

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD OF DIRECTORS MEETING

John H. Reagan Building  
Room JHR 140  
105 W. 15th Street  
Austin, Texas

April 28, 2016  
10:38 a.m.

MEMBERS:

J. PAUL OXER, Chair  
JUAN MUÑOZ, Vice-Chair  
LESLIE BINGHAM ESCAREÑO, Member  
T. TOLBERT CHISUM, Member  
TOM H. GANN, Member  
J.B. GOODWIN, Member

TIMOTHY K. IRVINE, Executive Director

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
CALL TO ORDER	6
ROLL CALL	
CERTIFICATION OF QUORUM	
ITEM 1: APPROVAL OF THE FOLLOWING ITEMS PRESENTED IN THE BOARD MATERIALS:	7
LEGAL	
a) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Avalon Apartments (HTC 91036 / CMTS 954)	
b) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning West Gate Apartments (HOME 535259 / CMTS 2702)	
c) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Bristol Court Apartments (HTC 94021 / CMTS 1218)	
d) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Sphinx at Delafield (HTC 04419 / BOND 04419B / CMTS 4057)	
e) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning North Athens (HOME 532340 / CMTS 2707)	
f) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Villa de Reposo B Encinal (HOME 530201 / CMTS 4002)	
g) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning North Oregon Apartments (HTC 91204 / CMTS 1016)	
ASSET MANAGEMENT	
h) Presentation, Discussion and Possible Action regarding Material Amendment to Housing Tax Credit Land Use Restriction Agreement ("LURA")	

## 97047 La Herencia Apartments Mercedes

- i) Presentation, Discussion and Possible Action regarding Ownership Transfer and Material Amendment to Housing Tax Credit Land Use Restriction Agreement ("LURA")

## 96026 Hollow Creek Apartments Conroe

## BOND FINANCE

- j) Presentation, Discussion, and Possible Action on Resolution 16-015 regarding the annual approval of the Department's Interest Rate Swap Policy
- k) Presentation, Discussion, and Possible Action on Resolution 16-016 regarding the annual approval of the Department's Investment Policy

## RULES

- l) Presentation, Discussion, and Possible Action proposing an amendment to 10 TAC Chapter 5 Community Affairs Programs, Subchapter A, General Provisions, §5.2, Definitions, and directing that it be published for public comment in the *Texas Register*
- m) Presentation, Discussion, and Possible Action proposing an amendment to 10 TAC Chapter 5 Community Affairs Programs, Subchapter A, General Provisions, §5.19, Income Eligibility, and directing that it be published for public comment in the *Texas Register*
- n) Presentation, Discussion, and Possible Action proposing amendments to 10 TAC Chapter 20 Single Family Programs Umbrella Rule, §20.15, Compliance and Monitoring, and 10 TAC Chapter 5, Community Affairs Programs, Subchapter L, Compliance and Monitoring, §5.2101, Purpose and Overview, and directing that they be published for public comment in the *Texas Register*

## CONSENT AGENDA REPORT ITEMS

- ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS: 7
- a) TDHCA Outreach Activities, April 2016

- b) Compliance Division Update
- c) Report on the Amended 2016 State of Texas Consolidated Plan: One Year Action Plan
- d) Executive Report of Multifamily Program Amendments, Extensions, and Ownership Transfers
- e) Report on the Department's 2nd Quarter Investment Report in accordance with the Public Funds Investment Act ("PFIA")
- f) Report on the Department's 2nd Quarter Investment Report relating to funds held under Bond Trust Indentures

## ACTION ITEMS

ITEM 3:	INTERNAL AUDIT	
	a) Report on the Meeting of the Audit Committee	39
	b) Internal Audit Report #16-002 "Real Estate Analysis Division"	39
	c) Internal Audit Report #16-007 "Implementation Status of Prior Audit Recommendations"	43
ITEM 4:	ASSET MANAGEMENT	
	Presentation, Discussion and Possible Action regarding Material Amendments to Housing Tax Credit/HOME Applications	
	15063 Palladium Van Alstyne Senior Living Van Alstyne	44
	15086 The Reserves at Preston Trails Wolfforth	52
ITEM 5:	COMPLIANCE	56
	Presentation, Discussion, and Possible Action regarding an appeal of disallowed costs under the HOME program for Ebenz Inc.	
ITEM 6:	COMMUNITY AFFAIRS	73
	Presentation, Discussion, and Possible Action on the Award of contracts to administer the U.S. Department of Energy ("DOE") and Low Income Home Energy Assistance Program ("LIHEAP") Weatherization Assistance Program ("WAP") to Greater East Texas Community Action Program to provide services in Harrison, Jasper, Newton, Panola, Sabine,	

San Augustine, Shelby, Tyler, and Upshur  
counties

ITEM 7:	MULTIFAMILY FINANCE	
a)	Presentation, Discussion, and Possible Action on Timely Filed Appeals and Waivers under the Department's Multifamily Program Rules	75
	16175 Crosby Meadows Apartments Crosby	
b)	Presentation, Discussion, and Possible Action on an Award of Direct Loan Funds from the 2016-1 Multifamily Direct Loan Notice of Funding Availability	81
	16500 Bluebonnet Studios Austin	
c)	Presentation, Discussion, and Possible Action on Determination Notices for Housing Tax Credits with another Issuer	
	16401 George W. Baines Apartments El Paso	7
	16402 Charles R. Morehead Apartments El Paso	11
	16404 Stallion Pointe Apartments Fort Worth	13
d)	Presentation, Discussion, and Possible Action Regarding the Issuance of Multifamily Housing Revenue Bonds (Garden City Apartments) Series 2016 Resolution No. 16-014 and Determination Notice of Housing Tax Credits	19
ITEM 8:	REPORTS	
a)	Report Regarding the Progress of Youth Count Texas!	28
b)	Report on 2017 Qualified Allocation Plan ("QAP") Project	84
	PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS	90
	EXECUTIVE SESSION	none
	ADJOURN	98

P R O C E E D I N G S

1  
2 MR. OXER: Good morning, everyone. I'd like to  
3 welcome you to the April 28 meeting of the Texas  
4 Department of Housing and Community Affairs Governing  
5 Board.

6 We'll begin with roll call, as we do, of  
7 course. Ms. Bingham?

8 MS. BINGHAM ESCAREÑO: Here.

9 MR. OXER: Mr. Chisum is not with us today.  
10 He's had an accident and is under the weather.

11 Mr. Gann?

12 MR. GANN: Here.

13 MR. OXER: Mr. Goodwin is not with us today.

14 MR. OXER: Dr. Muñoz?

15 DR. MUÑOZ: Ready to serve.

16 MR. OXER: The chair is here, that gives us  
17 four, we're in business today.

18 Tim, lead us in the pledges.

19 (Whereupon, the Pledge of Allegiance and the  
20 Texas Allegiance were recited.

21 MR. OXER: Any special mentions today, Tim?

22 MR. IRVINE: No, sir.

23 MR. OXER: All right. Let's get to work. With  
24 respect to the consent agenda, does any member wish to  
25 pull any item from the consent agenda?

1 (No response.)

2 MR. OXER: There being no requests, I'll  
3 entertain a motion to consider.

4 DR. MUÑOZ: So moved.

5 MR. OXER: Motion by Dr. Muñoz. Do I hear a  
6 second by Mr. Gann?

7 MR. GANN: Second.

8 MR. OXER: Okay. No requests for public  
9 comment. Motion by Dr. Muñoz, second by Mr. Gann to  
10 approve the consent agenda as presented. Those in favor?

11 (A chorus of ayes.)

12 MR. OXER: Opposed?

13 (No response.)

14 MR. OXER: There are none. It's unanimous.

15 MR. IRVINE: And I believe we have a request  
16 for item 8(a) to be taken up first on the action agenda.

17 MR. OXER: We have several requests for those.  
18 If you want to take 8(a) first, we certainly can do that.  
19 We'll need a couple of minutes on the screen.

20 MR. IRVINE: And I believe Teresa has an item.

21 MR. OXER: Yes, I have that.

22 Acting as I can as the chair, I'm going to  
23 exercise discretion on the order and we'll take Teresa  
24 first on Multifamily Finance.

25 MS. TERESA MORALES: Good morning. I'm

1 assuming we're starting with 7(c)?

2 MR. OXER: Correct.

3 MS. TERESA MORALES: Item 7(c) involves the  
4 issuance of determination notices for 4 percent housing  
5 tax credits for three applications that will have bonds  
6 issued by a local issuer. If it pleases the Board, I  
7 think it makes sense to handle these three applications  
8 one at a time.

9 MR. OXER: Okay.

10 MS. TERESA MORALES: The first application is  
11 George W. Baines which is an existing elderly preference  
12 development in El Paso, consisting of 58 units that are  
13 currently occupied and operating as public housing, owned  
14 and managed by the Housing Authority of the City of El  
15 Paso, or HACEP. The subject property, as well as the  
16 sister property that is also on the agenda, Charles R.  
17 Morehead Apartments, will be converted through HUD's  
18 rental assistance demonstration program, or the RAD  
19 program.

20 The applicant disclosed the presence of an  
21 environmental undesirable neighborhood characteristic.  
22 The environment site assessment provider did not recommend  
23 additional assessments or diligence that would need to be  
24 done, and in their professional opinion, the proximity of  
25 the facility -- which is approximately a quarter mile from



1 the site -- is not of environmental concern to the  
2 development.

3 The rule allows for consideration of acceptable  
4 mitigation regarding this characteristic based on the  
5 preservation of existing occupied affordable housing units  
6 that are subject to existing federal rent or income  
7 restrictions. Currently 100 percent of the units at  
8 George Baines are public housing units and thus meet this  
9 mitigation.

10 There are a number of conditions that staff  
11 recommends be placed on this award, and these conditions  
12 are the result of the previous participation review. The  
13 review revealed that the entities associated with this  
14 application, HACEP and Hunt Development, have a combined  
15 Category 4 designation under the Department's previous  
16 participation rule. Essentially, one's compliance history  
17 can be classified as a Category 1, 2, 3 or 4, with  
18 Category 4 being the most concerning. Under this category  
19 the rule states that applicants are notified of their  
20 designation, and if they wish to pursue the award, then  
21 they should be prepared to propose terms and conditions  
22 specific to their compliance history, along with  
23 identifying specific dates to correct uncorrected events  
24 to the Department's EARAC committee. EARAC may then  
25 accept, modify or reject the applicant's proposal.

1 EARAC met with the applicant and members of the  
2 development team on April 19. HACEP, Hunt, and Alden  
3 Torch, as the asset manager for Hunt, proposed specific  
4 conditions to be placed on the award, and after review and  
5 discussion, EARAC accepted and modified those conditions,  
6 which are listed in your Board writeup. All parties  
7 understand and agree that failure to meet these conditions  
8 and provide evidence of compliance with these conditions,  
9 upon request, may result in a negative recommendation for  
10 future awards and/or ownership transfer requests. And  
11 it's worth noting that HACEP and Hunt have four more  
12 applications that are currently under review by staff and  
13 they are scheduled to be brought before you next month.

14 MR. OXER: And these are all 4 percent  
15 applications?

16 MS. TERESA MORALES: Correct.

17 Staff recommends approval of a determination  
18 notice for George W. Baines in the amount of \$211,973 and  
19 subject to the list of conditions that's outlined in the  
20 Board writeup.

21 MR. OXER: Any questions from the Board?

22 (No response.)

23 MR. OXER: There was a RCRA of a 220-pound  
24 limitation on this. Do you have any idea what that  
25 material was, the hazardous material that was ostensibly

1 going to this location?

2 MS. TERESA MORALES: It was a Walmart.

3 MR. OXER: That could be pretty hazardous in a  
4 lot of conditions.

5 MS. TERESA MORALES: I'm assuming because of  
6 the auto shop.

7 MR. OXER: Okay. Any questions?

8 (No response.)

9 MR. OXER: All right. With regard to item  
10 7(c), application 16401, need a motion to consider.

11 MR. GANN: I so move with the conditions  
12 included.

13 MR. OXER: Okay. As presented by staff, motion  
14 by Mr. Gann to approve staff recommendation on 7(c),  
15 application 16401. Is there a second?

16 MS. BINGHAM ESCAREÑO: Second.

17 MR. OXER: Second by Ms. Bingham. No request  
18 for public comment. Those in favor?

19 (A chorus of ayes.)

20 MR. OXER: And opposed?

21 (No response.)

22 MR. OXER: There are none. It's unanimous.

23 MS. TERESA MORALES: The next application is  
24 the sister property to Baines, Charles R. Morehead, which  
25 is an existing general population development in El Paso,

1 consisting of 62 units located on twelve different sites.

2 The units are currently occupied and operating as public  
3 housing, owned and managed by HACEP, and again, plan to be  
4 converted through HUD's RAD program.

5 This development also has undesirable  
6 neighborhood characteristics as it relates to location in  
7 census tracts with a poverty rate that exceeds the  
8 threshold allowed under the rule, a school that doesn't  
9 meet the standard, and an environmental concern. Staff  
10 performed an assessment of each of these characteristics  
11 and those details are contained in your Board writeup.

12 Based on those assessments and consideration  
13 under the rule of acceptable mitigation based on the  
14 preservation of existing occupied affordable housing that  
15 are subject to existing federal rent or income  
16 restrictions, staff recommends that the proposed sites be  
17 considered eligible.

18 Similar to the Baines application, there are a  
19 number of conditions that staff recommends be placed on  
20 this award and are the result of the previous  
21 participation review involving HACEP and Hunt Development,  
22 and again, are included in the Board writeup.

23 Staff recommends approval of a determination  
24 notice for Charles R. Morehead in the amount of \$336,831,  
25 and subject to the list of conditions outlined in the

1 Board writeup.

2 MR. OXER: Any questions of the Board?

3 (No response.)

