TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOVERNING BOARD MEETING

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

December 6, 2018
8:00 a.m.

MEMBERS PRESENT:

J.B. GOODWIN, Chair
PAUL A. BRADEN, Member
ASUSENA RESENDIZ Member
SHARON THOMASON, Member
LEO VASQUEZ, Member
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**ITEM 1: APPROVAL OF THE FOLLOWING ITEMS PRESENTED IN THE BOARD MATERIALS:**

**EXECUTIVE**

a) Presentation, discussion, and possible action on Board meeting minutes summaries for September 6, 2018 and October 11, 2018

**LEGAL**

b) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning North Athens Homes (HOME 532340/CMTS 2707)

c) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Oak Park Apartments (HTC 91056/CMTS 965) and a related Final Order of Debarment against David Yilmaz and The David Yilmaz Living Trust for a period of 15 years

d) Presentation, discussion, and possible action on a Memorandum of Understanding between the Texas Department of Housing and Community Affairs and the Texas Department of Agriculture regarding the management of Community Development Block Grant funds for the Colonia Self-Help Center Program

**BOND FINANCE**

e) Presentation, discussion, and possible action on Resolution No. 19-011 authorizing publication of Public Notice for Mortgage Credit Certificate Program

f) Presentation, discussion, and possible
action on Inducement Resolution No. 19-012, for Multifamily Housing Revenue Bonds Regarding Authorization for Filing Application for Private Activity Bond Authority on the 2019 Waiting List for Waters at Redbud

g) Presentation, discussion, and possible action on Inducement Resolution No. 19-013 for Multifamily Housing Revenue Bonds Regarding Authorization for Filing an Application for Private Activity Bond Authority for McMullen Square Apartments

h) Presentation, discussion, and possible action on Resolution No. 19-014 Authorizing the Execution of an Escrow Agreement relating to the Multifamily Housing Mortgage Revenue Bonds for Ironwood Crossing Series 2002A

I) Presentation, discussion, and possible action on Resolution No. 19-015 Authorizing the Execution of an Escrow Agreement relating to the Multifamily Housing Mortgage Revenue Bonds for Parkview Townhomes Series 2003A

MULTIFAMILY FINANCE

j) Presentation, discussion, and possible action regarding changes in the structures of the Development Owner, Developer, and Guarantor prior to issuance of IRS Form(s) 8609 and a request for fee waiver for 18269 2400 Bryan Apartments Dallas

k) Presentation, discussion, and possible action regarding site eligibility under 10 TAC §10.101(a)(3) related to Undesirable Neighborhood Characteristics TBD Arbor at Wayforest Houston

l) Presentation, discussion, and possible action on a Determination Notice for Housing Tax Credits with another Issuer 18441 Lakeway Apartment Homes Austin ETJ 18450 Patriot Pointe Fort Worth

ON THE RECORD REPORTING
(512) 450-0342
m) Presentation, discussion, and possible action to adopt the 2019 Multifamily Programs Procedures Manual

ASSET MANAGEMENT

n) Presentation, discussion, and possible action regarding a material amendment to the Housing Tax Credit Application
   16098 Parkdale Villas Denison
   16402 Charles R. Morehead Apartments El Paso
   16603 Garden City Apartments Houston
   17259 Mistletoe Station Fort Worth

o) Presentation, discussion, and possible action to approve a Material Amendment to the Housing Tax Credit Land Use Restriction Agreement
   01002 La Vista Townhomes Del Rio

p) Presentation, discussion, and possible action regarding changes in the structures of the Development Owner, Developer and Guarantor prior to issuance of IRS Form(s) 8609
   13428 Village at Palm Center Houston
   15414 The Retreat at Westlock Tomball

q) Presentation, discussion, and possible action regarding a change in the ownership structure of the Development Owner and Developer prior to issuance of IRS Form(s) 8609
   16200 Kirby Park Villas San Angelo

r) Presentation, discussion, and possible action regarding a change in the ownership structure of the Development Owner prior to issuance of IRS Form(s) 8609 and Application Amendment
   16128 El Sereno Senior Apartments Cibolo f/k/a Borgfeld Manor

s) Presentation, discussion, and possible action regarding a Placed in Service deadline extension for a development located in a major disaster area as allowed under Section 6 of IRS Revenue Procedure 2014-49
   16128 El Sereno Cibolo
   16263 La Stella Edinburg

ON THE RECORD REPORTING
(512) 450-0342
t) Presentation, discussion, and possible action regarding Post-Closing Amendments to HOME Direct Loan Terms
1002124 Majors Place Greenville

