but we're not too
7 concerned about the balance right now.

8 MS. JOHNSON-ROSE: Mr. Chairman, I have a
9 question.

10 You mentioned that the interest rate would
11 potentially change from what we were offering them before
12 versus now. Can you expand upon that?

13 MR. DANENFELZER: So first of all, the interest
14 rates are usually set by the bond purchaser, the entity
15 purchasing those bonds and placing them into their
16 portfolio.

17 We underwrote that at their commitment letter
18 and the purchaser, which is actually sort of a two-step
19 purchase between an initial purchaser for the construction
20 period and then these will be sold off to Fannie Mae -- I
21 get them mixed up too, Fannie and Freddie, sometimes,
22 sorry; it's in the report, though -- but when those are
23 transferred over, that commitment is still in place and
24 they've held that interest rate on their letter of intent
25 for this transaction.

1 We know that once they get closer to closing,
2 typically, about five days out from closing, Fannie Mae
3 and the bond purchaser will actually price the bonds in
4 the market and determine what they want to actually pay
5 for interest.

6 At this point, my estimate would be we would
7 save about 30 basis points on that original interest rate
8 that was due for closing in January. However, I don't
9 really know what's going to happen in the next 150 days,
10 so it's possible we get close to that. But, we do know
11 that it won't go above that rate, at this point in time,
12 so we're fairly confident they'll lock in at or below that
13 rate once we get close to closing.

14 MS. CARDENAS: And when are we expected -- I
15 know you said you have to wait till the August 15 date,
16 but it seems like we've already prepared everything,
17 right, from prior experience, so how quickly are we
18 expected, assuming everything goes through August 15, for
19 our closing date?

20 MR. DANENFELZER: I think because of the steps
21 we have to go back through at the Bond Review Board, we
22 probably won't close until October or early November,
23 because once we submit the reservation, we'll then submit
24 in August to go to their board for approval in September.
25 And then, once we get their board approval -- which is

1 typically the third Thursday of the month -- we'll have to
2 submit all the documentation to the Attorney General's
3 Office and then there's a 17-day review period, and so
4 that's when we get kind of into October.

5 You know, there may be hiccups because the
6 Attorney General or someone else may want some additional
7 information or clarity on the documents. We're not too
8 concerned about it at this point, because the Attorney
9 General has actually reviewed these documents.

10 We're not changing anything except for some
11 numbers and dates, and as long as they're comfortable with
12 that, we should be able to get through that mandatory 17-
13 day review period without any hiccups.

14 But, that would put us into sort of the first
15 or second week of October, and then it just depends on the
16 capital markets and the investors to make sure they can
17 line it up with their schedule to say, okay, we're going
18 to bid on the 15th of October and then five days later
19 we'll close, or whatever date they pick.

20 MR. DIETZ: Any other questions, comments?

21 (No response.)

22 MR. DIETZ: Is there a motion that we approve
23 the submission?

24 MS. CARDENAS: So moved.

25 MR. DIETZ: Is there a second?

1 MR. WILLIAMS: I'll second.

2 MR. DIETZ: It's been moved and seconded that
3 we approve the resolution regarding the submission of one
4 or more applications for allocation of private activity
5 bonds, notices of intention to issue bonds and state bond
6 applications to the Texas Bond Review Board for the
7 Ventura at Fairgrounds Apartments.

8 Is there any public comment or any other
9 discussion?

10 (No response.)

11 MR. DIETZ: All in favor?

12 (A chorus of ayes.)

13 MR. DIETZ: Any opposed?

14 (No response.)

15 MR. DIETZ: The resolution passes.

16 MR. DANENFELZER: Thank you very much.

17 MR. DIETZ: On to tab item 7, which is the
18 Presentation, discussion and possible approval of the
19 Corporation's program guidelines for Phase II of the
20 Housing and Economic Assistance to Rebuild Texas, or HEART
21 program.

22 MS. CLAFLIN: Good morning, Mr. Chairman, Board
23 members. My name is Katie Claflin, the director of
24 Communications and Development, and I am joined by Michael
25 Wilt, the manager of External Relations.

1 We are here to present tab item 7 which is an
2 action item asking the Board to approve the program
3 guidelines for Phase II of the HEART program. I'm going
4 to provide you with a very brief update on the program and
5 then turn it over to Michael, who will actually discuss
6 the Phase II guidelines.