4 MR. OXER: Apparently there are none. We need  
5 a motion to consider, please.

6 MS. BINGHAM ESCAREÑO: So moved.

7 MR. OXER: Motion by Ms. Bingham to approve  
8 staff recommendation on item 7(c), application 16402. Is  
9 there a second?

10 MR. GANN: Second.

11 MR. OXER: And a second by Mr. Gann. There's  
12 no request for public comment. Those in favor?

13 (A chorus of ayes.)

14 MR. OXER: And opposed?

15 (No response.)

16 MR. OXER: There are none. It's unanimous.

17 MS. TERESA MORALES: The last application under  
18 this agenda item is Stallion Pointe. It's a proposed new  
19 construction general population development with 264 units  
20 to be located in Fort Worth. This application was  
21 originally scheduled for last month's Board meeting when  
22 staff realized that the elementary school for the  
23 attendance zone of the proposed development did not  
24 achieve the Met Standard rating according to the 2015 TEA  
25 accountability ratings.

1           You may recall that back in February staff  
2 brought a report item before you that indicated staff was  
3 finding that applicants are not disclosing the undesirable  
4 neighborhood characteristics as required under the rule.  
5 That report item expressed that staff would be doing  
6 random reviews on applications to confirm whether such  
7 characteristics are applicable to a particular site and  
8 should have been disclosed. Stallion Pointe is one of  
9 those applications.

10           Staff performed additional assessments related  
11 to this which included a review of the campus improvement  
12 plan for the elementary school that is currently in place  
13 and was last updated in March. The acceptable mitigation  
14 under the rule applicable to this development, and thus  
15 different from Baines and Morehead, is on the basis that  
16 there is a factual determination that such characteristic  
17 is not of a concern or severity that it should render the  
18 development site ineligible. After reviewing the facts  
19 relating to the school standards and the campus  
20 improvement plan for this elementary school, staff does  
21 not believe that the concerns are systemic in nature, and  
22 therefore leads to a supported conclusion that the  
23 development site should be considered eligible.

24           Last, the writeup also explains the type of  
25 bond reservation associated with this application,

1 specifically that it allows three years for the applicant  
2 to close. Staff recommends that closing occur within 120  
3 days to be consistent with the typical 150-day closing  
4 deadline associated with the majority of 4 percent  
5 applications. If closing has not occurred by such date,  
6 the Board authorizes EARAC to approve or deny an extension  
7 to the determination notice subject to an updated previous  
8 participation review, if necessary.

9 Staff recommends the issuance of a  
10 determination notice in the amount of \$1,306,854, and that  
11 such determination notice be conditioned upon closing  
12 occurring within 120 days, or August 26, 2016.

13 MR. OXER: Good. Thanks.

14 Any questions from the Board?

15 (No response.)

16 MR. OXER: I have a question. On the  
17 elementary school that did not meet standards, is it one  
18 that simply slipped below for once, or as you said, it's  
19 not systemic, we have a history that shows it's not  
20 systemic. Was it hovering at the line?

21 MS. TERESA MORALES: This particular school was  
22 Improvement Required in 2013 and it missed the standard by  
23 four points on Index 3. The performance index has four  
24 indices. So 2013 was Improvement Required, 2014 it met  
25 the standard and it exceeded the target score on all four

1 of those performance indices and earned one distinction.  
2 And then in 2015 it dipped back down to Improvement  
3 Required and missed the Met Standard by five points on  
4 Index 3. So it was the Index 3 that messed them up in  
5 2013, they dipped back up in '14, in '15 it was the same  
6 index.

7 MR. OXER: What's that particular index?

8 MS. TERESA MORALES: It's closing performance  
9 gaps.

10 MR. OXER: Okay. So we think they've got a  
11 plan that will modify this?

12 MS. TERESA MORALES: The update to the plan, so  
13 they implemented the plan in the fall at the beginning of  
14 the school year and then there's formative reviews that  
15 take place quarterly throughout the school year, and there  
16 was one done last March and it indicated considerable  
17 progress is being made on a lot of the performance  
18 objectives and the goals identified.

19 MR. OXER: So they're making progress  
20 throughout, it's just that their last one of these was  
21 sufficiently back that it doesn't reflect that progress at  
22 this point.

23 MS. TERESA MORALES: Right.

24 MR. OXER: In the event that they don't close  
25 within the 120 days and EARAC says no, you don't get the



1 money, they retain the option to come and appeal to the  
2 Board. Correct?

3 MS. TERESA MORALES: If they do not close  
4 within 120 days, they can request that staff provide an  
5 extension and they can request what that extension would  
6 be, I need an additional 30 days or 60 days and here's why  
7 closing has been delayed. And then that, staff takes it  
8 to EARAC, and then EARAC can vote to approve that  
9 extension and we can reissue that determination notice.

10 MR. OXER: When does the string run out?

11 MS. TERESA MORALES: It could run out if the  
12 transaction becomes so delayed that things change and that  
13 would necessitate a re-review of numbers and a  
14 reevaluation of underwriting. So even if they come back  
15 and don't close within that 120 days, the question is  
16 asked what has the delay been, have things changed. That  
17 way we know that we're reissuing the determination notice  
18 doesn't necessitate a re-review of a completely new  
19 application.

20 MR. OXER: Okay. So there exists the  
21 possibility that this could go -- I'm not saying it  
22 will -- if it progresses to the point that now there's new  
23 data on the quality of the school, is it principally these  
24 indices on the school that we're working around that now?

25 MS. TERESA MORALES: I'm sorry. Say that again

1 with the school.

2 MR. OXER: If they don't close within 120 days,  
3 it's going to go longer than that, you give them another  
4 60, so that's six more months. We're getting close to the  
5 point that you're going to reissue the metrics on the  
6 schools.

7 MS. TERESA MORALES: If the Board would like  
8 staff to reevaluate the schools and receive an update to  
9 that plan to see if there's still progress being made,  
10 that can certainly be made as part of your motion, I  
11 imagine.

12 MR. OXER: But not for right now. This one is  
13 just simply giving --

14 MS. TERESA MORALES: It's just simply giving  
15 them.

16 MR. OXER: All right. Any other questions from  
17 the Board?

18 (No response.)

19 MR. OXER: Motion to consider?

20 DR. MUÑOZ: So moved.

21 MR. OXER: Motion by Dr. Muñoz to approve staff  
22 recommendation on item 7(c), application 16404. Is there  
23 a second?

24 MS. BINGHAM ESCAREÑO: Second.

25 MR. OXER: By Ms. Bingham. No request for

1 public comment. Motion by Dr. Muñoz, second by Ms.  
2 Bingham to approve staff recommendation on item 7(c),  
3 application 16404. Those in favor?

4 (A chorus of ayes.)

5 MR. OXER: And opposed?

6 (No response.)

7 MR. OXER: There are none.

8 Good job. Thanks, Teresa. You're going to  
9 7(d) now. Right?

10 MS. TERESA MORALES: Yes. 7(d) involves the  
11 issuance of Multifamily Revenue Bonds by the Department  
12 for the acquisition and rehabilitation of Garden City  
13 Apartments, a 252-unit property in Houston. Currently 100  
14 percent of the units are covered by a Section 8 HAP  
15 contract.

16 This development also has undesirable  
17 neighborhood characteristics as it relates to location in  
18 census tracts with a poverty rate that exceeds the  
19 threshold allowed under the rule, a school that doesn't  
20 meet the standard, and an environmental concern. Staff  
21 performed an assessment of each of these characteristics,  
22 and those details, again, are contained in your Board  
23 writeup.

24 Based on those assessments and the  
25 consideration under the rule of acceptable mitigation

1 based on the preservation of existing occupied affordable  
2 housing units that are subject to existing federal rent or  
3 income restrictions, staff recommends that the proposed  
4 site be considered eligible.

5 The financing structure for this transaction is  
6 one that the Department has not utilized in any of its  
7 previous issuances, however, it is a structure that many  
8 local issuers in the state and across the country have  
9 used and that staff has seen and primarily evaluated on  
10 local issuer 4 percent tax credit applications. Under the  
11 proposed plan, the Department will issue unrated tax-  
12 exempt fixed rate bonds, that we've termed a governmental  
13 note, in the amount of \$16,740,000 that initially will be  
14 purchased by PNC Bank under Freddie Mac's delegated  
15 underwriting for targeted affordable housing program.

16 Freddie Mac will acquire the loan and the  
17 Department's related governmental note where it is  
18 expected to be securitized with other loans. PNC Bank  
19 will remain as the servicer of the loan for Freddie Mac as  
20 the permanent lender and 100 percent bondholder. The note  
21 will have an interest rate of 4.10 percent with a 17-year  
22 term and a 35-year amortization and a maturity date of  
23 June 1, 2033.

24 Staff held a TEFRA public hearing and there was  
25 no one in attendance at that hearing. We did receive

1 public comment from at the time State Representative  
2 Sylvester Turner, and also the city council member who  
3 represents the district containing this development.  
4 Those letters are also contained in your Board package.

5 Staff recommends approval of Bond Resolution  
6 No. 16-014 in an amount not to exceed \$16,740,000 and a  
7 determination notice of 4 percent housing tax credits in  
8 the amount of \$990,944.

9 MR. OXER: Any questions from the Board?

10 (No response.)

11 MR. OXER: It sounds like it's an interesting  
12 new structure we're trying on this one.

13 MS. TERESA MORALES: Yes, it is.

14 MR. OXER: That's good. Our discussion this  
15 morning with some of the folks from San Antonio suggested  
16 that we're leaders in the innovation in this whole  
17 program, so glad to hear that.

18 MR. OXER: All right. Motion to consider?

19 MS. BINGHAM ESCAREÑO: Moved as so resolved.

20 MR. OXER: Okay. Motion by Ms. Bingham to  
21 approve staff recommendation on resolution for item 7(d).

22 Is there a second?

23 MR. GANN: Second.

24 MR. OXER: Second by Mr. Gann. No request for  
25 public comment. Motion by Ms. Bingham, second by Mr. Gann

1 to approve staff recommendation on item 7(d).

2 DR. MUÑOZ: I have a question.

3 MR. OXER: Dr. Muñoz has a question.

4 DR. MUÑOZ: I mean, I understand what's  
5 probably going to happen here in a second. I'm just  
6 curious, when you went in there and looked at this, you  
7 want to provide this housing, they disclosed this high  
8 crime rate, they disclosed schools that aren't meeting  
9 appropriate standards or expectations. And that they're  
10 eligible, I understand, I'm not prepared to interfere with  
11 that, but so often they're not eligible when they have  
12 these characteristics, these projects.

13 MS. TERESA MORALES: For this particular site  
14 and for the specific undesirable characteristics, so in  
15 the rule the threshold that we use is a crime rate of 18  
16 per 1,000 persons, and so we are basing that off of  
17 Neighborhood Scout, and we are using Neighborhood Scout  
18 because it's the only methodology that we've found that's  
19 sort of universal. But within the rule, that's only a  
20 trigger point, if you will, and so they disclosed that  
21 according to Neighborhood Scout they exceed that but then  
22 the mitigation in the rule allows for them to obtain more  
23 local data, and what they have done is gone through the  
24 City of Houston.

25 DR. MUÑOZ: The adjacent.

1 MS. TERESA MORALES: Right. And so what that  
2 has shown is that it's actually much lower than the 18 per  
3 1,000, and that's off of the Part 1 violent crimes within  
4 the past year. So in terms of long term, as part of the  
5 assessment that we do, it's not just, well, there's this  
6 mitigation that they're existing so they're automatically  
7 given, staff still goes through the process of doing these  
8 assessments by requesting the local crime information, and  
9 we've also had conversations with the applicant of the  
10 security plan and the updates in terms of the scope of  
11 work that they plan to do to try to alleviate some of  
12 these concerns with respect to crime.

13 I would say that this property is a little bit  
14 unique in that in the underwriting report there should be  
15 a diagram that there's a public street that sort of runs  
16 through this particular property, and so as noted in the  
17 letter from at the time State Rep. Sylvester Turner, there  
18 was some interest on his part to want to work with the  
19 proposed applicant to see if we can't close that street  
20 and further cut down on the traffic that's flowing through  
21 there to the extent that that leads to or is a precursor  
22 to some of the criminal activity.

23 DR. MUÑOZ: Do we do like followup visits on  
24 things like that? Do we look to see whether those cameras  
25 and things like that, lights are still functioning?

1 MS. TERESA MORALES: If it's part of the  
2 amenities that they are providing, then that is part of  
3 the monitoring that staff does.

4 MR. OXER: When Patricia's group goes out, the  
5 compliance has to do with whether or not the measures that  
6 they put in that supported their eligibility are actually  
7 functioning. Is that right, Patricia?

8 DR. MUÑOZ: You know, you put a light up,  
9 right, and a year later it might not work, or say for  
10 cameras.

11 MS. TERESA MORALES: If we go out and it's not  
12 working, she'll catch it.

13 MR. OXER: It's a fine sieve that she runs it  
14 through, I know that.

15 MS. TERESA MORALES: And the applicant is here  
16 if you have additional questions that you'd like  
17 addressed.

18 MR. OXER: It's less a question about the  
19 applicant than it is about the process, but in  
20 Neighborhood Scout it was showing 18 on the crime rate and  
21 the local data showed less than that. Is that what you  
22 just said?

23 MS. TERESA MORALES: Uh-huh.

24 MR. OXER: Okay. So the question is do we have  
25 any way to identify what would substantiate that



1 difference? Why did that difference occur?

2 MS. TERESA MORALES: It could be that the data  
3 that Neighborhood Scout is using is a couple of years old,  
4 and the source as well, so that's why we allow for more  
5 local information and data to be presented.

6 MR. OXER: So the trigger point, as you call it  
7 simply says you need to look closer at this particular  
8 unit and then they have the option to bring up some  
9 current data, up to date and more reliable than perhaps  
10 that is.