RULES
u) Presentation, discussion, and possible action on an order adopting new 10 TAC Chapter 7, Subchapter D, Ending Homelessness Fund, and directing publication in the Texas Register

v) Presentation, discussion, and possible action on an order proposing the amendment of 10 TAC §8.7 Program Regulations and Requirements, and directing publication for public comment in the Texas Register

w) Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 29, Texas Single Family Neighborhood Stabilization Program Rule, and an order adopting new 10 TAC Chapter 29, Texas Single Family Neighborhood Stabilization Program Rule, and directing publication in the Texas Register

x) Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 1, Subchapter C, Previous Participation; and an order adopting new, with changes, 10 TAC Chapter 1, Subchapter C, Previous Participation and Executive Award Review and Advisory Committee, and directing their publication for adoption in the Texas Register

y) Presentation, discussion, and possible action on the draft 2019 State of Texas Low Income Housing Plan and Annual Report, and proposed repeal and proposed new 10 TAC Chapter 1, Subchapter A, General Policies and Procedures §1.23 concerning State of Texas Low Income Housing Plan and Annual Report, and directing their publication for public comment in the Texas Register

ON THE RECORD REPORTING
(512) 450-0342
CONSENT AGENDA REPORT ITEMS

ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS:
   a) TDHCA Outreach Activities, (November - December)
   b) Presentation, discussion, and possible action to accept the report on the Draft Computation of Housing Finance Division Total and Unencumbered Fund Balances and Transfers to the Housing Trust Fund
   c) Report on the Department’s SFY 2018 draft Balance Sheet/Statement of Net Position for the year ended August 31, 2018
   d) Report regarding a Request for Proposal for Financial Advisor issued by the Texas Department of Housing and Community Affairs
   e) Report on the allocation of Program Year 2019 Community Services Block Grant awards
   f) Report on the 2020 QAP Planning process

ACTION ITEMS

ITEM 3: INTERNAL AUDIT
Report on the meeting of the Internal Audit and Finance Committee

ITEM 4: BOND FINANCE
   a) Presentation, discussion, and possible action on Resolution No. 19-010 authorizing the sale of mortgage-backed securities and redemption of 2009 Series A Residential Mortgage Revenue Bonds and 2009 Series B Residential Mortgage Revenue Bonds
   b) Presentation, discussion, and possible action regarding the Issuance of Multifamily Tax-Exempt Bonds (M-TEMS) (Park Yellowstone) Series 2019 and Multifamily Housing Revenue Bonds (Park Yellowstone) Series 2019 Resolution No. 19-016 and a Determination Notice of Housing Tax Credits
ITEM 5: RULES
Presentation, discussion, and possible action on an 21 order adopting the amendments to 10 TAC Chapter 10 Subchapter E, concerning Post Award and Asset Management Requirements, and directing its publication in the Texas Register

ITEM 6: MULTIFAMILY FINANCE
a) Presentation, discussion, and possible 24 action on a request for the extension of the placement in service deadline under 10 TAC §11.6(5) of the 2018 Qualified Allocation Plan related to Credit Returns Resulting from Force Majeure Events 16185 Merritt Heritage Georgetown 16210 Merritt Monument Midland

b) Presentation, discussion, and possible 29 action on penalties for failure to meet deadlines under 10 TAC 11.9(c)(8) Readiness to Proceed 18013 Dayton Retirement Center Dayton 18243 2222 Cleburne Houston

c) Presentation, discussion, and possible 49 action regarding approval for publication in the Texas Register of the 2019-1 Multifamily Direct Loan Notice of Funding Availability

d) Presentation, discussion, and possible action regarding a request for extension of deadlines for the Housing Tax Credit Application 18235 Memorial Apartments McAllen pulled

e) Presentation, discussion and possible 53 action regarding an Award of Direct Loan Funds from the 2018-1 Multifamily Direct Loan Notice of Funding Availability 18019 Highlander Senior Village Bulverde

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS none

EXECUTIVE SESSION none

OPEN SESSION --

ADJOURN 59
MR. GOODWIN: Good morning. I welcome you to the Board meeting for the Texas Department of Housing and Community Affairs, December 6, 2018.

We will start with a roll call.

Mr. Braden?

MR. BRADEN: Here.

MR. GOODWIN: Ms. Thomason?

MS. THOMASON: Here.

MR. GOODWIN: Ms. Reséndiz?

MS. RESÉNDIZ: Present.

MR. GOODWIN: Mr. Vasquez?

MR. VASQUEZ: Here.

MR. GOODWIN: Mr. Goodwin, here.

Ms. Bingham could not be with us this morning.

If you would please stand and join us as director Vasquez leads us in the Pledge of Allegiance to the Flag.

(Whereupon, the pledges were recited.)

MR. GOODWIN: We are going to start this morning with a couple of agenda modifications and then some clarifications as well. Is there any item on the consent agenda that anyone on the Board would like to see pulled for discussion?

(No response.)

MR. GOODWIN: Anybody in the public have any
consent agenda items that you want to see pulled and discussed? If not, hearing so --

MR. DEYOUNG: We have --

MR. GOODWIN: -- sorry?

MR. DEYOUNG: We have a verbal correction.

Michael DeYoung will help us on that verbal correction.

Michael, that number is?

MR. DEYOUNG: Item 2E.

MR. GOODWIN: 2E.

