

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

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

Wednesday,
February 12, 2020
10:30 a.m.

BOARD MEMBERS:

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

ON THE RECORD REPORTING
(512) 450-0342

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P R O C E E D I N G S

1
2 MR. DIETZ: It's 10:30 a.m., and the Texas
3 State Affordable Housing Corporation Board meeting of
4 February 12 is called to order.

5 So, if you could first join me in the Pledge of
6 Allegiance.

7 (The Pledge of Allegiance and the Texas
8 Allegiance were recited.)

9 MR. DIETZ: Roll call. Bill Dietz, I am here.
10 Valerie Cardenas, Vice Chair?

11 MS. CARDENAS: Here.

12 MR. DIETZ: Courtney Johnson-Rose is absent.
13 Lali Shipley?

14 MS. SHIPLEY: Here.

15 MR. DIETZ: Andy Williams?

16 MR. WILLIAMS: Here.

17 MR. DIETZ: So, we do have a quorum.

18 Before we begin, is there any public comment?

19 (No response.)

20 MR. DIETZ: Hearing none, Mr. Long, our
21 president's report.

22 MR. LONG: Good morning, members. Thank you
23 very much.

24 As always, the program reports are in front of
25 you. The one I'd like to note out is the quarterly

1 reports, the quarterly compliance and resident services
2 reports and the quarterly fundraising reports. Those are
3 not something you see monthly but quarterly, so those are
4 added in. So, if you have any questions, staff can answer
5 those for you on that.

6 The Loan Committee met yesterday on the 11th.
7 We've reviewed the staff reports. We've also reviewed and
8 approved for your consideration today the item under tab
9 item 2 which is the Texas Housing Impact Fund, the
10 guidelines for that program. Other than that, we didn't
11 have any additional action that we took in that committee,
12 but Mr. Williams attends on the Board's behalf, and Mr.
13 Williams, do you have any other comments or anything?

14 MR. WILLIAMS: No.

15 MR. LONG: Okay.

16 Regarding Homeownership Programs, rather than
17 going over all the numbers like we normally have done, I
18 would just tell you we continue to have phenomenal
19 reservation volume in the Single-Family Programs. It's
20 pretty amazing what we're seeing. The staff is extremely
21 busy, and I want to commend them verbally in this meeting
22 to put it on record that we are so busy that they're
23 literally working all the time, just overwhelmed with the
24 volume we have. So, it's very important to keep on top of
25 that because we have timelines we like to keep. They like

1 to turn the information around to the lenders and keep the
2 borrowers happy on a regular basis so they're trying to
3 meet those deadlines.

4 We have a job posting to work in that group to
5 add another staff member, so hopefully we can get that
6 filled and that will help kind of keep us moving forward.

7 But to show you just how much we are seeing in
8 volume; we continue to have lenders join the program. We
9 have six new lenders that were approved just since the
10 last Board meeting, so I just think it shows the continued
11 demand for the program and the interest by the lenders in
12 our program.

13 Under fundraising, we were awarded a \$250,000
14 program-related investment from Austin Community
15 Foundation to pilot the Pre-Development Fund for Central
16 Texas. The PRI will help us and it will be included under
17 tab item 2 that David Danenfelzer will go over as part of
18 the Housing Impact Fund, but that program will be backed
19 by an addition \$250,000 award from the same organization
20 to serve as a loan loss reserve to mitigate any risk that
21 TSAHC would take on by piloting that program.

22 Regarding marketing, we hosted on the 5th of
23 February an event in Harlingen at the Park Meadows
24 Subdivision. The event was attended by Senator Lucio,
25 Mayor Chris Boswell, Board members and staff from the

1 Harlingen CDC, and a Texas Community Bank representative,
2 and our very own Valerie Cardenas who emceed the event for
3 us. And we want to thank her personally for that. She
4 did a phenomenal job even when the homeowners couldn't
5 show up, she found a great way to talk through that lag in
6 the presentation. Good job.

7 But again, we want to thank her for her
8 attendance, and it was a really well received event, we
9 got some really good press out of it, and again, great
10 housing being developed in Harlingen to serve some very
11 affordable needs situations.

12 Under the HEART Program, the Corporation
13 partnered with Texas Enterprise Communities to host a
14 roundtable for the HEART Program awardees on Monday, the
15 27th of January, last month. The roundtable was attended
16 by more than 60 nonprofit staff and provided them with an
17 opportunity to connect and learn from each other as well
18 as to hear from potential funders and disaster recovery
19 experts, including the General Land Office, the City of
20 Houston, American Red Cross, Harvey Home Connect, BBVA
21 Compass, JPMorgan Chase, and the Federal Home Loan Bank of
22 Dallas.

23 So, I'd like to thank my staff that went down
24 there, they did a really good job. I know Katie spoke,
25 Michael and Laura were down there, and I think that it was

1 just a really well received opportunity for us to talk
2 about the program that we offer through the HEART Program.

3 We also hosted a two-day Neighbor Works
4 training for the HEART grantees on Tuesday and Wednesday,
5 right after the roundtable. The training was called
6 "Picking up the pieces: the first 30 days of response and
7 recovery" and that was attended by 35 nonprofit staff
8 members. So again, just continuing to offer up exposure
9 to the funding and also to provide training to these
10 organizations and nonprofit organizations.

11 Oversight and compliance and single-family
12 rental. As we have been given approval by the Board to
13 acquire single family residences to provide affordable
14 housing in high opportunity areas, as those properties
15 that we buy age out, one of our models is to sell some of
16 those properties as they age out and then replace them
17 with newer homes so that we have less maintenance and
18 overhead. So, I did want to tell you that on February 5,
19 Janie Taylor went to the closing for us. We sold the
20 duplex that we had located in South Austin and we'll use
21 those funds to probably buy one or two homes that will go
22 back into the portfolio, homes that we offer for
23 affordable housing.

24 So, we did a lot of work on that. I want to
25 thank Jesse who did a ton of work on that property to make

1 sure it was made ready for us to sell, and it was just a
2 good opportunity for us to move on and kind of replace an
3 older property.