11 MS. TERESA MORALES: Right.

12 MR. OXER: Do you have a thought, Tim?  
13 Anything?

14 MR. IRVINE: No.

15 DR. MUÑOZ: You know, it's a big project with a  
16 large --

17 MR. OXER: Hey, Houston is a big city.

18 DR. MUÑOZ: -- it's a big project, we don't  
19 get too many of these in Lubbock, Texas. It's a big  
20 project with a big price tag, and I went to school, I grew  
21 up in sort of this kind of project area, and so I mean, I  
22 just was thinking about how do you sort of maintain the  
23 absence of undesirability long term. So that was sort of  
24 the basis of my questions. Thank you for answering.

25 MS. TERESA MORALES: Thank you.

1 MR. OXER: The real question is when Patricia's  
2 team goes out, in addition to seeing if they comply with  
3 the requirements for the eligibility as defined under this  
4 resolution, do they also peripherally and prospectively  
5 observe whether or not there are encroaching problems.  
6 It's not just checking the box, are we like checking the  
7 context?

8 MS. TERESA MORALES: If you're talking  
9 specifically about crime, I don't know that that's part of  
10 our compliance monitoring, but perhaps Patricia would like  
11 to comment.

12 MS. MURPHY: Patricia Murphy, chief of  
13 compliance.

14 MR. OXER: Good morning.

15 MS. MURPHY: Good morning.

16 So we do several different types of inspections  
17 on our multifamily properties. At the completion of  
18 construction we do an inspection to make sure that all of  
19 the committed amenities are present that add up to the  
20 number of points they committed to, and then throughout  
21 the 30-year affordability period, we do what's called the  
22 Uniform Physical Condition Standards Inspection. There  
23 are several features of a property that will enhance  
24 security, like gates and lighting and security cameras and  
25 those kinds of things, and so if those things are present

1 on a property, they must be properly functioning. So to  
2 that extent, yes, the UPCS inspection does address  
3 security and crime on a property.

4 MR. OXER: On a property. And that's required,  
5 we can't ask that we do any more than that.

6 MS. MURPHY: We don't inspect the neighborhood.

7 MR. OXER: But what I was asking about is do we  
8 also look at context. So the answer is no, and that's  
9 okay.

10 All right. Back in the box there, Teresa.

11 Any other questions, Dr. Muñoz?

12 DR. MUÑOZ: No.

13 MR. OXER: All right. If I recall correctly,  
14 we have a motion by Ms. Bingham, a second by Mr. Gann to  
15 approve staff recommendation on resolution for item 7(d).

16 Is that correct?

17 MS. BINGHAM ESCAREÑO: Yes.

18 MR. OXER: No request for public comment.

19 Those in favor?

20 (A chorus of ayes.)

21 MR. OXER: And those opposed?

22 (No response.)

23 MR. OXER: There are none.

24 Thanks, Teresa. Good job.

25 Okay. I think we will take a minute now.

1 We're going to go straight to item 8 which is a report  
2 item, but it's going to take a minute for us to set up  
3 because I understand there's a video production. Don't  
4 anybody leave, don't get too excited. We're just going to  
5 step back so they don't try to hit me with this screen up  
6 here. We're going to sit down there in the front row so  
7 we can see it while they set up the camera and stuff, so  
8 everybody sit still.

9 (Pause to set up presentation.)

10 MS. YEVICH: Good morning, Chairman Oxer and  
11 Board, wherever you are. I am Elizabeth Yevich, director  
12 of the Housing Resource Center, and this is report item  
13 8(a) which is a report regarding the progress of Youth  
14 Count Texas!

15 And for a brief background, during the last  
16 legislative session, House Bill 679 was passed, it was  
17 authored by Representative Sylvester Turner, and this bill  
18 requires TDHCA, in conjunction with what is known as the  
19 TICH, the Texas Interagency Council for the Homeless, to  
20 conduct a study on homeless youth. This report on the  
21 study is due to the Texas Legislature no later than  
22 December 1 of 2016.

23 So the bill requires a physical count of youth  
24 experiencing homelessness in Texas, and to satisfy the  
25 count of these youth, TDHCA initiated what is now called

1 Youth Count Texas! and it is for a statewide -- and think  
2 about that in Texas -- a statewide count and needs  
3 assessment of Texas homeless and unstably housed youth.

4 Now, this extensive study on homelessness among  
5 youth is being conducted in three phases, and if you  
6 recall, I came before you in the December 2015 meeting for  
7 a report on Phase 1 which was the survey tool development,  
8 and that was the creation of two surveys used during the  
9 annual point in time count of homeless persons last  
10 January. And today we are here to update you on Phase 2,  
11 and that's referred to as the survey implementer. This  
12 phase actually began in September 2015 and is currently  
13 winding up, and TDHCA for Phase 1 and Phase 2 contracted  
14 with the Texas Network of Youth Services, known as TNOYS,  
15 and we have here our executive director of TNOYS to give  
16 you a further update on this.

17 So with that, this is Christine Gendron.

18 MS. GENDRON: Thank you, Elizabeth.

19 Good morning. My name is Christine Gendron.

20 I'm the executive director of Texas Network of Youth  
21 Services, we go by TNOYS for short.

22 So we were contracted for Phase 1 and 2 of  
23 Youth County Texas. We're wrapping up Phase 2 right now.

24 For Phase 1 we designed a survey instrument, homeless  
25 youth survey tool to be used to collect data for this

1 study. We designed two versions of it. The tool meets  
2 all of HUD's criteria for the point in time count of  
3 homeless persons, and the shorter version was designed  
4 really to be used for those counts and the longer version  
5 was designed to be used for a more thorough needs  
6 assessment process.

7 And so Phase 2 has been the implementation, the  
8 data collection phase. This project had a short timeline  
9 and a huge scope, and so the way that we decided would  
10 make the most sense to tackle it would be to take  
11 advantage of the point in time count infrastructure that  
12 already exists, but also to build on that because we know  
13 that historically those counts aren't always effective at  
14 really counting youth.

15 And so what we did is we developed a toolkit  
16 based on research and best practices for counting youth  
17 experiencing homelessness and also worked with Texas  
18 Homeless Network and Texas Homeless Education Office in a  
19 webinar series to engage stakeholders across the state in  
20 planning for these counts. We also developed a volunteer  
21 training curriculum that was part of the toolkit and we  
22 trained volunteers in different communities on how to go  
23 out, identify youth who are homeless, count them in a way  
24 that protects their confidentiality, that's respectful,  
25 that's sensitive but also that's effective.

1           In addition, we put together a social media  
2 campaign that includes a public service announcement that  
3 we'll show you in just a second. A big part of this, as  
4 you guys can probably imagine, there are a lot of people  
5 and players that need to be at the table in order to count  
6 youth experiencing homelessness. They don't want to be  
7 found. Right? They don't want to be sent home, they  
8 don't want to be sent to detention, they don't want to be  
9 sent to foster care, and so there are a lot of people that  
10 have to be at the table. And so one of our strategies was  
11 social media.

12           (Video was shown.)

13           MS. GENDRON: So hopefully everybody could hear  
14 that. Those are youth who are homeless or were at the  
15 time when we made the video. We made the video at  
16 Lifeworks which is here in Austin; it's a program that  
17 serves youth experiencing homelessness.

18           So this is kind of what we did in order to pull  
19 this off. In the end, 13 communities in Texas  
20 participated, all of the major urban areas, as well as  
21 some smaller communities in the balance of state. There  
22 were 879 surveys collected. We do believe, based on other  
23 data, there are more youth experiencing homelessness than  
24 that, however, I'm not aware of any study that's ever been  
25 done that has surveyed 879 youth experiencing

1 homeless, and so we consider this a big success and a  
2 big deal and there's a lot of information that we think  
3 will contribute to the understanding of youth homelessness  
4 in Texas and support policymakers as they're tackling  
5 these issues.

6           The surveys collected information on  
7 demographics of these youth, reasons that they're  
8 homeless, their health and mental health, their experience  
9 with services, so whether those services have been youth-  
10 friendly, whether they've been able to access the services  
11 that they need, and then also services that they need that  
12 they haven't been able to get.

13           The school participation varied, so most of  
14 these communities used the point in time count but they  
15 enhanced it, so they implemented strategies that are best  
16 practices for counting youth so some of them held events  
17 which are like free events basically to draw youth in  
18 where they offer free food, free games, free prizes, free  
19 haircuts, you know, whatever, free help with college  
20 applications, tutoring, that kind of stuff. Some of them  
21 worked in partnership closely with schools, not all of  
22 them did. Schools weren't at the table as much as we  
23 would have liked but there were also some big successes  
24 with communities that were able to partner with schools.

25           So we're really excited about this. Again,



1 we're not aware of a study that's been done really of this  
2 kind, and thank you for the opportunity to share it with  
3 you.

4 MR. OXER: Thank you.

5 DR. MUÑOZ: Hey, Christine. I'm curious, 800  
6 and something. Can you just describe sort of the design  
7 of the instrument, how many questions, the amount of time  
8 that it takes?

9 MS. GENDRON: Sure. So it actually varied, so  
10 we designed two versions of the instrument. One was a  
11 legal size page front and back, that was the shorter one;  
12 the longer one was significantly longer than that, I  
13 believe it was like seven letter size pages. There was a  
14 lot of debate about how long to make the survey. There  
15 was some concern that a longer survey, we would survey  
16 fewer youth, but the overall consensus that we came to was  
17 that it's rare to have an opportunity to go out and get  
18 information from youth experiencing homelessness, so we  
19 wanted to gather as much information as possible.

20 DR. MUÑOZ: Some of the conclusions, I mean,  
21 two pages to seven, obviously you'd have quite a few  
22 additional items on the longer one, and then the kind of  
23 validity between the two, but internal validity. Right?

24 MS. GENDRON: Right. And actually that's  
25 something I should add. So we worked with researchers at

1 University of Texas at Austin and at U of H School of  
2 Social Work to design these and then also to compile the  
3 data. Not all communities used the survey exactly the way  
4 we wanted them to use it, some of them modified, and so it  
5 took a lot of work from UT to figure out how to put this  
6 all together.

7 DR. MUÑOZ: That was going to be my last  
8 question. How was it administered? How you introduce a  
9 survey, how you prepare respondents impacts what they  
10 perceive or how they perceive they should respond. You're  
11 handing them a pizza, they'll respond in a way that  
12 impacts the reliability of the instrumentation differently  
13 than if you just tell them in an empty room: Here, do  
14 this. So I'm just kind of curious. No matter what,  
15 almost a thousand respondents is --

16 MR. OXER: Spectacular.

17 MS. GENDRON: Thank you.

18 DR. MUÑOZ: -- spectacular to no respondents,  
19 and all we're doing is the only thing we can say about  
20 them responsibly is conjecture and anecdotal. Right? So  
21 I mean, this to me is a great step forward. You appear to  
22 be working with appropriate sort of social scientists to  
23 have a data set that is reliable and defensible and  
24 methodologically appropriate.

25 MS. GENDRON: Exactly, exactly. And that was

1 one of the big goals, so the survey was designed in  
2 conjunction with universities and many of the questions  
3 were pulled from existing valid instruments. And then on  
4 top of that, we specifically trained the volunteers who  
5 administered the survey in strategies to ensure that the  
6 results are valid.

7 DR. MUÑOZ: Just two final observations.  
8 Number one, I'd like to thank you for the video and the  
9 work. When I see those young people, me personally -- I  
10 work at a university and have been in education most of my  
11 adult life -- I'm going to fully disclose, that doesn't  
12 look like the face of youth homelessness to me. When I  
13 think of youth homelessness, I don't think of that young  
14 man who says I'm an artist. Like to me that looks like a  
15 doctoral student, that looks like a med student. So it's  
16 really jolting. So thank you for that.

17 And you know, something that you said -- again,  
18 I sort of work with youth and I assume some sort of  
19 credibility or innate understanding of the population,  
20 until you say something like this and it reveals how  
21 little I understand -- that they don't want to be found,  
22 they don't want to be discovered, they don't want to be  
23 measured. Or surveyed.

24 MS. GENDRON: Right.

25 DR. MUÑOZ: Because then their location is

1 identifiable. So I guess it is extraordinary that you  
2 were able to capture almost 900 who were willing to  
3 potentially surrender that kind of anonymity.

4 MS. GENDRON: Thank you.

5 MR. OXER: Any other questions from the Board?

6 (No response.)

7 MR. OXER: I have a couple. True to my  
8 technical nature, you had 879 responses from a large  
9 number, the count that was done in 13 major metropolitan  
10 areas which covered the majority of the state. The  
11 metropolitan areas, if you aggregate those, do you have a  
12 sense of what portion of the state's population did that  
13 cover.

14 MS. GENDRON: That's a good question.

15 MR. OXER: Fifty, seventy, twenty?

16 MS. GENDRON: We actually have done that  
17 calculation but I don't remember the number, and so we'll  
18 get back to you on that.

19 MR. OXER: It doesn't have to be down to the  
20 tenth of a percent. Is it like thirty, is it seventy?

21 MS. GENDRON: It's more than half.

22 And just about the 879, I should clarify, UT is  
23 finalizing everything this week, it could change by a  
24 couple, but that's approximately the number.

25 MR. OXER: We'll round that out to 900 and

1 assume that's pretty close. Okay?

2 And this is an interpretive question that I ask  
3 of you, do you have any sense, your net got information  
4 from almost 900, the percentage of the population that you  
5 looked at in the state, what does that tell you about the  
6 population of youth homelessness, any inferences that it's  
7 larger or worse in the metropolitan areas versus the rural  
8 areas?

9 MS. GENDRON: That's a good question. So as  
10 far as what it tells us about the larger population of  
11 youth homelessness, I think it depends on the definition  
12 you use of homelessness. So the school districts counted  
13 almost 16,000 unaccompanied homeless students last year.  
14 They have a broader definition of homelessness than HUD  
15 does, and for a good reason. But what we saw is that the  
16 communities that counted the most youth who are homeless  
17 are the ones that were able to most effectively partner  
18 with the school districts.