MR. DEYOUNG: Good morning, Mr. Chairman and members of the Board. Michael DeYoung, Community Affairs Commission director.

Staff would like to make a verbal correction to Item 2E in your Board book. It's on the consent agenda.

It's the CSPG awards report item. Staff inadvertently included an additional sentence from a prior board item, and it is in the last box on that page. The easiest way for me to show that is the last sentence: "Additionally, the Department is awaiting a satisfactory response."

That does not apply to that Galveston County Community Action Council Inc., and that is --

MR. GOODWIN: So that highlighted portion needs to be --
MR. DEYOUNG: That highlighted piece --
MR. GOODWIN: -- moved.
MR. DEYOUNG: -- needs to be dropped.
MR. GOODWIN: Okay.
MR. DEYOUNG: That is just an old item.
MR. BRADEN: For --
MR. GOODWIN: Okay.
MR. BRADEN: -- for purposes of the record, you should read that sentence.
MR. DEYOUNG: Okay. The entire sentence is:

"Additionally, the Department is awaiting a satisfactory response to the uncorrected noncompliance related to affirmative marketing requirement at La Casita a/k/a Windmill Village, ID 2678" -- should be struck from the Board item.

MR. GOODWIN: Okay. Any other clarifications or modifications or requests? If not, I will entertain -- Beau, did you have something you wanted to say?
MR. ECCLES: No, sir.
MR. GOODWIN: I will entertain a motion to accept the consent agenda.
MS. THOMASON: So moved.
MR. GOODWIN: I have a motion that was made.
Seconded?
MR. VASQUEZ: Second.
MR. GOODWIN: Any discussion? All those in favor, say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay. That moves us down to the action items, and in the action items, we have one agenda modification, and that is that item 6(d) has been pulled from the agenda. Okay. And we will start with the Internal Audit report.

MS. THOMASON: No.

MR. GOODWIN: No?

MS. THOMASON: You mean, Memorial?

MR. VASQUEZ: Memorial was pulled.

MR. GOODWIN: Memorial was pulled. Item 6(d).

Oh, sorry. Administrative issues up here. So I think we've resolved them. All right. Oh, do we have a homeless resolution?

MR. LYTTLE: Yes, sir.

MR. GOODWIN: Will you read it into the record for us, Michael, before we start down on the audit? He's getting ready.

MR. LYTTLE: All right. Here we go. "Whereas, as measured by the 2017 annual homeless assessment report, more than 23,000 person experiencing homelessness were
counted in Texas during the last two weeks of January in each of the last three years, including more than 6,800 people and families;

"Whereas, the state and federal homelessness and homelessness prevention programs administered by the Texas Department of Housing and Community Affairs supports street outreach, emergency shelters, rapid rehousing, homelessness prevention and support services as front-line responses to community homelessness;

"Whereas, the Department's homeless programs assisted more than 45,000 persons, helping them to move toward housing stability after experiencing or being at risk of homelessness in state fiscal year 2018;

"Whereas, the Department recognizes that each person who works with someone experiencing or at risk of homelessness makes a difference;

"Whereas, the Department supports local governments and organizations that work often in collaboration to address, prevent and minimize homelessness;

"Whereas, December 21, 2018, is National Homeless Persons Memorial Day, which annually falls on the longest night of the year; and

"Whereas, the Department recognizes those who have lost their lives while experiencing homelessness;
"Now, therefore, it is hereby resolved that the Governing Board of the Texas Department of Housing and Community Affairs does hereby commemorate and recognize December 21, 2018, as Homeless Persons Memorial Day in Texas, and encourages all Texas individuals and organizations, public and private, to join in this observance of National Homeless Persons Memorial Day.

"Signed this sixth day of December 2018."

MR. GOODWIN: Thank you, Michael. Do I hear a motion to accept this resolution?

MR. VASQUEZ: So moved.

MR. GOODWIN: Second?

MS. THOMASON: Second.

MR. GOODWIN: Any discussion?

(No response.)

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

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay. Now, we will move into the internal audit. Mark, were you going to -- is Sharon going to report?

MR. SCOTT: Sharon.

MR. GOODWIN: Sharon's going to report. Okay.

Ms. Thomason?
MS. THOMASON: The Audit -- why, thank you.

The Audit and Finance Committee met this morning at 7:30. Staff is here to answer any questions that you may have.

The Finance Division presented the draft computation of Housing Finance Division total and unencumbered fund balances and transfers to the Housing Trust Fund.

That item was on our consent agenda presented to the Board that was just approved. We also have four report items from Internal Audit. Mr. Scott presented the internal audits of the HOME fund tracking, as well as the internal audit of the Loan Servicing Division.

Mr. Scott also presented the annual report on Internal Audit, and discussed recent Internal Audit activities, and is here to answer any questions that you may have.

MR. GOODWIN: Okay. Any questions from any Board members regarding the audit, Committee report?

(No response.)

MR. GOODWIN: If not, I will accept a motion, which I assume you will be making.

MS. THOMASON: So moved.