7 So, as a bit of background, TSAHC launched the
8 HEART program in spring 2018, in collaboration with
9 Enterprise Community Partners. The program provides
10 grants and technical assistance to local nonprofits that
11 are helping households recover from Hurricane Harvey. If
12 you're not familiar with Enterprise, they're a national
13 nonprofit that provides capacity building and financial
14 support to support local nonprofits.

15 We had \$1.5 million available for grants in the
16 first round of funding thanks to seed funding from the
17 Rebuild Texas Fund and additional financial support from
18 the Meadows Foundation, the Center for Disaster
19 Philanthropy and \$100,000 in unrestricted program revenue
20 committed by TSAHC's Board of Directors. To date, we've
21 awarded more than \$1.4 million to 35 nonprofit
22 organizations, and so funds for the first phase of the
23 program are almost fully committed at this time.

24 As David mentioned in the president's report,
25 the Rebuild Texas Fund, which is a joint partnership

1 between the Michael and Susan Dell Foundation and the Lone
2 Star Foundation, just awarded TSAHC and Enterprise a \$1.1
3 million follow-up grant to conduct a second phase of
4 grants through the HEART program. This phase is intended
5 to support high-performing nonprofits that were awarded
6 funding in the first funding round, as well as nonprofits
7 that have been specifically identified and recommended by
8 the Rebuild Texas Fund.

9 Of that \$1.1 million grant, \$840,000 will be
10 administered by TSAHC as grants to support nonprofits
11 providing home repairs; \$200,000 will be passed through to
12 Enterprise to administer as grants to support nonprofit
13 staffing costs; and the remaining \$60,000 is allocated to
14 support costs incurred by TSAHC and Enterprise to
15 administer the grants and monitor the grantees.

16 And based on some of the lessons that we
17 learned in the first funding round and our ongoing
18 discussions with the Rebuild Texas Fund, we are
19 recommending a few changes to the structure of the Phase
20 II round of grants.

21 So, at this point, I'll turn it over to Michael
22 to discuss those changes.

23 MR. WILT: Thanks, Katie.

24 I'm Michael Wilt, External Relations manager
25 here at TSAHC.

1 Like Katie said, our Phase II application
2 process will be a little bit different. We also
3 incorporated some feedback from the Phase I applicants.

4 The changes to the Phase II requirements are
5 summarized on this first page in your board book, and then
6 we also included a redline version so it's easier to kind
7 of walk through the changes from Phase I to Phase II, so I
8 can go over those briefly starting with the program
9 overview.

10 Like Katie mentioned and like David mentioned
11 in his president's report, we awarded more than \$1.3
12 million in grants to 34 nonprofit organizations. So, that
13 activity is summarized in that program overview section
14 and then it also makes reference to the second round of
15 funding.

16 In that next section under the funding for
17 critical repairs, the commitment for the home repair is
18 reflected as \$840,000, like Katie mentioned. That's up
19 from the Phase I commitment of \$350,000.

20 And then the most important part are the
21 eligibility requirements. This is where we made some
22 material changes that are reflected in the summary and in
23 the redline section, the first being that we're limiting
24 Phase II applicants to 501(c)(3) nonprofits only. That's
25 the second area under experience requirement. We had to

1 delete the reference to non 501(c)(3) organizations since
2 Phase II will be just for 501(c)(3).

3 The financial requirements, there is no change
4 there, that remains the same, that we require two years of
5 audits or two years of a financial review if an
6 organization's annual budget is less than \$750,000.

7 The next change is the geographic requirements.
8 In the first round, we could do a 50/50 split between 50
9 percent being the Greater Houston Area and 50 percent
10 being outside that.

11 Our funder, Rebuild Texas Fund, has asked that
12 the vast majority of these Phase II funds go to outside
13 the Houston area, so Harris and Waller counties will be
14 limited to up to 20 percent of the total funding, and then
15 80 percent will go into underserved areas.