19 There were some smaller communities that  
20 counted pretty large numbers of youth, and I don't know  
21 that it means homelessness is necessarily a bigger issue  
22 there, it could, but it probably just means that they were  
23 able to get more people to the table for the count. I  
24 mean, organizing a count in a city with many different  
25 school districts that each have many different schools,

1 there are a lot more players you have to have at the table  
2 than in a smaller community where you're only working with  
3 a couple of schools.

4 MR. OXER: Because for something like you're  
5 doing on essentially a spot count, this one weekend or one  
6 night that this was done, the long-term issue on youth  
7 homelessness to me is constantly evolving or varying and  
8 evolving, so what you got is at one point, you caught it  
9 when it crossed the line at that particular point. The  
10 real question is it going up, is it going down, is it  
11 getting better, is it getting worse. What I'm really  
12 trying to find out, are we doing the right things to keep  
13 it going down.

14 MS. GENDRON: That's a good point. And one  
15 important reason for doing these counts is to allow us to  
16 establish a benchmark so that we can in the future  
17 determine whether we're making progress, whether the  
18 problem is getting bigger or smaller. It made sense to  
19 use the point in time count infrastructure because that  
20 was a tool that was there, but if we can improve that  
21 process and get a better count to you.

22 MR. OXER: Recognizing it had its limitations.

23 MS. GENDRON: Right. And these counts can  
24 continue every year and we can look at whether we're  
25 solving the problem.

1 MR. OXER: Right. Because to me it seems like  
2 over the long term it will take a longer -- not a point in  
3 time but over a period of time so the accuracy will  
4 approach that asymptotically on the true accuracy at that  
5 time or that particular period of whether or not it's  
6 increasing or decreasing.

7 MS. GENDRON: Right.

8 MR. OXER: Thanks very much for the report.

9 MS. GENDRON: Thank you.

10 MR. OXER: Thanks, Elizabeth.

11 MS. YEVICH: Stay tuned for Phase 3.

12 MR. OXER: It's coming.

13 All right. Let's jump back to the early parts.

14 Mark, I think you're up here for the first one on the  
15 action items on Internal Audit.

16 MR. SCOTT: Good morning. Mark Scott. I'm the  
17 director of Internal Audit.

18 We had our Audit Committee meeting this  
19 morning, and I talked about the audit of the Real Estate  
20 Analysis Division and I reported on the underwriting  
21 reports and I stated that they provide very useful  
22 information. We did have a finding on the timeliness of  
23 the underwriting reports. Out of our sample, four of the  
24 underwriting reports were not completed before the tax  
25 credit awards were made. It was noted that the awards are

1 made subject to underwriting and that the underwriting  
2 reports were eventually completed.

3 I did note also on the Real Estate Analysis  
4 audit a significant accomplishment. We try to do that in  
5 all of our audits. They have recently developed an  
6 application summary which is a very useful document. I  
7 think they were outside; I don't know if they made it into  
8 the Board packet. But I noted in the audit report that  
9 the division has developed this very useful summary tool  
10 that condenses an enormous amount of information, so I  
11 gave them kudos on that.

12 So I'll pause there to see if there's any  
13 questions on the Real Estate Analysis audit.

14 MR. OXER: Was the delay in the four that were  
15 not technically on time, and was this Real Estate Analysis  
16 tool developed as a consequence? On the Tax Credit  
17 Program it's a big gulp, that's a python so there's a lot  
18 of digesting to go through there all at once, and Brent  
19 has probably got his hands full. So the question is was  
20 that analysis tool going to help?

21 MR. SCOTT: I think it should do that. In the  
22 management response they did provide a detailed strategy  
23 on how to address the timeliness of the reports. I'm not  
24 sure if this report per se is going to speed up the  
25 process, but it definitely is a perfect example of a



1 picture telling a thousand words. I don't know if that  
2 answers your question.

3 MR. OXER: We're trying to continue to evolve  
4 and improve and innovate and take the lead on making some  
5 new approaches to old problems.

6 Ms. Bingham, as chair of the Audit Committee  
7 would you like to make a comment?

8 MS. BINGHAM ESCAREÑO: Just relative to Real  
9 Estate Analysis, I think the finding was that of the four  
10 that weren't complete, it wasn't material, they were  
11 eventually completed. And we did take a little bit of  
12 time with Tim, as the executive director, this morning. I  
13 think the Board is pretty aware but Tim just reminded the  
14 committee and the audience that underwriting is very  
15 complex, there are a lot of moving parts during the  
16 application process, and the staff works very hard to  
17 underwrite but to be flexible as those parts are moving,  
18 so we just reminded the committee and the audience about  
19 that.

20 Relative to the short form of the Real Estate  
21 Analysis underwriting summary, there's an example of it.  
22 When we went through the Garden City Apartments a little  
23 while ago, on our website we have that link to the  
24 underwriting reports and there's a link under there for  
25 underwriting reports that are relevant to the coming Board

1 meeting, and so anybody that wants to go on the website  
2 can click that link and look up the Garden City and see  
3 it. And it is really neat. We're going to like it a lot,  
4 so when we go through the rounds, the competitive rounds,  
5 we'll be able to look at it. It includes photos, it's got  
6 little metrics that are color coded that kind of let you  
7 know at a glance where we're on and where we're off.

8 MR. OXER: So it's basically a dashboard?

9 MS. BINGHAM ESCAREÑO: It is.

10 DR. MUÑOZ: Maybe we could do like a little  
11 demonstration kind of like what we did right now at an  
12 upcoming meeting, just sort of show the dashboard.

13 MR. SCOTT: They did that at the EARAC meeting  
14 and everybody was very impressed, so that's a good idea.

15 MS. BINGHAM ESCAREÑO: We'll see what we can  
16 put together for that.

17 DR. MUÑOZ: Was the chairman at the EARAC  
18 meeting?

19 MR. SCOTT: No.

20 MR. OXER: I'm the one that needs the most  
21 training on it.

22 MS. BINGHAM ESCAREÑO: Really neat cooperation.  
23 I think staff and management were very responsive to the  
24 feedback that Internal Audit provided, and this came out  
25 of that.

1           MR. SCOTT: The other audit report, it's  
2 required by Internal Audit Standards for us to do a  
3 followup on outstanding audit recommendations, and so we  
4 put that together in a report. It includes the internal  
5 audit recommendations as well as the external audit  
6 recommendations that as of the last time we reported were  
7 not complete. I went ahead and put in there the audits  
8 that had no findings. This agency is always being audited  
9 by external parties so I like to kind of keep track of it,  
10 I go to all the entrance and exit conferences, and so  
11 that's a good reference document for all the external  
12 auditing and monitoring that goes on.

13           And I reported on the status of the audit plan.  
14 We're pretty much on schedule. The audit plan that was  
15 approved in November, I anticipate that we will complete  
16 it.

17           MR. OXER: So you're on track, on schedule,  
18 pretty much on line.

19           MR. SCOTT: Yes.

20           MR. OXER: Okay. So with respect to this item  
21 3(a) is simply a report item. We've taken item 3(b). Do  
22 we need a motion to accept that?

23           MS. BINGHAM ESCAREÑO: I don't believe so.

24           MR. OXER: So of the three?

25           MS. BINGHAM ESCAREÑO: They're reports.

1 MR. OXER: Reports only. There's no official  
2 recorded on this, is there, Tim? Okay.

3 All right. Any other questions?

4 (No response.)

5 MR. OXER: You're satisfied with the  
6 performance of the Audit Committee, Ms. Bingham, and the  
7 chair will as well.

8 MS. BINGHAM ESCAREÑO: Thank you.

9 MR. SCOTT: Thank you very much.

10 MR. OXER: Thanks, Mark.

11 Okay. Raquel.

12 MS. RAQUEL MORALES: Good morning.

13 Item 4 is the presentation, discussion and  
14 possible action on two material application amendments for  
15 Housing Tax Credit and HOME applications that were  
16 approved during the 2015 competitive round. I'll take  
17 them separately, so we'll start with application number  
18 15063 which is Palladium Van Alstyne.

19 Palladium Van Alstyne Senior Living was awarded  
20 2015 tax credits in the amount of \$1.16 million annually,  
21 as well as a \$900,000 HOME loan from the Department. The  
22 application proposed 132 units new construction,  
23 consisting of one and two bedrooms targeted towards the  
24 senior population.

25 The applicant is seeking approval for several

1 changes to the development which triggered material  
2 alterations under our amendments rule under Subchapter E,  
3 including a modification to the site plan that reduces the  
4 total number of residential buildings and then shifts all  
5 the buildings to the southwestern portion of the site.  
6 The amendment request also included revised unit and  
7 building plans, as well as revised financial exhibits that  
8 reflected higher development costs and a revised financing  
9 structure than what was approved and underwritten  
10 originally.

11 Your Board action request includes a table that  
12 kind of summarizes the changes and compares the changes  
13 that the applicant is seeking approval for from time of  
14 application until now.

15 According to the applicant, a redesign of the  
16 development was necessary due to higher than anticipated  
17 construction costs for the original design that was  
18 presented to the Department and ultimately approved, as  
19 well as new city requirements that weren't previously  
20 known to the applicant.

21 We have reviewed the changes for which approval  
22 is being requested and compared them to the original  
23 application. We did in particular look at the scoring  
24 items that could have been impacted if we were going to  
25 use the current information in this amendment request. In

1 this case, the cost per square foot scoring item would  
2 have been affected if it were re-scored today using the  
3 current cost estimates. The impact would have been --

4 MR. OXER: Meaning it would have gone up.

5 MS. RAQUEL MORALES: Right. They would have  
6 lost one point would have been the result if we were using  
7 the current cost estimates. And this application was six  
8 points ahead, I believe, of the first application on the  
9 waiting list in that subregion, so it would have remained  
10 competitive even with that revaluation.

11 Our Underwriting Real Estate Analysis Division  
12 did re-underwrite the transaction based on the amendment  
13 proposed, and as I mentioned before, total development  
14 costs increased by approximately 18 percent. This  
15 additional cost was offset by an increased permanent lien  
16 of approximately \$2 million more than what we originally  
17 underwrote at application, as well as additional equity  
18 that's being generated from a higher credit price that  
19 they're reflecting now. They've received a commitment for  
20 a credit price of a \$1.03 as opposed to the 95 cents that  
21 they presented at application.

22 MR. OXER: Do you have any sense of why that  
23 happened, why the increase, why the syndication rate went  
24 up?

25 MS. RAQUEL MORALES: No. When they presented

1 their revised information, we asked for the updated  
2 commitments and they were able to get a better price.

3 MR. OXER: Okay.

4 MS. RAQUEL MORALES: One of the items that the  
5 Department staff talked to the applicant about and was  
6 concerned was the additional \$2 million in first lien debt  
7 that's being placed in front of the Department's HOME  
8 loan. That is a risk to the Department's HOME loan, and  
9 so we engaged in conversations with them to let them know  
10 about that, to let them know about our concern, and  
11 ultimately underwriting concluded that the development is  
12 still feasible but recommended that an approval would be  
13 subject to limiting the debt service to what was  
14 originally approved at application in order to mitigate  
15 our risk for our HOME loan that's in the deal.

16 So an underwriting report is posted on the  
17 website, it's available, and Brent is here to answer any  
18 questions if you have specific underwriting questions  
19 related to that. But staff is recommending approval of  
20 this amendment request for Palladium Van Alstyne, subject  
21 to an underwriting condition that the first lien debt  
22 service be limited to the original amount.

23 MR. OXER: Any questions from the Board?

24 (No response.)

25 MR. OXER: I have a quick question. You've got

1 potentially \$2,020,000 of the first lien debt is going up  
2 on that but the interest rate is going down significantly  
3 which puts the debt service pretty close to the same. I  
4 guess what I'm trying to fix here, if you go through the  
5 final underwriting, will the debt service on the 4.25  
6 percent for the \$6.25 million be roughly the same.

7 MR. IRVINE: That's the condition.

8 MR. OXER: That's the condition. So you're  
9 essentially limiting the debt service on the 4.25 for the  
10 \$6.25 million to what the debt service would have been on  
11 the original application.

12 MS. RAQUEL MORALES: On the original first  
13 lien.

14 MR. OXER: Is that right, John?

15 MR. SHACKELFORD: (Speaking from audience.)  
16 Yes.

17 MR. OXER: Any other questions? Do you want to  
18 comment or are you just here to answer questions, John?

19 MR. SHACKELFORD: (Speaking from audience.)  
20 Only here to answer questions if anybody has any for us.

21 MR. OXER: With that limitation, I'm  
22 comfortable with that. Any questions from any other  
23 member of the Board?

24 (No response.)

25 MR. OXER: All right. With respect to item 4,



1 application 15063, need a motion to consider.

2 DR. MUÑOZ: So moved.

3 MR. OXER: Motion by Dr. Muñoz.

4 MR. GANN: Second.

5 MR. OXER: Second by Mr. Gann. You guys are  
6 here to answer questions so I'll assume you don't want to  
7 say anything that you don't get yourself in trouble unless  
8 you want to offer anything up.

9 MR. SHACKELFORD: (Speaking from audience.)  
10 I've learned a few things from coming to the meetings.

11 MR. OXER: There you go.

12 Okay. Item 4, application 15063, motion by Dr.  
13 Muñoz, second by Mr. Gann to approve staff recommendation.  
14 Those in favor?

15 (A chorus of ayes.)

16 MR. OXER: And opposed?

17 (No response.)

18 MR. OXER: There are none.

19 Okay. Second item.

20 MR. IRVINE: May I ask a question about this  
21 matter? It has no relationship to your deal.

22 Just as a matter of Board desires, policies,  
23 objectives, whatever, do I discern that the Board is  
24 comfortable as long as the debt service remains constant  
25 or better, that minor changes in the prior debt amount

1 offset by favorable movement in interest rate, how do you  
2 view those kinds of things?