MR. GOODWIN: It's been moved. Seconded?

MR. VASQUEZ: Second.

MR. GOODWIN: It's been moved and seconded.

Any discussion?
MR. GOODWIN: If not, all those in favor, say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Thank you. Moving to Item No. 4, bond finance. Good morning, Monica.

MS. GALUSKI: Good morning, Mr. Chairman, members of the Board, staff. I'm Monica Galski, the director of Bond Finance.

This item is the presentation, discussion, and possible action on Resolution No. 19-010 authorizing the sale of mortgage-backed securities and the Residential Mortgage Revenue Bonds on of 2009 Series A and 2009 Series B Residential Mortgage Revenue Bonds.

Okay. So in August 2009, the Department issued approximately $102 million in Residential Mortgage Revenue Bonds, 2009 Series A and B, of which right now approximately 21 million in those bonds are still outstanding. Mortgage-backed securities guaranteed by Ginnie Mae and Fannie Mae secure these bonds, and the bonds can be redeemed at par beginning January 1, 2019.

So staff has been working with the Department's financial advisor and bond counsel to evaluate our options...
with respect to these bonds, and we've basically looked at three things we could do. We could do nothing, just leave the bonds outstanding, continue to earn some positive spread between the MBS rate and the bond rate.

We could issue refunding bonds, which would reduce the cost of the debt, increasing that spread between the MBS and the bonds, or we would simply sell those mortgage-backed securities, redeem the bonds, and you know, use the proceeds to redeem the bonds and have some access.

Both the refunding bond sale and the sale of -- refunding bonds and the MBS sale generate approximately the same benefit economically. They're both better, though, than doing nothing. So while they're both similar in economic result, the present value benefit of the MBS sale is certain. The outcome is certain because it eliminate any prepayment risk on the mortgages going forward, which would come into play with a refunding bond issue.

So given all that, staff is requesting authorization to sell some or all of those mortgage-backed securities that back these particular bonds. We expect the net benefit to the indenture to be at least 800,000, and also of note is that doing this redemption will allow the release of escrow funds that are pledged these series,
which will increase the liquidity in this, which is the RMRB indenture, by almost $3 million, which given our down payment assistance and liquidity constraints, that's a really good thing for us.

If the MBS sale price is at least 102.5, which would be $102.5 for every $100 of MBS sold, there will be a net present value to the indenture. At this time, though, we're expecting that the sale price will be well over 107.

The indenture requires a bond counsel opinion and a rating confirmation, both of which are in process. Staff expects to price and settle the MBS in January and to redeem the bonds February 1, 2019.

That concludes my presentation. Does anyone have any questions?

MR. GOODWIN: I have a question. When you said the $800,000 benefit and the $3 million, was that calculated at 102 or 107?

MS. GALUSKI: The $800,000 benefit is calculated at a 107.

MR. GOODWIN: Okay.

MS. GALUSKI: The 102.5 is sort of our break-even with the do-nothing scenario.

MR. GOODWIN: Okay. So we go into this at 107. We end up at 106. We're still a lot better off than we
are at 102.

MS. GALUSKI: Absolutely.

MR. GOODWIN: Okay. Other questions for the Board members?

(No response.)

MR. GOODWIN: If not, do I hear a motion to approve from bond expert?

MR. BRADEN: I'll make a motion to approve and adopt the resolution.

MR. GOODWIN: Second?

MR. VASQUEZ: I'll second.

MR. GOODWIN: It's been moved and seconded. Any discussion? If not, all those in favor, say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay. Item 4(b) -- no. That was 4(a)?

MR. VASQUEZ: Yes.

MR. GOODWIN: Who's doing 4(b)? Good morning.

MS. MORALES: Good morning. Teresa Morales, manager of Multifamily Bonds. Chairman Goodwin and members of the Board, Item 4(b) involves the issuance of multifamily revenue bonds by the Department for the acquisition and rehabilitation of 210 units in Houston,
with all of the units restricted at 60 percent of the area median income and serving the general population.

This transaction involves the issuance of multifamily tax-exempt bonds through the Fannie Mae MBS as tax-exempt bond collateral program. There will be two mortgage loans originated by the Department to the borrower on the closing date, and funded with the bond proceeds in an amount not to exceed $16 million.

The tax-exempt bonds issued will be spent primarily on acquisition with the remaining to be spent on construction draws for the project costs. The bonds will be cash collateralized with funds from other sources, which offers protection for the bond holders.

Funds on deposit in the collateral account will be used to purchase the MBS, which will be used to secure the bonds from that point forward. Payments on the bonds will be guaranteed by Fannie Mae. Part of the $16 million issuance includes approximately 1.1 million in short-term tax-exempt bonds for purposes of meeting the federally-required 50-percent test, which requires at least 50 percent of the project's aggregate basis, which is land plus depreciable assets to be financed by tax-exempt bonds in order to be eligible for the 4 percent housing tax credit.

