

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOVERNING BOARD MEETING

Texas Capitol Building
Capitol Extension
Room E2.026
1100 Congress Avenue
Austin, Texas

November 8, 2018
8:00 a.m.

MEMBERS:

J.B. GOODWIN, Chair
LESLIE BINGHAM ESCAREÑO, Vice Chair
PAUL BRADEN, Member
ASUSENA RESÉNDIZ Member
SHARON THOMASON, Member
LEO VASQUEZ, Member

TIMOTHY K. IRVINE, Executive Director

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
CALL TO ORDER	8
ROLL CALL	
CERTIFICATION OF QUORUM	
CONSENT AGENDA	
ITEM 1: APPROVAL OF THE FOLLOWING ITEMS PRESENTED IN THE BOARD MATERIALS:	9
LEGAL	
a) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Bella Vista Apartments (HTC 05626/Bond 05626/CMTS 4328)	
b) Presentation, discussion, and possible action regarding the adoption of Agreed Final Orders concerning related properties Prairie Estates (HTC 97107/CMTS 1763) and Homes of Persimmons (HTC 98170/CMTS 2026)	
c) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning related properties Western Burgundy (HTC 97088/CMTS 1742), Lee Seniors (HTC 98093/CMTS 1950), Haymon Krupp (HTC 14127/CMTS 5003), Tays (HTC 14130/CMTS 5005), Raymond Telles Manor (HTC 14419/CMTS 5063), Lt. Palmer Baird (HTC 14420/CMTS 5064), J.E. Anderson Apartments (HTC 14421/CMTS 5066), Everett Alvarez Apartments (HTC 14423/CMTS 5067), Harry S. Truman Apartments (HTC 14424/CMTS 5068), Dwight D. Eisenhower Memorial Apartments (HTC 14425/CMTS 5069), Kennedy Brothers Communities (HTC 14427/CMTS 5071), Aloysius A. Ochoa Apartments (HTC 14428/CMTS 5072), Lyndon B Johnson Memorial Apartments (HTC 14429/CMTS 5073), Rafael Marmolejo Jr Memorial Apartments (HTC 14430/CMTS 5074), and Juan Hart	

Memorial Apartments (HTC 14431/CMTS 5075)

BOND FINANCE

- d) Presentation, discussion, and possible action on Resolution No. 19-009 authorizing the filing of one or more applications for reservation with the Texas Bond Review Board with respect to qualified mortgage bonds, authorizing state debt application, and authorizing the selection of underwriters for the bonds

OCI/HTF/NSP DIVISION

- e) Presentation, discussion, and possible action on the appointment of Colonia Resident Advisory Committee members

SECTION 8 PROGRAM

- f) Presentation, Discussion, and Possible Action on the 2019 Section 8 Payment Standards for the Housing Choice Voucher Program

HOMEOWNERSHIP

- g) Presentation, Discussion, and Possible Action on the Single Family Mortgage Loan and Mortgage Credit Certificate Programs Participating Lender List

HOME AND HOMELESSNESS PROGRAMS

- h) Presentation, discussion, and possible action on Program Year 2018 Emergency Solutions Grants Program Awards
- i) Presentation, discussion, and possible action to authorize the issuance of the 2018 HOME Investment Partnerships Program Single Family Homeowner Rehabilitation Assistance Reservation System Notice of Funding Availability and publication in the *Texas Register*
- j) Presentation, discussion, and possible action to authorize the issuance of the 2018 HOME Investment Partnerships Program Single Family Homebuyer Assistance and Tenant-Based Rental Assistance Notice of Funding Availability and publication in the *Texas Register*

MULTIFAMILY FINANCE

- k) Presentation, discussion, and possible action regarding Awards of Direct Loan funds from the 2018-1 Multifamily Direct Loan Notice of Funding Availability

18259 Cannon Courts Bangs
 18223 Harvest Park Apartments Pampa
 18274 Hill Court Villas Granbury

- l) Presentation, discussion, and possible action on a Determination Notice for Housing Tax Credits with another Issuer

18433 DeWetter Apartments El Paso
 18434 Kathy White Apartments El Paso
 18437 Ventura at Tradewinds Midland
 18439 Tays North Apartments El Paso
 18440 Bayshore Towers Pasadena

- m) Presentation, discussion, and possible action on the Third Amendment to the 2018-1 Multifamily Direct Loan Notice of Funding Availability

RULES

- n) Presentation, discussion, and possible action on the proposed repeal and proposed new 10 TAC Chapter 7 Subchapter C, concerning the Emergency Solutions Grant, and directing their publication for public comment in the *Texas Register*

- o) Presentation, discussion, and possible action regarding proposed amendments to 10 TAC Chapter 23, Single Family HOME Program Rules, Subchapter B, Availability of Funds, Application Requirements, Review and Award Procedures, General Administrative Requirements, and Resale and Recapture of Funds, §23.24 concerning Administrative Deficiency Process; Subchapter E, Contract for Deed Program, §23.51 concerning Contract for Deed Requirements, and directing their publication for public comment in the *Texas Register*

General

- p) Presentation, discussion, and possible action on an order proposing the repeal of 10 TAC §5.801, Project Access Initiative, and an order proposing new

10 TAC §5.801, Project Access Initiative, and directing publication for public comment in the *Texas Register*

- q) Presentation, discussion, and possible action on the proposed repeal of 10 TAC Chapter 1, Subchapter B, Accessibility and Reasonable Accommodations; proposed new 10 TAC Chapter 1, Subchapter B, Accessibility and Reasonable Accommodations, and directing publication for public comment in the *Texas Register*
- r) Presentation, discussion, and possible action on an order proposing new 10 TAC, Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.411, Administration of Block Grants under Tex. Gov't Code Chapter 2105, and directing publication for public comment in the *Texas Register*
- s) Presentation, discussion, and possible action on an order proposing new 10 TAC, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.410, Determination of Alien Status for Program Beneficiaries, and directing publication for public comment in the *Texas Register*
- t) Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC §6.404, Distribution of Weatherization Assistance Program Funds, and an order adopting new 10 TAC §6.404, Distribution of Weatherization Assistance Program Funds, without changes, and directing that they be published for adoption in the *Texas Register*
- u) Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 10, Subchapter A,

concerning

General Information and Definitions, Subchapter B, concerning Site and Development Requirements and Restrictions, Subchapter C, concerning Application Submission Requirements, Ineligibility Criteria, Board Decisions and Waiver of

Rules for Applications, Subchapter D, concerning Underwriting and Loan Policy, and Subchapter G, concerning Fee Schedule, Appeals and Other Provisions, and directing its publication in the *Texas Register*

13 v) Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 13 concerning the Multifamily Direct Loan Program Rule, and an order adopting the new 10 TAC Chapter concerning the Multifamily Direct Loan Program Rule, and directing its publication in the *Texas Register*

w) Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 12 concerning the Multifamily Housing Revenue Bond Rules, and an order adopting the new 10 TAC Chapter 12 concerning the Multifamily Housing Revenue Bond Rules, and directing its publication in the *Texas Register*

CONSENT AGENDA REPORT ITEMS

ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS: 9

- a) TDHCA Outreach Activities, (October-November)
- b) Report on the Department's 4th Quarter Investment Report in accordance with the Public Funds Investment Act
- c) Report on the Department's 4th Quarter Investment Report relating to funds held under Bond Trust Indentures

ITEM 3: ACTION ITEMS

EXECUTIVE

a) Presentation, discussion, and possible action to grant certain authority to the Director of Administration and designating an Acting Director 77

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b) Presentation, discussion, and possible action to adopt a resolution regarding designating signature authority and 78

superseding previous resolutions in this regard

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- c) Presentation, discussion, and possible action on initiation of proceedings to remove the eligible entity status of Cameron and Willacy Counties Community Projects, Inc. and terminate CSBG contracts and funding 13

- ITEM 4: RULES 15
- Presentation, discussion, and possible action on an order approving and recommending to the Governor the repeal of 10 TAC Chapter 11 concerning the Housing Tax Credit Program Qualified Allocation Plan, and an order approving and recommending to the Governor in accordance with Tex. Gov't Code §2306.6724(b) the new 10 TAC Chapter 11 concerning the Housing Tax Credit Program Qualified Allocation Plan (which will incorporate into Chapter 11 substance from the Uniform Multifamily Rules being repealed from 10 TAC Chapter 10, Subchapters A, B, C, D, and G), and, upon action by the Governor, directing its publication in the *Texas Register*.

ITEM 5: MULTIFAMILY FINANCE

- a) Presentation, discussion, and possible action on staff determinations regarding Undesirable Neighborhood Characteristics for Multifamily Direct Loan Application 31

18503 Eastern Oaks Apartments Austin

- b) Presentation, discussion, and possible action on a Determination Notice for Housing Tax Credits with another Issuer and an Award of Direct Loan Funds 54

18407 Sphinx at Sierra Vista Senior Villas Fort Worth

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EXECUTIVE SESSION 11

OPEN SESSION 11

ADJOURN

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P R O C E E D I N G S

1
2 MR. GOODWIN: I'm going to call to order the
3 Texas Department of Housing and Community Affairs
4 Governing Board meeting for November 8, 2018, and we're
5 going to start with roll call.

6 Ms. Bingham?

7 MS. BINGHAM ESCAREÑO: Here.

8 MR. GOODWIN: Mr. Braden?

9 MR. BRADEN: Here.

10 MR. GOODWIN: Mr. Goodwin, yes.

11 Ms. Reséndiz, absent.

12 Ms. Thomason?

13 MS. THOMASON: Present.

14 MR. GOODWIN: Mr. Vasquez?

15 MR. VASQUEZ: Here.

16 MR. GOODWIN: We have a quorum.

17 I would ask that you all stand and let Tim
18 lead us in the Pledge of Allegiance to the U.S. Flag and
19 the Texas Flag.

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

22 MR. GOODWIN: I will apologize for these
23 allergies and try to make this as quick as possible so
24 you don't have to listen to this scratchy voice.

25 We have consent agenda and consent report

1 items. Are there any questions on those?

2 MR. BRADEN: Mr. Chair, I have a question on
3 1(d).

4 MR. GOODWIN: 1(b)?

5 MR. BRADEN: No. D as in dog.

6 MR. GOODWIN: D as in dog. Okay.

7 Monica, would you come up?

8 MS. GALUSKI: Good morning. Monica Galuski,
9 director of Bond Finance.

10 MR. BRADEN: Good morning. So this is
11 approval for going forward on a bond deal and indicating
12 the underwriting team, although it's delegated to you to
13 pick the final participants in the underwriting, so do we
14 typically just rotate through this group?

15 MS. GALUSKI: We do not. On our approved
16 underwriters list we have four that are approved to be
17 senior and two that responded only to be co, so we have
18 four eligible seniors, and we do I'll call it a loose
19 rotation.

20 What we do is look at who's done what for us
21 lately. Back in the day you basically selected your
22 underwriters team and could do a pure rotation a lot of
23 times because there were two primary structures that were
24 being used, and since 2008, you know, indentures have run
25 down, we didn't do bond issues for a long time, so our

1 indentures aren't flush the way they were. There's a lot
2 more going on and a lot more need to be sensitive to the
3 individual needs of each of issuer.

4 So what we do is now we listen to the
5 underwriters and take multiple structural approaches and
6 sort of look at who's designing a structure that meets
7 our needs the best, and that's pretty much how we've been
8 working.

9 We know who's paying attention to us, we know
10 who's working to meet our needs, we know their
11 performance on past bond issues which isn't necessarily
12 just how many bonds you sold, it may be what you
13 contributed to that structure to make it better so that
14 we could provide a lower mortgage rate for the
15 homebuyers. So it's not a true rotation, no.

16 MR. BRADEN: That sounds reasonable. I'm glad
17 you take those factors into account.

18 MS. GALUSKI: Thank you.

19 MR. BRADEN: That's all I have.

20 MR. GOODWIN: Any questions about any other
21 consent items or any items that anyone would like to
22 pull?

23 (No response.)

24 MR. GOODWIN: If not, do I hear a motion to
25 approve the consent agenda and consent report items?

1 MR. VASQUEZ: So moved.

2 MR. GOODWIN: It's been moved. Second?

3 MR. BRADEN: Second.

4 MR. GOODWIN: Okay. It's been moved and
5 seconded. Any questions or discussion?

6 (No response.)