4 So, at this time we have 23 single family units
5 and 15 apartments at the apartment complex, Rollins-
6 Martin, so we have 15 units there.

7 I always like to introduce our professionals
8 who are here. Obviously, Routt Thornhill, our general
9 counsel, with Coats Rose is here. Chris Spelbring with
10 Raymond James is here. Tim Nelson and Claire Merritt are
11 here with Hilltop Securities, our FA firm. And then we
12 also will have introductions to some other professionals
13 later as we have the agenda items, so I'll let those be
14 brought up by the staff as they come forwards.

15 And with that, Mr. Chairman, I conclude my
16 remarks unless there's any questions.

17 MR. DIETZ: Questions?

18 (No response.)

19 MR. DIETZ: Thank you very much.

20 MR. LONG: You bet.

21 MR. DIETZ: We'll go to tab item 1 for our open
22 meeting which is the presentation, discussion and possible
23 approval of the minutes of the Board meeting held on
24 January 22, 2020.

25 Any questions or adjustments or comments?

1 (No response.)

2 MR. DIETZ: Is there a motion to approve?

3 MS. CARDENAS: So, moved.

4 MS. SHIPLEY: Second.

5 MR. DIETZ: It has been moved and seconded. Is
6 there any public comment?

7 (No response.)

8 MR. DIETZ: Hearing none, all in favor.

9 (A chorus of ayes.)

10 MR. DIETZ: The minutes are approved.

11 Tab item 2, the presentation, discussion and
12 possible approval of amended and restated policies for the
13 Texas Housing Impact Fund.

14 MR. DANENFELZER: Good morning. David
15 Danenfelzer, Senior Director of Development Finance.

16 We're bringing this back from last month. We
17 did have it on the Board agenda last month, and as you
18 know, we tabled that for a couple of reasons. One in
19 particular was that we had received some other additional
20 comments from our new general counsel which we really felt
21 needed to be integrated and we wanted to do it just one
22 time. And so, the writeup is a little bit different from
23 last month because there are some additional changes to
24 the policies that we've gone over, and the Loan Committee
25 did review all of these yesterday during the meeting and

1 ultimately approved them for presentation to the Board
2 today.

3 A couple of things that I'll highlight that
4 were changes that are really great additions, I think, is
5 we did do some clarifications specifically to Sections 12
6 of the program management and how loans are structured.
7 In particular, we added sections, as we had previously,
8 about the new pre-development loan program, but we also
9 clarified that this was between revolving lines of credit
10 and construction loans that are for multifamily housing.
11 This, I think, was a great improvement that our general
12 counsel caught and helped us kind of clarify in the
13 program policies moving forward.

14 Additionally, we clarified language on
15 environmental thresholds, financial strength of our
16 applicants to make sure that it's kind of up to date,
17 using more current terminology. And finally, one thing
18 I'd note is that the retainage language in Section 16(b),
19 while this is very small minutiae, our policies did not
20 meet the current statute and so counsel helped us update
21 it and make sure that the language we are using meets the
22 statutory requirement now for retainage of loans and how
23 liens are recorded or released.

24 With that, I'll leave it open for questions.

25 MR. DIETZ: Questions or comments? So

1 substantively, other than the things you just pointed out,
2 there's not much that's changed?

3 MR. DANENFELZER: The greatest substance is the
4 addition of the pre-development loan program which is
5 something we hadn't clearly been able to do in the past,
6 and so with the new funding that David Long mentioned in
7 his president's report, we'll be utilizing that for pre-
8 development activities and then we kind of created a new
9 section of what's eligible, how to make payments on those
10 loans and how we'll collect those loans. That was just
11 some good work to expand the abilities of the program.
12 But the rest are mainly clarifications.

13 MR. DIETZ: So before now that all would have
14 been taking place prior to our involvement, all the pre-
15 development stuff?

16 MR. DANENFELZER: The pre-development stuff
17 would have happened before we got into the fray with
18 funding, but this new financing opportunity that we've
19 been provided by Austin Communities Foundation allows us
20 some very secure, very safe monies that we can go out and
21 hopefully impact the startup of several new projects in
22 the Austin market, and if it's successful, we might be
23 able to attract additional funders down the road to expand
24 the program beyond the Austin area.

25 MR. DIETZ: Other questions?

1 MS. SHIPLEY: What exactly is considered pre-
2 development versus construction?

3 MR. DANENFELZER: That's a great question.
4 Oftentimes the pre-development expenses are paid for by
5 permanent financing or construction loans, but there are a
6 number of tasks that smaller nonprofits struggle to meet
7 such as architectural fees, getting an architect engaged
8 in doing some conceptual drawings in order to then apply
9 for permanent financing or construction loans. It also
10 can involve environmental studies of land, it can be
11 marketing studies that are often used for applications for
12 federal and state financing, and so this is the type of
13 thing that we're going to be able to do.

14 One thing that has changed and makes it much
15 more feasible to target, particularly in the Austin
16 market, is that Austin has its own housing fund through a
17 general obligation bond that was issued a couple of years
18 ago, but they are providing forward commitments of that
19 money. Their committing the money but not allowing it to
20 be spent on pre-development, so it does make these a lot
21 more safe because we do know there's a takeout source for
22 our projects that we'd be financing, but oftentimes the
23 nonprofits still struggle to come up with \$50- to \$100,000
24 just to get all of that groundwork done and then close on
25 those permanent sources from the City of Austin. And so

1 that's where we're trying to fill that niche and bring
2 them up so that they can get through that process much
3 quicker and more efficiently.

4 MR. DIETZ: Okay. Great. So, is there any
5 public comment or any other further questions?

6 (No response.)

7 MR. DIETZ: Okay. Is there a motion?

8 MS. CARDENAS: Motion for approval as laid out.

9 MR. DIETZ: It's been moved.

10 MR. WILLIAMS: I'll second.

11 MR. DIETZ: It's been moved and seconded.

12 I'll ask again if there's any public comment.

13 (No response.)