16 Yes?

17 MS. JOHNSON-ROSE: What percentage of Phase I
18 went to Harris and Waller counties?

19 MR. WILT: I believe it was below 50 percent.

20 MS. CLAFLIN: It was. I'd say it was between
21 35 and 40 percent.

22 MS. JOHNSON-ROSE: Okay. Went to Harris and
23 Waller, but on the Phase II they want to limit that to 20
24 percent?

25 MR. WILT: And I would say largely because

1 Rebuild Texas Fund is directly funding big organizations
2 in Houston, organizations that we have relationships with
3 and that are very high capacity, high performing, that get
4 awards significantly higher than our new cap, which
5 \$100,000, they're getting half a million to a million
6 dollars.

7 MS. JOHNSON-ROSE: Okay.

8 MR. WILT: And then finally, we still allow for
9 the exceptions like we did in Phase I, so that hasn't
10 changed.

11 In the event that an organization may not have
12 an audit or there are some other, they have a new program,
13 we still allow our president and vice president to sign
14 off on exceptions, and we have used those exceptions in
15 Phase I. We don't anticipate we'll need one in Phase II
16 and I'll get to that in a second, why we don't anticipate
17 that.

18 The administration section is next, and the
19 main difference between Phase I and Phase II is that this
20 will be invite only. We have made site visits, we've
21 interviewed a majority of our Phase I grantees, and we
22 determined that there are some very high performing ones
23 that we've identified in Phase I, and those will be
24 invited back to Phase II.

25 So, in Phase I, we had a pre-proposal and for

1 proposal process, and those were two opportunities for us
2 to vet the organization. They would answer some threshold
3 questions in the pre-proposal, and if they provided
4 satisfactory answers, then we invited them to Phase II and
5 did a more thorough review of their proposal, and then we
6 approved them or didn't approve them based on that.

7 The Phase II will be just one singular
8 application with some threshold type questions, and
9 assuming they satisfactorily answer all those, then we'll
10 recommend them for funding. And again, this is because
11 we're only inviting those high performing nonprofits from
12 Phase I.

13 Yes?

14 MS. JOHNSON-ROSE: How large is that pool that
15 you all went through Phase I and then Phase II to
16 approval? How many nonprofits is that?

17 MR. WILT: Well, we have a pool of 34 right now
18 and we've whittled it down to between six to nine,
19 probably, that would be invited back for Phase II. We're
20 still working with the Rebuild Texas Fund. We offered
21 them I can't remember initially how many, probably up to
22 eight or nine?

23 MS. CLAFLIN: We've been focusing on there are
24 several nonprofits that we provided home repair grants to
25 that finished their grants early. So, we provided them

1 with a year to expend the funds, and in several cases they
2 had so much need and such high capacity that they were
3 able to fully expend their grants within three to six
4 months, and those are the organizations that we're
5 focusing on, initially.

6 As well, as Michael mentioned, we've actually
7 gone out and visited those organizations, looked at the
8 repairs that they provided, and those are the
9 organizations that we're initially recommending to the
10 Rebuild Texas Fund for additional funds.

11 MS. CARDENAS: But, are we saying that we're
12 only inviting individuals from the Phase I; there can't be
13 any new applicants -- the Phase I, right, we're only
14 inviting them into Phase II, but if you have new
15 applicants that were not in Phase I, there's not an
16 opportunity for them, even though they meet the criteria,
17 to come into Phase II?

18 MS. CLAFLIN: We will consider new applicants
19 if they're specifically referred by the Rebuild Texas
20 Fund. The Rebuild Texas Fund did ask that we retain a
21 little bit of funding in case there are some applicants
22 that they refer directly to us.

23 And the reason for that is that, at this point,
24 they're preferring to focus on larger grants, grants of
25 \$300,000, \$400,000 plus. But, occasionally, they do get an

1 applicant that would meet the requirements for our program
2 but is less than that amount, and in those situations
3 they've asked that we work directly with that nonprofit.

4 MS. JOHNSON-ROSE: And we facilitate that?

5 MR. WILT: We're approaching the two-year
6 anniversary of the landfall of Harvey. So, we would hope
7 that a nonprofit would have been active by now, that we
8 would have identified them and had a chance to work with
9 them. But like Katie said, our funder does retain the
10 right for us to work with anyone.