7 MR. GOODWIN: All those in favor say aye.

8 (A chorus of ayes.)

9 MR. GOODWIN: Opposed?

10 (No response.)

11 MR. GOODWIN: The consent agenda passes.

12 The first action item we have is regarding
13 Presentation, discussion and possible action to grant
14 certain authority to the director of Administration and
15 designating an acting director. For this we're going to
16 move into executive session.

17 The Executive Director Committee of the
18 Governing Board of the Texas Department of Housing and
19 Community Affairs will go into closed or executive
20 session at this time. A committee of the Board may go
21 into closed or executive session pursuant to Texas
22 Government Code 551.074 for the purposes of discussing
23 personnel matters, pursuant to Texas Government Code
24 551.071 to seek and receive the legal advice of its
25 attorney.

1 The closed session will be held in a nearby
2 room to this meeting room, Room E2.022. The date is
3 November 8, and the time is 8:05 a.m., so we will be back
4 in here by probably 8:25.

5 (Whereupon, at 8:05 a.m., the meeting was
6 recessed, to reconvene this same day, Thursday, November
7 8, 2018, following conclusion of the executive session.)

8 MR. GOODWIN: The closed session has ended.
9 This day is November 8, 2018, the time is 8:40 a.m.

10 The Board is now reconvened in open session at
11 8:40 a.m. During the executive session the Board did not
12 adopt any policy, position, resolution, rule, regulation,
13 or take any formal action or vote on any item, except for
14 deliberations of personnel matters pursuant to Texas
15 Government Code 551.074.

16 Do I hear a motion from any Board member?

17 MR. ECCLES: Do you want to do it at the end?

18 MR. GOODWIN: Okay. I'm sorry. So we're
19 going to move this item to the end of the agenda, and
20 we're going to start with Administration. David.

21 MR. CERVANTES: Good morning, Mr. Chair,
22 members of the Board, Tim.

23 Item 3(b) on your agenda --

24 MR. ECCLES: Actually, 3(b) too.

25 MR. GOODWIN: 3(b) too we'll move to the end.

1 MR. CERVANTES: That makes sense.

2 MR. GOODWIN: Sorry. My screw-up, David.

3 That's only the third one I've made this morning.

4 (General laughter.)

5 MR. GOODWIN: Compliance, item 3(c), Patricia.

6 MS. MURPHY: Good morning. Patricia Murphy,
7 director of Compliance.

8 This item on your agenda is staff requesting
9 permission to move forward with proceedings to terminate
10 the eligible entity status and CSBG funding for the
11 community action agency named Cameron and Willacy
12 Counties Community Projects.

13 We've had a long history of issues with this
14 community action agency. They previously administered
15 the Department of Energy Weatherization Assistance
16 Program and the Low Income Housing Energy Assistance
17 Program for weatherization and utility bill assistance.
18 Those programs were removed back in year 2015. So this
19 action is related to their Community Services Block Grant
20 funding. This particular community action agency does
21 not have a compliant single audit which is required under
22 2 CFR Part 200. They have not had a compliant single
23 audit since I believe around 2012. They've been informed
24 of this deficiency and have made repeated promises to
25 produce this required audit, this series of years of

1 audits that are lacking and have not done so.

2 So with your approval today this begins a
3 process whereby they have a lot of rights and due
4 process. It would go to the State Office of
5 Administrative Hearings for a hearing there, and it will
6 come back to the Board as a proposal for decision, and
7 then if ultimately SOAH and this Board decides to pursue
8 that the eligible entity status should be terminated,
9 then they still will have a 90-day appeal process with
10 the U.S. Department of Health and Human Services. So to
11 be clear, this is a very preliminary step in a long
12 history of non-compliance and we request your permission
13 to proceed.

14 Any questions?

15 MR. GOODWIN: Do I hear a motion?

16 MR. BRADEN: I'll make a motion that the
17 executive director and TDHCA staff be authorized to take
18 all actions necessary to initiate termination proceedings
19 to remove the eligible entity status of CWCCP under the
20 CSBG.

21 MR. GOODWIN: Second?

22 MS. BINGHAM ESCAREÑO: I'll second.

23 MR. GOODWIN: Okay. Moved and seconded. Any
24 discussion? Anybody want to speak to this?

25 (No response.)

1 MR. GOODWIN: All those in favor say aye.

2 (A chorus of ayes.)

3 MR. GOODWIN: Opposed?

4 (No response.)

5 MR. GOODWIN: Okay. Moving on item 4, Rules.

6 Marni.

7 MS. HOLLOWAY: Good morning, Chairman Goodwin,
8 members of the Board.

9 Item 4 is Presentation, discussion and
10 possible action on an order approving and recommending to
11 the governor the repeal of 10 TAC Chapter 11, concerning
12 the Housing Tax Credit Program Qualified Allocation Plan,
13 and an order approving and recommending to the governor
14 the new QAP for 2019.

15 To start, I must thank Teresa and Patrick for
16 all of the work they did to get us to this proposed final
17 QAP, along with all of the stakeholders who have provided
18 input and met with us getting us to this point. We
19 received comments from more than 90 people or
20 organizations for the 2016 QAP, this year we're down to
21 21. This shift speaks to the work that we've been doing
22 over the past few years and the work that those
23 stakeholders have been doing with us, and we feel like
24 we're moving in the right direction.

25 We are hoping to present to you in December

1 our draft plan for the 2020 QAP which will include topics
2 taken from some of this year's comments that we were not
3 able to address, along with topics that staff has
4 identified in the past year. We will also be closely
5 following the legislature in the coming year, of course,
6 so that we can share with stakeholders our plans to
7 implement any statutory changes.

8 Both our statute and the Internal Revenue Code
9 require that we adopt a qualified allocation plan to
10 establish the procedures and requirements related to the
11 allocation of housing tax credits. Our statute further
12 requires us to adopt the QAP and on or before November 15
13 submit it to the governor who is required to approve,
14 reject or modify and approve it not later than December
15 1. After we receive the governor's approval, we will
16 publish the final QAP in the *Texas Register* so that it
17 will be effective for 2019.

18 As you will recall, the draft QAP was
19 previously approved for publication and we accepted
20 public comment for three weeks. Both all of the comments
21 received and staff's responses to each comment are in
22 your board materials. We've made some changes and
23 clarifications to the proposed final QAP based on the
24 comments we received. Some of the comments for proposed
25 changes we were not able to make due to the limitations

1 of the rulemaking process.

2 Rather than going through each of the
3 comments, especially since I have my allergy issues of my
4 own, I'd like to just tell you about some of the more
5 important changes that we've made, and I'm sure if anyone
6 would like to speak to a comment that did not relate to a
7 change or a change we made that was not responsive, I'm
8 happy to share staff's perspective as we go through the
9 discussion.

10 Of course, if the Board directs a change based on the
11 presentation today, it will be incorporated into the QAP
12 that is transmitted to the governor for his approval.

13 So among the changes we've made, we removed a
14 line from the tiebreaker that would have exempted
15 developments under the control of an applicant from the
16 distance measurement in the second part of the
17 tiebreaker, in the second tiebreaker. Commenters
18 suggested that this exemption gave some applicants an
19 advantage because they would not have to consider certain
20 developments that would negatively impact other
21 applicants, and staff agrees with that so we've taken
22 that line out.

23 We have made some clarifying changes to the
24 proposed mitigation section of the neighborhood risk
25 factors rule, which was formerly the undesirable

1 neighborhood characteristics. Commenters expressed
2 concern that the mitigation sections for crime and
3 schools were too prescriptive and make it impossible for
4 applications to overcome these factors. We hope that the
5 changes in the final QAP adequately address those
6 concerns.

7 We have deleted the proposed new section under
8 rehabilitation costs which was created to set a property
9 condition standard for rehab as an alternative to the
10 current dollar amount minimum. While this section was an
11 alternative and did not replace the measurements that
12 we've used previously, we recognized that it likely would
13 benefit from some further development as part of the 2020
14 QAP plan.

15 We've made some modifications under common
16 amenities to clarify those requirements.

17 We received several comments regarding green
18 building techniques and materials under development
19 construction features that would have been too big of a
20 change this year, but we look forward to researching and
21 discussing those further for 2020.

22 We have made a clarifying change in the
23 previous participation section that will carry over to
24 how organizational charts are presented in the
25 applications and translate further down our process about

1 who's actually in control of developments as we're
2 talking about previous participation in future
3 applications.

4 Staff recommends that the repeal of 10 TAC
5 Chapter 11 and that the new 10 TAC Chapter 11 concerning
6 the Housing Tax Credit Qualified Allocation Plan,
7 together with the preambles presented to this meeting, be
8 approved and recommended to the governor.

9 I'm happy to take any questions.

10 MR. GOODWIN: Any questions?

11 (No response.)

12 MR. GOODWIN: Did you want to comment? Before
13 you do, do I hear a motion to hear comments regarding
14 staff's recommendation?

15 MR. BRADEN: So moved.

16 MR. GOODWIN: Second?

17 MS. THOMASON: Second.

18 MR. GOODWIN: So it's been moved and seconded.

19 All in favor say aye.

20 (A chorus of ayes.)

21 MR. GOODWIN: Okay.

22 MR. MOREAU: I'm Walter Moreau, the director
23 of Foundation Communities.

24 The QAP is great. There is one comment I
25 wanted to ask you to take a really close look at the

1 readiness to proceed points. Those are five extra points
2 if your project closes in November to kind of speed
3 things up and it only applies to the Hurricane Harvey
4 counties. That was something that was really bold that
5 the governor modified and put into the QAP last year, and
6 my ask is that you really keep that for Hurricane Harvey.
7 Given the scope of devastation and the loss of housing,
8 that's really where the focus ought to be.

9 What's just come up in the last week is that
10 Governor Abbott asked FEMA to designate the Highland
11 Lakes counties, Tarrant County and Travis County eligible
12 for disaster assistance. Clearly there was flooding and
13 the heavy rains but there was never the loss of housing
14 to the same scope that Harvey did, so if these same five
15 points all of a sudden apply to a much broader set of
16 counties, it's going to, I think, create the wrong kinds
17 of incentives for developers to rush ahead and claim
18 they're going to close in November and then some don't
19 close and then the credits actually get pushed into the
20 following year, face unintended consequences.

21 Thank you.

22 MR. GOODWIN: Any questions for Mr. Moreau?

23 (No response.)

24 MR. GOODWIN: Thank you. Other comments?

25 MS. SISAK: Good morning, Board. I'm Janine

1 Sisak. I'm here today on behalf of TAAHP. I serve on
2 the Executive Committee of TAAHP as well as the
3 Government Affairs Committee.

4 TAAHP is also very concerned about readiness
5 to proceed in the QAP. And actually, before I talk about
6 that I do want to echo Marni's comments about how the QAP
7 process this year went very well. There were no last
8 minute surprises and the version that was included in
9 your board books in the supplemental posting on Monday
10 was just great. We really do not like last minute
11 surprises at this point in time because many developers
12 have already identified and perhaps even secured sites
13 and started to spend money on sites in terms of this part
14 of the process, so we really appreciate how smooth the
15 QAP has been this year.

16 However, to echo Walter's comments, readiness
17 to proceed was added last minute last year and it was
18 because Hurricane Harvey happened in late August, early
19 September, and you know, in that case it was appropriate
20 for those points to get into the QAP last minute.
21 Obviously, the reason behind that was to jumpstart
22 rebuilding efforts in the Houston area and get housing on
23 the ground quickly, and in that sense it did serve its
24 purpose. A lot of the applications that claimed the
25 points last year had to close by last week. My firm was

1 not one of those applications that needed to close, but
2 it's my understanding that a lot of them did close and
3 that's great, but you know, those deals are now starting
4 a 12-month to 24-month construction period and so we're
5 still at least 12 months out from having units on the
6 ground.

7 And a lot of resources went to closing those
8 deals a couple of months early, and while a couple of
9 months, getting the units on the ground a couple of
10 months early is important, we really are talking about
11 these projects would have closed in the next six months
12 anyway, so it was just this huge push from the industry
13 where we have, you know, a limited number of attorneys
14 that specialize in these types of real estate
15 transactions, investors, lenders, and so what I saw from
16 my perspective, not having a Houston area deal, is it was
17 difficult for me to get traction on my deals in other
18 areas because all of the resources were focused on
19 meeting that readiness to proceed deadline last week.

