TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD OF DIRECTORS MEETING

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

April 28, 2016
10:38 a.m.

MEMBERS:

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

TIMOTHY K. IRVINE, Executive Director

ON THE RECORD REPORTING
(512) 450-0342
AGENDA ITEM

ITEM 1: APPROVAL OF THE FOLLOWING ITEMS PRESENTED IN THE BOARD MATERIALS:

LEGAL

a) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Avalon Apartments (HTC 91036 / CMTS 954)

b) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning West Gate Apartments (HOME 535259 / CMTS 2702)

c) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Bristol Court Apartments (HTC 94021 / CMTS 1218)

d) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Sphinx at Delafield (HTC 04419 / BOND 04419B / CMTS 4057)

e) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning North Athens (HOME 532340 / CMTS 2707)

f) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning Villa de Reposo B Encinal (HOME 530201 / CMTS 4002)

g) Presentation, Discussion, and Possible Action regarding the adoption of an Agreed Final Order concerning North Oregon Apartments (HTC 91204 / CMTS 1016)

ASSET MANAGEMENT

h) Presentation, Discussion and Possible Action regarding Material Amendment to Housing Tax Credit Land Use Restriction Agreement ("LURA")
97047 La Herencia Apartments Mercedes

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

96026 Hollow Creek Apartments Conroe

BOND FINANCE

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

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

RULES

l) Presentation, Discussion, and Possible Action proposing an amendment to 10 TAC Chapter 5 Community Affairs Programs, Subchapter A, General Provisions, §5.2, Definitions, and directing that it be published for public comment in the Texas Register

m) Presentation, Discussion, and Possible Action proposing an amendment to 10 TAC Chapter 5 Community Affairs Programs, Subchapter A, General Provisions, §5.19, Income Eligibility, and directing that it be published for public comment in the Texas Register

n) Presentation, Discussion, and Possible Action proposing amendments to 10 TAC Chapter 20 Single Family Programs Umbrella Rule, §20.15, Compliance and Monitoring, and 10 TAC Chapter 5, Community Affairs Programs, Subchapter L, Compliance and Monitoring, §5.2101, Purpose and Overview, and directing that they be published for public comment in the Texas Register

CONSENT AGENDA REPORT ITEMS

ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS:

a) TDHCA Outreach Activities, April 2016
b) Compliance Division Update

c) Report on the Amended 2016 State of Texas Consolidated Plan: One Year Action Plan

d) Executive Report of Multifamily Program Amendments, Extensions, and Ownership Transfers

e) Report on the Department's 2nd Quarter Investment Report in accordance with the Public Funds Investment Act ("PFIA")

f) Report on the Department's 2nd Quarter Investment Report relating to funds held under Bond Trust Indentures

ACTION ITEMS

ITEM 3: INTERNAL AUDIT
a) Report on the Meeting of the Audit Committee

b) Internal Audit Report #16-002 "Real Estate Analysis Division"

c) Internal Audit Report #16-007 "Implementation Status of Prior Audit Recommendations"

ITEM 4: ASSET MANAGEMENT
Presentation, Discussion and Possible Action regarding Material Amendments to Housing Tax Credit/HOME Applications

15063 Palladium Van Alstyne Senior Living Van Alstyne
15086 The Reserves at Preston Trails Wolfforth

ITEM 5: COMPLIANCE
Presentation, Discussion, and Possible Action regarding an appeal of disallowed costs under the HOME program for Ebenz Inc.

ITEM 6: COMMUNITY AFFAIRS
Presentation, Discussion, and Possible Action on the Award of contracts to administer the U.S. Department of Energy ("DOE") and Low Income Home Energy Assistance Program ("LIHEAP") Weatherization Assistance Program ("WAP") to Greater East Texas Community Action Program to provide services in Harrison, Jasper, Newton, Panola, Sabine,
San Augustine, Shelby, Tyler, and Upshur counties

ITEM 7: MULTIFAMILY FINANCE
a) Presentation, Discussion, and Possible Action on Timely Filed Appeals and Waivers under the Department's Multifamily Program Rules
   16175 Crosby Meadows Apartments
   Crosby

b) Presentation, Discussion, and Possible Action on an Award of Direct Loan Funds from the 2016-1 Multifamily Direct Loan Notice of Funding Availability
   16500 Bluebonnet Studios Austin

c) Presentation, Discussion, and Possible Action on Determination Notices for Housing Tax Credits with another Issuer
   16401 George W. Baines Apartments
   El Paso
   16402 Charles R. Morehead Apartments
   El Paso
   16404 Stallion Pointe Apartments
   Fort Worth

d) Presentation, Discussion, and Possible Action Regarding the Issuance of Multifamily Housing Revenue Bonds (Garden City Apartments) Series 2016 Resolution No. 16-014 and Determination Notice of Housing Tax Credits

ITEM 8: REPORTS
a) Report Regarding the Progress of Youth Count Texas!

b) Report on 2017 Qualified Allocation Plan ("QAP") Project

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS

EXECUTIVE SESSION none

ADJOURN 98
MR. OXER: Good morning, everyone. I'd like to
welcome you to the April 28 meeting of the Texas
Department of Housing and Community Affairs Governing
Board.