The bond proceeds will be used for acquisition
and the bonds will remain outstanding for the construction period and redeemed after 24 months. The short-term bonds will be cash-collateralized with some of the proceeds of the City of Houston's soft loan.

The bonds will have an interest rate that mirrors the pass-through rate on the MBS, currently estimated to be about 4.78 percent. The loan will have a term of 17 years and a 35-year amortization. The bonds are expected to be rated AA+ by Standard and Poors.

Staff recommends the approval of Bond Resolution No. 19-016 in amount not to exceed $16 million, and a determination notice of 4 percent housing tax credits in the amount of $879,975.

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

MR. BRADEN: I'll make a motion to approve staff's recommendation and adopt the resolution.

MR. GOODWIN: Second?

MS. THOMASON: Second.

MR. GOODWIN: It's been moved and seconded. Any discussion? All those in favor, say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay. Thank you, Teresa.
Item 5(a).

MR. BANUELOS: Good morning, Mr. Chairman, members of the Board. I am Rosalio Banuelos, director of Asset Management, and Item 5 is "Presentation, discussion, and possible action on an order adopting the amendments to 10 TAC Chapter 10 Subchapter E, concerning Post Award and Asset Management Requirements, and directing its publication in the Texas Register."

The draft Post Award and Asset Management Requirement rule was previously approved for publication and public comment was accepted for three weeks from September 21 to October 12. During this period, comments from three individuals were received.

The summary of the comments received and staff's response to each comment is in the preamble in the order. Staff made changes, corrections and clarifications to the proposed Post Award and Asset Management Requirements based on the comments received during the public comment period, but due to the significant nature of some of the proposed changes, we did not incorporate those into the rule, because it would not have given the opportunity for further public comments.

I won't go through each of the comments in detail, but I would like to point out the most important changes that we made, which are in the section for right
of first refusal, or ROFR as we call it, and in the
section for qualified contract.

In the sections discussing the instances in
which ROFR is or is not satisfied, we clarified that in
the case of a posted minimum purchase price, the
acceptable offer can be at the price yielded by the
sequential negotiation.

However, two of the commenters recommended that
the language be amended to require an owner to accept an
offer that meets the minimum purchase price and only allow
for negotiation of a higher price when multiple offers
within certain priorities [indiscernible 26:35] are
received.

One of the commenters believes his suggestion
is consistent with the reading of statute. However, the
legal interpretation from the Department is the proposed
changes are intended to implement the most reasonable
reading of statute, which is that a minimum sales price,
as stated in Section 42(a)(7) of the Internal Revenue Code
is on the sales price floor, and the negotiations for a
higher price are allowed.

Regarding qualified contract, in the
eligibility section, we recommend we remove the opening
statement to make it clear that development owners who
received an award of credits on or after January 1, 2002

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are not eligible to request the qualified contract prior to a 30-year anniversary of the date that the property was placed in service.

This is to be consistent with 2306.85 of statute. We also added language stating that if the property's LURA indicates a commitment to an extended use period beyond 30 years, the development owner is not eligible to request a qualified contract until the expiration of the extended use period.

Staff recommends that the proposed amendments to 10 TAC Chapter 10, Subchapter E, concerning Post Award and Asset Management Requirements, be approved, and its publication in the Texas Register be approved.

MR. GOODWIN: Great. Do I hear a motion to approve staff's recommendation?

MS. THOMASON: So moved.

MR. GOODWIN: Second?

MR. VASQUEZ: Second.

MR. GOODWIN: It's been moved and seconded.

Any questions or discussion? If not, all those in favor, say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Thank you. Moving on to
Multifamily Finance, Item 6.

MS. HOLLOWAY: Good morning, Chairman Goodwin, members of the Board. I'm Marni Holloway. I'm the director of the Multifamily Finance Division.

Starting with Item 6(a), this was "Presentation, discussion, and possible action on a request for the extension of the placement in service deadline under 10 TAC '11.6(5) of the 2018 Qualified Allocation Plan related to Credit Returns Resulting from Force Majeure Events for No. 16185." This is Merritt Heritage.

Merritt Heritage received a 2016 award of $1,194,724 of 9 percent credits. The development was required to be placed in service by December 31, 2018. We received a request on November 14 to extend the placement in service deadline under the provisions of our rule related to credit returns resulting from force majeure events.

The request is based on delays caused by significant and unusual rainfall, which is one of the allowable circumstances for force majeure. The owner has requested extension of the deadline from December 31, 2018 to March 31, 2019 with the possibility of further extension if necessary.

So as a reminder, other than in cases of
natural disaster, the Department does not have authority to simply extend federal deadlines for placement in service. The extension must be accomplished through the return and immediate re-issuance of credit.

So that's what the force majeure action is.

Merritt Heritage is the new construction of 244 units for an elderly population in Georgetown. In May 2018, the contractor processed a change order to add 13 days to the contract, and another change order was processed in October 2018, adding another 16 days.