11 MS. CARDENAS: And, I guess, that was going to
12 be my questions. I would hope Rebuild Texas would have,
13 right, we're approaching -- well, we've already started
14 hurricane season, right, so you may have -- God forbid, we
15 have anything go on, but in preparation for that, to your
16 point, yes, what has already happened has happened and you
17 would hope that they would have come forth. But, should
18 something else happen and in the midst of those years, you
19 have other nonprofits that have organized themselves that
20 are viable, that are doing well.

21 But I just wanted to make sure that there
22 wasn't such strict guidelines that it would prohibit, you
23 know, individuals that have these organizations to provide
24 for the community, that it was, okay, you weren't in this,
25 sorry, we're not going to be able to afford you these

1 opportunities moving forward. I didn't know if there was
2 just, you know, a little gray area for things that may
3 come.

4 MS. JOHNSON-ROSE: And to Valerie's point, and
5 this may not be the right funder to do this with, but I
6 would hope that we have opportunities to kind of build
7 capacity within some of the nonprofits.

8 Again, Rebuild Texas may not be the right
9 funder for that, but the word high performing nonprofits
10 and if that's down to a list of under ten, you know, we
11 would hope that there's opportunities within TSAHC to
12 build that capacity so that we have more high performing
13 nonprofits that are eligible to take advantage of the
14 different programs that we have.

15 MR. WILT: That is a component of this program,
16 as well. We have ongoing technical assistance.
17 Enterprise, our partner in this, is more focused on that
18 capacity-building aspect.

19 You know, a lot of what we've heard from the
20 grantees is: we got this infusion of funds and we started
21 a repair program and how are we going to continue it
22 whenever the funds dry up? So we are sensitive to how we
23 stair-step an organization from being all volunteer led to
24 then having a repair staff and want to continue those
25 activities on. That is a component of this.

1 MS. JOHNSON-ROSE: Okay.

2 MR. WILT: The last change is that our new
3 grant cap is \$100,000 instead of \$50,000, and that is a
4 reflection that these are organizations we have a higher
5 comfort level with.

6 The individual household cap is now \$15,000
7 instead of \$10,000. That was based on feedback we got
8 from the first round of grantees. And also, we are
9 allowing for rebuilds, home rebuilds, in addition to
10 repairs in this round. We don't anticipate you can do a
11 rebuild with \$15,000, they would have to combine that with
12 other funding, but we will allow that activity, as well.

13 And then lastly, we are allowing up to 5
14 percent for administration, they can use that as
15 administrative funds, 5 percent of their award.

16 MS. CARDENAS: That was specifically reflected?

17 MR. WILT: Yes.

18 MS. CARDENAS: So, to your point on the
19 \$15,000, right, nowadays I don't know how far \$15,000
20 would take you. But, what are some of the repairs that
21 occurred with this \$15,000?

22 MR. WILT: Most commonly, roof.

23 MS. CLAFLIN: Drywall is a big one, mold
24 remediation was another big one, the homes that were
25 flooded.

1 And to the rebuild point, and this was one of
2 the things we noticed as we went out and did site visits,
3 a lot of the nonprofits are working towards rebuilds
4 because they're taking homeowners who were in flood-prone
5 areas and then moving them to areas that are not as prone
6 to flooding in the future. So, that's just a long-term
7 sustainability to make sure that they don't repair a home
8 and then in five or six years it floods again.

9 MR. DIETZ: Great questions. Any other
10 questions, comments?

11 (No response.)

12 MR. DIETZ: Well, then is there a motion to
13 approve the new guidelines for Phase II?

14 MS. CARDENAS: So moved.

15 MS. JOHNSON-ROSE: Second.

16 MR. DIETZ: It's been moved and seconded that
17 we approve the Corporations program guidelines for Phase
18 II of the Housing and Economic Assistance to Rebuild
19 Texas, or HEART, program.

20 Is there any public comment? Any further
21 discussion?

22 (No response.)

23 MR. DIETZ: Okay. All in favor?

24 (A chorus of ayes.)

25 MR. DIETZ: Any opposed?

1 (No response.)

2 MR. DIETZ: Okay. The guidelines are approved
3 as submitted.

4 MR. WILT: Thank you.

5 MS. CLAFLIN: Thank you.

6 MR. DIETZ: And our final tab item for the day
7 is tab 8, which is not an action item so it requires no
8 action on the Board's part, but it is a discussion of the
9 86th Texas Legislative Session.