We'll begin with roll call, as we do, of

Ms. Bingham?

MS. BINGHAM ESCAREÑO: Here.

MR. OXER: Mr. Chisum is not with us today.

He's had an accident and is under the weather.

Mr. Gann?

MR. GANN: Here.

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

MR. OXER: Dr. Muñoz?

DR. MUÑOZ: Ready to serve.

MR. OXER: The chair is here, that gives us

four, we're in business today.

Tim, lead us in the pledges.

(Whereupon, the Pledge of Allegiance and the

Texas Allegiance were recited.

MR. OXER: Any special mentions today, Tim?

MR. IRVINE: No, sir.

MR. OXER: All right. Let's get to work. With

respect to the consent agenda, does any member wish to

pull any item from the consent agenda?
MR. OXER: There being no requests, I'll entertain a motion to consider.

DR. MUÑOZ: So moved.

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

MR. GANN: Second.

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

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

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

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

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

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

MR. OXER: Yes, I have that.

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

MS. TERESA MORALES: Good morning. I'm
assuming we're starting with 7(c)?

MR. OXER: Correct.

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

MR. OXER: Okay.

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

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

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

There are a number of conditions that staff recommends be placed on this award, and these conditions are the result of the previous participation review. The review revealed that the entities associated with this application, HACEP and Hunt Development, have a combined Category 4 designation under the Department's previous participation rule. Essentially, one's compliance history can be classified as a Category 1, 2, 3 or 4, with Category 4 being the most concerning. Under this category the rule states that applicants are notified of their designation, and if they wish to pursue the award, then they should be prepared to propose terms and conditions specific to their compliance history, along with identifying specific dates to correct uncorrected events to the Department's EARAC committee. EARAC may then accept, modify or reject the applicant's proposal.
EARAC met with the applicant and members of the development team on April 19. HACEP, Hunt, and Alden Torch, as the asset manager for Hunt, proposed specific conditions to be placed on the award, and after review and discussion, EARAC accepted and modified those conditions, which are listed in your Board writeup. All parties understand and agree that failure to meet these conditions and provide evidence of compliance with these conditions, upon request, may result in a negative recommendation for future awards and/or ownership transfer requests. And it's worth noting that HACEP and Hunt have four more applications that are currently under review by staff and they are scheduled to be brought before you next month.

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

MS. TERESA MORALES: Correct.

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

MR. OXER: Any questions from the Board?

(No response.)

MR. OXER: There was a RCRA of a 220-pound limitation on this. Do you have any idea what that material was, the hazardous material that was ostensibly
going to this location?

    MS. TERESA MORALES: It was a Walmart.

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

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

    MR. OXER: Okay. Any questions?

(No response.)

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

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

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

    MS. BINGHAM ESCAREÑO: Second.

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

(A chorus of ayes.)

    MR. OXER: And opposed?

(No response.)

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

    MS. TERESA MORALES: The next application is
the sister property to Baines, Charles R. Morehead, which
is an existing general population development in El Paso,
consisting of 62 units located on twelve different sites. The units are currently occupied and operating as public housing, owned and managed by HACEP, and again, plan to be converted through HUD's RAD program.

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

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

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

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

MR. OXER: Any questions of the Board?

(No response.)

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

MS. BINGHAM ESCAREÑO: So moved.

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

MR. GANN: Second.

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

(A chorus of ayes.)

MR. OXER: And opposed?

(No response.)

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

MS. TERESA MORALES: The last application under this agenda item is Stallion Pointe. It's a proposed new construction general population development with 264 units to be located in Fort Worth. This application was originally scheduled for last month's Board meeting when staff realized that the elementary school for the attendance zone of the proposed development did not achieve the Met Standard rating according to the 2015 TEA accountability ratings.
You may recall that back in February staff brought a report item before you that indicated staff was finding that applicants are not disclosing the undesirable neighborhood characteristics as required under the rule. That report item expressed that staff would be doing random reviews on applications to confirm whether such characteristics are applicable to a particular site and should have been disclosed. Stallion Pointe is one of those applications.

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

Last, the writeup also explains the type of bond reservation associated with this application,
specifically that it allows three years for the applicant to close. Staff recommends that closing occur within 120 days to be consistent with the typical 150-day closing deadline associated with the majority of 4 percent applications. If closing has not occurred by such date, the Board authorizes EARAC to approve or deny an extension to the determination notice subject to an updated previous participation review, if necessary.

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

MR. OXER: Good. Thanks.

Any questions from the Board?

(No response.)

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

MS. TERESA MORALES: This particular school was Improvement Required in 2013 and it missed the standard by four points on Index 3. The performance index has four indices. So 2013 was Improvement Required, 2014 it met the standard and it exceeded the target score on all four
of those performance indices and earned one distinction. And then in 2015 it dipped back down to Improvement Required and missed the Met Standard by five points on Index 3. So it was the Index 3 that messed them up in 2013, they dipped back up in '14, in '15 it was the same index.

MR. OXER: What's that particular index?

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

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

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

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

MS. TERESA MORALES: Right.