14 MR. DIETZ: No. So, all in favor?

15 (A chorus of ayes.)

16 MR. DIETZ: Any opposed?

17 (No response.)

18 MR. DIETZ: Okay. Approval of the amended and
19 restated policies for the Texas Housing Impact Fund is
20 passed.

21 Tab item number 3, presentation, discussion and
22 possible approval of a resolution regarding the submission
23 of one or more applications for allocation of private
24 activity bonds, notices of intention to issue bonds and
25 state bond applications to the Texas Bond Review Board and

1 declaration of expectation to reimburse expenditures with
2 proceeds of future debt for the La Plaza Apartments
3 project.

4 MR. DANENFELZER: Good morning. Again, David
5 Danenfelzer, Senior Director of Development Finance, and
6 I'm joined by the Developer, Ken Cash.

7 The project before us is being developed by
8 StoneArch Development, located here in Texas, and has been
9 working throughout Texas and other states for many years.

10 The project is called La Plaza Apartments and is located
11 in Houston, Texas and it's 534 units. The property was
12 built in 1970 and is, as you can imagine, in dire need of
13 rehab. The project that we're proposing or that Mr. Cash
14 is proposing is a pretty straightforward bond development
15 deal. The project qualifies, though, for disaster relief
16 funding through Harris County's CDBG program, or Community
17 Development Block Grant program, disaster relief funds
18 that have been provided to the county and city through the
19 federal government and through Harvey Relief.

20 And so the total amount of the financing will
21 be a little bit different in the sense that we'll have tax
22 credits coming in, we'll have the bonds, and then they'll
23 be purchased out by mainly what's called a 221(d)(4) FHA
24 insured mortgage, and then also approximately \$25 million
25 in the disaster relief funds.

1 The project itself, its location in Houston, is
2 kind of a unique area that has attracted immigrants from
3 several parts around the world and has been one of the
4 most densely populated areas of the Houston market for
5 many years. It's evolution over the years it was very
6 interesting to read about and kind of learn because of the
7 vast number of different immigrant groups, primarily from
8 South and Central America but from other parts of the
9 world as well, and so it has an interesting mix of both
10 high density housing but also is predominantly populated
11 by mom-and-pop shops. It's something that from my
12 understanding of urban planning and renewal and stuff like
13 that, it's more similar to neighborhoods in Chicago, New
14 York and even Los Angeles than it would be in most Texas
15 communities. So, it really is kind of an interesting
16 project for us to be involved in and look at the
17 redevelopment of the Gulfton neighborhood area of Houston.

18 Again, one of the things that I want to make
19 clear for you is that we are only asking for your
20 authority right now through this resolution to move
21 forward with investigating the project, developing bond
22 documents, and then submitting reservations for the bonds
23 to the Texas Bond Review Board. This is not a final
24 approval. We will take several months to look at this
25 project, we will do public hearings in the community, and

1 we will come back to you at some point, probably six to
2 nine months from now is what we're anticipating, with a
3 final approval for this project, so that we can bring it
4 and close it at that time.

5 One of the reasons we're looking at a little
6 bit maybe longer timeline than normal, the six to nine
7 months closing, is that the disaster relief program will
8 take several months to get approvals and so I don't want
9 to touch base on that too much but we know that that will
10 have to go through the federal review process and that may
11 take some additional time for this project.

12 With that, I'll go ahead and close my comments
13 and invite Mr. Cash to introduce himself and provide you a
14 little bit of background about StoneArch Development.

15 MR. CASH: Hi. My name is Ken Cash. I'm with
16 StoneArch Development in Houston, and we've been
17 developing affordable housing as a company since 2005 and
18 for ten years prior to that I worked for other affordable
19 housing and market rate developers, really since 1990 here
20 in Houston.

21 And I became familiar with the City of Houston
22 and Harris County's Harvey Relief program about a year ago
23 and I've been researching the market for the last year and
24 going back and forth with several different property
25 owners, and this particular property is right in the

1 center of the City of Houston's area that they've selected
2 for what they call a Complete Community Zone and so
3 they're trying to encourage some redevelopment activity in
4 these locations by providing the disaster relief funds.

5 Part of this is to provide housing in areas
6 either for new construction that can be built up higher
7 and less likely to flood, or in this particular property,
8 it's actually out of the flood zone, it's up about several
9 inches, if not close to a foot higher in elevation than a
10 lot of the other properties in that area so it's not prone
11 to flooding but it is very dated. We'll be replacing
12 pretty much everything you can see from the sheetrock out
13 inside of the property and on the outside we'll be
14 completely replacing all the doors, the windows, the
15 roofing, the trim, the gutters, the landscaping, probably
16 quite a bit of the sidewalks. I walked through the
17 property recently when it was raining, it doesn't have
18 good drainage, so we'll be redoing a lot of the civil
19 infrastructure. Over the years the trees just tear up the
20 sidewalks, so it's got really nice trees and everything
21 but it's really torn up the sidewalks, and in addition to
22 that, the underground plumbing lines, the drain lines and
23 the water lines are starting to get some damage as well.

24 So I'm not going to call it a major renovation
25 just because that could bring on some additional issues,

1 we're not going down necessarily to the studs, but we're
2 taking off everything on the outside and the inside, so it
3 will be new cabinets, new flooring, new appliances, new
4 lighting. And we'll improve the entire community and
5 provide additional services, all the playgrounds, the
6 courtyards, we'll be completely redoing the community
7 center and the pool area, the parking lot, all the
8 striping and the access control, we'll be redoing the
9 steel gates, we'll be repairing a lot of that and redoing
10 the landscaping.

11 And so, we hope to set sort of a new trend for
12 that area by -- we'll be maintaining pretty much similar
13 rents, maybe slightly higher in some cases, slightly lower
14 because of the different rent requirements from the City
15 of Houston. And so, the people that are living there will
16 benefit from pretty much new everything and their rents
17 will stay pretty much the same. Again, it adjusts, there
18 will be some 30 percent units, there will be some 50
19 percent units, 60 percent and then actually 80 percent and
20 then maybe 5 percent of the property will be marketed as
21 market rate, but that's probably closer to 60 or 80
22 percent level in that area.