20 And then I also understand that certain
21 developers weren't able to meet the deadline due to
22 circumstances beyond their control and they're going to
23 be subject to penalties this coming round and so other
24 important projects might not see the light of day.

25 So I think that this scoring item was

1 appropriate for Harvey. Now the Harvey counties, because
2 the federally declared disaster is more than a year old
3 at this point, those counties cannot benefit from these
4 points in the coming round, and as of now, putting aside
5 the requested proclamation aside, it only applies to two
6 small counties in South Texas, and so applications in
7 those counties are really going to have to meet this
8 false deadline when I think the disaster there was a
9 drought and like the floods here it didn't necessarily
10 result in a loss of housing -- I might be wrong about
11 that -- but something to consider.

12 Audrey Martin, who is TAAHP's committee chair
13 for the QAP Committee is going to talk about some
14 possible language changes to maybe change the drafting a
15 little bit so that it does only apply to disasters that
16 cause the loss of housing, and she's also going to talk
17 about some deadline changes to kind of lessen the blow of
18 kind of the onerous aspects of this point category.

19 So I appreciate your time and listening to us
20 this morning, but otherwise, that's our only comment.
21 Thank you.

22 MR. GOODWIN: Any questions?

23 (No response.)

24 MS. MARTIN: Good morning. I am Audrey
25 Martin. I am also here representing TAAHP, and as Janine

1 mentioned, I'm the co-chair of the QAP Committee, so I
2 really appreciate the opportunity to speak with you all
3 today.

4 I also wanted to echo the kudos to staff. The
5 process really was nice this year, went pretty smooth,
6 and I think that we got to a really good place overall in
7 the rules. I think there are a couple of places where
8 we're hopeful to continue to work with staff in the
9 coming year. Cost per square foot is always one of those
10 things that I like to speak about, but today what I
11 really wanted to focus on was readiness to proceed, and
12 I'd like to echo some of the comments by Walter Moreau
13 and Janine Sisak as well.

14 You know, this is a scoring item that
15 certainly directs developers into particular areas
16 because there's such a high point value placed, and this
17 is an item that TAAHP did focus some comments on along
18 through the public comment process. Up until last week
19 there were only two counties in the state that would be
20 affected. As Janine mentioned, the Hurricane Harvey
21 declaration rolled out of the 12-month time period, but
22 now as of last week there's this new potential disaster
23 declaration that could impact some of the larger
24 jurisdictions in the state. And one of the fears is that
25 in some of these large jurisdictions it takes such a long

1 time to get through the permitting process in particular,
2 so we're looking at a situation where there's a potential
3 disaster declaration and folks may have to kick off
4 design and permitting maybe within the next three weeks
5 to get through a year-long permitting process in some
6 jurisdictions which is a little problematic.

7 And the other potential concern here with this
8 scoring item is that any disaster declarations that come
9 into play up to March 1 can make counties eligible for
10 these five points, so again, this is something where we
11 thought there were only two counties that were likely
12 going to be impacted in 2019, now all of a sudden it
13 looks like there's going to be some large jurisdictions
14 and anything from this point forward will cause even more
15 of a timing issue for folks.

16 So we have a couple of ideas for maybe some
17 changes or a compromise position if this scoring item
18 continues to stay. One would be to move the closing
19 deadline from November 30 and maybe we look at something
20 early first quarter of the year after award, so January
21 31, 2019 would be a suggestion of mine. Additionally, I
22 think it would be a good idea to set an earlier cutoff
23 date than March 1 for the disaster declarations that can
24 apply to the 2019 round, and so maybe that's something
25 like December 1 to reflect the date that the rules become

1 effective.

2 So those would be the two suggestions from
3 TAAHP to address the readiness issues that we've spoken
4 about this morning. Thank you.

5 MR. GOODWIN: Okay. Thank you.

6 Any questions?

7 (No response.)

8 MR. GOODWIN: Any other speakers?

9 MS. SAAR: Good morning. Katherine Saar, LHA,
10 Inc.

11 I'm here to just provide you an example of
12 what readiness to proceed looked like for a developer
13 that actually had to comply with it. We had a
14 development in the City of Houston that was subject to
15 readiness to proceed. We moved through all of our plans
16 and specs very early, we got our permits, we were all on
17 track to close by October 15, and on September 17, a
18 month earlier, one of the sellers of our land passed away
19 unexpectedly so there was no one to sign the deed.
20 Fortunately, in our case we were able to make the
21 deadline. The probate court heard the man's will on
22 October 25, six days before the deadline, so we were very
23 fortunate that we were able to move through that process
24 and still come out ahead of the game.

25 But that onerous deadline is problematic when

1 you're faced with things that are completely outside your
2 control. I would call a death and act of God. And we
3 provide a comment that there should be some kind of
4 provision in the readiness to proceed to address issue
5 like that that are completely outside your control, but
6 we also are supportive of all of the recommendations that
7 Audrey has mentioned today, and that's really all I
8 wanted to say. Thank you.

9 MR. GOODWIN: Any questions?

10 Marni, address these comments?

11 MS. HOLLOWAY: Certainly.

12 So working backwards, when we received notice
13 from Katherine that the seller had passed away, we
14 responded to that and said if in fact you're not able to
15 close, this basically becomes what you tell the Board if
16 staff is moving forward with a recommendation for a
17 penalty. So that's the mitigation, that's why you don't
18 get the penalty.

19 Regarding the dates, I can see how only
20 allowing a disaster declaration prior to December 1 makes
21 a certain amount of sense because right now we're at the
22 full application delivery date, so that literally is
23 going up to March 1 and creating a certain amount of
24 uncertainty in that process. January 1 for closing, I
25 don't know. You know, we have gone from an October

1 closing to a November closing as a result of comment. We
2 had not received comment about going later to go to
3 January 1, we had not received comment about this
4 December 1 date.

5 Regarding other applicants or other awardees
6 who were not able to close of reasons outside of their
7 control, of course that becomes why they don't get a
8 penalty, or that would be a consideration for the Board
9 in looking at that.

10 MR. GOODWIN: To waive the penalty?

11 MS. HOLLOWAY: Right.

12 We are planning to bring any potential
13 penalties to the Board next month. Everybody is supposed
14 to be getting their information to us by tomorrow. We've
15 already received a number of packages from folks who have
16 closed on time.

17 MR. GOODWIN: Okay. Any questions?

18 MR. BRADEN: My understanding is that it was
19 the Governor's Office who added this readiness to proceed
20 with respect to disaster-affected counties?

21 MS. HOLLOWAY: They did, they added it last
22 year.

23 MR. BRADEN: And were they specific about the
24 dates we're talking about too?

25 MS. HOLLOWAY: They specifically added end of

1 October. We have, as our staff recommendation, moved
2 that to November.

3 MR. BRADEN: To November 1?

4 MS. HOLLOWAY: To the last business day of
5 November to give another month.

6 MR. BRADEN: And did they have the March 1, or
7 is that just a factor of the way our rules work?

8 MS. HOLLOWAY: That's just needing to set a
9 measurement, needing to set a date.

10 MR. BRADEN: The governor giveth, the governor
11 taketh away.

12 MS. HOLLOWAY: Another change that we made to
13 this section at draft, so I didn't mention it now at
14 final, is regarding non-priority applications, so if
15 you're down the list and it doesn't look like you're
16 going to be getting an award, and all of a sudden because
17 of a set of circumstances you are getting an award, and
18 while you were in that non-priority status you stopped
19 working on your financing, you stopped working on getting
20 yourself to that closing, then that period of non-
21 priority status becomes an extension of the November
22 deadline. So if you're down the list and then you go
23 back up the list, whenever you were down the list is
24 added to that November date. It recognizes that if it
25 doesn't look like you're going to be getting an award,

1 you're not going to be working on your deal.

2 MR. IRVINE: It's a tolling concept.

3 MS. HOLLOWAY: Yes.

4 MR. VASQUEZ: Marni, I would just like to say
5 everyone hates deadlines but I'd be reluctant to move it
6 back any further than we put there. I mean, I know it's
7 a pain and everyone has got to scramble to make it, but
8 it's not a secret and we have that posted for a reason.

9 MR. IRVINE: Well, and also, I think it's no
10 secret that after the QAP comes out of this boardroom it
11 goes to the Governor's Office and staff always has an
12 in-depth download with the Governor's Office before they
13 pull out their red pen and start making any changes, and
14 we'll fully share the concerns that have been raised, and
15 of course, you all understand exactly what the issues
16 are, and we're always available as a resource if they
17 want to make further adjustments.

18 MS. SISAK: Can I just make a real quick
19 comment on that? I appreciate that and I feel like we're
20 talking about deadlines and everything, we're losing the
21 forest for the trees. I mean, our ask, to be specific,
22 and we would really appreciate your help in talking to
23 the governor about this, is to delete the provision.
24 It's just not sustainable. I don't think it's a good
25 practice for us to continue, I don't think it's a good

1 use of resources, and quite frankly, it only gets units
2 on the ground a couple of months before they would have
3 gotten on the ground in normal course. So specifically,
4 we would like TDHCA staff to share our concerns with the
5 governor and ask that it be removed from the QAP.

6 Thank you.

7 MR. GOODWIN: Thank you.

8 Any other comments?

9 (No response.)

10 MR. GOODWIN: If not, do I hear a motion to
11 approve staff's recommendation?

12 MR. VASQUEZ: Mr. Chairman, I move to approve
13 staff's recommendation regarding the QAP.

14 MR. GOODWIN: QAP. A second?

15 MR. BRADEN: Second.

16 MR. GOODWIN: Any further discussion?

17 (No response.)

18 MR. GOODWIN: All in favor say aye.

19 (A chorus of ayes.)

20 MR. GOODWIN: Opposed?

21 (No response.)

22 MR. GOODWIN: Okay. It is passed.

23 Item 5(a).

24 MS. HOLLOWAY: Item 5(a) is Presentation,
25 discussion and possible action on staff determinations

1 regarding undesirable neighborhood characteristics for
2 Multifamily Direct Loan application 18503, Eastern Oaks
3 Apartments.

4 This is a pre-determination of eligibility.
5 The Board's decision regarding the eligibility of the
6 proposed site will determine if the applicant moves
7 forward with their application for direct loan funds.
8 The applicant has disclosed the presence of undesirable
9 neighborhood characteristics, specifically that the
10 proposed development is located in a census tract with a
11 poverty rate above 40 percent and it is in the attendance
12 zone of a school that does not have a Met Standard
13 rating.

14 The application proposes the reconstruction of
15 30 units serving households at 30 percent of AMI in the
16 Franklin Park neighborhood which is in southeast Austin.
17 The Housing Authority of Travis County previously
18 converted the property from public housing to a 100
19 percent Section 8 project-based rental assistance
20 development in 2016 through the RAD Program. That RAD
21 conversion did not include rehab of this 36-year-old
22 property.

23 The poverty rate for the development census
24 tract is 47.7 percent. The undesirable neighborhood
25 characteristics report seeks to address the poverty rate

1 by pointing to the percentage of households with incomes
2 over the county or MSA median of \$65,000 within that
3 census tract, and points to higher incomes in the
4 adjacent census tract. They also discuss the increase in
5 median income within the tract over the past five years
6 which has increased by just over 20 percent, 20.13, only
7 if 2016 is included. We are not able to include the 2016
8 numbers in our considerations at this point because this
9 is a 2018 application, so only the numbers up to 2015 are
10 considered under the rule.

11 While the median income has increased in the
12 aggregate over five years, the poverty rate, which is the
13 measurement we're concerned with, has increased by more
14 than 6 percent over that same period. Rather than
15 showing a clear upward trend that would indicate the
16 neighborhood is moving out of poverty, the poverty rate
17 follows the instability of income levels in the area with
18 no real improvement. The applicant points to the incomes
19 and poverty rate of an adjacent census tract and provided
20 quite a bit of information regarding that area. The
21 poverty rate for that tract is below our trigger of 40
22 percent, but it shows a clear and steady increase from
23 14.3 to 25.58 percent over the five years.

24 The applicant describes recent commercial
25 development near Eastern Oaks as potentially providing

1 jobs and training. There's no evidence that these
2 features will benefit the residents. In fact, the
3 increasing poverty rate in both census tracts seems to
4 indicate that they are not receiving benefit from this
5 economic development.