MR. OXER: In the event that they don't close within the 120 days and EARAC says no, you don't get the
money, they retain the option to come and appeal to the Board. Correct?

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

MR. OXER: When does the string run out?

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

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

MS. TERESA MORALES: I'm sorry. Say that again
with the school.

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

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

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

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

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

(No response.)

MR. OXER: Motion to consider?

DR. MUÑOZ: So moved.

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

MS. BINGHAM ESCAREÑO: Second.

MR. OXER: By Ms. Bingham. No request for
public comment. Motion by Dr. Muñoz, second by Ms. Bingham to approve staff recommendation on item 7(c), application 16404. Those in favor?

(A chorus of ayes.)

MR. OXER: And opposed?

(No response.)

MR. OXER: There are none.

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

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

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

Based on those assessments and the consideration under the rule of acceptable mitigation
based on the preservation of existing occupied affordable housing units that are subject to existing federal rent or income restrictions, staff recommends that the proposed site be considered eligible.

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

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

Staff held a TEFRA public hearing and there was no one in attendance at that hearing. We did receive
public comment from at the time State Representative Sylvester Turner, and also the city council member who represents the district containing this development. Those letters are also contained in your Board package.

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

MR. OXER: Any questions from the Board?

(No response.)

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

MS. TERESA MORALES: Yes, it is.

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

MR. OXER: All right. Motion to consider?

MS. BINGHAM ESCAREÑO: Moved as so resolved.

MR. OXER: Okay. Motion by Ms. Bingham to approve staff recommendation on resolution for item 7(d). Is there a second?

MR. GANN: Second.

MR. OXER: Second by Mr. Gann. No request for public comment. Motion by Ms. Bingham, second by Mr. Gann
to approve staff recommendation on item 7(d).

DR. MUÑOZ: I have a question.

MR. OXER: Dr. Muñoz has a question.

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

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

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

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

DR. MUÑOZ: Do we do like followup visits on things like that? Do we look to see whether those cameras and things like that, lights are still functioning?
MS. TERESA MORALES: If it's part of the amenities that they are providing, then that is part of the monitoring that staff does.

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

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

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

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

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

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

MS. TERESA MORALES: Uh-huh.

MR. OXER: Okay. So the question is do we have any way to identify what would substantiate that
difference? Why did that difference occur?

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

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

    MS. TERESA MORALES: Right.

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

Anything?

    MR. IRVINE: No.

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

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

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

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

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

MS. MURPHY: Patricia Murphy, chief of compliance.

MR. OXER: Good morning.

MS. MURPHY: Good morning.

So we do several different types of inspections on our multifamily properties. At the completion of construction we do an inspection to make sure that all of the committed amenities are present that add up to the number of points they committed to, and then throughout the 30-year affordability period, we do what's called the Uniform Physical Condition Standards Inspection. There are several features of a property that will enhance security, like gates and lighting and security cameras and those kinds of things, and so if those things are present...
on a property, they must be properly functioning. So to that extent, yes, the UPCS inspection does address security and crime on a property.

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

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

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

All right. Back in the box there, Teresa.

Any other questions, Dr. Muñoz?

DR. MUÑOZ: No.

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

MS. BINGHAM ESCAREÑO: Yes.

MR. OXER: No request for public comment.

Those in favor?

(A chorus of ayes.)

MR. OXER: And those opposed?

(No response.)

MR. OXER: There are none.

Thanks, Teresa. Good job.

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

(Pause to set up presentation.)

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

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

So the bill requires a physical count of youth experiencing homelessness in Texas, and to satisfy the count of these youth, TDHCA initiated what is now called
Youth Count Texas! and it is for a statewide -- and think about that in Texas -- a statewide count and needs assessment of Texas homeless and unstably housed youth.

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

So with that, this is Christine Gendron.

MS. GENDRON: Thank you, Elizabeth.

Good morning. My name is Christine Gendron. I'm the executive director of Texas Network of Youth Services, we go by TNOYS for short.

So we were contracted for Phase 1 and 2 of Youth County Texas. We're wrapping up Phase 2 right now. For Phase 1 we designed a survey instrument, homeless youth survey tool to be used to collect data for this
study. We designed two versions of it. The tool meets all of HUD's criteria for the point in time count of homeless persons, and the shorter version was designed really to be used for those counts and the longer version was designed to be used for a more thorough needs assessment process.

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

And so what we did is we developed a toolkit based on research and best practices for counting youth experiencing homelessness and also worked with Texas Homeless Network and Texas Homeless Education Office in a webinar series to engage stakeholders across the state in planning for these counts. We also developed a volunteer training curriculum that was part of the toolkit and we trained volunteers in different communities on how to go out, identify youth who are homeless, count them in a way that protects their confidentiality, that's respectful, that's sensitive but also that's effective.
In addition, we put together a social media campaign that includes a public service announcement that we'll show you in just a second. A big part of this, as you guys can probably imagine, there are a lot of people and players that need to be at the table in order to count youth experiencing homelessness. They don't want to be found. Right? They don't want to be sent home, they don't want to be sent to detention, they don't want to be sent to foster care, and so there are a lot of people that have to be at the table. And so one of our strategies was social media.

(Videowas shown.)