23 So, the property was built in 1970 so they have
24 done some upgrades along the way but not much. I mean, if
25 you look at the inside of the property, the cabinets look

1 to be the original cabinets, the appliances almost look
2 like they're the original appliances, they're not. So
3 there's a lot of work that needs to be done and we just
4 know that this is a location that the City of Houston is
5 really promoting and the finance people, the banks and so
6 forth that typically participate in these type of projects
7 are really focused on this location.

8 It's within a mile or so of the Houston
9 Galleria so if you're familiar with Houston right there,
10 it's close to the intersection of 610 and 59 South. On
11 one side is the Galleria and on the other side is the
12 Gulfton and this is pretty much right in the center of the
13 Gulfton community and it's kind of higher elevated, so it
14 hasn't flooded, it hasn't had issues with flooding. Some
15 of the other properties in that general vicinity have and
16 this one hasn't. That's one of the reasons why we're
17 targeting this property. It's a large project, it's 534
18 units which would be very difficult to do new construction
19 these days, to find a property like that in that location
20 and then get qualified.

21 Some of the complaints I've received in the
22 past for doing these type of tax credit projects,
23 sometimes the community members feel like by creating new
24 apartment units maybe we will create additional demand for
25 the schools and by renovating the existing apartment

1 project that's already there, we don't feel like we're
2 creating any issues in that regards, we're not providing a
3 whole bunch of new students for the schools, we're not
4 creating additional traffic for the streets, and we know
5 that the city is promoting this location, so everyone
6 we've spoken to so far we feel like has been in support
7 and we don't have any reason to believe that there would
8 be any opposition for that reason. So, we just think this
9 is a good location and the property is definitely a good
10 candidate in need of, I would say, redevelopment and
11 renovation.

12 MR. DIETZ: Is it currently just like a market
13 rate?

14 MR. CASH: It's currently market rate, yeah.

15 MR. DANENFELZER: And this does fall under our
16 sort of acquisition and renovation or rehabilitation of
17 affordable. While it is market rate and there are no
18 limitations on the rents, the rents currently in the
19 property are quite affordable but there is significant
20 pressure within that market of developers who are
21 purchasing up lower cost rent units, converting them,
22 doing rehabs, but then moving to a full market rent so
23 increasing the rents significantly. Which is exactly one
24 of the reasons we amended our policies last year to allow
25 for these types of projects.

1 It is something that groups here in Austin and
2 Dallas and Houston and all of the major metro areas have
3 been commenting to us is that there are a number of
4 sometimes called a naturally affordable units that are
5 being lost because of rehab. It's something that we see
6 just about everywhere in every market. So being able to
7 capture this and then put on it a 30-year affordable
8 rental rates that really diverse -- I mean, we're talking,
9 as Mr. Cash mentioned from 30 in striations by 10 percent
10 all the way up to 80 percent area median income, so it's a
11 great mix of affordability that we're going to be able to
12 lock in for this community long term.

13 In my analysis, as well, there's not a lot,
14 there were only four other projects within a two-mile
15 radius of this project that have subsidized rents, which
16 considering this being the most densely populated area of
17 Houston was quite surprising to me, but it also is
18 reflected in the fact that the Galleria is one mile north
19 and it's a booming, growing area. It's not an area that
20 has traditionally been targeted by affordable housing
21 developers over the years.

22 MS. CARDENAS: So, the project itself is
23 occupied right now at market rents?

24 MR. CASH: Yes.

25 MS. CARDENAS: So those individuals, I guess

1 there will be a timing requirement once you acquire it
2 because they'll be displaced because they'll no longer
3 qualify based on the parameters that are noted in here?

4 MR. DANENFELZER: It is likely that some of
5 them will be displaced. The tax credit program as well as
6 the bonds, do have retention policies and relocation
7 policies, and so each of the tenants will have to be
8 interviewed and reviewed whether or not they qualify for
9 new units. Mr. Cash is probably a lot more experienced
10 with how that process works, but there are requirements to
11 those programs for ensuring that as many of the tenants
12 who are in place right now that could qualify are given
13 the chance to move back immediately. But this is a very
14 significant rehab so we don't know how many will be able
15 to stay in place at this time.

16 MR. CASH: We're expecting a large majority of
17 the people that live there to continue to live there. Our
18 goal is to do one building or one section of a building at
19 a time and then those people will be relocated to another
20 part of the building while we finish the construction.
21 There is some vacancy right now and prior to construction
22 we're going to try to vacate one building and then that
23 will be the first building that we do, and then we'll move
24 people there and then we'll do the next building.

25 So we anticipate a large majority, I would say

1 probably 90 percent of the property will be able to
2 continue to live there because even though it's a market
3 rate property now, with all the different rent and income
4 levels that we're allowing, pretty much everyone will be
5 able to qualify. And the only question would be if maybe
6 they had difficulty, I don't know, with their background
7 of some sort, maybe their credit. I don't know. There
8 could be some legal reasons the property managers may have
9 with a certain individual, but as a general rule, we're
10 hoping to maintain as many people that are currently
11 living there as possible. We know that when you do a
12 complete renovation like this, it's going to take us some
13 period of time. It's not as time-consuming as new
14 construction, obviously but we're hoping to just move
15 people from one building to another. That's our goal.

16 MR. DANENFELZER: And there will be a fund
17 within the budget for relocation assistance to all of the
18 families, whether it's moving from one building to another
19 or even for them to move out to different properties.
20 That's, again, a requirement of the tax credit and bond
21 programs. That budget has not been set yet, but at the
22 same time, there will have to be a reserve fund for
23 relocation assistance.