6 Regarding schools, the proposed development is
7 in the attendance zone of the Consuelo Mendez Middle
8 School which has been rated as Improvement Required for
9 the past four years. Let me remind you that our rule
10 states: Any school in the attendance zone that has not
11 achieved Met Standard for three consecutive years and has
12 failed by at least one point in the most recent year --
13 which this school has -- unless there is a clear trend
14 indicating imminent compliance, shall be unable to
15 mitigate due to the potential for school closure as an
16 administrative remedy pursuant to Chapter 9 of the Texas
17 Education Code.

18 The school's campus improvement plan had an
19 end date of May 30, 2018 and clearly was not successful
20 as the school has the same Improvement Required rating
21 for 2018. In May of 2018 the Austin Independent School
22 District announced that they would partner with the
23 University of Texas Tyler to create a STEM program at the
24 school in order to avoid closure under Chapter 39. This
25 partnership postpones closure for two years. Staff was

1 not able to determine if the school will continue with
2 open enrollment or if it will become a magnet and limit
3 the students that may attend STEM classes, or what will
4 happen if the partnership is not successful within that
5 two-year period.

6 A letter from Paul Cruz, who is the
7 superintendent of AISD, describes the STEM program that
8 will be implemented but does not state that there is a
9 reasonable expectation that Mendez Middle School will
10 have a Met Standard rating by the time the proposed
11 development is placed in service.

12 After the board book was posted, the applicant
13 sent a letter from another AISD staff member that answers
14 some of these questions and states that AISD can
15 reasonably expect the school to meet the standard, and I
16 believe that they will be reading that letter into the
17 record today.

18 The applicant has also requested waiver of the
19 undesirable neighborhood characteristic requirements but
20 has failed to present information supporting the claim
21 that the development meets the criteria in rule for that
22 waiver. Because the applicant has failed to support
23 their request for waiver of the undesirable neighborhood
24 requirements, staff recommends denial of the waiver
25 request. Due to the increasing poverty rate for the

1 census tract and the uncertainty regarding the new
2 leadership and programming at Mendez Middle School, staff
3 is unable to make a recommendation that Eastern Oaks be
4 found eligible.

5 I'll be happy to answer any questions?

6 MR. GOODWIN: Anybody have any questions?

7 (No response.)

8 MR. GOODWIN: Before we take comments, will we
9 have a motion?

10 MS. BINGHAM ESCAREÑO: So moved.

11 MR. GOODWIN: Moved to accept staff's
12 recommendation. A second?

13 MR. BRADEN: Second.

14 MR. GOODWIN: Okay. It's been moved and
15 seconded. Now for the discussion.

16 MS. HICKS: Good morning, Chairman Goodwin,
17 Board members. My name is Jennifer Hicks with True Casa
18 Consulting, the consultant to Eastern Oaks Apartments.

19 I wanted to give the Board a little bit of
20 context and color about Eastern Oaks Apartments, and then
21 there's team members here to give more detail. Eastern
22 Oaks Apartments is a 38-year-old existing and occupied
23 property. The Housing Authority of Travis County is the
24 original developer and long-term owner. The property is
25 tired and in great need of a complete rehabilitation.

1 The MFDL funding presents a perfect opportunity for the
2 housing authority to leverage City of Austin dollars to
3 finance the substantial rehabilitation and pair with 100
4 percent HAP contract on the property through the RAD
5 conversion in 2016.

6 This is a worthwhile and compelling project
7 with all 30 units set aside for extremely low income
8 families. Families pay only 30 percent of their income
9 toward rent. Eastern Oaks serves as a safety net between
10 conventional tax credit housing and homelessness. The
11 average income of a family is \$12,753, the average
12 tenancy is six years. The property maintains 100 percent
13 occupancy with a waiting list. Due to the very minimal
14 rental income, Eastern Oaks can't support any debt. It's
15 dependent on raising sources to complete this rehab.

16 There is \$20 million in MFDL funding available
17 under this set-aside and only \$6 million in applications,
18 including this application. We want to help TDHCA spend
19 this money. As an early advocate of this set-aside, I
20 identify Eastern Oaks as a deeply impactful targeting
21 that's exactly the type of project that should be
22 utilizing this funding.

23 The southeast Austin neighborhood that
24 surrounds Eastern Oaks is full of hardworking parents,
25 multi-generational families and cultural diversity.

1 While the community has always been close, it has
2 developed a very strong voice and even has its own city
3 council member, Delia Garza in District 2, representing
4 it.

5 There's two undesirable characteristics.
6 Poverty, the threshold is 40 percent. If you use the
7 current ACS data, the rate for that census tract is 42
8 percent. If Eastern Oaks was literally across the
9 street, we would not be up here talking about poverty
10 since the poverty rate for that tract has been
11 consistently below 25 percent and well below the 40
12 percent threshold.

13 Schools. AISD has put together an innovative
14 and success-driven turnaround plan for Mendez Middle
15 School under SB 1822, Failure is not an option. Mendez
16 was one of a handful of AISD schools that received 2017
17 AISD bond funds with \$2.7 million invested in repairs,
18 improvements and modernization. This school is not meant
19 to be shut down.

20 I just want to say we can't lose this project
21 and it doesn't make sense to do so. The project has been
22 providing families with affordable housing for 40 years
23 and we're just asking the Board to approve the
24 eligibility waiver so the project can continue doing so
25 for the next 40.

1 Now I'd like to introduce Ashley.

2 MS. JACKSON: Good morning. Hi. My name is
3 Ashley Jackson, and I have been a resident of Eastern
4 Oaks for five years. I work full-time, I have a 12-year-
5 old daughter and a 9-year-old son.

6 The Eastern Oaks community is great. I never
7 have to worry about safety issues when it comes to my
8 kids, me. We work well as a community as a whole. These
9 renovations are something that we really need, especially
10 if it's going to help with energy efficiency, it will
11 help with our utilities. A lot of things there is really
12 old, I love it but a lot of stuff is really old, to be
13 honest.

14 I just came here today to be the voice of the
15 residents of our community. The renovations, like I
16 said, are really, really important to us all. We have
17 conversations about it every day, every night, every
18 single time we can, hey, we need to try to see what we
19 can do to see if we can push through. I understand
20 poverty, I work full-time, I'm a single parent, I get it,
21 I struggle, but at the end of the day, we deserve it.
22 Everybody wants a beautiful home, everybody wants
23 something they can walk into and be like, That's nice,
24 that's mine, I own that, I work hard for that. I may pay
25 a little bit of rent, yes, you know, I pay a little

1 something, it may not be a lot, but I survive and I love
2 it there. And I appreciate everything that the housing
3 authority has done for me and my kids because we have a
4 home, it's our home and we love it.

5 And as I said, I'm here to voice for my
6 community, Eastern Oaks, and we really need these
7 renovations, we really do.

8 MR. GOODWIN: Thank you.

9 MS. JACKSON: You're welcome.

10 MR. GOODWIN: Any questions?

11 (No response.)

12 MR. ONION: Good morning, Board. My name is
13 Robert Onion and I'm with the Housing Authority of Travis
14 County.

15 As you've heard, Travis County has worked very
16 hard to preserve this property for the subsidy and now we
17 have a long-term HAP contract. We now need to preserve
18 the asset itself. If given the opportunity, we will
19 completely rehab this property and position it for
20 preservation for the next 30 years. You know, as Jen has
21 stated, this is for 30 percent and below, extremely low,
22 and a lot of times people say, well, what does that
23 really mean. I'm a numbers person and so if you've got a
24 family, they come in, \$8,000 is what they make a year,
25 they pay \$200 a month in rent for a two or three bedroom

1 in the
2 City of Austin. Unheard of. And like Jen said, this is
3 the safety net between the 9 percent and homelessness.

4 This property is there, it's a development,
5 it's not a site that you're deciding whether or not to
6 invest in, it's a development that's already there. As
7 Jen said, directly across the street is a different
8 census tract that gives you different results, and had
9 the staff been able to use 2016, I think they might have
10 come with a different conclusion about this. But
11 ultimately, I need your help because this asset is worth
12 preserving.

13 The City of Austin has done a strategic
14 housing plan which indicates by 2025 there's going to be
15 need for 20,000 units at 30 percent and below. Let's not
16 lose this opportunity. I ask you today to use your
17 discretion as a Board and approve our request. Thank
18 you.

19 MR. GOODWIN: Any questions?

20 MR. BRADEN: I have a question. So I assume
21 the property is 100 percent occupied?

22 MR. ONION: If it's not 100 percent occupied,
23 it's somebody in transition that we need to go to the
24 waiting list and do, so it's a 30-day turnaround.

25 MR. BRADEN: And you have a waiting list,

1 obviously.

2 MR. ONION: A year waiting list.

3 MR. BRADEN: Okay.

4 MR. GOODWIN: Any other questions? Additional
5 comments?

6 MR. KARAM: Good morning. It's a pleasure to
7 be here this morning. I'm Eddie Karam. I am a member of
8 the board of the Housing Authority of Travis County.

9 I'd like, with your indulgence, to read into
10 the record a letter of support from Michelle Wallace,
11 executive director of the Office of Innovation and
12 Development of Austin Independent School District. She
13 wrote this letter to Mr. Tim Irvine, the executive
14 director of TDHCA.

15 "Dear Mr. Irvine:

16 "The purpose of this letter is to provide
17 additional information in response to the staff write-up
18 on Eastern Oaks Apartments included in the board book for
19 the November 8, 2018 meeting of the TDHCA Board of
20 Directors. This letter is a supplement to the initial
21 letter provided by AISD, dated July 16, 2018, and
22 included with the initial funding application for Easter
23 Oaks Apartments. Below are excerpts from the board book
24 with additional information requested provided by AISD to
25 address TDHCA concerns.

1 "Mendez Middle School will continue with open
2 enrollment and all students attending Mendez Middle
3 School will benefit from the STEM classes offered at the
4 school. Senate Bill 1882 that governs the establishment
5 of a charter school to improve school performance
6 requires that the charter school requires open
7 enrollment. Please see attached Senate Bill 1882.

8 "As indicated in the original letter, Senate
9 Bill 1882 gives a two-year reprieve from state
10 accountability ratings in order to allow for the
11 turnaround plan of the new charter school operator to
12 take effect and begin to impact the school accountability
13 and the ratings. For Mendez Middle School, the
14 accountability exemption will apply to the 2019 and 2020
15 rating. In 2021 the school is no longer considered
16 exempt, however, Senate Bill 1882 does allow an
17 additional exemption under a subsequent contract if
18 approved by the commissioner."

19 And it refers to Senate Bill 1882 attached.

20 "As indicated in the original letter, AISD
21 feels assured that the Texas T-STEM partnership at Mendez
22 Middle School will result in an improved academic program
23 that will benefit students living in Eastern Oaks
24 Apartments."

25 There's a list of indicators why the

1 program -- what the success of the program includes:

2 "Veteran staff with a resume of successes
3 transformed schools similar to Mendez Middle School and a
4 program that builds upon learning anchors already in
5 place at Mendez Middle School, including Project Lead the
6 Way and a STEM program, feeding both high schools. A
7 community partner in Communities in Schools that is
8 immersed in the surrounding neighborhood and will
9 understand the unique needs of Mendez and be able to view
10 the academic record through an inclusive lens. The
11 school already has a very involved PTA, as well as an
12 active neighborhood that is invested in the success of
13 Mendez Middle School, and it's important as the singular
14 middle school in operation by AISD.

15 "At this time AISD can reasonably expect that
16 Mendez Middle School will have a Met Standard rating by
17 the time Eastern Oaks Apartments is placed in service."

18 That's the real crux of this letter.

19 "The midyear update for 2018-19 school year
20 can be provided in January. AISD is supportive of the
21 Housing Authority of Travis County's goal of
22 rehabilitating Eastern Oaks Apartments."

23 Basically, that's the point of the letter is
24 just supporting what we're trying to do out there and
25 save all these residents their homes, like they said, for

1 another 40 years.