3 MR. OXER: My view on it is essentially on that  
4 particular matter we're betting on the long term  
5 capability of the management company to operate this deal.

6 Right? So if the debt service remains similar to what it  
7 was before, there's no change in the competitive nature of  
8 the deal, although they've lost a point but it's still  
9 competitive and fairly far ahead of what was in second  
10 place. Is that right, Raquel?

11 MS. RAQUEL MORALES: Right, in this case it  
12 was.

13 MR. OXER: That being the case, I think I, for  
14 one, am okay with that.

15 MR. IRVINE: And we can't take an action item  
16 on it at this time.

17 MR. OXER: No. I understand that. But from a  
18 policy standpoint do we want --

19 MR. IRVINE: Staff is trying always to discern  
20 what sort of policy the Board is driving with its actions.

21 MR. OXER: My perspective on it would be cash  
22 flow and debt service capability.

23 MR. GOURIS: Tom Gouris, deputy executive  
24 director.

25 There are a couple of other elements with this

1 particular transaction. The costs went up which required  
2 the deferred developer fee to increase. There's also a  
3 considerable amount of increase in equity that's going  
4 into the transaction because of the increased syndication  
5 price. Those are factors, I think, that underwriting also  
6 took into consideration that also provides mitigation to  
7 the extra debt where the debt service remains flat to was  
8 held to a flat place. So it was a combination of those  
9 things.

10 MR. OXER: So even though it's more expensive,  
11 they had more equity, they had more skin in the game.

12 MR. GOURIS: They put more skin in the game.  
13 That's right.

14 MR. OXER: That's offsetting, as far as I'm  
15 concerned.

16 MR. GOURIS: That's right.

17 MR. OXER: John, I do have a question. Was  
18 that reflected in the increased syndication rate? Is that  
19 what that was?

20 MR. SHACKELFORD: Oh, yeah.

21 MR. OXER: You have to tell them who you are.

22 MR. SHACKELFORD: John Shackelford, here on  
23 behalf of the developer.

24 The market conditions have changed. Developers  
25 go and get their commitment letters at the beginning of

1 2015 to where they are today, the market has changed  
2 considerably, so the rates reflected that.

3 MR. OXER: To answer your question, Tim,  
4 they've got more skin in the game, they're getting better  
5 equity, fair pricing on this.

6 MR. IRVINE: It's the totality of the facts and  
7 circumstances.

8 MR. OXER: The totality, but really in the end  
9 it's the debt service that's going to be stable or no more  
10 than what it would have been. We're essentially betting  
11 on them to manage the same cash flow.

12 MR. IRVINE: Thank you.

13 MR. OXER: Any other Board member, please jump  
14 in.

15 The next one you've got there, Raquel.

16 MS. RAQUEL MORALES: The next one that we have  
17 is application number 15086, Preston Trails Apartments.  
18 This also was approved during the 2015 round, it also  
19 includes TDHCA HOME funds.

20 The application proposed 112 units consisting  
21 of one, two and three bedrooms, targeting the general  
22 population. \$1.39 million in annual tax credits were  
23 awarded, as well as a \$700,000 HOME loan.

24 Changes in this application include  
25 modification to the site plan that relocates the club

1 house and the residential buildings. Also included in the  
2 amendment request were revised unit and building plans  
3 that resulted in modification to the architectural design  
4 of the development which is also a trigger of a material  
5 alteration that comes to the Board for approval.

6 Increased construction costs and changes to the financing  
7 structure, as well, were reflected. The number of units  
8 does not change nor has the unit mix in this case.

9 According to the applicant, these changes are  
10 being requested as a result of a more detailed analysis of  
11 the rental market and discussions with their investor,  
12 their syndicator asking for some of these changes.

13 Staff likewise reviewed the changes and  
14 compared them to the application for Preston Trails to  
15 determine what impact it would have on the score, and  
16 likewise, the cost per square foot would be impacted if we  
17 were going to re-look at that and re-score it today using  
18 the current costs. This one would have resulted in a two  
19 point reduction if we used the current cost per square  
20 foot estimate. Preston Trails was seven points ahead of  
21 the first application on the waiting list, so again, they  
22 would have remained competitive.

23 MR. OXER: Remained competitive. Okay.

24 MS. RAQUEL MORALES: Underwriting also  
25 performed a reevaluation of this amendment request.

1 They've also, again, experienced higher construction costs  
2 that were due to just general construction cost increases,  
3 according to their letter, as well as additional amenities  
4 or larger amenities that are being proposed now, again, as  
5 a result of conversations with their syndicator.

6 The additional costs in this case are being  
7 offset by additional equity. They also got better pricing  
8 on their tax credits from 91 cents to \$1.05.

9 MR. OXER: That's pretty significant.

10 MS. RAQUEL MORALES: Right. The risk profile  
11 on the Department's HOME loan improved in this case  
12 because they didn't get additional first lien debt in  
13 front of our HOME loan. I think it actually reduced just  
14 slightly. So staff recommends approval of this material  
15 amendment subject to pre-closing checklist reviews related  
16 to our HOME loan closing.

17 MR. OXER: So with respect to our position on  
18 the debt on this, we're actually in better shape. Is that  
19 right?

20 MS. RAQUEL MORALES: Slightly better than  
21 before because I think their first lien debt just  
22 decreased slightly.

23 MR. OXER: And their cost per unit square foot  
24 went up?

25 MS. RAQUEL MORALES: Right, but they would have

1 remained competitive.

2 MR. OXER: Remained competitive anyway. So  
3 let's see here, 15-16 percent increase in the syndication  
4 rate. Geez, can you guys sell some more of those  
5 somewhere?

6 Okay. The staff recommendation is to approve  
7 the modifications as presented by staff. Correct?

8 MS. RAQUEL MORALES: Yes, sir.

9 MR. OXER: Okay. Any questions from the Board?

10 MS. BINGHAM ESCAREÑO: Move staff's  
11 recommendation.

12 MR. OXER: Okay. Motion by Ms. Bingham to  
13 approve staff recommendation on item 4, application 15086.  
14 Is there a second?

15 DR. MUÑOZ: Second.

16 MR. OXER: Second by Dr. Muñoz. Nobody wishes  
17 to speak, no request for public comment. Motion by Ms.  
18 Bingham, second by Dr. Muñoz to approve staff  
19 recommendation on item 4, application 15086. Those in  
20 favor?

21 (A chorus of ayes.)

22 MR. OXER: And opposed?

23 (No response.)

24 MR. OXER: There are none.

25 Okay. Patricia, I understand Ernie is here.

1 MR. HUNT: Good morning.

2 MR. OXER: And welcome to the kitchen. This is  
3 where the heat is, so bring it.

4 MR. HUNT: This is my first visit to the hot  
5 seat. Thank you. Earnest Hunt, director of Subrecipient  
6 Monitoring.

7 I'm reporting on item regarding an appeal of  
8 disallowed costs as a result of a monitoring report. The  
9 report identifies unsupported expenditures reimbursed to  
10 Ebenz Inc. under two HOME reservation contracts for three  
11 activities. Disallowed costs are approximately \$73,000.  
12 We can't verify Ebenz paid its contractors and vendors for  
13 all reimbursed costs. This issue has gone through the  
14 Department's appeal process. Based upon our determination  
15 and our liability to HUD for these funds, we recommend the  
16 Board deny the appeal, and I can answer any questions on  
17 the specifics.

18 MR. OXER: Okay. Any questions from the Board?

19 MR. ECCLES: Is it actual liability or  
20 potential liability to HUD.

21 MR. HUNT: Potential liability.

22 MR. ECCLES: Okay.

23 MR. OXER: So we would have to pay it back if  
24 we can't recover this. Is that correct?

25 MR. HUNT: Yes, sir.



1 MR. OXER: Okay. All right. It appears we  
2 have some request for public comment, so we need a motion  
3 to consider.

4 MS. BINGHAM ESCAREÑO: Mr. Chair, I'll move to  
5 approve staff's recommendation to deny the appeal.

6 MR. OXER: Okay. Motion by Ms. Bingham to  
7 approve staff recommendation.

8 MR. GANN: I'll second.

9 MR. OXER: And a second by Mr. Gann. We'll  
10 have public comment.

11 Earnest, have a seat right there. I think we  
12 have public comment.

13 MR. ANENE: Good morning, Board Chair and Board  
14 members.

15 This is a nightmare for me.

16 MR. OXER: And you'll have to forgive us for  
17 second. You have to state your name.

18 MR. ANENE: My name is Rev. Ebenezer Anene, and  
19 this is Letticia, also Anene.

20 This has been a nightmare because I have -- or  
21 we have done extensive provisions that they've asked for,  
22 we've given them all the documentation they asked for.  
23 When it comes to the costs, there are some of the things  
24 that concerned me from the beginning of this project. We,  
25 as a nonprofit organization, have our books open for them

1 to review and they did review. And I commend all the  
2 performance specialists because when we invoice them, we  
3 provide support documentation, detailed support  
4 documentation, and when it's not detailed enough for them,  
5 they give us deficiencies. If you go through our  
6 documents, all the paperwork for Ebenz Inc., there's so  
7 many deficiencies that we have to meet in order to be  
8 reimbursed.

9           What concerns me or concerned me the most was  
10 the fact that some of the -- we've asked extensions on  
11 three other projects. That would force us to go back to  
12 the county to re-record the documentation, the paperwork,  
13 and each time we record before you receive the recorded  
14 bars on the documents, you have to pay the county. The  
15 county does not take checks. If I give them checks, they  
16 will charge a fee for it, if I give them a credit card,  
17 they charge a fee for it. Ebenz is not a million dollar  
18 company, we're a small nonprofit organization,  
19 underutilized business.

20           Other than that, the Department has said that  
21 there's no support documents on some of these county  
22 receipts that I sent to them, receipts, not invoices, and  
23 that bothered me. Why would there be any other  
24 documentation required? Why would they require additional  
25 documentation on that?

1           Also, on Stewart Title -- I don't know if any  
2 one you know about Stewart Title -- in Galveston County  
3 they don't take checks, they will not accept checks from  
4 us, either a money order or cashier's check, that's all  
5 they accept. And I have to pay for these things so in  
6 some instances I have to pay them cash and receive  
7 receipts from them which support that information and also  
8 the cost. So these were submitted to them.

9           And then my biggest issue was the fact that I  
10 had wrote a check to a subcontractor who did not trust his  
11 contractor of record. The unfortunate thing is I did not  
12 include his subcontractor's of record name on the  
13 checkbook, and that became a disallowed cost. I have  
14 looked everywhere, I have looked whether I bought a new  
15 home for \$73,000, when I bought a new car with that money.

16       Every time, even my own money, things like one of the  
17 houses had a transformer that wasn't on record, we had to  
18 buy it because we cannot close that house without buying  
19 the transformer It cost me \$900. I didn't ask for that  
20 back.

21           Is that my time? But my concern is the fact  
22 that these things were submitted to them. The contractor  
23 of record, they didn't accept his letter, neither did they  
24 accept the letter of the subcontractor that they have been  
25 paid. And I took his report and I went through it and I

1 added all the items that we have record for and they  
2 didn't get back with me and say it was okay or not okay.

3 So please, please, for the sake of life for me,  
4 because that's really one of the only companies that I  
5 have that does business in Galveston County, the only  
6 nonprofit that does business in Galveston County housing,  
7 do not deny this, please. Do not deny it because it's  
8 critical for my business. Thank you.

9 MR. OXER: Thank you for your comments.

10 Letticia, do you have any comments you want to  
11 make, or you're there to support him?

12 MS. ANENE: My name is Letticia Anene, and I  
13 join hands in running the nonprofit program because inside  
14 of the County of Galveston, in Texas City alone, there are  
15 so many people that needed help, so many people I see  
16 needing help. And we had monitoring committee send to us  
17 one or two people to look at the homes and the last person  
18 said the house was built as if it was a home that we're  
19 going to live in.

20 I do not have anything in my office, I do not  
21 have anything in my home, I do not have anything in my  
22 bank account, everything was accounted for. Even the  
23 check stubs, even the bank statements was highlighted and  
24 most of them was sent even more than five times. We spent  
25 the money in the housing projects, we spent even our

1 money. We did everything to make sure that the money was  
2 accounted for.

3 My reputation is at stake as a minister of God.  
4 If I would take government money, then what will I preach  
5 to people, what will I say to people? My understanding is  
6 that I'm doing it for those that needed help, that needed  
7 someone to do something for them. The blind man fell, the  
8 other lady, San Juan, is in a situation that she was  
9 falling, she's diabetic and things like that. We're not  
10 working for the affluent to say maybe they gave us money,  
11 we were working for those that really needed it.

12 My own time, my own running up and down for  
13 that place was not accounted. I'm not asking for that. I  
14 just needed my fellow citizens, commoners like me,  
15 ordinary people like me to have a decent home. Now  
16 they're asking me for money that I do not have. I don't  
17 have that money, it was all spent. I just want you to  
18 take a look at me and see as if I would take government  
19 money. I won't take anybody's money. It's costing me a  
20 lot of hardship, it's costing my children a lot of  
21 hardship. If I had taken the money, you would see it in  
22 my body.

23 But I don't know why every time they will come  
24 back and say they disallowed this. What they disallowed  
25 is right there. They called the architect and asked him,

1 Did Ebenz pay you money? The architect said yes. Why not  
2 call the other people and ask them. The HOME money was  
3 disbursed. I don't know why only the nonprofit  
4 organization in Galveston County that is trying to help,  
5 that is trying to help, that they're going to ask me.  
6 Where do I have to get this money from? Once again,  
7 myself, if I did need the money, I would pay for it, I  
8 would pay for it.

9 MR. OXER: Thank you for your comments.

10 I would offer up, while we appreciate your  
11 philosophy about helping out those, we have a philosophy  
12 of helping those too, and as it turns out, as you might  
13 recognize from the recent report of the Audit Committee,  
14 there's an audit standard that we have to submit, that we  
15 have to adhere to that we expect those who have the  
16 funding that we provided to submit to as well. So thanks  
17 for your comments.