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

So this is kind of what we did in order to pull this off. In the end, 13 communities in Texas participated, all of the major urban areas, as well as some smaller communities in the balance of state. There were 879 surveys collected. We do believe, based on other data, there are more youth experiencing homelessness than that, however, I'm not aware of any study that's ever been done that has surveyed 879 youth experiencing
homelessness, and so we consider this a big success and a big deal and there's a lot of information that we think will contribute to the understanding of youth homelessness in Texas and support policymakers as they're tackling these issues.

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

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

So we're really excited about this. Again,
we're not aware of a study that's been done really of this kind, and thank you for the opportunity to share it with you.

MR. OXER: Thank you.

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

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

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

MS. GENDRON: Right. And actually that's something I should add. So we worked with researchers at
University of Texas at Austin and at U of H School of Social Work to design these and then also to compile the data. Not all communities used the survey exactly the way we wanted them to use it, some of them modified, and so it took a lot of work from UT to figure out how to put this all together.

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

MR. OXER: Spectacular.

MS. GENDRON: Thank you.

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

MS. GENDRON: Exactly, exactly. And that was
one of the big goals, so the survey was designed in conjunction with universities and many of the questions were pulled from existing valid instruments. And then on top of that, we specifically trained the volunteers who administered the survey in strategies to ensure that the results are valid.

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

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

MS. GENDRON: Right.

DR. MUÑOZ: Because then their location is
identifiable. So I guess it is extraordinary that you
were able to capture almost 900 who were willing to
potentially surrender that kind of anonymity.

MS. GENDRON: Thank you.

MR. OXER: Any other questions from the Board?

(No response.)

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

MS. GENDRON: That's a good question.

MR. OXER: Fifty, seventy, twenty?

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

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

MS. GENDRON: It's more than half.

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

MR. OXER: We'll round that out to 900 and
assume that's pretty close. Okay?

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

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

There were some smaller communities that counted pretty large numbers of youth, and I don't know that it means homelessness is necessarily a bigger issue there, it could, but it probably just means that they were able to get more people to the table for the count. I mean, organizing a count in a city with many different school districts that each have many different schools,
there are a lot more players you have to have at the table than in a smaller community where you're only working with a couple of schools.

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

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

MR. OXER: Recognizing it had its limitations.

MS. GENDRON: Right. And these counts can continue every year and we can look at whether we're solving the problem.
MR. OXER: Right. Because to me it seems like over the long term it will take a longer -- not a point in time but over a period of time so the accuracy will approach that asymptotically on the true accuracy at that time or that particular period of whether or not it's increasing or decreasing.

MS. GENDRON: Right.

MR. OXER: Thanks very much for the report.

MS. GENDRON: Thank you.

MR. OXER: Thanks, Elizabeth.

MS. YEVICH: Stay tuned for Phase 3.

MR. OXER: It's coming.

All right. Let's jump back to the early parts. Mark, I think you're up here for the first one on the action items on Internal Audit.

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

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

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

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

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

MR. SCOTT: I think it should do that. In the management response they did provide a detailed strategy on how to address the timeliness of the reports. I'm not sure if this report per se is going to speed up the process, but it definitely is a perfect example of a
picture telling a thousand words. I don't know if that answers your question.

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

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

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

Relative to the short form of the Real Estate Analysis underwriting summary, there's an example of it. When we went through the Garden City Apartments a little while ago, on our website we have that link to the underwriting reports and there's a link under there for underwriting reports that are relevant to the coming Board
meeting, and so anybody that wants to go on the website can click that link and look up the Garden City and see it. And it is really neat. We're going to like it a lot, so when we go through the rounds, the competitive rounds, we'll be able to look at it. It includes photos, it's got little metrics that are color coded that kind of let you know at a glance where we're on and where we're off.

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

MS. BINGHAM ESCAREÑO: It is.

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

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

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

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

MR. SCOTT: No.

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

MS. BINGHAM ESCAREÑO: Really neat cooperation. I think staff and management were very responsive to the feedback that Internal Audit provided, and this came out of that.
MR. SCOTT: The other audit report, it's required by Internal Audit Standards for us to do a followup on outstanding audit recommendations, and so we put that together in a report. It includes the internal audit recommendations as well as the external audit recommendations that as of the last time we reported were not complete. I went ahead and put in there the audits that had no findings. This agency is always being audited by external parties so I like to kind of keep track of it, I go to all the entrance and exit conferences, and so that's a good reference document for all the external auditing and monitoring that goes on.

And I reported on the status of the audit plan.

We're pretty much on schedule. The audit plan that was approved in November, I anticipate that we will complete it.

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

MR. SCOTT: Yes.

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

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

MR. OXER: So of the three?

MS. BINGHAM ESCAREÑO: They're reports.
MR. OXER: Reports only. There's no official recorded on this, is there, Tim? Okay.

All right. Any other questions?

(No response.)

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

MS. BINGHAM ESCAREÑO: Thank you.

MR. SCOTT: Thank you very much.

MR. OXER: Thanks, Mark.

Okay. Raquel.

MS. RAQUEL MORALES: Good morning.