2 MR. GOODWIN: Thank you.

3 Any questions? Anyone else want to speak?
4 Cynthia.

5 MS. BAST: Good morning. Cynthia Bast of Locke
6 Lord, representing the Travis County Housing Authority.

7 I'm asking for a reversal of the motion that
8 is on the floor to approve the staff recommendation that
9 would deny funding for this site. To be clear, under
10 your rules I do not believe that we need any sort of
11 waiver of your rules, rather, your rules provide that you
12 can find a site eligible for redevelopment, despite the
13 presence of these undesirable neighborhood
14 characteristics if using your funds is consistent with
15 two things: one, preservation of existing occupied
16 affordable housing to ensure it is safe and suitable;
17 two, a determination that the undesirable characteristics
18 are not of such severity that they should make the site
19 ineligible.

20 I believe you have everything you need in your
21 board packet to come to this conclusion. I've done many
22 of these, and honestly, I think this is one of the most
23 compelling packets and thoroughly prepared packets that I
24 have seen.

25 With regard to poverty, your rules give a

1 variety of mitigating factors, one, of course, being
2 whether there has been a five-year decrease in the
3 poverty rate. Your staff rightfully pointed out that
4 part of the data that we are asking to use here is the
5 2012 to 2016 ACS five-year estimate for poverty because
6 it does show the poverty rate going down. Now, your rule
7 says that if that data is not available as of October 1,
8 2017, it shouldn't be used. That makes sense in a
9 competitive context where you're trying to make sure that
10 everybody is on the same playing field, but honestly, in
11 this circumstance when we're trying to understand what's
12 really happening in this neighborhood right now, using
13 aged data doesn't make sense, and so we're asking you to
14 consider the fact that data does show this poverty rate
15 is decreasing.

16 We're asking you to look at the job growth
17 that is proven up in the board packet, along with the
18 gentrification issue. One of the things that your staff
19 is concerned about is that this poverty rate is still
20 high but yet incomes are rising and educational
21 attainment is improving, so what's going on here that
22 there's this perceived imbalance? And the answer is
23 gentrification.

24 On page 699 of your board book it refers to a
25 University of Texas study about gentrification in Austin

1 that has been recently completed, and that study showed
2 that Eastern Oaks was susceptible to gentrification and
3 vulnerable. Why? Because of how displacement works.
4 The greatest displacement we've had in Austin right now
5 east of I-35 is in the central city near downtown, so
6 when that gentrification happens and those people are
7 displaced, where do they go? They go south. So what's
8 happening? Maybe there's some poverty increase as
9 they're moving south until the gentrification pattern
10 catches up, and that's what we believe is going on.

11 Finally, very briefly on the schools. I do
12 believe that you have extremely good evidence that this
13 school will turn around. We are working with a new law
14 here, a new law in 1882 that allows this to happen. We
15 are working with the T-STEM coalition which is
16 specifically recommended and promoted by the Texas
17 Education Agency as a turnaround model. If you look in
18 the board book at the resumes of the people that are
19 going to implement this, they have a track record of
20 doing this in other locations.

21 Everything is there in accordance with your
22 rules to allow you to come to this conclusion that this
23 site should be eligible for this very specific funding
24 that is needed for this circumstance. We need to
25 preserve this existing occupied affordable housing, we

1 need to make sure that it's safe and suitable for the
2 long term, and the characteristics are not of such
3 severity that you should deny this funding. Thank you.

4 MR. GOODWIN: Okay. Any questions?

5 (No response.)

6 MR. GOODWIN: Any other speakers?

7 MR. CICHON: Good morning. Gerry Cichon, CEO
8 of the Housing Authority of the City of El Paso.

9 So housing authorities, we got here, some of
10 us, 80 years ago and we are now being charged with fixing
11 what generations before us have created. Under the rules
12 it would be great if we were next to the country clubs,
13 it would be great if we were next to the affluent areas,
14 but we're not. We are where we are.

15 The families that we house are extremely low
16 income. A hundred percent of them at this site are less
17 than 30 percent of AMI. They're going to be there next
18 year whether you fund them or not, they're going to be
19 there the year after that and the year after that. The
20 question is are you going to help housing authorities who
21 are stuck with the inner city properties who are trying
22 to really do something to fix a problem that is affecting
23 all communities across the United States.

24 In El Paso we have exactly the same problems.
25 I have properties I would love to put a 9 percent on but

1 I can't and I don't know what to do with it because the
2 gap is way too high. The money that we need to fix it
3 isn't there, but you have the money to fix this one.
4 This is one that you can turn around and help those
5 families because it will become worse, they will live in
6 blight, and we have chance to do something about it. RAD
7 is a way to fix the crumbling, aging housing stock that's
8 happening across the United States, and housing
9 authorities are different, we're not the same as a normal
10 developer.

11 And I would ask you to listen to Ms. Bast.
12 She was absolutely correct in how she talked about the
13 preservation aspect of what RAD is. I believe that you
14 can do this, and from the housing authority who is going
15 through something like this, I respectfully ask that you
16 do so.

17 Thank you.

18 MR. GOODWIN: Any questions for Gerry?

19 (No response.)

20 MR. ALCOTT: Tim Alcott with the San Antonio
21 Housing Authority. Nice to see you all again.

22 MR. GOODWIN: Good morning, Tim.

23 MR. ALCOTT: As a housing authority, of
24 course, I had to come up and speak to support my fellow
25 housing authority, but it is a challenge for us as well.

1 Thirty percent and below, 100 percent of the units are 30
2 percent and below, we can't go out and buy land and make
3 the numbers work. And so I heard everyone else speak
4 already, I did hear all their comments and I won't spend
5 a lot of your time up here, but I do ask you to support
6 this because this is the only way we're going to be able
7 to provide housing for people with these income numbers
8 because we can't go out and buy land and still get the
9 numbers to work and serve 100 percent at 30 percent and
10 below, so this is serving a population that would not
11 otherwise be served.

12 Thank you.

13 MR. GOODWIN: Any questions? Any other
14 speakers?

15 MS. THOMASON: I have a question for Marni. I
16 believe there was a comment that there's funding in
17 excess of what's being requested.

18 MS. HOLLOWAY: Yes.

19 MS. THOMASON: What happens if we don't spend
20 it?

21 MS. HOLLOWAY: The funds that would be used on
22 this development are National Housing Trust funds --
23 TCAP. Okay. The TCAP funds, if we don't use them we
24 would just roll them over to next year. Those funds are
25 income that's received from loans that were made years

1 and years ago and don't carry the federal commitment
2 deadlines that our HOME or our National Housing Trust
3 Fund do.

4 MS. BINGHAM ESCAREÑO: I have a question,
5 Marni.

6 Marni, the letter that was read into the
7 record from Austin ISD, did we just recently receive
8 that?

9 MS. HOLLOWAY: Yes.

10 MS. BINGHAM ESCAREÑO: Did that come after?

11 MS. HOLLOWAY: After the book was posted.

12 MS. BINGHAM ESCAREÑO: Okay. And part of what
13 was read into the record was that it will have open
14 enrollment?

15 MS. HOLLOWAY: Yes.

16 MS. BINGHAM ESCAREÑO: Does that answer a
17 question for you? I think I read in the board book that
18 at some point there was some question of whether or not.

19 MS. HOLLOWAY: Right. It does answer that
20 question. It raises another question because this will
21 be a charter school and not a regular public school,
22 which in the past we have not considered charter schools.
23 So it raises other questions but the language in the
24 letter about it will be open enrollment and there's a
25 reasonable expectation answers a couple of the questions

1 that we were not able to get to before the book was
2 posted.

3 MS. BINGHAM ESCAREÑO: Gotcha. Okay. And so
4 if this were a new development, new units, then that
5 would be a really serious consideration. If this 100
6 percent occupied existing rehab --

7 MS. HOLLOWAY: With the federal assistance
8 there, there is provision in the rule for the Board to
9 use -- to consider that in making an eligibility
10 determination.

11 MS. BINGHAM ESCAREÑO: Thank you.

12 MR. VASQUEZ: Marni, just so I can make sure I
13 understand this, this pool of funds that we're looking at
14 being available to rehab this project, as was stated, the
15 money is there.

16 MS. HOLLOWAY: Yes.

17 MR. VASQUEZ: There's extra money. By giving
18 this project funds, we are not taking it from somebody
19 else at this point.

20 MS. HOLLOWAY: Not in the current round. And
21 if for some reason the Board finds this site to be
22 ineligible, those funds would just roll over to next
23 year's NOFA, but as I said, using the TCAP funds we don't
24 have the federal commitment requirements, those deadlines
25 that we have on some of our other sources

1 MR. VASQUEZ: So it's not like our 9 percent
2 rounds that we're saying, okay, this one is going to get
3 it or that one is going to get it.

4 MS. HOLLOWAY: Right. That is not the
5 situation here.

6 MS. BINGHAM ESCAREÑO: Mr. Chair.

7 MR. GOODWIN: Yes.

8 MS. BINGHAM ESCAREÑO: I'd like to withdraw my
9 motion.

10 MR. GOODWIN: Okay. Who seconded it?

11 MR. BRADEN: I want to withdraw my second.

12 MR. GOODWIN: Okay. I kind of felt that
13 coming. No need to read the tea leaves. So do I have
14 another motion?

15 (General laughter.)

16 MS. BINGHAM ESCAREÑO: Before I make a motion,
17 may I ask, Beau or Marni, do we need to communicate
18 anything specific around the approval of the request?
19 Did it come in as a request for waiver?

20 MS. HOLLOWAY: There was a request for waiver.
21 Our packet that's used to provide this information to us
22 has a box that you can check requesting waiver. All of
23 them have come in with that box checked and they haven't
24 necessarily included the information that would support
25 that waiver request, so we are actually making a change

1 for next year's packet to clarify that, so it's hopefully
2 a little bit clearer to folks who are sending us
3 information.

4 MR. IRVINE: But bottom line, for purposes of
5 forming a motion, if you want to do this you would simply
6 say that based on the record, including the testimony
7 provided today and the letter from AISD read into the
8 record, we find the site eligible.

9 MS. BINGHAM ESCAREÑO: That.

10 (General laughter.)

11 MS. BINGHAM ESCAREÑO: Mr. Chair, I'd like to
12 make a motion that based on the testimony today and the
13 letter that was read into the record by AISD that the
14 Board find this application eligible.

15 MR. GOODWIN: That motion. A second?

16 MR. BRADEN: Second.

17 MR. GOODWIN: Okay. Any additional
18 discussion?

19 MS. HOLLOWAY: No.

20 MR. GOODWIN: Did you want to speak, ma'am?

21 MS. HICKS: (Speaking from audience.) No.

22 (General laughter.)

23 MR. GOODWIN: I'll call for the question. All
24 those in favor say aye.

25 (A chorus of ayes.)

1 MR. GOODWIN: Opposed?

2 (No response.)

3 MR. GOODWIN: Okay. Thank you, Marni.

4 MS. BINGHAM ESCAREÑO: Thank you, Ashley.

5 MR. GOODWIN: Thank you. Cynthia, thank you.

6 Ashley, thank you.

7 (Applause.)

8 MR. GOODWIN: 5(b).

9 MS. HOLLOWAY: All right. Item 5(b) is
10 Presentation, discussion and possible action on the
11 determination notice for housing tax credits with another
12 issuer, and an award of direct loan funds for application
13 18407, Sphinx at Sierra Vista Senior Villas which is in
14 Fort Worth.

15 This development would create 272 units
16 serving an elderly population, 13 of those units would be
17 restricted at 50 percent of AMI, and the remaining 259
18 will be at 60 percent of AMI. Among the tax credit units
19 there will be 27 direct loan units. The application has
20 a carryforward certificate that will expire on December
21 31 of 2020. The proposed issuer of the bonds is the
22 Tarrant County Housing Finance Corporation.

23 This application was previously approved in
24 March, but due to changes in the financing, a new
25 application was submitted that included the request for

1 direct loan funds. This prompted staff to re-review the
2 application for credits based on the updated financing
3 exhibits and the new sources. As a result of the updated
4 review, staff is recommending that \$3,600,000 of direct
5 loan funds be provided at zero percent interest with a
6 30-year amortization. This is structured as a second
7 lien construction to perm loan with a 15-year term. The
8 zero percent interest rate is required in order for the
9 transaction to remain feasible, and it is within the
10 Board's purview to approve this lower rate.

11 The applicant's compliance history is
12 designated as a Category 4 and it was found acceptable by
13 EARAC with the conditions outlined in your board
14 materials. EARAC also recommended the issuance of the
15 determination notice with the condition that closing
16 occur within 120 days.