24 MR. CASH: And that's a big issue that the City
25 of Houston participates in as well. One of the reasons

1 why it's going to take so long to close this project is
2 because the City of Houston takes a lot of time and they
3 get involved in all of these details from when they're
4 awarding the soft funds from the Harvey -- not on other
5 projects -- but since they would be involved, they have a
6 whole list of, you know, requirements they have for
7 relocation, and I'm not 100 percent familiar with all of
8 them myself right now but I plan to become more and more
9 involved prior to us actually moving people.

10 But the City of Houston has a lot of different
11 things that they're going to be looking over our shoulder
12 on and being involved with. The people working on the
13 project have to be paid a minimum wage of \$15 an hour and
14 they're going to have to be provided with benefits like
15 insurance and training and other things that wouldn't
16 normally be required on a typical construction project.
17 And it's something that I've participated with in the past
18 on other projects so I'm familiar with it, but this is
19 just a whole other level.

20 They have a lot of goals that they're trying to
21 accomplish with this funding that they're in charge of,
22 and part of it to provide opportunities for people that
23 currently live in Houston in the reconstruction and
24 renovation portion of the project, and so we plan to
25 participate in all of that. And you know, we'll be hiring

1 contractors that are certified as Section 3 and I believe
2 30 percent have got to be certified as WMBEs certified
3 with the City of Houston. And those are just a few
4 additional requirements that we have by receiving the
5 money from the City of Houston as well.

6 MS. CARDENAS: I'm saying that was really where
7 I started off with my question, so it sounds like the City
8 of Houston has really got it down to a science, because
9 although we always want to try and do something good for
10 the community, you have to ensure that there's no negative
11 publicity, and so that was my concern with, you know,
12 you've got people at market rents. It's an existing
13 project, right, that's being occupied, so I think you all
14 have clarified the transitional methods that are going to
15 go on. The fact that they're going to have a subsidy for
16 them relocating and so forth. So that was really what I
17 was kind of focused on there.

18 MS. SHIPLEY: I was going to ask if you have a
19 time frame or a schedule for the whole project, beginning
20 to end, including all the relocation.

21 MR. CASH: It's two years, but as far as a
22 detailed schedule right now?

23 MR. DANENFELZER: Until we lock in on the date
24 of closing and the financing, we won't have a start date,
25 but typically these projects will take two years from

1 closing on the bonds and all the other financing until the
2 first move-in can begin. If it's any shorter, then it
3 will be done but oftentimes -- or I shouldn't say first
4 move-in but in this case where it's going to be phased
5 construction, but once all the construction is complete
6 with sort of final occupancy certificates are issued,
7 about two years.

8 MR. CASH: And we've got six months until we
9 can start moving people around and then by the end of two
10 years, we should be complete with the whole project.

11 MS. SHIPLEY: Do you have any idea of how long
12 people would be displaced? Or maybe I'm not understanding
13 how the relocation works. Are they moving out and goodbye
14 or are they moving out and then coming back?

15 MR. CASH: If they decide to move then I
16 believe the City of Houston will probably require that
17 they be compensated somehow. Otherwise, we set up a
18 budget of somewhere around \$500 per unit to move them.
19 Now, whether we're still going to have to follow all the
20 procedures of the City of Houston, whatever that may be,
21 but we really are just anticipating they would move from
22 one unit to another and they should get movers or unless
23 they were able to do it themselves and save the money or
24 something like that. It shouldn't really displace
25 anybody; they're just going to move from one building to

1 another.

2 MS. SHIPLEY: Okay.

3 MS. SHIPLEY: I was curious, I guess the
4 overall budget as like 80-something million, and if the
5 displacement or relocation fees were included in that
6 budget or not, and if it was dependent on how long they
7 were gone.

8 MR. DANENFELZER: There's averages that the
9 state housing department required for whether it's per
10 person or per family that's moved, but again that is the
11 total budget and it is included in the cost for the
12 project right now. And again, these are preliminary
13 numbers, so they'll refine them as they go through, but at
14 the same time, this is a pretty good starting point for us
15 based on our understanding of construction costs and the
16 market for Houston.

17 MR. DIETZ: And I think you mentioned earlier
18 that you'll have some sort of community feedback, that
19 sort of thing, and then when we come back for a final
20 approval, we'll be aware of all the metrics that you pick
21 up from that.

22 MR. DANENFELZER: Absolutely. We will do a
23 public hearing in this location or nearby, probably
24 usually it's in one of the public libraries or schools in
25 the community, and then we'll come back and we'll have the

1 testimony from that that has been collected, as well as
2 we'll hold a second hearing here in Austin which is the
3 federal requirement. We'll enter all that information
4 into the record at that time.

5 MR. DIETZ: And that hearing would be an
6 opportunity for any residents, current residents to come
7 and speak.

8 MR. DANENFELZER: Absolutely. They'll be
9 notified as well that the hearing is occurring and that
10 they're welcome to come and visit. We usually do those in
11 the evenings after work so that people have time to settle
12 in a little bit, get to the hearing, not have to rush too
13 much.

14 MR. WILLIAMS: I have a couple of questions.
15 Do you guys build and own or are you guys going to do the
16 value-add and trade this?

17 MR. CASH: We'll have to hold it for 15 years
18 minimum, but we're probably going to commit to a 40-year
19 affordability period, which another item that you can
20 receive points for from the City of Houston, but we will
21 hold like a typical tax credit project.

22 MR. WILLIAMS: And you guys are vertically
23 integrated with an asset manager owner or are you going to
24 third party that?

25 MR. CASH: It will be a third party. Allied

1 Orion is the property manager that we're currently working
2 with. They're probably the biggest affordable housing
3 property management company in Houston.

4 MR. DANENFELZER: And oftentimes the asset
5 management piece of often managed by the tax credit
6 investor or a party that they bring in. So, while
7 sometimes you see owner-operators have an asset management
8 arm and they may do some of those functions internally,
9 there's always a third-party asset manager that's hired by
10 the tax credit equity provider.

11 MR. WILLIAMS: Well, that's the most credit
12 required on the tax credit, the management. And you guys
13 have worked with them before on a big project?