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

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

The applicant is seeking approval for several
changes to the development which triggered material
alterations under our amendments rule under Subchapter E,
including a modification to the site plan that reduces the
total number of residential buildings and then shifts all
the buildings to the southwestern portion of the site.
The amendment request also included revised unit and
building plans, as well as revised financial exhibits that
reflected higher development costs and a revised financing
structure than what was approved and underwritten
originally.

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

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

We have reviewed the changes for which approval
is being requested and compared them to the original
application. We did in particular look at the scoring
items that could have been impacted if we were going to
use the current information in this amendment request. In
this case, the cost per square foot scoring item would have been affected if it were re-scored today using the current cost estimates. The impact would have been --

    MR. OXER: Meaning it would have gone up.

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

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

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

    MS. RAQUEL MORALES: No. When they presented
their revised information, we asked for the updated commitments and they were able to get a better price.

MR. OXER: Okay.

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

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

MR. OXER: Any questions from the Board?

(No response.)

MR. OXER: I have a quick question. You've got
potentially $2,020,000 of the first lien debt is going up
on that but the interest rate is going down significantly
which puts the debt service pretty close to the same. I
guess what I'm trying to fix here, if you go through the
final underwriting, will the debt service on the 4.25
percent for the $6.25 million be roughly the same.

MR. IRVINE: That's the condition.

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

MS. RAQUEL MORALES: On the original first
lien.

MR. OXER: Is that right, John?

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

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

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

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

(No response.)

MR. OXER: All right. With respect to item 4,
application 15063, need a motion to consider.

DR. MUÑOZ: So moved.

MR. OXER: Motion by Dr. Muñoz.

MR. GANN: Second.

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

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

MR. OXER: There you go.

Okay. Item 4, application 15063, motion by Dr. Muñoz, second by Mr. Gann to approve staff recommendation.

Those in favor?

(A chorus of ayes.)

MR. OXER: And opposed?

(No response.)

MR. OXER: There are none.

Okay. Second item.

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

Just as a matter of Board desires, policies, objectives, whatever, do I discern that the Board is comfortable as long as the debt service remains constant or better, that minor changes in the prior debt amount
offset by favorable movement in interest rate, how do you view those kinds of things?

MR. OXER: My view on it is essentially on that particular matter we're betting on the long term capability of the management company to operate this deal. Right? So if the debt service remains similar to what it was before, there's no change in the competitive nature of the deal, although they've lost a point but it's still competitive and fairly far ahead of what was in second place. Is that right, Raquel?

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

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

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

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

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

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

MR. GOURIS: Tom Gouris, deputy executive director.

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

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

MR. GOURIS: They put more skin in the game.

That's right.

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

MR. GOURIS: That's right.

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

MR. SHACKELFORD: Oh, yeah.

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

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

The market conditions have changed. Developers
go and get their commitment letters at the beginning of
2015 to where they are today, the market has changed considerably, so the rates reflected that.

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

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

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

MR. IRVINE: Thank you.

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

The next one you've got there, Raquel.

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

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

Changes in this application include modification to the site plan that relocates the club
house and the residential buildings. Also included in the amendment request were revised unit and building plans that resulted in modification to the architectural design of the development which is also a trigger of a material alteration that comes to the Board for approval.

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

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

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

MR. OXER: Remained competitive. Okay.

MS. RAQUEL MORALES: Underwriting also performed a reevaluation of this amendment request.
They've also, again, experienced higher construction costs that were due to just general construction cost increases, according to their letter, as well as additional amenities or larger amenities that are being proposed now, again, as a result of conversations with their syndicator.

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

MR. OXER: That's pretty significant.

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

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

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

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

MS. RAQUEL MORALES: Right, but they would have
remained competitive.

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

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

MS. RAQUEL MORALES: Yes, sir.

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

MS. BINGHAM ESCAREÑO: Move staff's recommendation.

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

DR. MUÑOZ: Second.

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

(A chorus of ayes.)

MR. OXER: And opposed?

(No response.)

MR. OXER: There are none. Okay. Patricia, I understand Ernie is here.
MR. HUNT: Good morning.

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

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

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

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

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

MR. HUNT: Potential liability.

MR. ECCLES: Okay.

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

MR. HUNT: Yes, sir.
MR. OXER: Okay. All right. It appears we have some request for public comment, so we need a motion to consider.

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

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

MR. GANN: I'll second.

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

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

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

This is a nightmare for me.

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

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

This has been a nightmare because I have -- or we have done extensive provisions that they've asked for, we've given them all the documentation they asked for. When it comes to the costs, there are some of the things that concerned me from the beginning of this project. We, as a nonprofit organization, have our books open for them
to review and they did review. And I commend all the
performance specialists because when we invoice them, we
provide support documentation, detailed support
documentation, and when it's not detailed enough for them,
they give us deficiencies. If you go through our
documents, all the paperwork for Ebenz Inc., there's so
many deficiencies that we have to meet in order to be
reimbursed.

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

Other than that, the Department has said that
there's no support documents on some of these county
receipts that I sent to them, receipts, not invoices, and
that bothered me. Why would there be any other
documentation required? Why would they require additional
documentation on that?
Also, on Stewart Title -- I don't know if any one you know about Stewart Title -- in Galveston County they don't take checks, they will not accept checks from us, either a money order or cashier's check, that's all they accept. And I have to pay for these things so in some instances I have to pay them cash and receive receipts from them which support that information and also the cost. So these were submitted to them.