17 Staff recommends that the issuance of a
18 determination notice in the amount of \$1,652,337 in 4
19 percent housing tax credits and \$3,600,000 of NSP-1 PI
20 funds be approved, with the conditions recommended by
21 EARAC, and that the Board authorize extension of the
22 determination notice, if necessary, subject to updated
23 previous participation review if it is required.

24 MR. GOODWIN: Any questions?

25 (No response.)

1 MR. GOODWIN: So you're moving to approve
2 this?

3 MS. HOLLOWAY: Yes.

4 MR. VASQUEZ: Could you clarify for us again
5 what happened between the first approval and then
6 suddenly having to come requested another fund source?

7 MS. HOLLOWAY: Right. When this was
8 originally approved in March, it was just a 4 percent
9 credit transaction. As they were working towards
10 closing, they realized that they needed to change their
11 financing structure and came back in with this request
12 for direct loan funds in order that the development be
13 feasible.

14 MR. VASQUEZ: So they made representations
15 that it was feasible at the beginning.

16 MS. HOLLOWAY: Back in March, yes.

17 MR. VASQUEZ: And we approved it based on that
18 presentation.

19 MS. HOLLOWAY: On that application, yes.

20 MR. VASQUEZ: And then after we approved it,
21 they said, Oh, no, we need \$3.6 million more.

22 MS. HOLLOWAY: As they were working towards
23 closing. I would point out that this is not unusual. We
24 have actually on the consent agenda earlier today
25 approved several awards that were 9 percent deals that

1 were coming back looking for additional financing. I
2 believe the applicant is available if you have any
3 questions.

4 MR. GOODWIN: Motion to hear comments? Did
5 you want to speak, sir?

6 MS. BINGHAM ESCAREÑO: I'll move.

7 MR. GOODWIN: You moved it.

8 MS. THOMASON: Second.

9 MR. GOODWIN: Second. All in favor say aye.

10 (A chorus of ayes.)

11 MR. OJI: Good morning, Board.

12 First of all, I just want to thank you guys
13 for the last agenda item. I was really very moved the
14 way you reversed that and voted for the housing
15 authority, so thank you. You guys did a fantastic job.
16 Thank you so much.

17 My name is Jay Oji, I'm the applicant. We are
18 taking the recommendation from staff. The issue is on
19 the Multifamily Direct Loan we applied for \$4 million.
20 Everyone knows in the 4 percent bond round we've gone
21 from equity pricing going from a dollar all the way down
22 to 88 cents. That's a huge gap going on, so we came back
23 in August with an application to bridge this gap and we
24 applied for \$4 million in direct loan. We have CitiBank
25 as our interim lender and permanent lender in the deal

1 and we have the Royal Bank of Canada as our equity
2 partner in the deal. The financing that we have
3 submitted to TDHCA as of August said clearly that the \$4
4 million gap in the Multifamily Direct Loan would get the
5 deal funded, however, our recommendation from staff they
6 dropped the \$4 million request to \$3.6 million, so we are
7 short \$400,000.

8 We've been talking with staff, with our
9 lenders to see why this is the case. Our permanent loan
10 is a
11 35-year amortization and staff is recommending a 30-year
12 amortization. Usually the second loan does not have a
13 lower amortization time compared to the permanent. So
14 we're accepting the recommendation from staff but we're
15 asking that the Board consider us coming back asking the
16 Board to direct staff to give us what we requested for
17 because our lenders are not comfortable closing on this
18 deal, which we are already in the process of closing, we
19 are almost pulling our permit to close the deal to start
20 construction. But with \$400,000 out of the deal, with
21 the developer fee deferred almost 90 percent developer
22 fee, the deal doesn't really work with the lenders so
23 they're not as comfortable now as they were when we
24 applied for the \$4 million.

25 So that's really what I've been talking to

1 staff to take a look at this. We're not asking for
2 anything else, just the \$4 million in Multifamily Direct
3 Loan that we applied for.

4 MR. GOODWIN: So you're saying the 3.6 million
5 doesn't help you because if that's all you get, your
6 lenders aren't going to fund the deal.

7 MR. OJI: Well, the 3.6- is based on the
8 numbers that they had in August. As you know, interest
9 rate is going up, so if you apply today, if anything we
10 should be looking for more, so we need to close now. The
11 \$3.6 million now shortens the \$400,000 out of the deal so
12 it makes it worse, basically. So we're asking you to
13 reconsider giving us the \$400,000 on top of the \$3.6
14 million that staff is recommending.

15 MR. GOODWIN: Marni, do you mind telling us
16 why you cut it from 4 million to 3.6-?

17 MS. HOLLOWAY: Certainly. As the application
18 was being reviewed by our Real Estate Analysis Division,
19 they actually originally came forward with a
20 recommendation for 2.9 million, I believe, at a higher
21 interest rate and the development was feasible within our
22 box, within the box that REA works within. In
23 discussions with the applicant, we got to the point of
24 moving from 2.9- to the 3.6- and reducing the interest
25 rate, and the development is feasible within that box.

1 Providing additional funds to the development at this
2 point would take it outside of the box that's created by
3 our REA rules.

4 MR. GOODWIN: Okay. Any questions for Marni?

5 MS. THOMASON: You said it's typical to have
6 projects come back and ask for more. Is it typical that
7 it's double? I mean, the amount that they come back and
8 ask for more, what is the typical?

9 MS. HOLLOWAY: It depends on the transaction,
10 it may be a million, it may be a million and a half.
11 We've had transactions come back that we were actually
12 replacing the original proposed first lien lender, we've
13 had transactions come back that are looking for
14 additional funds. Every deal is like a snowflake.

15 MR. GOODWIN: So if we approve staff's
16 recommendation today for the 3.6 million, can they come
17 back if they can prove that it gets into the box for an
18 additional 400,000?

19 MS. HOLLOWAY: They could. So this award is
20 proposed to be NSP-1 Program income funds which is
21 actually a federal source. If they came back, we would
22 have to be looking at TCAP funds, I believe, because once
23 they close on all of their financing, they've made these
24 choice-limiting actions so that we have trouble getting
25 additional federal dollars into the deal. But yeah, they

1 could come back with another application.

2 MR. IRVINE: Would it be more workable to just
3 continue to engage in dialogue for the next month and
4 bring it back then?

5 MS. HOLLOWAY: This is the first time I think
6 I'm hearing that changes in interest rates or whatever
7 are impacting this transaction. I know that the
8 applicant has been working with REA through this process
9 right up into last week. If those changes have happened
10 that makes the deal infeasible, yes, of course, it would
11 be better for us to get to a good solid conclusion before
12 moving forward, but I believe that they have closing
13 deadlines from other parties in the transaction.

14 MR. OJI: Yes.

15 MR. BRADEN: But did we just hear that 3.6-
16 doesn't get you there, that if you don't have 4- it
17 doesn't work?

18 MR. OJI: The 4 million, like I said earlier,
19 is what the lenders are underwriting to get the deal
20 done. It's tight as it is, so everyone is working
21 towards that based on what was submitted to TDHCA. If
22 you now scale it back, then it doesn't do it -- in other
23 words, it gets riskier, and as it gets risky the interest
24 rate is going back up, so it will get even more risky. So
25 we can't even wait till next month because, you know,

1 it's already gone up 25 basis points from last month, so
2 if we try to table this to reconsider this next month, we
3 don't know what the interest rate is going to be. So the
4 point is the 3.6- doesn't get us there, 4 million gets us
5 there at least a little bit with more comfort to get the
6 deal done.

7 I'm not sure if I answered the question.

8 MR. BRADEN: Well, the problem this Board is
9 having is our staff is telling us our current metrics say
10 3.6- should be sufficient. Now, if they're not up to
11 date, the logical conclusion we'll table it for a month,
12 let our staff get up to speed with what you're doing, but
13 you're telling us, well, if you table it, it might be
14 more than 4-.

15 MR. OJI: That's correct, yes.

16 MR. GOODWIN: But if the 3.6- doesn't help
17 you, if we vote with what staff is recommending because
18 it fits within our box but it doesn't help you, I'd think
19 the next best thing would be to be working with staff to
20 hope that maybe you could get something figured out
21 between now and next month.

22 MR. OJI: I think the problem with that is we
23 have a cap of \$4 million. The problem is if we wait till
24 next month and we don't tie in our financing right now,
25 another 20 basis points in interest rate might eat up the

1 \$400,000 anyway, so we might be needing \$5 million, so
2 why do I need to wait for that?

3 MR. IRVINE: I mean, you basically just said
4 that 3.6- doesn't work, your deal doesn't work with that,
5 but you want to go ahead and close on that, which in
6 effect means that we're closing on a deal where we've
7 committed loan funds and we know it doesn't work. I
8 would almost be inclined on the spot to change staff's
9 recommendation to deny.

10 MR. BRADEN: What we're struggling with us is
11 let's assume the choices are 3.6- or zero, I mean, it
12 sounds like you're arguing for zero.

13 MR. OJI: No, I'm arguing for the 3.6- but
14 with a recommendation from staff that we substantiate the
15 need to come back to substantiate the need for the
16 \$400,000 additional, as underwritten by our lenders.

17 MR. VASQUEZ: Mr. Oji, just one other point,
18 your lender has not given you an interest rate fix, even
19 locking it way before we even got to this point? I'd
20 imagine every lender that I've ever dealt with has
21 guaranteed me what the rate is going to be for a period
22 of time.

23 MR. OJI: They did. The issue is from the
24 time we got the letter submitted to TDHCA, rates are
25 going back up.

1 MR. VASQUEZ: But I'm saying they locked it
2 before the rates went up.

3 MR. OJI: Yes.

4 MR. VASQUEZ: So rates going up shouldn't
5 impact your future calculations if the lender did give
6 you a lock on the rate.

7 MR. OJI: That's correct, but the cost of
8 construction is also going up. I'm a little confused on
9 this, I'm looking for some help. We want staff
10 recommendation to go forward. The problem we have is
11 that 3.6- doesn't quite get us there, we need the \$4
12 million that we have asked for. If that's what the
13 recommendation is, we're willing to go. I'm only asking
14 the Board to allow staff to pursue the additional
15 documentation.

16 MR. GOODWIN: I don't think anything stops you
17 from working with staff in the future to come up with an
18 additional \$400,000 if we have it and it fits and it
19 underwrites. But what I'm unclear about is does the 3.6
20 million give you a transaction that you can close and
21 move forward with? Yes or no?

22 MR. OJI: It is.

23 MR. GOODWIN: Or is it one to hand back and go
24 well, let's scrap this deal, throw it in the trash?

25 MR. OJI: No. It helps, but I'm having

1 difficulty right now. I mean, they're still underwriting
2 the deal, that's all I'm saying, they're having
3 difficulty.

4 MR. GOODWIN: I'm reading the tea leaves of
5 these Board members, nobody wants to go against our
6 underwriting department of Real Estate Analysis that has
7 done this evaluation and says the most we can give you
8 under these set of numbers is \$3.6 million.

9 Am I reading that right, Marni? Yeah. And so
10 I think that's where the problem is. And I think Mr.
11 Braden was bringing up are you saying to us the 3.6 --
12 and we surely don't want to give you 3.6- if it won't get
13 the project built and then we just are delaying the
14 problem down the line because you really needed 4-. If
15 that's the case we'd rather say no, let's keep our 3.6
16 million, give it to somebody else.

17 MR. VASQUEZ: And you said you needed a longer
18 amortization than we've been putting in here as well?

19 MR. OJI: Right, because the lender --
20 typically the lender gives you a 35-year amortization, so
21 when you have a second loan in a deal that's shorter than
22 the permanent deal, they don't like that. So if they did
23 a 35-year amortization, that would have supported the \$4
24 million.

25 MR. VASQUEZ: Of course, that's a 15-year term

1 with the 30-year amortization, so the tail-end doesn't
2 really matter.

3 MR. OJI: Well, but the amortization is what
4 make the sizing of the debt to 4 million, not the 15-year
5 time per se.

6 MR. GOODWIN: Is there a way, Marni, to make
7 this loan 35 years as opposed to 30 years?

8 MR. OJI: That's the amortization.

9 MS. HOLLOWAY: Yes, there is. I am not able
10 to stand here and tell you right now exactly how that
11 impacts the entire transaction to take that amortization
12 out to 35 years.