10 MR. WILT: Michael Wilt, again, External
11 Relations manager.

12 Like David mentioned in his president's report,
13 the legislative session concluded sine die on May 27.
14 This was an active session for us, more active than we've
15 been in the past, and there are some mixed results from
16 the session. There were some high points and then other
17 points that will require future session action.

18 I will preface this by saying the legislative
19 process is intended to not pass bills, bills are intended
20 to be defeated at some point in the process, and that's
21 pretty much a good thing for the way our legislature
22 works.

23 So, odds are if you are filing a bill, you have
24 a less than 20 percent chance of your bill ultimately
25 passing, and we were very active in five bills this

1 session, and one of those passed, so it almost dovetails
2 exactly with the percentage of having chances for a bill
3 to pass at a 20-percent passage rate.

4 I'll give a little bit more details on pieces
5 of legislation, since we have new Board members. But,
6 starting with SB 1474, this was the omnibus private
7 activity bond program bill, and it is the one that did
8 ultimately pass, and it's currently sitting on the
9 Governor's desk and we expect, based on conversation this
10 morning, that the Governor will sign. He has a few more
11 days to either sign it or it can become law without his
12 signature.

13 What David Danenfelzer was saying earlier about
14 that project cap for \$20 million and the Midland project
15 that's coming in at \$40 million and we have to wait until
16 August 15 to do the issuance on that, this bill will fix
17 that.

18 It changes the project cap to \$50 million and
19 it also ties it to an index number so that it can be \$50
20 million or a higher number that will grow over time so
21 that we won't have to go to the legislature ten years from
22 now and ask for a higher project cap.

23 So, in essence, what that will do is it will
24 allow multifamily private activity bond deals to get done
25 earlier in the year and housing can be built quicker. Not

1 only does it apply to us as statewide issuers but it
2 applies to local issuers as well.

3 It does some other things as well that will
4 make the private activity bond program run more
5 efficiently and it also increases the overall allocation
6 for housing issuers a little bit because it eliminates a
7 sub-ceiling under that program that was being unutilized.

8 So all in all, it makes a lot of changes and
9 updates the private activity bond program that had a big
10 stakeholder of all issuers worked on this hand in hand
11 with Chairman Lucio, and it's a good bill that ultimately
12 got passed.

13 HB 1402 by Representative Walle and the Senate
14 companion by Lucio, we were calling that the TSAHC
15 purposes bill. It would have done two major things to our
16 purposes. It would have allowed us to do economic
17 development activities and, basically, so we could have
18 financed a commercial component of a development in
19 addition the residential component, so more mixed use
20 developments, and then it would have changed our income
21 limits up to moderate income, and these two change went
22 hand in hand.

23 That bill made it out of the house and made it
24 out of Senate committee, so three-fourths of the way, and
25 then was eligible to be considered by the full Senate the

1 last week of session and ultimately did not get considered
2 by the full Senate. Different members of the legislature
3 had different concerns with the bill.

4 I will say this was the first session where it
5 was introduced as a stand-alone bill. So, between now and
6 the next session we'll see if we can iron out those issues
7 and maybe it will be re-filed. We're not really sure
8 where we'll go from here on that one.

9 Senate Bill 1114, also by Senator Lucio, would
10 have allowed us to work with school districts to develop
11 housing primarily for school district employees on surplus
12 land that was owned by the school district. This bill
13 made it out of the Senate and then was heard in the House
14 committee and did not make it out of the House committee.

15 Senate Bill 1116 would have set up a state tax
16 credit system to increase the amount of funding for
17 permanent supportive housing. Permanent supportive housing
18 units are mainly for people experiencing homelessness, and
19 it gets them an affordable place to live, and then
20 services that are wrapped around that to make sure that
21 they can stay in housing and that they have housing
22 stability.

23 This would have set up a very unique and
24 innovative tax credit that would have been given to
25 managed-care organizations. Managed-care organizations

1 are big insurance companies and they have a vested
2 interest in seeing more people in stable housing, because
3 it means they are in a healthy community and they are out
4 of the emergency room.

5 So, these managed-care organizations are
6 subject to an insurance premium tax, and they would have
7 gotten a credit against that tax liability if they
8 invested in the development of permanent supportive
9 housing.