And then my biggest issue was the fact that I had wrote a check to a subcontractor who did not trust his contractor of record. The unfortunate thing is I did not include his subcontractor's of record name on the checkbook, and that became a disallowed cost. I have looked everywhere, I have looked whether I bought a new home for $73,000, when I bought a new car with that money. Every time, even my own money, things like one of the houses had a transformer that wasn't on record, we had to buy it because we cannot close that house without buying the transformer. It cost me $900. I didn't ask for that back.

Is that my time? But my concern is the fact that these things were submitted to them. The contractor of record, they didn't accept his letter, neither did they accept the letter of the subcontractor that they have been paid. And I took his report and I went through it and I
added all the items that we have record for and they
didn't get back with me and say it was okay or not okay.

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

    MR. OXER: Thank you for your comments.

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

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

    I do not have anything in my office, I do not
have anything in my home, I do not have anything in my
bank account, everything was accounted for. Even the
check stubs, even the bank statements was highlighted and
most of them was sent even more than five times. We spent
the money in the housing projects, we spent even our
money. We did everything to make sure that the money was
accounted for.

My reputation is at stake as a minister of God.

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

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

But I don't know why every time they will come
back and say they disallowed this. What they disallowed
is right there. They called the architect and asked him,
Did Ebenz pay you money? The architect said yes. Why not call the other people and ask them. The HOME money was disbursed. I don't know why only the nonprofit organization in Galveston County that is trying to help, that is trying to help, that they're going to ask me. Where do I have to get this money from? Once again, myself, if I did need the money, I would pay for it, I would pay for it.

MR. OXER: Thank you for your comments.

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

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

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

DR. MUÑOZ: Well, Earnest, as I looked through this documentation and several places it says: information received did not resolve the findings, Ebenz did not provide the requested bid documentation, et cetera, et
cetera. I hear these folks saying you called the architect, he confirmed that we provided information, we provided documentation. And I'm reading something from your office, I presume, saying we didn't. I mean, there seems to be some inconsistency in the representation of those facts.

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

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

MR. HUNT: Yes.

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

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

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

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

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

MR. HUNT: Right. And so we review that and then we in fact trace it to the bank statement to ensure that these costs have in fact been paid. And so to that end, if you'll turn to page 18 in the documentation provided to you, there is a spreadsheet printout that indicates by payee the invoice amount that we were attempting to trace, as well as the amount that we could verify against the bank statement. And this ends on page
This started in November of 2015, November 20, to be exact. We accepted documentation all the way through February 5 and reviewed, so we were able to whittle down.

DR. MUÑOZ: It's not page 18.

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

MR. HUNT: I apologize.

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

MR. OXER: Any other questions from the Board?

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

MR. HUNT: So I can speak to that. There are training power points available on our website, but
specifically Ebenz has been subject to several trainings, this isn't their first series of contracts, they've been working with us since 2008, and in that time they had training in 2008 and three trainings over the course of 2014, all of which addressed the required documentation to be submitted and maintained to the Department to some degree.

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

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

MR. HUNT: Yes, sir.

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

MR. HUNT: That's correct.

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

MR. HUNT: Yes, sir.

MR. OXER: Okay.

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

MR. OXER: Okay. Any other questions?
MR. IRVINE: And HUD expects us to have in our file documentation for every penny that the work was done, it was invoiced, it was paid, it's reimbursed through appropriate parties.


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

DR. MUÑOZ: Here's my question.

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

MS. MOLINARI: That's correct.

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

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

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

MS. MOLINARI: That's correct.

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

Thank you, Jennifer.

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

MR. IRVINE: We cannot leave open indefinitely the possibility that somebody brings in documentation to support any particular expenditure or activity. We've provided them the money, we've monitored them, we've found deficiencies, we've given them ongoing opportunities to respond with, just like I said, here's the invoice for the
things that were done, here's the check that paid them, and we don't have it.

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

MR. ANENE: This is Rev. Ebenezer. The contractor they're referring to that has sent in a letter was the same subcontractor that did not trust his contractor of record, and that was why I wrote him a check, and that check is disallowed, a $30,000 check, plus the $14,000 check that I wrote him. Just because I did not include the contractor of record's name on that check made it disallowed. Yet they said that the contractor called that he wasn't paid. I paid him because he didn't trust the contractor of record.

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

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

MR. HUNT: Well, we did take into consideration
payments to subcontractors. That spreadsheet that I alluded to earlier demonstrates the entities that we traced or attempted to trace to actual payment. And I'm not sure if he's referring to specifically the contractor that initiated this review as part of a compliant, but that is not the underlying basis for the disallowed costs. We performed a normal review over all of the expenditures and attempted to trace all of them to payment.

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

MR. HUNT: Yes.

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

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

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

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

MR. HUNT: Again, these are costs that we could, as much as possible, attribute to what was submitted to the Department for reimbursement.
DR. MUÑOZ: But you heard what he's said. Right? I mean, you heard what he's saying. Right? I didn't pay this guy, I paid the guy directly. I mean, is that the first time you're hearing that?