So that's a total of 28 days added to the construction contract. In addition, Governor Abbott issued a disaster declaration for Williamson County on October 16, citing severe weather and flooding. The owner claims the most recent rains delayed critical exterior work, including striping the parking lot and finishing sidewalks and the swimming pool area.

They have provided significant documentation of the impact of the rain delay and their mitigation efforts.

Staff recommends that the request for treatment of Merritt Heritage under an application of the force majeure rule be approved and that the applicant must continue to follow the 2016 QAP, with the exception that the 2018 program calendar will now apply.

I'd be happy to take any questions.
MR. GOODWIN: Do I hear a motion to approve staff's recommendation?

MS. THOMASON: So moved.

MR. BRADEN: So moved.

MR. GOODWIN: Second?

MR. BRADEN: Second.

MR. VASQUEZ: Second.

MR. GOODWIN: Moved and seconded. Any questions for staff? Any comments from anyone? If not, all those in favor, say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay. 6(a) --

MS. HOLLOWAY: Still on 6(a), but this is Application 16210 Merritt Monument. Merritt Monument received an award of 850 --

MR. GOODWIN: Marni, I'm sorry to interrupt.

MS. HOLLOWAY: I'm sorry?

MR. GOODWIN: You said, 6 -- 16. But it's 18210.

MS. HOLLOWAY: No.

MR. VASQUEZ: No.

MR. GOODWIN: Is my agenda wrong? It is 16210?

MS. HOLLOWAY: It's 16210.
MR. GOODWIN: Okay. Okay.

MS. HOLLOWAY: All right.

MR. GOODWIN: Thank you.

MS. HOLLOWAY: Merritt Monument received a award of $853,071 of 9 percent credit in 2016, which carries a requirement that each building be placed in service by December 31, 2018. This development is a new construction of 104 units serving a general population in Midland.

On November 15, 2018, we received a request to extend the placement in service deadline under the force majeure provisions of the QAP to March 31, 2019. Among the allowable bases for force majeure are changes in law, rule or regulations and labor shortages, both of which are described in the request.

Regarding changes in law, rule or regulations, the owner describes a change order request from its contractor to extend the completion deadline by 42 days in part because city inspectors were often three to five days late in completing their inspections throughout the construction process, and because the City appointed a new fire marshal during the course of construction who required changes to the fire suppression plan for the development.

Regarding labor shortages, the owner claims
that one side effect of rapid growth in Midland is that
the City of Midland is struggling to maintain sufficient
staff to handle the abundant construction activity. The
contractor has substantially increased the manpower of the
site in order to mitigate the impact of delays, but the
owner points out that they must all be recruited from out
of town and cannot be productive when the site is waiting
for a city construction inspector.

A letter from Midland City Council member
J. Ross Lacy supports the owner's request. Staff
recommends that the request for treatment of Merritt
Monument under an application of the force majeure rule be
approved, along with the condition that the applicant must
continue to follow the 2016 QAP, except that the program
calendar for 2018 will apply.

I'd be happy to answer any questions.

MR. GOODWIN: Do I hear a motion to accept
staff's recommendation?

MS. THOMASON: So moved.

MR. GOODWIN: Second?

MR. BRADEN: Second.

MR. GOODWIN: Any questions? All those in
favor, say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?
MR. GOODWIN: Okay.

MS. HOLLOWAY: Item 6(b) is "Presentation, discussion, and possible action on penalties for failure to meet deadlines under 10 TAC 11.9(c)(8) Readiness to Proceed." This one is 18013 Dayton Retirement Center.

Dayton Retirement Center was approved on July -- in July to receive $279,322 of 9 percent credits for the acquisition and rehabilitation of 48 units for an elderly population in Dayton.

The application was awarded five points under readiness to proceed in disaster-impacted counties. The scoring item requires that the development close all financing and fully execute a construction contract on or before the last business day of October 2018.

The item includes language that states the failure to close all financing and provide evidence of an executed construction contract by the October deadline will result in penalty as determined by the Board. The rule item doesn't call out what the penalty is.

It's the -- the Board determines what it is, what it will be. We required all readiness applicants to provide evidence they had met the October deadline to us by November 9. The applicant for Dayton Retirement Center confirmed to us on the ninth that all financing was not
closed and they did not provide evidence that a
construction contract had been fully executed.

On November 12, we notified the applicant that
the matter would be presented for final determination of
future ineligibility or point deductions by the Board at
this meeting. Because the applicant is subject to penalty
under the rule, staff requests the Board make a
determination in this matter.

MR. GOODWIN: Okay. Is that the end of your
report on that item?

MS. HOLLOWAY: It is.

MR. GOODWIN: As I understand it, the readiness
to proceed, if I remember correctly, is the provision that
the Governor's Office put into --

MS. HOLLOWAY: Yes, into the 2018 QAP.

MR. GOODWIN: -- into the 2018 QAP --

MS. HOLLOWAY: Uh-huh.

MR. GOODWIN: -- and as I understand it, our
options are really three distinct options. One is, if an
applicant doesn't meet the requirements of readiness to
proceed, we could make them, the applicant, ineligible for
any applications that happen next year in 2019 --

MS. HOLLOWAY: Right.