18 Earnest, do you have a retort or a comment to  
19 answer of that?

20 Dr. Muñoz, I understand you have a question or  
21 a comment or a thought.

22 DR. MUÑOZ: Well, Earnest, as I looked through  
23 this documentation and several places it says: information  
24 received did not resolve the findings, Ebenz did not  
25 provide the requested bid documentation, et cetera, et

1 cetera. I hear these folks saying you called the  
2 architect, he confirmed that we provided information, we  
3 provided documentation. And I'm reading something from  
4 your office, I presume, saying we didn't. I mean, there  
5 seems to be some inconsistency in the representation of  
6 those facts.

7 MR. HUNT: Yes, sir. So it's correct that the  
8 HOME staff acquired quite a bit of documentation up front  
9 to support these expenditures before they're reimbursed.  
10 It's intended to support the obligation more so than  
11 actual payment. Our job on the tail end is to go in and  
12 identify that these costs have in fact been paid.

13 MR. OXER: The work that they presented or the  
14 documentation that they presented supported the commitment  
15 of the funds, and what you're asking for is the  
16 documentation to support the distribution of funds.

17 MR. HUNT: Yes.

18 DR. MUÑOZ: Like the Subrecipients, right, the  
19 contractor, you received information saying you paid the  
20 money because they provided something to you saying it's  
21 been finished, and then this contractor comes to you and  
22 says, We've never been paid.

23 MR. HUNT: Are you talking about the initial  
24 risk assessment that led to the review?

25 DR. MUÑOZ: Yes.

1           MR. HUNT: Yes. We received a complaint in  
2           October that a contractor had not been paid which  
3           heightened the risk for these contracts. But to that end,  
4           what we performed was our normal review, it's not geared  
5           specifically to that issue, it was to identify eligible  
6           costs, eligible families in the units -- sorry -- homes,  
7           as well as other cost-cutting requirements like  
8           procurement, things of that nature.

9           We start with the draw request submitted to the  
10          Department because, again, that documentation is available  
11          in our contract system, and then we trace that to the  
12          subrecipients' support for the remittance, whether it's a  
13          check, if it's a cash receipt we'll consider that as well,  
14          credit card payments, we look at anything that the  
15          contractor can provide.

16          MR. OXER: Some sort of paperwork in there to  
17          show the transmission.

18          MR. HUNT: Right. And so we review that and  
19          then we in fact trace it to the bank statement to ensure  
20          that these costs have in fact been paid. And so to that  
21          end, if you'll turn to page 18 in the documentation  
22          provided to you, there is a spreadsheet printout that  
23          indicates by payee the invoice amount that we were  
24          attempting to trace, as well as the amount that we could  
25          verify against the bank statement. And this ends on page



1 20 with the original amount of disallowed costs.

2 This started in November of 2015, November 20,  
3 to be exact. We accepted documentation all the way  
4 through February 5 and reviewed, so we were able to  
5 whittle down.

6 DR. MUÑOZ: It's not page 18.

7 MR. OXER: It's page 18 on his report, it's 444  
8 out of our Board book.

9 MR. HUNT: I apologize.

10 So we were able to whittle the disallowed costs  
11 down to approximately \$73,000 but originally this started  
12 with the full amount of reimbursed costs because we were  
13 not originally provided anything to support the  
14 expenditures. So we feel that we have extended every  
15 effort to review and accept any documentation, even unique  
16 documentation, to offset these disallowed costs. That's  
17 where we're at with the \$73,000.

18 MR. OXER: Any other questions from the Board?

19 DR. MUÑOZ: Earnest, forgive me if this sounds  
20 naive, but on the front end they're aware of what could be  
21 disallow able? I mean, or do you allocate these dollars  
22 and then think, well, it's allowable and then three months  
23 later you show up and say that handrail is not?

24 MR. HUNT: So I can speak to that. There are  
25 training power points available on our website, but

1 specifically Ebenz has been subject to several trainings,  
2 this isn't their first series of contracts, they've been  
3 working with us since 2008, and in that time they had  
4 training in 2008 and three trainings over the course of  
5 2014, all of which addressed the required documentation to  
6 be submitted and maintained to the Department to some  
7 degree.

8 MR. IRVINE: I'd like to provide a little  
9 architecture for the way that the process works. We award  
10 funds to a subrecipient and they go out and go through an  
11 appropriate process, a procurement process to obtain the  
12 contractors that they need to do the actual work. The  
13 contractors do the work consistent with the plan designs  
14 and the budget and so forth, and they understand that  
15 there's a limitation on the total contract. Somebody  
16 says, Hi, I just poured your concrete slab, I'm submitting  
17 my bill for \$5,000 for a properly poured slab, I'm  
18 submitting that through somebody who's got an appropriate  
19 relations, i.e., the contractor. And they get paid and  
20 they get paid from the subrecipient, and then the  
21 subrecipient comes to us and they say: Here, this is the  
22 work that was done, here's the invoice for the work that  
23 was done, here's my check or other evidence of payment to  
24 them to pay them in full for the invoiced amount, and I  
25 now request reimbursement. And that's pretty much the way

1 it works.

2 MR. OXER: So they're requesting reimbursement  
3 or are they requesting distribution? So it's  
4 reimbursement. They're cash negative on it to begin with.

5 MR. HUNT: Yes, sir.

6 MR. OXER: So they don't get money and then  
7 they have to report back the amount that's been spent out  
8 of it. Is that correct?

9 MR. HUNT: That's correct.

10 MR. OXER: Okay. So you've got a plan, you  
11 make a commitment to that, and then they work against that  
12 commitment, and then there's request for a draw that they  
13 get paid for what's been done behind as opposed to  
14 forward.

15 MR. HUNT: Yes, sir.

16 MR. OXER: Okay.

17 MR. IRVINE: It works pretty much like any  
18 single family home construction where the people who do  
19 the work expect to be paid reasonably promptly, the  
20 contractor is responsible for paying them because they're  
21 the ones that hired them and engaged them, and then the  
22 contractor quickly turns around and looks to the homeowner  
23 or other source and says, Pay me because I've already come  
24 out of pocket to pay for the guys that did the work.

25 MR. OXER: Okay. Any other questions?

1 MR. IRVINE: And HUD expects us to have in our  
2 file documentation for every penny that the work was done,  
3 it was invoiced, it was paid, it's reimbursed through  
4 appropriate parties.

5 MS. MOLINARI: Hi. Jennifer Molinari, HOME  
6 Program director.

7 Just one little point of clarification. When  
8 we receive draw requests, we reimburse them based on the  
9 incurred expense, so we will review the draw request and  
10 pay the draw request based on an invoice. We don't  
11 actually see the payment or the check that goes back out  
12 for those services when we're approving a draw request.  
13 And that's what Earnest's group will go back and later  
14 verify when we make that payment to the contractor that  
15 the subrecipient then used those funds to pay the  
16 contractor and they'll trace it back to the bank account.

17 DR. MUÑOZ: Here's my question.

18 MR. OXER: Because that's where the wrinkle is.

19 MS. MOLINARI: That's correct.

20 DR. MUÑOZ: So was the money paid out and now  
21 we're asking for it back, or are they out of pocket this  
22 money, asking us to reimburse them?

23 MS. MOLINARI: For these expenses that we're  
24 talking about, they have been reimbursed.

25 DR. MUÑOZ: Okay. They have the money.

1 MR. OXER: They've received the distribution  
2 under an invoice that was presented, so the question is  
3 where's the evidence that they used that money. They took  
4 the money, so the question is do they have documentation  
5 to support that money being used to pay the contractor.  
6 Is that the crux of it?

7 MS. MOLINARI: That's correct.

8 MR. OXER: And we're saying that we don't have  
9 it. In the event that this goes either way, if it goes  
10 the wrong way for them, do they have the option to appeal  
11 if they can find that documentation or create that  
12 documentation?

13 Thank you, Jennifer.

14 MR. HUNT: So they've gone through the  
15 Department's process, meeting with chief of compliance, as  
16 well as our compliance committee, and then they submitted  
17 a written appeal to our executive director which brings us  
18 to today, so they would have run the full gamut for the  
19 appeal process.

20 MR. IRVINE: We cannot leave open indefinitely  
21 the possibility that somebody brings in documentation to  
22 support any particular expenditure or activity. We've  
23 provided them the money, we've monitored them, we've found  
24 deficiencies, we've given them ongoing opportunities to  
25 respond with, just like I said, here's the invoice for the

1 things that were done, here's the check that paid them,  
2 and we don't have it.

3 MR. OXER: Mr. Ebenezer, you get 60 seconds,  
4 one minute if you have another comment, and you have to  
5 tell us again who you are.

6 MR. ANENE: This is Rev. Ebenezer.

7 The contractor they're referring to that has  
8 sent in a letter was the same subcontractor that did not  
9 trust his contractor of record, and that was why I wrote  
10 him a check, and that check is disallowed, a \$30,000  
11 check, plus the \$14,000 check that I wrote him. Just  
12 because I did not include the contractor of record's name  
13 on that check made it disallowed. Yet they said that the  
14 contractor called that he wasn't paid. I paid him because  
15 he didn't trust the contractor of record.

16 MR. OXER: Hold on, Rev. Anene. So what the  
17 agency is saying -- it's all right, get up here because  
18 you're going to answer a question. This is a choreography  
19 thing, don't worry about it.

20 So what we're saying is that we don't have the  
21 documentation that shows where they paid the contractor of  
22 record who paid the subcontractor. He's saying he went  
23 around them and paid them directly, but that is  
24 inconsistent with our audit requirements on this program.

25 MR. HUNT: Well, we did take into consideration

1 payments to subcontractors. That spreadsheet that I  
2 alluded to earlier demonstrates the entities that we  
3 traced or attempted to trace to actual payment. And I'm  
4 not sure if he's referring to specifically the contractor  
5 that initiated this review as part of a compliant, but  
6 that is not the underlying basis for the disallowed costs.

7 We performed a normal review over all of the expenditures  
8 and attempted to trace all of them to payment.

9 MR. OXER: And so the amount that's in question  
10 here is the difference between those that could be  
11 documented and those that can't, as opposed to a single  
12 entity.

13 MR. HUNT: Yes.

14 MR. OXER: Okay. All right. Thank you.

15 DR. MUÑOZ: You never saw that \$30,000 check?

16 MR. HUNT: The \$30,000 check to the sub in  
17 question?

18 DR. MUÑOZ: Yes. I mean, he says that it was  
19 disallowed. Because I'm looking at your spreadsheet, if  
20 I'm looking at the right thing, and I don't see any  
21 notation in that amount. That's a big part of this 70-  
22 something thousand.

23 MR. HUNT: Again, these are costs that we  
24 could, as much as possible, attribute to what was  
25 submitted to the Department for reimbursement.

1 DR. MUÑOZ: But you heard what he's said.  
2 Right? I mean, you heard what he's saying. Right? I  
3 didn't pay this guy, I paid the guy directly. I mean, is  
4 that the first time you're hearing that?

5 MR. HUNT: No, it's not. He did communicate  
6 that to us, but again, we are trying to support what has  
7 been submitted to the Department because that's the  
8 standard we're held to by our funding agency.

9 DR. MUÑOZ: So did you ask for a copy of a  
10 check? I mean, not that you're necessarily obligated to  
11 ask.

12 MR. HUNT: The Department is in receipt of that  
13 documentation. I think it's been provided both to the  
14 HOME department and we have had an opportunity to see it  
15 as well.

16 MR. OXER: And I gather it did not satisfy your  
17 requirement for the audit.

18 MR. HUNT: It does not satisfy the requirement  
19 for the reimbursed expenditures reported to the  
20 Department.

21 MR. OXER: Okay. All right. Thank you all for  
22 your comments.

23 All right. We have a motion by Ms. Bingham,  
24 second by Mr. Gann to approve staff recommendation to deny  
25 the appeal for item 5. We've had public comment, there's



1 no other public comment requested. Those in favor?

2 (A chorus of ayes.)

3 MR. OXER: And those opposed?

4 (No response.)

5 MR. OXER: There are none. It's unanimous.

6 Okay. Item 6. Michael.

7 MS. BOSTON: Brooke Boston, deputy executive  
8 director. Michael is still meeting with HUD from our  
9 morning meeting.

10 MR. OXER: Lucky him. Huh?

11 (General laughter.)

12 MS. BOSTON: So item 6 is regarding an award of  
13 contracts to administer the Department of Energy LIHEAP  
14 program for weatherization -- excuse me -- the Department  
15 of Energy and LIHEAP programs which both fund  
16 weatherization for a particular set of counties. In  
17 response to a voluntary relinquishment that the Tri-County  
18 Community Action, Inc. had submitted to us, they  
19 relinquished their weatherization program, so we were left  
20 with several counties that no longer had WAP coverage.

21 So we got your permission in November to  
22 release a request for applications to find a new  
23 replacement provider. We released that RFA, and then we  
24 received one application by April 15 which was the  
25 deadline. That application came in from the Greater East

1 Texas Community Action Program, called GETCAP. The  
2 application was reviewed, it's a qualifying respondent, it  
3 satisfies the threshold, it was evaluated for previous  
4 participation, was approved by EARAC and is now being  
5 recommended for an award.

6 The award is for both the 2016 LIHEAP and 2016  
7 Department of Energy WAP funds in an aggregate of roughly  
8 \$330,000. The counties it's going to cover are Harrison,  
9 Jasper, Newton, Panola, Sabine, San Augustine, Shelby,  
10 Tyler and Upshur. The award today also will consider them  
11 to be the network provider for those counties, so they  
12 would continue to be the weatherization provider in  
13 ensuing years unless something unforeseen occurred.