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

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

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

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

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

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

All right. We have a motion by Ms. Bingham, second by Mr. Gann to approve staff recommendation to deny the appeal for item 5. We've had public comment, there's
no other public comment requested. Those in favor?

  (A chorus of ayes.)

MR. OXER: And those opposed?

  (No response.)

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


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

  MR. OXER: Lucky him. Huh?

  (General laughter.)

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

So we got your permission in November to
release a request for applications to find a new
replacement provider. We released that RFA, and then we
received one application by April 15 which was the
deadline. That application came in from the Greater East
Texas Community Action Program, called GETCAP. The application was reviewed, it's a qualifying respondent, it satisfies the threshold, it was evaluated for previous participation, was approved by EARAC and is now being recommended for an award.

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

And I'm happy to answer any questions.

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

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

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

MS. BOSTON: Yes.

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

Okay. Any questions of the Board?

MS. BINGHAM ESCAREÑO: Mr. Chair, I'll move staff's recommendation.
MR. OXER: Okay. Motion by Ms. Bingham to approve staff recommendation on item 6. Do I hear a second?

DR. MUÑOZ: Second.

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

(A chorus of ayes.)

MR. OXER: And opposed?

(No response.)

MR. OXER: There are none. Thanks, Brooke.

Marni.

MS. HOLLOWAY: Good afternoon.

MR. OXER: Indeed.

MS. HOLLOWAY: We're at afternoon now?

MR. OXER: It is.

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

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

This application was submitted as part of the
USDA set-aside. After staff review, a scoring notice was provided to the applicant on April 7 of 2016, indicating that the application would lose 17 points because the site is in the extraterritorial jurisdiction of the City of Houston, so it could not be scored as a rural development. The applicant self-identified as being located in a rural area because they are just outside the census designated area known as Crosby.

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

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

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

MS. HOLLOWAY: Our rule says that if they're in the ETJ -- so the ETJ of the City of Houston is huge -- if
a site is within that ETJ it is considered urban because it's in Houston's ETJ and doesn't consider the actual --

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

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

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

The rural area is defined in rule and statute as an area that is located outside the boundaries of a primary metropolitan statistical area or a metropolitan statistical area -- so outside of the city -- or if it's
within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area, if the statistical area has a population of 25,000 or less and does not share a boundary with an urban area, then it would be considered rural.

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

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

Staff recommends that based on this analysis of the Crosby ESD and Crosby MUD because it is within a political subdivision with a population of 25,000 or less and shares no boundary with an urban area, as specified in
Texas Government Code 2306.004(28-a) which is the
definition I read to you earlier, we are recommending that
the site be considered rural. Based on our analysis, we
are also recommending that the appeal be granted.

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

MR. OXER: So we uncovered another quirk.

MS. HOLLOWAY: We did.

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

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

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

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

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

MS. HOLLOWAY: Exactly.

MR. OXER: Okay. Is that good with everybody?

So your staff recommendation is to let them call themselves rural?

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

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

Motion to consider?

DR. MUÑOZ: So moved.

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

MR. GANN: Second.

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

MS. HOLLOWAY: 7(a), yes.

MR. OXER: And second by Mr. Gann.

You're getting what you want. Do you really want to say anything? Okay. Good. That's a good answer. All right. Motion by Dr. Muñoz, second by Mr. Gann to approve staff recommendation on item 7(a). Those in favor?

(A chorus of ayes.)

MR. OXER: And opposed?
(No response.)

MR. OXER: There are none.

Okay. 7(b), Marni.

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

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

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

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

MS. HOLLOWAY: That's the amount of the increase, yes, since the 9 percent application was underwritten. This increase has led the applicant to
secure additional financing in the form of grants, donations and increased equity. While building costs have increased substantially, the applicant has not increased the developer fee based on these higher costs, therefore, none of the direct loan funds will be used to fund an increased developer fee and instead will be used to help fill the gap between sources and those increased costs.

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

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

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

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

MS. HOLLOWAY: Exactly.

MR. OXER: Okay. Any comments from the Board?

(No response.)

MR. OXER: Okay. Motion to consider?

MS. BINGHAM ESCAREÑO: I'll move.

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

DR. MUÑOZ: Second.

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

(A chorus of ayes.)

MR. OXER: And opposed?

(No response.)

MR. OXER: There are none.

Okay. Thanks, Marni. Good job.

MS. HOLLOWAY: Do you want to do I think it's the last thing on the agenda for today?
MR. OXER: Well, okay. I was hoping we would be able to avoid saying QAP.

(General laughter.)

MR. OXER: Go ahead, please.

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

The March 30 meeting took up opportunity index as a topic. The discussion included moving to a menu criteria that starts from a threshold of income and poverty levels and then provides a set of features that could be selected in order to achieve high opportunity points rather than the more prescriptive criteria that we have in our QAP right now. The group thinks that this would open up more areas potentially for development, and actually in the meeting yesterday we built on that conversation a little bit more and started talking about selecting features for specific development. So one of the features, if it's education and you're doing a family development, you have to meet that one, but have a range of other options available for other measures.
We discussed the use of radius measurement in consideration of features from contiguous census tracts in looking at opportunity, so that just because you step over the line into the next census tract doesn't mean that your opportunity necessarily changes, and the group has asked us to take a look at what those measures might look like.