14 MR. CASH: Yeah.

15 MR. WILLIAMS: And then I see the budget is 34-
16 a unit for the rehab, 34,000?

17 MR. CASH: I think if you add in together all -
18 -

19 MR. WILLIAMS: The contingency is about 40-?

20 MR. DANENFELZER: It's about 43- to 44,000 with
21 all contingencies and additional costs, site work. But
22 you're right, just for the sticks and bricks piece for the
23 buildings is around 34,400 right now in the budget that I
24 received.

25 MR. WILLIAMS: I mean, it's a good project,

1 especially with 364 units being at 60 percent and then
2 under, because I'm familiar with Houston, it's a high
3 opportunity area. And you guys have the ability to
4 execute and the 4 percent bond requires at least 40- on
5 the rehab, so it's a great project.

6 Are we charging an application fee? And if
7 not, what's going to be our pursuit cost?

8 Because you have it under contract right, you
9 don't own the asset. Right?

10 MR. CASH: Correct.

11 MR. WILLIAMS: You don't have a resolution of
12 support from the city yet, but you have good faith.

13 MR. CASH: Right.

14 MR. WILLIAMS: So, what is our pursuit cost on
15 getting the letters out? What are we going to have out?

16 MR. DANENFELZER: So, we do collect an
17 application fee, it's \$1,500, and that's just for my time
18 and to review the application and bring it to y'all. Then
19 over the next several months there will be some additional
20 fees that the developer or a party will have to pay.
21 After today, if this is approved, there's an inducement
22 fee of \$7,500 which helps us cover the cost of the public
23 hearings as well as preparation of the reservation
24 application to the Bond Review Board. There's deposits,
25 as well, that will be due for our municipal advisor,

1 issuer counsel and bond counsel, and that totals \$30,000.

2 And most of the work between now and then will be bond
3 counsel and our third-party professionals.

4 It really doesn't take me that long to set up a
5 hearing, a couple of hours on the phone finding a location
6 and then actually doing it, but we'll continue to review
7 it timewise. And then once the deal closes then there are
8 closing fees and other fees that will collect for both our
9 asset management oversight compliance as well as our
10 standard issuer fee, which is ten basis points on the bond
11 amount, until the bonds are paid off.

12 MR. WILLIAMS: It's a good project. That's the
13 kind of stuff I think we should be doing, those value-
14 added projects. There's not a lot of tax credit guys that
15 actually execute that, so it's good.

16 MR. CASH: I've been trying for the last year
17 and it's easier said than done.

18 MR. WILLIAMS: Is the seller staying in the
19 deal with you guys, or are you guys buying him out clean?

20 MR. CASH: No. They're being bought out. But
21 a lot of people who own these type of properties don't
22 want to deal with tax credits and the tax-exempt bonds,
23 they sell these amongst themselves all the time and it's a
24 much quicker turnaround. So, to find somebody that owns a
25 property like this that's willing to go through the

1 gauntlet of the City of Houston and everybody else
2 involved is not always simple.

3 MR. WILLIAMS: It's a good project.

4 MR. DIETZ: Any other questions, comments?

5 (No response.)

6 MR. DIETZ: Well, I guess we need a motion for
7 the resolution. A motion?

8 MS. CARDENAS: So, moved.

9 MR. WILLIAMS: I'll second.

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

12 (No response.)

13 MR. DIETZ: Okay. Hearing none, all in favor?

14 (A chorus of ayes.)

15 MR. DIETZ: Any opposed?

16 (No response.)

17 MR. DIETZ: Okay. It is approved, the
18 resolution regarding the submission of the private
19 activity bonds.

20 MR. DANENFELZER: Thank you very much.

21 MR. CASH: Thank you.

22 MR. DIETZ: Good luck as you move forward.

23 Tab item 4 is the presentation, discussion and
24 possible approval to publish for public comment the Texas
25 Foundations Fund Draft 2020 Guidelines.

1 MR. WILT: Good morning, Chairman Dietz and
2 Board members. I'm Michael Wilt, Senior Manager of
3 External Relations here at the Texas State Affordable
4 Housing Corporation, presenting this tab item which is an
5 action item asking you to approve publishing the 2020
6 Texas Foundations Fund Draft Guidelines for public
7 comment.

8 With your approval, the public comment period
9 will begin tomorrow, February 13, and close on Monday,
10 March 16. We will review any public comment that we
11 receive and bring the final guidelines back to you for
12 approval at the April Board meeting.

13 Last month we did conduct a survey for our
14 Texas Foundations Fund Program. We sent it out to
15 hundreds of people with nonprofits, past grantees, past
16 people who had applied and weren't awarded grants, we sent
17 it to as many people as we could who might have an
18 interest in the program. And we were encouraged by the
19 results because no major changes were needed based upon
20 the comments. Of course, everybody is asking for more
21 money, and some people just weren't familiar with the
22 program to begin with.

23 So, to that end, the guidelines that you have
24 in front of you reflect the matching grant structure that
25 we've been using for our program since 2016, or the past

1 two cycles, the 2016-2018 cycle and then our 2019-2020
2 cycle. Under this structure we select partners every two
3 years and all of these selected partners are eligible for
4 matching grants to supplement the public and private funds
5 that they've raised to support their programs.

6 The programs eligible for matching funds remain
7 the same: critical repairs of single-family homes, owner-
8 occupied homes, and supportive housing services that help
9 families and individuals who are at risk of homelessness
10 or in unnecessary institutionalization. All of our
11 households that we serve it either has to be in a rural
12 area or somebody with a disability, and everybody has to
13 be low income, below 50 percent median income.

14 We have the threshold criteria for the
15 partners, you can see those on page 2. We did make a
16 couple of minor changes to the guidelines because we're
17 rolling out a new grant management system. Our old one is
18 working okay but internally we didn't like it and so we
19 changed. This change is basically you have to pass an
20 eligibility quiz before you can apply for a grant and
21 awarded grantees are allowed the options of requesting
22 funds within that grant management system. Aside from
23 that, we updated the dates and everything else looks the
24 same.