14 And I'm happy to answer any questions.

15 MR. OXER: So are they new to the system?

16 MS. BOSTON: No. They're an adjacent provider  
17 so they've already been doing weatherization.

18 MR. OXER: Okay. So we're saying that they're  
19 taking over, they know what they're doing.

20 MS. BOSTON: Yes.

21 MR. OXER: They've got enough plow capability  
22 on their tractor.

23 Okay. Any questions of the Board?

24 MS. BINGHAM ESCAREÑO: Mr. Chair, I'll move  
25 staff's recommendation.

1 MR. OXER: Okay. Motion by Ms. Bingham to  
2 approve staff recommendation on item 6. Do I hear a  
3 second?

4 DR. MUÑOZ: Second.

5 MR. OXER: There's a second by Dr. Muñoz.  
6 There's no request for public comment. Motion by Ms.  
7 Bingham to approve staff recommendation on item 6, second  
8 by Dr. Muñoz. Those in favor?

9 (A chorus of ayes.)

10 MR. OXER: And opposed?

11 (No response.)

12 MR. OXER: There are none. Thanks, Brooke.  
13 Marni.

14 MS. HOLLOWAY: Good afternoon.

15 MR. OXER: Indeed.

16 MS. HOLLOWAY: We're at afternoon now?

17 MR. OXER: It is.

18 MS. HOLLOWAY: Barely. Marni Holloway,  
19 director of Multifamily Finance.

20 Item 7(a) is presentation, discussion and  
21 possible action on timely filed appeals and waivers under  
22 the Department's Multifamily Program rules. The  
23 application we are discussing is for Crosby Meadows  
24 Apartments which is application number 16175.

25 This application was submitted as part of the

1     USDA set-aside. After staff review, a scoring notice was  
2     provided to the applicant on April 7 of 2016, indicating  
3     that the application would lose 17 points because the site  
4     is in the extraterritorial jurisdiction of the City of  
5     Houston, so it could not be scored as a rural development.

6     The applicant self-identified as being located in a rural  
7     area because they are just outside the census designated  
8     area known as Crosby.

9             The Crosby Meadows Apartments are located  
10     outside the boundary of the census designated place Crosby  
11     and in the extraterritorial jurisdiction of the City of  
12     Houston in Harris County. Department rule under  
13     10.2045(a), Designation as rural or urban, describes that  
14     sites in the ETJ of an area as urban without consideration  
15     for the actual characteristics of the individual site.

16            In the appeal the applicant contends that they  
17     relied on legislation, which was House Bill 439, passed by  
18     the 83rd Legislature, which they believed specifically  
19     grandfathered all USDA properties as rural, so they would  
20     be scored as rural whether they were actually in a rural  
21     or urban area.

22            MR. OXER: It being in the ETJ makes them  
23     effectively?

24            MS. HOLLOWAY: Our rule says that if they're in  
25     the ETJ -- so the ETJ of the City of Houston is huge -- if

1 a site is within that ETJ it is considered urban because  
2 it's in Houston's ETJ and doesn't consider the actual --

3 MR. OXER: The ETJ defines the city limits with  
4 respect to that.

5 MS. HOLLOWAY: Right. So this particular site  
6 is right next to Crosby. Crosby is a census designated  
7 place and it's rural, but because the site is just outside  
8 the boundaries of that census designated place, we said,  
9 No, you're in the ETJ.

10 Based on information that we received back with  
11 the appeal and conversations that we had with the  
12 applicant, we started taking a little closer look at the  
13 statute and taking a little closer look at our rule. We  
14 have determined that a reasonable interpretation of the  
15 statute would allow a rural designation for the Crosby  
16 Meadows property. Our research included a review of the  
17 legislation, how it was incorporated into statute, and how  
18 it was interpreted in the Department's rule. During this  
19 review we found reason to believe that the designation as  
20 rural is an appropriate designation for the area in which  
21 the development site is proposed.

22 The rural area is defined in rule and statute  
23 as an area that is located outside the boundaries of a  
24 primary metropolitan statistical area or a metropolitan  
25 statistical area -- so outside of the city -- or if it's

1 within the boundaries of a primary metropolitan  
2 statistical area or a metropolitan statistical area, if  
3 the statistical area has a population of 25,000 or less  
4 and does not share a boundary with an urban area, then it  
5 would be considered rural.

6 The concern is that all primary MSAs -- and  
7 MSAs, by definition, are going to have a population of  
8 more than 50,000 -- the 2015 addition to Texas Government  
9 Code at 2306.6740, Designation of certain areas as rural,  
10 refers to both census designated places or political  
11 subdivisions.

12 In the case of the Crosby apartments, the  
13 obvious political subdivision, because they're in the ETJ,  
14 would be the City of Houston or Harris County, neither of  
15 which would be eligible for a rural designation. However,  
16 we determined through our research that municipal utility  
17 districts, emergency service districts and independent  
18 school districts are all political subdivisions within the  
19 meaning of Local Government Code and the Crosby site is  
20 contained within the Crosby MUD, Crosby ESD and the Crosby  
21 ISD.

22 Staff recommends that based on this analysis of  
23 the Crosby ESD and Crosby MUD because it is within a  
24 political subdivision with a population of 25,000 or less  
25 and shares no boundary with an urban area, as specified in

1 Texas Government Code 2306.004(28-a) which is the  
2 definition I read to you earlier, we are recommending that  
3 the site be considered rural. Based on our analysis, we  
4 are also recommending that the appeal be granted.

5 Staff will be working to refine the rule in  
6 2017 so that sites within ETJs -- we'll bring more clarity  
7 to this issue in the 2017 rule.

8 MR. OXER: So we uncovered another quirk.

9 MS. HOLLOWAY: We did.

10 MR. OXER: Okay. At least there weren't as  
11 many to kill this time.

12 MS. HOLLOWAY: Actually, the statute does not  
13 say ETJ anywhere but it's reasonable if a site within the  
14 ETJ but closer in that it would take on the characteristic  
15 of the city, but for this particular site it's way out.

16 MR. OXER: On the far edge. So it's on the far  
17 edge and it's closer to what would be considered the sort  
18 of Crosby metropolitan area.

19 MS. HOLLOWAY: Crosby, the census designated  
20 place, is rural. This is right outside of Crosby. But  
21 they are paying taxes to the Crosby ISD, they are  
22 definitely Crosby, but there's this quirk in our rule that  
23 hadn't considered this particular situation. But we  
24 learned something really valuable about local political  
25 subdivisions that we can use moving forward so that this

1 is not an issue in the future.

2 MR. OXER: So they are potentially paying  
3 financial homage to Crosby but they happen to be within  
4 this little gray area on the map that says Houston on it.

5 MS. HOLLOWAY: Exactly.

6 MR. OXER: Okay. Is that good with everybody?  
7 So your staff recommendation is to let them call  
8 themselves rural?

9 MS. HOLLOWAY: Yes. Grant the appeal. Yes.

10 MR. OXER: Okay. Any questions from the Board?  
11 Motion to consider?

12 DR. MUÑOZ: So moved.

13 MR. OXER: Motion by Dr. Muñoz to approve staff  
14 recommendation on item 6.

15 MR. GANN: Second.

16 MR. OXER: I'm sorry. 7(a).

17 MS. HOLLOWAY: 7(a), yes.

18 MR. OXER: And second by Mr. Gann.

19 You're getting what you want. Do you really  
20 want to say anything? Okay. Good. That's a good answer.

21 All right. Motion by Dr. Muñoz, second by Mr.  
22 Gann to approve staff recommendation on item 7(a). Those  
23 in favor?

24 (A chorus of ayes.)

25 MR. OXER: And opposed?



1 (No response.)

2 MR. OXER: There are none.

3 Okay. 7(b), Marni.

4 MS. HOLLOWAY: 7(b) is presentation, discussion  
5 and possible action regarding an award of direct loan  
6 funds from the 2016-1 multifamily direct loan notice of  
7 funding availability.

8 Staff is recommending the Board approval of  
9 Bluebonnet Studios, application 16500, for direct loan  
10 funds totaling \$590,000 under the deferred forgivable loan  
11 set-aside. The recommended applications and award  
12 amounts, as working through the process, are outlined in  
13 the award recommendations log that's part of your Board  
14 book.

15 Bluebonnet Studios was originally awarded an  
16 allocation of 9 percent housing tax credits in 2014 for  
17 the construction of 107 supportive housing units on South  
18 Lamar Boulevard in Austin. Construction began on this  
19 project in June of 2015 and is currently over 60 percent  
20 complete. Since the original award in 2014, building  
21 costs have increased \$7.7 million.

22 MR. OXER: That's the amount of the increase?

23 MS. HOLLOWAY: That's the amount of the  
24 increase, yes, since the 9 percent application was  
25 underwritten. This increase has led the applicant to

1 secure additional financing in the form of grants,  
2 donations and increased equity. While building costs have  
3 increased substantially, the applicant has not increased  
4 the developer fee based on these higher costs, therefore,  
5 none of the direct loan funds will be used to fund an  
6 increased developer fee and instead will be used to help  
7 fill the gap between sources and those increased costs.

8 With the addition of direct loan funds, eleven  
9 of the 107 units will now also be restricted to serve  
10 households earning 50 percent or less of area median  
11 income.

12 As required in Section 4 of the 2016-1 NOFA,  
13 the Department's Governing Board must establish a hard  
14 closing deadline at the time of award. As such, staff  
15 recommends that closing on all sources of funds must occur  
16 no later than June 30 of 2016.

17 The borrower is F.C. Bluebonnet Housing, LP,  
18 and includes entities and principals as indicated in the  
19 org chart. At the time of the previous participation  
20 review, the applicant was a Category 3 portfolio because  
21 of an uncorrected event of noncompliance. That issue has  
22 since been corrected and EARAC recommends approval without  
23 further comment. There have been no letters of support or  
24 opposition received by the Department for this  
25 application.

1 Staff recommends approval of the award.

2 MR. OXER: So essentially the costs went up but  
3 they're not trying to suck any more out of it for  
4 themselves. They're keeping their own money, they're just  
5 trying to make sure this thing works.

6 MS. HOLLOWAY: Exactly.

7 MR. OXER: Okay. Any comments from the Board?  
8 (No response.)

9 MR. OXER: Okay. Motion to consider?

10 MS. BINGHAM ESCAREÑO: I'll move.

11 MR. OXER: Okay. Motion by Ms. Bingham to  
12 approve staff recommendation on item 7(b). Is there a  
13 second?

14 DR. MUÑOZ: Second.

15 MR. OXER: Second by Dr. Muñoz. There appears  
16 to be no public comment. Regarding item 7(b), motion by  
17 Ms. Bingham to approve staff recommendation second by Dr.  
18 Muñoz. Those in favor?

19 (A chorus of ayes.)

20 MR. OXER: And opposed?

21 (No response.)

22 MR. OXER: There are none.

23 Okay. Thanks, Marni. Good job.

24 MS. HOLLOWAY: Do you want to do I think it's  
25 the last thing on the agenda for today?

1 MR. OXER: Well, okay. I was hoping we would  
2 be able to avoid saying QAP.

3 (General laughter.)

4 MR. OXER: Go ahead, please.

5 MS. HOLLOWAY: Okay. Item 8(b) is a report on  
6 the 2017 Qualified Allocation Plan project. As you know,  
7 staff has been meeting with stakeholders since December of  
8 2015 to discuss the 2017 QAP. This effort is intended to  
9 provide an informal environment to share ideas regarding  
10 the next QAP outside of the official public comment  
11 process.

12 The March 30 meeting took up opportunity index  
13 as a topic. The discussion included moving to a menu  
14 criteria that starts from a threshold of income and  
15 poverty levels and then provides a set of features that  
16 could be selected in order to achieve high opportunity  
17 points rather than the more prescriptive criteria that we  
18 have in our QAP right now. The group thinks that this  
19 would open up more areas potentially for development, and  
20 actually in the meeting yesterday we built on that  
21 conversation a little bit more and started talking about  
22 selecting features for specific development. So one of  
23 the features, if it's education and you're doing a family  
24 development, you have to meet that one, but have a range  
25 of other options available for other measures.

1           We discussed the use of radius measurement in  
2 consideration of features from contiguous census tracts in  
3 looking at opportunity, so that just because you step over  
4 the line into the next census tract doesn't mean that your  
5 opportunity necessarily changes, and the group has asked  
6 us to take a look at what those measures might look like.

7           Educational excellence continues to be a topic  
8 of conversation at just about every meeting. I wanted to  
9 let you know that the staff has contacted the Texas  
10 Education Agency for some expert input on school  
11 accountability ratings, especially as we're moving forward  
12 to a letter grade rather than the Met Standard system that  
13 we currently have.

14           Yesterday, on April 27, the group took up at  
15 risk development. There's a group that's working  
16 collaboratively to arrive at recommendations on the at  
17 risk development items, which I think is tremendous. A  
18 couple of suggestions that were made, the number of 30  
19 percent units, the extremely low income units, and  
20 preservation of the most at risk developments are  
21 suggested for scoring items under that category.

22           One topic of conversation that we spent quite a  
23 bit of time on was prioritization of types of properties  
24 within the list of at risk developments, so the whole long  
25 list of financing sites and types of developments that

1 fall under at risk, the group was looking for a  
2 prioritization within that.

3 We discussed a separate scoring criteria for  
4 the at risk applications, and we continued discussion of  
5 gentrification, so how to define and measure gentrifying  
6 neighborhoods and if we can get to that within the QAP.

7 Yesterday we talked about topics for our next  
8 meeting. Requested are: underserved area, that point  
9 item; a discussion regarding the cost per square foot  
10 measure; discussion regarding tiebreakers; and I also  
11 would like to have the group look at some planned changes  
12 to Chapter 10, so outside of the QAP but will impact the  
13 QAP.

14 Our next meeting will be the Wednesday before  
15 the next Board meeting here in Austin.

16 MR. OXER: As they have been all along.

17 Do you get the sense that the effort that we're  
18 putting into this development and engaging the community  
19 is having a useful and productive impact on evolving the  
20 QAP?