13 Regarding the \$4 million, if we provided \$4
14 million into this transaction, then it would require
15 deferral of 100 percent of the developer fee, which in
16 our conversations with debt and equity they were not
17 comfortable with. An we've been talking with the
18 lenders, we've been talking with the equity providers,
19 we've been working with the numbers that were given to
20 us, and if they had changed, we would have considered
21 those in the underwriting process.

22 Unfortunately, Brent is not here, he's not
23 feeling well. We're getting some text messages.

24 Tom, let me put you on the spot, even though
25 you were planning on being here.

1 MR. CAVANAUGH: Good morning. I'm Tom
2 Cavanaugh with the Real Estate Analysis Division. And
3 I've been involved in this but I was out the last week so
4 I'm not completely up to speed, but when we underwrote
5 this deal, our original conclusion, based on our
6 guidelines and our rules, was we were going to recommend
7 2.9 million which required 100 percent, or 99 percent of
8 the developer fee to be deferred. That fits our
9 guidelines and our rules. But we spoke with the
10 applicant and we understood that that made the lenders
11 and the equity uncomfortable with the entire developer
12 fee deferred, so we came up with the back and forth and
13 some discussion and with Program we came up with
14 recommending the 3.6 million and it still fit within our
15 box and it fit within our guidelines, and we understood
16 that everyone was comfortable with that level.

17 MR. GOODWIN: Okay. Until this morning you
18 didn't know that they still felt like they needed 4
19 million.

20 And under the 3.6- is any of the developer fee
21 deferred?

22 MR. CAVANAUGH: It is. I don't have the
23 number here. It is a substantial amount, I'm not sure
24 how much. Like I said, when we went all the way down to
25 2.9- that was requiring to defer the entire thing, so I

1 guess the 600,000, \$700,000, it's no longer deferred, so
2 whatever that percentage is, I don't know.

3 MR. GOODWIN: Thank you, Tom.

4 One more speaker.

5 MR. FISHER: Bill Fisher, Sonoma Housing
6 Advisors, and thank you, Board members.

7 I'm here in support of Jay and his special
8 needs development in Fort Worth. It serves 100 percent
9 elderly population. With the contribution of you funds,
10 many of these units are now being targeted at a much
11 lower rent level. Most of the bond transactions that do
12 not require additional loan proceeds from you are all
13 targeted at or below 60 percent, so one of the things
14 that's happened is we take on additional sources to try
15 and have a balanced transaction, which we have sufficient
16 sources to pay all the uses. That is a feasible
17 transaction. The farther away we get from that, then the
18 less feasible it becomes.

19 I want to specifically answer Mr. Vasquez's
20 question because it's relevant. We proved the deal back
21 in the first quarter, here we are six months later, why
22 would we need to come up with additional resources.
23 Construction costs have gone up, interest rates have gone
24 up. This is a deal in Dallas-Fort Worth, and I know some
25 of you are from this market. We have thousands of units

1 under construction. You can't get a contractor to hold a
2 price for more than 30 days. Our bond transactions
3 inherently have a longer timeline, so during that time
4 constructions costs have moved up and interest rates have
5 moved up as well, which has squeezed the loan proceeds on
6 it.

7 What I think Jay was trying to tell the Board
8 was, look, we applied for \$4 million in conjunction with
9 the lender and the investor, using a 15-year term and a
10 35-year am, which is what their first lien loan is. I do
11 believe, from Jay's testimony, that they have a rate
12 lock. So I think what he's trying to tell the Board is,
13 look, I have a feasible transaction that fits in the box
14 that was presented in the application, so I think it's
15 more of a question which is why aren't we funding it that
16 way. Why would we even go down to 2.9-? Because, again,
17 we're striving to get a balanced sources and uses.

18 I certainly predict you'll see a lot more of
19 the bond transactions now, because rates have moved up,
20 asking for Multifamily Direct Loan funds. And one of the
21 good things is the Department has funds and one of the
22 good things is we get more targeted units, and
23 particularly in a special needs property like this. We
24 are now taking many of these units, 27 -- I guess it
25 would be closer to 30, if you funded the full \$4 million,

1 that would serve seniors at the HOME rents which I think
2 are typically at or below 50.

3 You know, so can Jay make the deal work with
4 3.6-? They can. What his request for the Board is
5 really why aren't we funding my app which was for \$4
6 million with a 35-year am which underwrites in your box
7 and gives us more balance in the sources and uses, and
8 the balance in that sources and uses makes it more likely
9 that the transaction will close with a lender and
10 investor.

11 I think what he was trying to tell Mr. Vasquez
12 was, look, the lender and investor have worked with staff
13 and they've underwritten the deal based upon this
14 multifamily app to you all at \$4 million, zero interest,
15 35-year am. So it's really the changes that staff is
16 initiating, bring it down to 30, that's creating some
17 dynamics and I think some confusion on the part of the
18 Board.

19 So the request today is to fund Jay's
20 application which is for a \$4 million Multifamily Direct
21 Loan, 35-year amortization, zero interest, subject to it
22 fitting in the REA box, which we are confident that it
23 does. And then us going forward, as Mr. Vasquez pointed
24 out, we have a rate lock and he can take advantage of the
25 rate lock. If we defer much longer, then his rate lock

1 will expire and then we'll be subject to other
2 consequences which we're trying to avoid.

3 So this is a development that Jay and the City
4 of Fort Worth have worked on for more than a year, it's
5 permit ready, it serves a special needs population, your
6 funding is going to generate targeted units which is good
7 for our mission here at TDHCA, and I'd ask the Board to
8 consider funding Jay's application as presented, subject
9 only to REA confirmation that it fits in the box.

10 And with that, I'm happy to answer any
11 questions.

12 MR. GOODWIN: Marni.

13 MS. HOLLOWAY: If I may, this underwriting
14 report was published in your board book a week ago, and
15 Mr. Oji, of course, knew about it and I believe saw it
16 prior to that. His appeal rights for -- his ability to
17 appeal that underwriting report, I believe, have tolled
18 at this point.

19 MR. OJI: Sorry?

20 MS. HOLLOWAY: Your ability to appeal the
21 underwriting report.

22 MR. GOODWIN: Is expired?

23 MS. HOLLOWAY: Is expired.

24 MR. GOODWIN: Okay. Any questions from any
25 other Board members?

1 (No response.)

2 MR. GOODWIN: If not, do I hear a motion?

3 MR. IRVINE: Might I offer an additional staff
4 thought?

5 MR. GOODWIN: Sure.

6 MR. VASQUEZ: Please.

7 MR. IRVINE: If you, like I, enjoy getting
8 deals done, one way you might approve it would be to
9 authorize staff to increase amortization up to 35 years,
10 as needed, and to approve it at 4 million but with the
11 last 400,000 not to be advanced unless REA confirms that
12 the full 4 million conforms to our rules. The problem
13 with that is that it would potentially leave you in a
14 position where you have made a \$3.6 million loan,
15 committed funds, and the deal doesn't work. So I kind of
16 circle back to where I was originally: until we know
17 what deal truly works, I kind of think it's premature.

18 MR. GOODWIN: Which means you sound like
19 you're talking in favor of tabling this item.

20 MR. IRVINE: Well, Mr. Oji says, though, that
21 will cause him problems with his other lenders.

22 MR. GOODWIN: Well, if 3.6- causes him
23 problems with his other lenders and tabling causes
24 problems, we don't want to lend 3.6 million to somebody
25 who can't get a project done and make it work, and at the

1 same time --

2 MS. HOLLOWAY: And as discussed, there would
3 be an opportunity for them to come back with another
4 application for additional financing if, in fact, the
5 other \$400,000 is required to make the deal feasible
6 moving down the road. But based on the information that
7 was presented to us in the application, based on the
8 conversations with the applicant as we moved through the
9 application review and underwriting process, this is the
10 deal that fits in our box. And I would point out again,
11 we originally started at 2.9 million with, I believe, I
12 think it was a 3 percent interest rate, it might have
13 been 2, and in conversations were able to get to a
14 comfort level at 3.6 million at zero percent interest.

15 MR. BRADEN: Mr. Chair.

16 MR. GOODWIN: Sure.

17 MR. BRADEN: So, Marni, on the 35-year
18 amortization, can we say now that would fall within our
19 metrics, or is that something that would also have to be
20 reviewed?

21 MS. HOLLOWAY: I can't tell you right now
22 exactly what happens to the deal with a 35-year
23 amortization. If we go to that amortization, I don't
24 know that we're -- I can't tell you for sure that we're
25 still within our DCR box.

1 MR. BRADEN: I guess I'd be inclined to do the
2 3.6- at 35, if that makes sense, but if we're saying
3 we're not even sure the 35 --

4 MS. HOLLOWAY: Standing here right now today,
5 I can't tell you that, no.

6 MR. FISHER: (Speaking from audience.)

7 MR. IRVINE: You can't speak unless you come
8 to the mic.

9 MR. FISHER: Mr. Braden, I think that's a good
10 idea. I'll ask Tom to come up and address it because you
11 want to hear it from him, but the change in a longer
12 amortization is going to help with the debt coverage
13 ratio and it will clearly help. So if the Board is not
14 inclined to go to 4- per his original app, the three
15 million six at 35 is certainly going to make a positive
16 difference, and we'd ask you to do that.

17 MR. CAVANAUGH: I don't have the numbers in
18 front of me exactly. If we go from the 30 to the 35
19 years, the debt coverage ratio is going to go up
20 slightly. Potentially it would go over the 135 which
21 would be our upper limit, and that would be an issue that
22 address our rule. I don't think it would go there, I
23 don't think that's what would happen, but I don't have
24 the numbers in front of me to tell you for certain.

25 MR. VASQUEZ: I do. It actually makes about a

1 \$1,500 a month -- \$1,400 a month difference if you
2 amortize it at 35 instead of 30.

3 MR. CAVANAUGH: So I think it's a minor
4 difference.

5 MR. GOODWIN: Okay.

6 MS. THOMASON: But am I understanding that the
7 3.6 -- this may be a question for the applicant -- is the
8 3.6- going to get you where you need to be to close the
9 deal?

10 MR. OJI: The 3.6- would get me there but it's
11 tough. That's why we're looking for \$4 million, 35-year
12 amortization. That's based on the rates we're talking
13 about. It makes the debt coverage ratio better for us.

14 MR. IRVINE: When do you plan to close?

15 MR. OJI: In December, next month. We are
16 marching towards closing.

17 MR. IRVINE: When in December?

18 MR. OJI: I think about the 15th right now.

19 MR. IRVINE: So you could theoretically push
20 this a month.

21 MR. OJI: Yes.

22 MR. VASQUEZ: Just one other question. Would
23 not \$400,000 of additional equity in the deal solve the
24 problem as well?

25 MR. OJI: It could, but if you've been

1 following what's been going on, the equity price has been
2 going down also. So I got a commitment for a certain
3 number of dollars since the credit, and I've been
4 negotiating -- that's what I was telling you earlier,
5 I've been negotiating to see if we can get a little bit
6 more equity in the deal. We can't, and that's why --

7 MR. VASQUEZ: If your equity partners don't
8 want to put more money in the deal to make it work,
9 you're asking us to put more equity in the deal.

10 MR. OJI: I'm not asking to put more equity in
11 the deal, I'm asking to put more money that I will pay it
12 back.

13 MR. VASQUEZ: Effectively.

14 MR. OJI: All I'm saying is --

15 MR. VASQUEZ: But your partners, you're
16 telling me, are not willing to put in --

17 MR. OJI: They are willing, that's why we've
18 been having this conversation. I mean, they had a long
19 talk with RBC, Andrew and RBC Bank here has been talking
20 about this all week, and with CitiBank yesterday they had
21 a long conversation. The deal works, it's just a very,
22 very tight deal. We would prefer to have our \$4 million
23 request at 35-year amortization, it meets our debt
24 coverage ratio better. If we can't do that, then the 3.6
25 million works, it's just very, very tight and they're

1 struggling with it. We're going to close the deal but
2 it's brutal, that's all.

3 MR. GOODWIN: Okay. Your motion?

4 MR. BRADEN: I'll make a motion to do the 3.6-
5 with a 35-year amortization.

6 MR. GOODWIN: A second?

7 MS. BINGHAM ESCAREÑO: I'll second.

8 MR. GOODWIN: Okay. It's been moved and
9 seconded. Any further discussion?

10 (No response.)