MR. GOODWIN: -- or we could deduct from a
different application in 2019 one point of the five -- one
point off of their application or any application. If
they put in four applications, it would be one point off
of each application?

    MS. HOLLOWAY: Right. And the item is actually
applicant or affiliate.

    MR. GOODWIN: Applicant or affiliate. Okay.

    MS. HOLLOWAY: Yes.

    MR. GOODWIN: And then I understand the third
remedy that we have is just to say, ah, well --

    MS. HOLLOWAY: Right.

    MR. GOODWIN: -- no big deal.

    MS. HOLLOWAY: Right.

    MR. GOODWIN: We're not going to do anything.

    MS. HOLLOWAY: Right.

    MR. GOODWIN: Okay.

    MS. HOLLOWAY: Those in fact are your three
options.

    MR. GOODWIN: Those are the Board's three
options as it relates to this. And refresh me. We had
22 people, 22 applications that were --

    MS. HOLLOWAY: With readiness? Yes.

    MR. GOODWIN: -- took or applied for readiness
to proceed --

    MS. HOLLOWAY: That claimed those points. Uh-
huh.
MR. GOODWIN: And out of the 22, 20 --

MS. HOLLOWAY: Twenty accomplished that.

MR. GOODWIN: -- accomplished it. Two were unable to accomplish it.

MS. HOLLOWAY: Correct.

MR. GOODWIN: Okay. And correct me also if I'm wrong that these need to be taken case by case --

MS. HOLLOWAY: Uh-huh.

MR. GOODWIN: -- and because we vote to make one applicant and/or affiliate ineligible for whatever reason the Board members make that decision, that's not precedent-setting as to what we're going to do on the next application or applications that happen in the 2019 round.

MS. HOLLOWAY: Exactly. And it's every -- the circumstances behind each case is going to be individual to that particular development.

MR. GOODWIN: Yeah.

MS. HOLLOWAY: Even if they sound kind of similar, it's still -- you know, they're each individual.

MR. GOODWIN: Yeah. And so in listening to that, it seems the harshest penalty is to make the applicant and their affiliates ineligible --

MS. HOLLOWAY: Yes, it is.

MR. GOODWIN: -- and the least, which is almost unfair to the other 20 who did meet to just say, ah, well,
we're just not going to do anything, and the kind of middle ground seems to be a penalty of one point against applications that you submit in 2019.

MS. HOLLOWAY: And part of that is, I think, again, looking at the circumstances for this particular transaction, they were in the USDA at-risk set-aside. So because we were under-subscribed this year, they would have gotten an award whether they took the points or not.

MR. GOODWIN: Right.

MS. HOLLOWAY: The other one that we're discussing was not within that set-aside. It doesn't have that circumstance.

MR. GOODWIN: Right. And none -- no action as it relates to the penalty under readiness to recent affects the award that they've already been granted --

MS. HOLLOWAY: Correct.

MR. GOODWIN: -- so it doesn't drop them off the list and put somebody above them.

MS. HOLLOWAY: They're still moving on with their deal.

MR. GOODWIN: So their deals are safe. It's just for future deals. Any questions from any Board members of Marni? Any comment? I'm sorry.

MR. VASQUEZ: I have a question.

MR. GOODWIN: You had a question?
MR. VASQUEZ: What is -- sorry -- as of this date, have they closed all the financings and executed the contracts --

MS. HOLLOWAY: Actually --

MR. VASQUEZ: -- for the quarter?

MS. HOLLOWAY: -- why don't we let Tamea tell you about the current status of that development? I believe they were headed for closing by the end of the year?

MS. DULA: That's true. Yes.

MR. VASQUEZ: But they still --

MS. DULA: We have --

MR. VASQUEZ: -- okay. Let's -- yeah --

MR. GOODWIN: Okay. Tamea -- yeah, let's --

MR. VASQUEZ: -- I'm hearing that they still have not --

MR. GOODWIN: Okay.

MR. VASQUEZ: -- at this point.

MS. DULA: Good morning. I'm Tamea Dula with Coats Rose and I'm here on behalf of Charles Holcomb, the developer. Charles knew that he was not going to be able to be here today, so he wrote a letter to the Board that's included in your Board book.

He's very regretful that he wasn't able to close in a timely manner with regard to this project. He
is balancing the requirements of a Section 42 program and
the USDA's 515 program, and that can make it a little
difficult and time-consuming in order to make everybody
come out where you want them to be.

Although he didn't close by October 31, he is
hoping to close by the end of this year, and right now,
we're planning on doing that closing by the end of the
year.

MR. GOODWIN: Okay. Any questions for Tamea?

MS. DULA: I would like to point out that this
is an unusual circumstance. Since failing to qualify for
those five points didn't hurt anybody, nobody was kicked
off, out of an award, because of it, he would have receive
the award anyway, because he's in the at-risk and the USDA
set-asides.