10 This was the first time this bill had been
11 filed. Again, it got a hearing in Senate Finance. We've
12 got some clear direction on where to go from here, because
13 there is support for the idea, but it was just an idea
14 that wasn't fully baked by the time the bill was filed, so
15 between now and the next session, we'll do some more
16 homework on that and hopefully have some wind behind our
17 sails going into that next session.

18 We're also going to ask the two committees,
19 Senate Intergovernmental Relations and House Urban Affairs
20 that cover housing -- they ask us what interim charges we
21 want, and we're going to ask that this be an interim
22 charge, how we can get more financing options for
23 permanent supportive housing?

24 And then lastly was House Bill 2646 by
25 Gutierrez, and that would have directed us to establish

1 and operate a statewide land bank program that would
2 create housing for veterans.

3 And that bill sailed through the House, there
4 was only one member opposed to it, and then it never got
5 referred in the Senate so it got stuck in the Senate. And
6 we've been in contact with Gutierrez's staff, and they're
7 not really sure what happened there.

8 What we've since found out is that any sort of
9 land bank, land trust legislation that the legislature
10 really tapped the brakes and said give us the interim to
11 better understand how land banks work and then we'll
12 revisit it next session, because there were other land
13 bank program bills as well which had a lot of support that
14 ultimately did pass.

15 With that, I'll open up for questions.

16 MS. JOHNSON-ROSE: Just a comment that I would
17 just encourage us to be vigilant about the next session
18 because a lot of these are really impactful. That would
19 be great if they could actually happen and get passed, so
20 putting together a plan to start that work now so that we
21 can be in better position next session and get it passed.

22 MR. WILT: Sure. And to the extent that you
23 want to be engaged in the process, we do ask from time to
24 time our Board members to volunteer to make Capitol visits
25 with us, especially on items that they're interested in,

1 so we would eagerly accept that offer to be part of the
2 process.

3 MS. JOHNSON-ROSE: Awesome. Thank you.

4 MR. DIETZ: We weren't really involved in the
5 impetus or the origination of any of these bills; they're
6 bills that we became aware of after they had been drafted
7 or filed, so we were involved along the process but not at
8 the beginning. We didn't go out and ask anybody.

9 MR. WILT: We didn't ask members to carry
10 legislation for us. That's correct. We were approached
11 before session and said are there things on your mind, are
12 there things that maybe need to be fixed?

13 The private activity bond bill comes top to
14 mind because that was at the forefront of every housing
15 issuers agenda. Other issues were either ideas that the
16 member already had or ideas that we had kind of played
17 around with and then had turned into legislation. Like
18 the permanent supportive housing bill was us and Health
19 and Human Services Commission collaboratively had come up
20 with that idea.

21 MR. DIETZ: So, a member might reach out to you
22 and say, hey, I'm thinking about such-and-such, and then
23 you'll provide some feedback to help finalize.

24 MR. LONG: Yes. We tend to be asked to be a
25 resource in a lot of cases, such as we were on 1474 as

1 well, and we just offer that resource. Sometimes it's
2 helping to brainstorm.

3 MR. WILT: We've never shopped around an idea.

4 MR. LONG: Any other questions?

5 MR. DIETZ: Other questions?

6 (No response.)

7 MS. CARDENAS: Thank you.

8 MR. DIETZ: Thank you. That's a positive
9 report.

10 Well, there's no reason to go into closed
11 session today?

12 MR. LONG: There is not.

13 MR. DIETZ: Any other business we need to
14 discuss?

15 MR. LONG: No, no business other than, again,
16 the next tentatively scheduled meeting is July 10, and we
17 will keep the members informed as we move forward with
18 setting up that.

19 MR. DIETZ: I will not be here, but my July is
20 kind of crazy, so luckily we have a vice chairman now.

21 (General laughter.)

22 MR. DIETZ: Great. Well, then unless there's
23 any other comments or any other questions for Mr. Long, it
24 is now 11:55, and we are adjourned.

25 (Whereupon, at 11:55 a.m., the meeting was

1 adjourned.)

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C E R T I F I C A T E

MEETING OF: TSAHC Board
LOCATION: Austin, Texas
DATE: June 12, 2019

I do hereby certify that the foregoing pages,
numbers 1 through 6364, 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: June 17, 2019

(Transcriber)

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