25 Happy to take any questions.

1 MS. CARDENAS: What is the average amount for
2 the grantee with respect to a nonprofit or whoever it
3 might be, just as an example?

4 MR. WILT: Well, it depends on how much the
5 Board allocates and how many partners we have, but most
6 recently we had \$500,000 divided among 24 partners, so
7 what was that, 20-something? I should know this.

8 MS. CARDENAS: That's fine.

9 MR. LONG: It's dependent on how many
10 applicants we get against how much money the Board
11 provides us and how many other funds we have available to
12 it. That was the most recent award the Board made in that
13 budget.

14 MS. CARDENAS: Right, and it was really just to
15 see how much it was going to stretch out, but I know it
16 depends on the number of applications coming in. So, I was
17 just wanting to get an idea.

18 MR. WILT: Twenty-one thousand, and that's
19 pretty high, for the current one.

20 MS. CARDENAS: Right.

21 MR. WILT: And that's been on the high side, so
22 obviously, the Corporation has been able to provide more
23 in funding as the years have gone on.

24 MR. LONG: And this program has been around
25 since 2008. Correct? Since 2008. And the Board has

1 authorized this over the years and I have to say it's one
2 of my favorite programs we offer in that it's grant, and
3 it really is, we try and keep the overhead in terms of
4 what's required of the applicants to a minimum so they can
5 just do their job, and we've awarded over \$3 million,
6 thanks to the Board's generosity, in making these funds
7 available. So I think for the Corporation to say that
8 we've assisted with over \$3 million in grant funds just of
9 our own resources, which is typically where these monies
10 come, is really a testament to this Corporation and the
11 Board's commitment to affordable housing, and I really do
12 like this program a ton.

13 So, we'll continue to keep asking the Board for
14 money in each budget cycle just because we think it's
15 something that's really valuable for us to be able to
16 offer, control and dictate the use of the funds. We have
17 total control because they're our monies and we don't have
18 to over-restrict them if we don't want to. So, it just
19 goes directly to creating and preserving affordable
20 housing and helping those people in the most need, so it's
21 a great program.

22 MS. CARDENAS: You mentioned \$3 million.

23 MR. LONG: Since inception.

24 MS. CARDENAS: Since inception. Okay. So,
25 it's been around \$500,000 per cycle?

1 MR. WILT: No.

2 MR. LONG: No. It started off much smaller,
3 but we've grown it over time. Yes, ma'am.

4 MS. CARDENAS: Okay. And the objective is to
5 continue to increase this.

6 MR. LONG: Right.

7 MS. SHIPLEY: So, what exactly changed from the
8 2020? Was it just feedback from the surveys?

9 MR. WILT: Well, nothing substantial changed.
10 We updated dates and then to reflect the fact that we have
11 a new grant management system we made applicants take an
12 eligibility quiz a requirement before they could apply,
13 and then there's just the option now to request a grant
14 within our grant management system as opposed to us
15 setting up something online for them to do it. We just
16 had to get that in, nothing substantive changed.

17 MS. SHIPLEY: Okay.

18 MR. DIETZ: Any other questions?

19 (No response.)

20 MR. DIETZ: All right. Is there a motion?

21 MS. CARDENAS: Motion for approval.

22 MS. SHIPLEY: I'll second.

23 MR. DIETZ: It's been moved and seconded that
24 we approve the Texas State Affordable Housing
25 Corporation's Texas Foundations Fund Draft 2020

1 Guidelines.

2 Any public comment?

3 (No response.)

4 MR. DIETZ: All in favor?

5 (A chorus of ayes.)

6 MR. DIETZ: Any opposed?

7 (No response.)

8 MR. DIETZ: Okay. It is approved. Thank you
9 very much.

10 The next tab item is the presentation and
11 discussion and possible approval of the Texas State
12 Affordable Housing Corporation's 2020 Annual Action Plan.

13 MR. WILT: Good morning. I'm Michael Wilt
14 again, Senior Manager of External Relations, here to
15 present the Corporations Draft 2020 Annual Action Plan and
16 ask for Board approval.

17 In December you approved the draft plan for
18 publication and allowed us to make it available for public
19 comment from December 19 through January 20. We didn't
20 receive any public comment on the draft plan.

21 The only change we made since that time is on
22 page 7 and that's to update the numbers within
23 homeownership activity. So, in the 2019 Homeownership
24 program activity synopsis, you'll see that the number of
25 families that we've assisted is now the most accurate

1 number we have to date. We can't include an accurate
2 number in the draft form because we don't know that until
3 much later.

4 As a reminder, this plan is prepared in
5 accordance with Texas Government Code Section 2306.566.
6 It requires us to develop a plan to address the state's
7 housing needs. Our annual action plan must be included in
8 the State Low Income Housing Plan prepared by the Texas
9 Department of Housing and Community Affairs. After the
10 Board approves it, we'll be sending it over to them and it
11 gets included in that State Low Income Housing Plan, and
12 then that gets sent over to the Governor, Lieutenant
13 Governor and Speaker.

14 With that, I will take any questions.

15 MR. DIETZ: Questions, comments?

16 MS. CARDENAS: The only comment I have is, I
17 guess, we helped 50 more families in 2019 from 2018. That
18 just seems like a small amount, just with all the programs
19 that we offer.

20 MR. WILT: Well, I mean, if you add the 2016
21 and 2017 numbers in front of you, your mind would be
22 blown, I think. We made some major changes in the past
23 and then our numbers exploded and now they're kind of
24 flatlined. I don't know what we can do next. I imagine
25 you'll see them kind of stay like this.

1 MS. CARDENAS: Regardless of that it's going
2 up, I just know we have a lot of great programs and so I
3 just kind of saw it as like 50 families divided over 12
4 months with all the activities that y'all do it just
5 seemed kind of low.

6 MR. WILT: That's just for homeownership,
7 though.

8 MS. CARDENAS: Okay.

9 MR. LONG: Just the homeownership program.

10 MS. CARDENAS: Okay. Well, you set the bar
11 high if we're going to look at vacancies next year, we're
12 going to expect it. That was the only comment I had.