11 MR. GOODWIN: All in favor say aye.

12 (A chorus of ayes.)

13 MR. GOODWIN: Opposed?

14 MR. VASQUEZ: Aye.

15 MR. GOODWIN: Okay. We move on to item 3(a),
16 Presentation, discussion and possible action to grant
17 certain authority to the director of Administration and
18 designating an acting director.

19 MR. BRADEN: Mr. Chair, I'd like to make a
20 motion.

21 MR. GOODWIN: Okay.

22 MR. BRADEN: I make a motion that effective
23 immediately, in the event that the executive director is
24 on leave, in accordance with the Department's personnel
25 policies and procedures, David Cervantes, the director of

1 Administration, be authorized, empowered and directed for
2 and on behalf of the Department to execute, deliver and
3 cause to be performed such acts and deeds, approvals,
4 documents, instruments and writings as the executive
5 director is authorized to undertake on behalf of the
6 Department, and that during any leave by the executive
7 director, all authority granted to the executive director
8 which has not yet been exercised or carried out is deemed
9 to be granted to the director of Administration, and that
10 with the understanding that the requirements of Texas
11 Government Code Section 2306.038 have been fulfilled,
12 David Cervantes be designated as the acting director of
13 the TDHCA effective December 1, 2018.

14 MR. GOODWIN: Do I hear a second?

15 MR. VASQUEZ: I second.

16 MR. GOODWIN: Any discussion?

17 (No response.)

18 MR. GOODWIN: All those in favor say aye.

19 (A chorus of ayes.)

20 MR. GOODWIN: Opposed?

21 (No response.)

22 MR. GOODWIN: Okay. Thank you, Mr. Braden.

23 3(b) Administration, and Mr. Acting Director.

24 MR. CERVANTES: Thank you very much. I wasn't
25 sure how to present this item in terms of director of

1 Administration or acting director, so we'll put a slash
2 in there, I suppose.

3 I believe this is your final item. As a
4 companion to item 3(a), item 3(b) in your agenda is the
5 Presentation, discussion and possible action to adopt the
6 resolution regarding designating signature authority and
7 superseding previous resolutions.

8 On June 28 of '18 you adopted a resolution
9 that reflected the Department's structure at that point
10 in time. Today's proposed action will once again update
11 the resolution to reflect the current organizational
12 structure, working titles and operations. It will also
13 ensure continuity with respect to the processing of
14 transactions as noted in sections 2 through 5 of the
15 write-up.

16 With that, I will close and respectfully
17 request your approval to adopt the current resolution.

18 MS. BINGHAM ESCAREÑO: Move to so resolve.

19 MR. GOODWIN: Second?

20 MS. THOMASON: Second.

21 MR. GOODWIN: Moved and seconded. All in
22 favor say aye.

23 (A chorus of ayes.)

24 MR. GOODWIN: Opposed?

25 (No response.)

1 MR. GOODWIN: Okay. Thank you very much.

2 MR. CERVANTES: Thank you very much.

3 MR. GOODWIN: We're at a point where we have
4 to say so long, goodbye, farewell to someone who's been
5 the heart and soul of this organization. I was at dinner
6 with him last night when some very, very nice things were
7 said by some staff members that he is really a hard
8 person to replace. I know a lot of you encountered Tim
9 in many different roles and many different capacities,
10 and my suspicion is you've always been treated with
11 respect, and my suspicion is you've always been treated
12 fairly, even when he said no to you, which he is very
13 willing to do though you may not want to hear it, and
14 it's going to be a big hole.

15 And we've got a couple of things -- Michael,
16 do you want to bring over here? -- to present to Tim.

17 This is a proclamation from the governor,
18 Governor Greg Abbott. I'll read that proclamation to
19 you.

20 "Greetings. Know ye that this official
21 recognition is presented to Tim K. Irvine, Executive
22 Director, Texas Department of Housing and Community
23 Affairs.

24 "Congratulations on your well-deserved
25 retirement after over 19 years of service to the people

1 of Texas. Public service is an honor for the foundation
2 is in the public trust. Daily state employees earn this
3 trust, demonstrating dependability, imitative, and wise
4 stewardship of public resources. Their endless
5 dedication highlight's that this State's greatest asset
6 lies with the people who call it home.

7 "I commend you, your many contributions and
8 unwavering commitment to the State of Texas, highlighted
9 by your seven years of dedicated service as Executive
10 Director of the Texas Department of Housing and Community
11 Affairs. First Lady Cecilia Abbott joins me in sending
12 best wishes for an enjoyable and fulfilling retirement."

13 Signed, Greg Abbott, Governor of the State of
14 Texas.

15 (Applause.)

16 MR. GOODWIN: And we have another letter.
17 We'll let you read the letter, Michael.

18 MR. LYTTLE: Okay. The next item is a flag
19 that was flown over the Texas Capitol on November 1 of
20 this year. It includes a special certificate with the
21 seal of the Senate of Texas. It reads, "Senate of the
22 State of Texas. This certifies that the Texas Flag
23 herewith presented to Timothy K. Irvine on the occasion
24 of your retirement by State Senator Royce West was flown
25 above the State Capitol of the Sovereign State of Texas

1 on November 1, 2018."

2 Again, in honor and recognition of Tim's
3 retirement, from the Texas Senate, and specifically
4 Senator West, we want to provide it to you.

5 MR. IRVINE: Thank you so much.

6 (Applause.)

7 MR. GOODWIN: We have several people who I
8 think would like to say something. We have a former
9 chairman of this Board. Has he stepped out? I don't
10 have my glasses on. Are you going to come up and say
11 something. Never stopped you before.

12 (General laughter.)

13 MR. OXER: Mr. Chairman, members of the Board,
14 those of you I know and those of you who I don't yet but
15 I'm happy to see. My name is John Paul Oxer, and
16 everybody calls me J. Paul, or at least that's to my
17 face. I come to you to make a few comments, representing
18 no one except perhaps a fellow colleague on life's path
19 back to the garden, just with some observations to make.

20 Based on your experience that I just watched
21 you go through and the experience that I've had -- I
22 stand here more as an informed citizen by the experience
23 that I had, recognizing that what you do is really hard,
24 and I know it's hard, and to everybody behind me, their
25 part is hard too, I know it is because I helped make it

1 that way. Particularly for the pay scale that I know most
2 of you up there who volunteered for this job and were
3 highjacked or shanghaied into it, I know that that pay
4 scale, being substantial -- as you mentioned last night,
5 Leslie -- that can't be the reason that you show up, nor
6 is it the tuna fish sandwich that you get if you happen
7 to stay through lunch.

8 So there's another reason to do this, and this
9 is really hard work, but one of my favorite quotes from
10 Emerson is that the greatest reward of doing a really
11 hard job really well is in the doing. And so as I've
12 said before, I don't have really anything to say,
13 certainly not anything new, but I will replay one things
14 that I've said several times, including 22 months ago,
15 and that is that it is a hallmark, as well as a
16 fundamental moral obligation of a truly civilized society
17 that we freely choose to deliver some measure of our
18 resources towards helping meet the basic human needs of
19 those least able and most vulnerable among us in a manner
20 that protects their humanity and respects their dignity.
21 And those resources include not only the financial
22 resources that you have access and control over but the
23 other things, the intellectual resources and the intent
24 and time and energy.

25 And so on day like today when I sat where you

1 are, J.B. -- and by the way, you have my greatest
2 respect, you knew what the job was like and you still
3 took it.

4 MR. GOODWIN: No one else up here wanted it.
5 Right, Leslie?

6 (General laughter.)

7 MR. OXER: Leslie, you have my enduring
8 affection for all the time you've put in here because,
9 you know, there were times when I thought, holy cow, how
10 are we going to do this, and Leslie would say, Mr.
11 Chairman, take it away.

12 So knowing that it's hard, the investment of
13 the time and effort has been one of those things, and
14 Tim, you were compensated being up there but I recognize
15 and knew early on and saw over those years that it wasn't
16 just the money, it was what you said, what you thought,
17 what you believed and put your heart and soul in, and I
18 think the agency and the state and everybody in this room
19 and everybody that knows you has benefitted from that.

20 So thanks for you what you did. Good job,
21 pal.

22 MR. IRVINE: Thank you.

23 (Applause.)

24 MR. GOODWIN: Does anybody else have anything
25 they want to say?

1 MS. LATSHA: I'm Jean Latsha, and I can't
2 believe you didn't ask me to come up here before J. Paul,
3 I can't really follow any of that.

4 But I just wanted to publicly say thank you,
5 Tim, for your service to the state but also for when I
6 worked with you, for inviting me to lunch all the time,
7 inviting me into your home, listening to us
8 professionally and personally. Just thank you, and I
9 wish you the best, you and your family.

10 MR. IRVINE: Thanks.

11 (Applause.)

12 MS. SISAK: On behalf of TAAHP and DMA, we
13 thank you for your service, and you know, based on my
14 personal interaction with you, you're a man of principle,
15 and you've led the Department based on strong principles
16 that you believe in, and in this day and age I really
17 appreciate that because it's, you know, rare -- let me
18 just put it that way.

19 Thank you so much.

20 (Applause.)

21 MR. MOREAU: I wanted to say thank you
22 personally, and thank you from our residents.

23 MR. ECCLES: I'm sorry. Can you sign in and
24 introduce yourself?

25 (General laughter.)

1 MR. MOREAU: Walter Moreau with Foundation
2 Communities.

3 Some of our residents at Capital Studios are
4 just a block away and you've gotten to meet them and know
5 them. It's been commented that you've treated everyone
6 with respect and integrity. I have witnessed as well
7 creative problem-solving, trying to figure things out,
8 and at a core value you do this work because of love for
9 your neighbor and trying to help other people, and thank
10 you.

11 MR. IRVINE: Thank you.

12 (Applause.)

13 MR. GOODWIN: I think it would only be
14 appropriate to let the man of the day have the last say
15 before we adjourn.

16 MR. IRVINE: Thank you.

17 Well, actually, I think that the thanks go to
18 you. The staff, the team, obviously they come in here
19 every day and they work so hard because they really care
20 and they really want to get it right. The development
21 community and all of those who advise and help them, you
22 do the hard work. And the quarter of a million great,
23 fantastic Texans who live in those properties, I am so
24 happy that you're out there looking out for them. Let's
25 do more of it.

1 And I don't want to forget Community Affairs.
2 Even though this meeting tends to devolve into
3 discussions of financing, Community Affairs programs are
4 really, really important. There are a lot of Texans out
5 there that do encounter things that are challenges that
6 they just can't meet alone, and I'm so happy that we're
7 here to help meet them and to do it, as has been said, in
8 a way that recognizes their dignity. So thanks to
9 Community Affairs for that.

10 It's been a great ride, it's been a ton of
11 fun, and I actually don't think I will leave a hole at
12 all because I've always believed in surrounding myself
13 with people who are way smarter than I am, and there's a
14 ton of talent here and there will be no hiccups.

15 Last but not least, this Board, to a person
16 the best Board that I've ever worked with. You know,
17 obviously folks like J. Paul have had a tremendous impact
18 on this whole operation, but the work that you guys do is
19 really, really valuable. It's not just wading through
20 details and being Solomon to split the baby, but it's
21 being thoughtful about policy and giving this team the
22 clear guidance and direction that helps make the programs
23 always a little better than they were before.

24 So blast working with, and the door is always
25 open, the whiskey bottle is on the counter, and if you

1 don't know the directions, if you've ever gotten an email
2 from me you've got my home number. So look forward to
3 seeing you. Thanks.

4 (Applause.)

5 MR. GOODWIN: Motion to adjourn.

6 MS. BINGHAM ESCAREÑO: So moved.

7 MR. GOODWIN: Second?

8 MS. THOMASON: Second.

9 MR. GOODWIN: All in favor aye.

10 (A chorus of ayes.)

11 MR. GOODWIN: See you in a month.

12 (Whereupon, at 10:23 a.m., the meeting was
13 adjourned.)

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C E R T I F I C A T E

MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: November 8, 2018

I do hereby certify that the foregoing pages,
numbers 1 through 91, inclusive, are the true, accurate,
and complete transcript prepared from the verbal
recording made by electronic recording by Nancy H. King
before the Texas Department of Housing and Community
Affairs.

DATE: November 14, 2018

(Transcriber)

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