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

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

One topic of conversation that we spent quite a bit of time on was prioritization of types of properties within the list of at risk developments, so the whole long list of financing sites and types of developments that
fall under at risk, the group was looking for a prioritization within that.

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

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

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

MR. OXER: As they have been all along.

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

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

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

MR. OXER: I do too.

Tim, did you have a thought?

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

MR. OXER: Do we have any information or do you get a sense, has any of the staff been to any of the NCSHA meetings to get a sense of how they develop their QAPs? What I've heard is that some of them simply go ahead and write it and say: Here it is, live with it.
MS. HOLLOWAY: Right. From the folks that I spoke with at NCSHA, there's this huge range of approaches, particularly as all of the states are starting to take up opportunity indexes or high opportunity areas, and keeping in mind that Texas being such a large state, some of them we may not be able to do.

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

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

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

(General laughter.)

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

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

So it's really different approaches to QAPs.

MR. ECCLES: I'd recommend against that model.
(General laughter.)

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

MS. BINGHAM ESCAREÑO: Thank you.

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

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

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

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

MR. OXER: While I suspect that we will always
be making the effort to cut a new path, simply because of the way TDHCA is organized and the nature of the program that we have, the size of it and that sort of thing, I'm also perfectly happy to plagiarize anything that works.

MS. HOLLOWAY: Exactly.

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

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

MS. HOLLOWAY: That's a report item.

MR. OXER: Great. Thanks, Marni.

MS. HOLLOWAY: Thank you.

MR. OXER: Anything else, Counselor?

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

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

MS. DULA: Tamea Dula with Coats Rose.
And I just wanted to issue a compliment to staff.

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

(General laughter.)

MS. DULA: This year apparently there's been an
innovation and the individually MH'd applications are being rotated by the reviewers so that they go through and they underline it or they make notations about what they don't understand. It also appears that when a document is corrected and supplements are provided in substitution for one that was in the original application, that that document is now inserted in and the original application is scratched through so you see that it's no longer applicable.

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

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

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

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

MR. OXER: Good. We appreciate your comments.
I say personally, and I'm confident that the rest of the Board members here are always glad to hear of the staff taking aggressive innovation on this and getting it right. You know, let's hear when we get it right, but also let's hear when we don't. But thank you for that.

MS. DULA: Thank you.

MR. OXER: Okay.

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

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

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

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

(General laughter.)

MR. ALCOTT: But I will say that after that meeting we had other meetings and we did come to a consensus, and Marni was talking about a lot of things that came out of those discussions. And so as we reported
out to the at risk subcommittee yesterday, we also heard from others on whether to revise our consensus, what we can all agree to, and we'll submit that to you.

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

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

And so the reason these states likely are doing this is because they want to make sure that the federal initiatives and the state initiatives are all on the same page and you get the benefits of that, because all of these initiatives are more than just a single development. Like with a Promise Zone or a Choice Zone, it's not just
building a beautiful complex in an inner city area, it's revitalizing the community, and so sometimes it's best not to look at perhaps the schools that we mentioned earlier at this very point in time because we're putting a lot of money into the schools with Promise and other things, so that perhaps is why so many states do that.

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

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

(General laughter.)

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

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

Indiana, for applications which receive federal
assisted revitalization awards, up to five points will be awarded if the proposed project is a phase or a component of a PA sponsored CNI grant, or to HUD designated Promise, a Department of Education designated Promise area.

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

Thank you.

MR. OXER: Thanks.

Joy.

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

I just returned from Philadelphia where I attended the Affordable Workforce Housing Council of the Urban Land Institute. I'm on the leadership team for that
national council. And the head of the Pennsylvania state agency spoke, and they are doing something that I think is very innovative. They have one or two projects a year that are awarded tax credits based on innovation. And the way that process works is you go ahead and you do your regular application and there is a threshold, so you can't just leap over, irrespective of meeting a threshold, so if you've met a threshold and you would like to compete in the portion that is for innovation, then you have a box that you check and there is additional documentation that you provide. And there is a national panel that decides if any projects will be awarded credits in that particular tranche, will it be one, sometimes it's two.

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

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

MR. OXER: Good. Thanks for your comments.
I'll have a few questions. We can't ask them right now but we'd certainly like to consider that.

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

(No response.)

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

(Applause.)

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

MR. GANN: Thank you.

MR. OXER: A quick shout out to everybody there on the camera that's listening in from over at 211 East 11th Street. We appreciate the work that you do to support all of the things that we do. And I reiterate that the staff does all the work and we just get to take the credit for it up here.
So if there are no other questions, no other comments, I'll entertain a motion to adjourn.

MS. BINGHAM ESCAREÑO: So moved.

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

DR. MUÑOZ: Second.

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

(A chorus of ayes.)

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

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

MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: April 28, 2016

I do hereby certify that the foregoing pages, numbers 1 through 99, 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.

05/04/2016
(Transcriber) (Date)

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