13 MR. WILT: I'll try to break 10,000, I'm just
14 setting a goal for somebody.

15 (General laughter.)

16 MR. DIETZ: And this is the actual approval of
17 the plan. Right?

18 MR. WILT: Yes.

19 MR. DIETZ: Is there a motion?

20 MS. CARDENAS: Motion for approval.

21 MR. WILLIAMS: I'll second.

22 MR. DIETZ: It's been moved and seconded.

23 Is there any public comment?

24 (No response.)

25 MR. DIETZ: All in favor?

1 (A chorus of ayes.)

2 MR. DIETZ: Any opposed?

3 (No response.)

4 MR. DIETZ: The 2020 Annual Action Plan is
5 approved.

6 MR. WILT: Thank you.

7 MR. DIETZ: Next is tab item 6, presentation,
8 discussion and possible approval of the request for
9 proposals for the Corporation's financial audit.

10 MS. SMITH: Good morning. My name is Melinda
11 Smith. I'm the chief financial officer.

12 As you may recall, we just completed our
13 financial audit for 2019, and historically, we have issued
14 an RFP for audit services every three years, and 2019 was
15 the last year on our contract with Maxwell, Locke and
16 Ritter. So, we're requesting the Board's approval for us
17 to issue a new RFP for audit services for the next three
18 years.

19 MR. DIETZ: So, as a reminder, we have an
20 annual audit and we hire a firm and contract with the
21 accounting firm for a three-year period, so three audits
22 per contract term.

23 MR. LONG: Correct.

24 MR. DIETZ: Any questions?

25 (No response.)

1 MR. DIETZ: Is there a motion?

2 MS. CARDENAS: Motion for approval.

3 MS. SHIPLEY: I second.

4 MR. DIETZ: Any public comment?

5 (No response.)

6 MR. DIETZ: All in favor?

7 (A chorus of ayes.)

8 MR. DIETZ: Any opposed?

9 (No response.)

10 MR. DIETZ: Okay. The approval to move forward
11 with the request for proposals is approved.

12 MS. SMITH: Thank you.

13 I would like to add that this RFP is a little
14 different from the other ones because the auditors report
15 directly to the Board and the Audit Committee.

16 MR. DIETZ: Yes. That's a good clarification.

17 MS. SMITH: Thank you.

18 MR. DIETZ: Okay. Tab item 7 is review and
19 discussion and possible approval of the annual performance
20 review of the president of the Corporation and any related
21 actions. And for this tab item we will now move into
22 closed session per Texas Government Code 551.074,
23 personnel matters, and we're doing that at 11:26.

24 (Whereupon, at 11:26 a.m., the meeting was
25 recessed, to reconvene this same day, Wednesday, February

1 12, 2020, following conclusion of the executive session.)

2 MR. DIETZ: We are back in open session at
3 11:53.

4 No specific action was taken during closed
5 session. We did discuss the performance review of the
6 president of the organization.

7 Is there a motion to make an adjustment in the
8 salary of the president of the organization commensurate
9 with the performance review?

10 MS. CARDENAS: So, moved.

11 MR. WILLIAMS: I'll second.

12 MR. Dietz: It's been moved and seconded. All
13 in favor?

14 (A chorus of ayes.)

15 MR. DIETZ: Any opposed?

16 (No response.)

17 MR. DIETZ: None. Any public comment?

18 (No response.)

19 MR. DIETZ: No public comment, so it is
20 approved.

21 Great. Any other conversation or questions?

22 MR. LONG: The only thing that I always like to
23 do is remind you that the next scheduled Board meeting is
24 scheduled for Wednesday, the 11th of March. Again, I
25 always tentatively save that date, it's what we have on

1 our Board calendar, but we also align that with whatever
2 activities we might have that would cause us to not -- if
3 we don't have enough activity, we won't bring the Board
4 in, but I think we're actually set to have a Board meeting
5 in March because we do have things we need to bring to
6 you.

7 MR. DIETZ: I can't attend on the 11th.

8 MR. LONG: And that's a tentative date. If the
9 Board wants to change it, we just pick the second
10 Wednesday of every month, but if the Board wants to move
11 it to the third or whatever, we're happy to do that.
12 That's up to you guys.

13 MS. SHIPLEY: And that's not the best day for
14 me either.

15 MR. LONG: Would you like us to have Rebecca
16 send out like an email just asking what dates are
17 available and see if that works, and if there is a date
18 that works? Do you want to stay with a Wednesday, like
19 the third Wednesday of the month, or do you want to change
20 it?

21 MR. DIETZ: That's up to the 18th. Correct?

22 MR. LONG: Mr. Williams, does that work for
23 you, the 18th, do you know?

24 MR. WILLIAMS: I'm pretty flexible.

25 (General talking and laughter.)

1 MR. LONG: So why don't we do this, I will ask
2 Rebecca -- she's sitting right back there -- I'll have
3 Rebecca send out an email to the Board members so Ms. Rose
4 is available and make sure that she's available and we'll
5 figure out the date that works and we'll set it up that
6 way.

7 MR. DIETZ: Great.

8 MR. LONG: Thank you very much.

9 MR. DIETZ: Thank you.

10 All right. If there's no other business, then
11 we are adjourned at 11:56.

12 (Whereupon, at 11:56 a.m., the meeting was
13 adjourned.)

C E R T I F I C A T E

1
2
3 MEETING OF: TSAHC Board of Trustees

4 LOCATION: Austin, Texas

5 DATE: February 12, 2020

6 I do hereby certify that the foregoing pages,
7 numbers 1 through 47 47, inclusive, are the true,
8 accurate, and complete transcript prepared from the verbal
9 recording made by electronic recording by Nancy H. King
10 before the Texas State Affordable Housing Corporation.

11 DATE: February 19, 2020
12
13
14
15
16
17

18 _____
19 (Transcriber)

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25