21 MS. HOLLOWAY: I think so. There are some  
22 ideas, some thoughts that are coming out of these meetings  
23 that are a little different approach than we've taken in  
24 the past, for instance, this menu concept, that seem to be  
25 gaining some ground and I think absolutely warrant

1 consideration.

2 I think it's also an opportunity for all of us  
3 to sit and talk in a more informal environment. You know,  
4 it's not me standing up here talking to you all, it's all  
5 of us sitting around looking at each other, having these  
6 conversations, and I think that that's really valuable.

7 MR. OXER: I do too.

8 Tim, did you have a thought?

9 MR. IRVINE: I like some of the new ideas that  
10 we're playing with, I like the menu idea, I like the  
11 radius idea, but I think regardless of the new ideas that  
12 develop and begin to take shape, once we reduce this to a  
13 draft for discussion, I think you inevitably will have a  
14 whole lot of people with different business objectives and  
15 different business models and different value senses and  
16 so forth, and not everybody is going to like everything,  
17 and we'll continue to have that ongoing discussion and  
18 debate. And ultimately, it's going to come down to this  
19 Board making some real policy-grounded decisions about  
20 what it wants to pursue.

21 MR. OXER: Do we have any information or do you  
22 get a sense, has any of the staff been to any of the NCSHA  
23 meetings to get a sense of how they develop their QAPs?  
24 What I've heard is that some of them simply go ahead and  
25 write it and say: Here it is, live with it.

1 MS. HOLLOWAY: Right. From the folks that I  
2 spoke with at NCSHA, there's this huge range of  
3 approaches, particularly as all of the states are starting  
4 to take up opportunity indexes or high opportunity areas,  
5 and keeping in mind that Texas being such a large state,  
6 some of them we may not be able to do.

7 MR. OXER: We have counties bigger than a lot  
8 of states.

9 MS. HOLLOWAY: There was one, I don't remember  
10 which state it was but much smaller than Texas, that they  
11 actually had one-on-one meeting with every one of their  
12 developers and used colored dots to go through the QAP and  
13 mark things they liked and didn't like.

14 MR. OXER: You mean one-on-one meetings with  
15 both of their developers?

16 (General laughter.)

17 MS. HOLLOWAY: Well, I think there were like  
18 twelve or something like that.

19 Another, I believe it's Florida, their QAP is  
20 just a few pages long because most of their requirements  
21 come from other places. They have multiple rounds all  
22 year long, and they just count on every time they make an  
23 award, they're getting sued.

24 So it's really different approaches to QAPs.

25 MR. ECCLES: I'd recommend against that model.



1 (General laughter.)

2 MR. OXER: Counsel, thank you for your comment.

3 MS. BINGHAM ESCAREÑO: Thank you.

4 MR. IRVINE: Another one I saw that was kind of  
5 interesting was a state that had the ability to fund some  
6 studies and in that study process it identified  
7 opportunity locations and said, Why don't you go develop  
8 there?

9 MR. OXER: So suggestions as opposed to going  
10 and finding one and seeing if it's all right with us. Or  
11 actually, that's a bad way to put that, see if it meets  
12 criteria that we're currently functioning under.

13 MS. HOLLOWAY: Which we do to some extent with  
14 our site demographics, with our reporting. I think if  
15 we're looking at this menu option and perhaps providing  
16 more flexibility for us to arrive at that list may be  
17 difficult. If it's proximity to grocery stores, we'd have  
18 to map every grocery store in the state.

19 I'm trying to think of some other things that I  
20 heard. As I said, huge spectrum of options and ways that  
21 it can be done. I think that at least for right now, this  
22 QAP process that we're going through is working well. It  
23 could be that next year we decide we need to do something  
24 else.

25 MR. OXER: While I suspect that we will always

1 be making the effort to cut a new path, simply because of  
2 the way TDHCA is organized and the nature of the program  
3 that we have, the size of it and that sort of thing, I'm  
4 also perfectly happy to plagiarize anything that works.

5 MS. HOLLOWAY: Exactly.

6 MR. OXER: And that's why I say keep scouting  
7 for anything that works out there but assume that nothing  
8 will and we'll have to make it up ourselves and we can go  
9 forward being unique, as Texas is.

10 MR. OXER: That's it, that's a report item?

11 MS. HOLLOWAY: That's a report item.

12 MR. OXER: Great. Thanks, Marni.

13 MS. HOLLOWAY: Thank you.

14 MR. OXER: Anything else, Counselor?

15 Okay. We've arrived at the point of the agenda  
16 that we invite public comment for items to be considered  
17 for future agendas, and if there are those who wish to  
18 speak.

19 Well, Ms. Dula, how nice to see you.

20 MS. DULA: Tamea Dula with Coats Rose.

21 And I just wanted to issue a compliment to  
22 staff.

23 MR. OXER: Wait a minute. Mark this date down.

24 (General laughter.)

25 MS. DULA: This year apparently there's been an

1 innovation and the individually MH'd applications are  
2 being rotated by the reviewers so that they go through and  
3 they underline it or they make notations about what they  
4 don't understand. It also appears that when a document is  
5 corrected and supplements are provided in substitution for  
6 one that was in the original application, that that  
7 document is now inserted in and the original application  
8 is scratched through so you see that it's no longer  
9 applicable.

10 MR. OXER: This is a good thing. Right?

11 MS. DULA: This is a really good thing. It's  
12 most interesting and it helps to see the through process  
13 of the reviewer and it's going to help you by diverting  
14 some challenges or third party administrative deficiency  
15 issues that have already been considered by staff and it's  
16 clear in the documentation that they have been considered.

17 MR. OXER: We like to reduce the fourth quarter  
18 cat fights as much as we can.

19 MS. DULA: Additionally, it appears that at  
20 some point in the process a deficiency notice that has  
21 been resolved is put in front of the application, at least  
22 in some cases, so that is also very helpful. And I wanted  
23 to say that I appreciate it, at least, and thought it was  
24 a good idea.

25 MR. OXER: Good. We appreciate your comments.

1 I say personally, and I'm confident that the rest of the  
2 Board members here are always glad to hear of the staff  
3 taking aggressive innovation on this and getting it right.  
4 You know, let's hear when we get it right, but also let's  
5 hear when we don't. But thank you for that.

6 MS. DULA: Thank you.

7 MR. OXER: Okay.

8 MR. ALCOTT: Hello. Tim Alcott, San Antonio  
9 Housing Authority.

10 I was the meeting yesterday, and Marni Holloway  
11 did a good summary of the meetings.

12 A couple of meetings ago, Tim Irvine asked  
13 myself and Ginger McGuire to put together phone calls, and  
14 we've been doing that, for the at risk developments to see  
15 if we could come to a consensus on some changes. And to  
16 be honest with you, after the first call, I didn't think  
17 we'd have a second call because everyone was talking about  
18 points for their developments.

19 MR. OXER: So what you mean is they had self-  
20 interest?

21 (General laughter.)

22 MR. ALCOTT: But I will say that after that  
23 meeting we had other meetings and we did come to a  
24 consensus, and Marni was talking about a lot of things  
25 that came out of those discussions. And so as we reported

1 out to the at risk subcommittee yesterday, we also heard  
2 from others on whether to revise our consensus, what we  
3 can all agree to, and we'll submit that to you.

4 And we appreciate being part of that process.  
5 You asked earlier, Mr. Oser, about it, and we like it, we  
6 like being able to participate in it, and so we're very  
7 thankful for being able to do that.

8 The other thing I'll mention is you started  
9 talking about other states, and Dr. Muñoz mentioned last  
10 time -- and I'm not sure who was talking, it might have  
11 been Tom -- he said we should always be looking at best  
12 practices and best practices across the country. And that  
13 started me thinking, talk about my own projects. And so I  
14 did some research with my team, and we started pulling the  
15 QAPs, qualified allocation plans, from across the country,  
16 and the ones that received either Promise Grants or Choice  
17 Grants or other federal initiatives, and what we found was  
18 that other states do give a preference for Promise and  
19 Choice initiatives.

20 And so the reason these states likely are doing  
21 this is because they want to make sure that the federal  
22 initiatives and the state initiatives are all on the same  
23 page and you get the benefits of that, because all of  
24 these initiatives are more than just a single development.  
25 Like with a Promise Zone or a Choice Zone, it's not just

1 building a beautiful complex in an inner city area, it's  
2 revitalizing the community, and so sometimes it's best not  
3 to look at perhaps the schools that we mentioned earlier  
4 at this very point in time because we're putting a lot of  
5 money into the schools with Promise and other things, so  
6 that perhaps is why so many states do that.

7 And I'll just take a couple of seconds here to  
8 talk about a few other state statutes. I won't go through  
9 them all because I only have three minutes.

10 MR. OXER: Depending on our complimentary you  
11 are, we'll give you some more time.

12 (General laughter.)

13 MR. ALCOTT: Rhode Island provides ten points  
14 for applications with leveraged housing resources such as  
15 HUD CNI.

16 Tennessee, for applications which involve HUD  
17 CNI grants, THDA -- they have different acronyms -- will  
18 make reservations beginning USDA or federal and state  
19 historic tax credits with the highest ranking CNI, which  
20 is Choice Neighborhood Initiative, and will proceed down  
21 the list until the point is reached where the last  
22 complete reservation has been made for a Choice  
23 Neighborhood application. So they get the applications  
24 and they go down until all the Choice grantees get it.

25 Indiana, for applications which receive federal

1 assisted revitalization awards, up to five points will be  
2 awarded if the proposed project is a phase or a component  
3 of a PA sponsored CNI grant, or to HUD designated Promise,  
4 a Department of Education designated Promise area.

5 And I have some others, Pennsylvania and  
6 others, and I won't go through them all. But I just want  
7 you to be aware that other states have similar things and  
8 we always want to be the best -- Texas is -- and I want  
9 you to just be aware of what other states are doing and  
10 the reason that is, and the reason is the Federal  
11 Government is saying, hey, we're going to change a  
12 community, not just one development. And so as we go  
13 around the next 2017 QAP, it just won't benefit my grant  
14 in San Antonio, there's many other Promise and Choice  
15 initiatives that are either applying or have already  
16 received them, so we'd just like you to consider that.

17 Thank you.

18 MR. OXER: Thanks.

19 Joy.

20 MS. HORAK BROWN: Good morning. Joy Horak  
21 Brown, president and CEO of New Hope Housing in Houston,  
22 Texas.

23 I just returned from Philadelphia where I  
24 attended the Affordable Workforce Housing Council of the  
25 Urban Land Institute. I'm on the leadership team for that

1 national council. And the head of the Pennsylvania state  
2 agency spoke, and they are doing something that I think s  
3 very innovative. They have one or two projects a year  
4 that are awarded tax credits based on innovation. And the  
5 way that process works is you go ahead and you do your  
6 regular application and there is a threshold, so you can't  
7 just leap over, irrespective of meeting a threshold, so if  
8 you've met a threshold and you would like to compete in  
9 the portion that is for innovation, then you have a box  
10 that you check and there is additional documentation that  
11 you provide. And there is a national panel that decides  
12 if any projects will be awarded credits in that particular  
13 tranche, will it be one, sometimes it's two.

14 And so a project, I'm going to think of one  
15 that is Walter Moreau's, that I just attended the grand  
16 opening of one of his developments that is literally set  
17 in a park. There are 500 oak trees there. It adds to the  
18 community in a way that isn't usual, isn't ordinary, is  
19 innovative to have been able to use a difficult site like  
20 that, something like that might be the type projects that  
21 would be awarded under this particular tranche.

22 Never heard of this before and I think it's a  
23 very interesting idea and wanted to bring it forward to  
24 you.

25 MR. OXER: Good. Thanks for your comments.



1 I'll have a few questions. We can't ask them right now  
2 but we'd certainly like to consider that.

3 Anyone else? Any of the staff have anything  
4 they'd like to say? I'll open it up for the staff also.  
5 Any of the members on the dais here? Ms. Bingham,  
6 anything to add?

7 (No response.)

8 MR. OXER: Okay. I've got a couple to add  
9 here. First of all, I'd like to say happy birthday to Mr.  
10 Gann who is celebrating a birthday Saturday, won't say  
11 which one.

12 (Applause.)

13 MR. OXER: As has become my custom after I got  
14 so many I couldn't count them all, I don't count them, I  
15 just celebrate the fact that they're showing up because  
16 given some of the stuff that I've tried and survived, it's  
17 amazing I actually go there, much less relatively intact.

18 So happy birthday, Mr. Gann.

19 MR. GANN: Thank you.

20 MR. OXER: A quick shout out to everybody there  
21 on the camera that's listening in from over at 211 East  
22 11th Street. We appreciate the work that you do to  
23 support all of the things that we do. And I reiterate  
24 that the staff does all the work and we just get to take  
25 the credit for it up here.

1                   So if there are no other questions, no other  
2 comments, I'll entertain a motion to adjourn.

3                   MS. BINGHAM ESCAREÑO: So moved.

4                   MR. OXER: Motion by Ms. Bingham to adjourn.

5                   DR. MUÑOZ: Second.

6                   MR. OXER: And second by Dr. Muñoz. Those in  
7 favor?

8                   (A chorus of ayes.)

9                   MR. OXER: Okay. We're all there. We'll see  
10 you next month, folks. Thanks for your participation.

11                   (Whereupon, at 12:42 p.m., the meeting was  
12 adjourned.)

C E R T I F I C A T E

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2  
3 MEETING OF: TDHCA Board  
4 LOCATION: Austin, Texas  
5 DATE: April 28, 2016

6 I do hereby certify that the foregoing pages,  
7 numbers 1 through 99, inclusive, are the true, accurate,  
8 and complete transcript prepared from the verbal recording  
9 made by electronic recording by Nancy H. King before the  
10 Texas Department of Housing and Community Affairs.  
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16 \_\_\_\_\_ 05/04/2016  
17 (Transcriber) (Date)

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