MR. GOODWIN: Okay. So we are as a Board -- no
other questions for Tamea? Does anybody else want to
speak to this issue? I'm going to need some Board member
to come up with a motion -- oh, Barry, are you going to
speak?

MR. PALMER: Let me add a couple of things.

MR. GOODWIN: Okay.

MR. PALMER: Because I worked on this project
with Charles, trying to get it closed, and this is a USDA
project, so it required approval from USDA to get the loan
assumed by the new entity, and that's really the thing that prevented the deal from closing on time, and added to the fact -- you know, Charles is a very experienced developer, had been doing this a long time in USDA, but he is in his 80s.

And we found, after we got the credit allocation, that it was difficult to find a tax credit investor who would take a 15-year compliance guarantee from Charles. So there was only -- so that delayed him for a long time.

He finally found one investor who was willing to do it, and is prepared to close right now, but you know, there was no lack of trying on his part. I know everybody else tried, and most of them succeeded, but he had a couple of obstacles that he just did not make by October 31.

MR. GOODWIN: So the question I have, Barry, is, when would you expect him, under the scenario with the current investor, be able to close?

MR. PALMER: So we're shooting for a December 31 closing. It could fall into January, but it will definitely close by the end of January.

MR. GOODWIN: Okay. So if it's not closed by the end of January, your thought would be that whatever is in the works today would probably be replaced with
something else if it were going to close or it would fall apart?

The transaction would fall apart?

MR. PALMER: No. I -- you know, I think it will close late December or early January, unless, you know, something unforeseen comes up --

MR. GOODWIN: Okay.

MR. PALMER: -- but that's my expectation.

MR. GOODWIN: Okay. Any questions from any other Board members? Any other comments? If not, we're going to need a motion. I'm sorry? Oh, thank you. With one of the three actions? Anybody has any strong feeling, any kind of feeling?

It's Christmastime.

MS. THOMASON: I will make a motion.

MR. GOODWIN: Okay.

MS. THOMASON: Given the fact that none of the other applications in that particular area would have been affected, I would make a motion to not impose any penalties on this.

MR. GOODWIN: Okay.

MR. BRADEN: I'll second that. I echo that, and dealing with the USDA can be really a problem.

MR. GOODWIN: Okay. Any other discussion? We have a motion and a second. All those in favor, say aye.
(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay. Thank you, Tamea.

MS. HOLLOWAY: Also under 6(b) is the Application 18243. This is 2222 Cleburne. So an award of 9 percent credits in the amount of $1,500,000 to 2222 Cleburne was made in July. The application proposed the new construction of 112 units for the elderly population in Houston.

The applicant was awarded five points under readiness to proceed in disaster-impacted counties. The scoring item requires that the development close all financing and fully execute a construction contract on or before the last business day of October.

Again, we required all readiness applicants to provide evidence they met the October deadline by November 9. On November 9, the applicant confirmed that all financing was not closed by the October deadline. Also, the applicant did not provide evidence that a construction contract had been fully executed.

On November 12, we notified the applicant that the matter would be presented for final determination of future ineligible or point deductions by the Board at this meeting. We have not received any correspondence. There
was nothing for us to put in the book for you on this one. Because the applicant is subject to penalty under the rule, staff requests the Board make a determination in this matter, and I'd be happy to answer any questions.

MR. GOODWIN: Okay.

MR. VASQUEZ: Was there any reason, excuse, as to why deadlines were missed, previously provided to the Department?

MS. HOLLOWAY: Mr. Fairfield is here, and I'm sure can describe that to you. As I said, we didn't have anything to put in the book for you.

MR. GOODWIN: So as it relates to Leo's question about previously provided, we're going to get some information now, but --

MS. HOLLOWAY: Correct.

MR. GOODWIN: -- we, the Department, through staff, had asked for information, and we received none?

MS. HOLLOWAY: We notified them that we would be coming to this meeting. The application that you just dealt with sent us a letter that basically described the information that Tamea and Barry gave you.

MR. GOODWIN: Okay.

MS. HOLLOWAY: That did not happen in this case.
MR. GOODWIN: Okay.

MR. VASQUEZ: And just to clarify, to your knowledge at this, has all the requirements been met today?

MS. HOLLOWAY: I -- we don't have any evidence of that.

MR. GOODWIN: Okay. Do you want to speak, sir? I think before you speak, I need to ask for a motion to hear comments regarding staff's presentation.

MR. VASQUEZ: So moved.

MR. GOODWIN: Second?

MS. THOMASON: Second.

MR. GOODWIN: Okay. All in favor, say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay.

MR. FAIRFIELD: Thank you, sir. My name is Stephan Fairfield. I'm with Covenant. We're a non-profit service provider to the Montrose Center, who is the applicant. We're an affiliate of Montrose Center, who is the applicant, and [indiscernible 46:40] is very regretful that the transaction was not able to close by the deadline.

The reason for that is that, as we were going
through the City permit process, the City used calculations for the net rentable square footage of the building that included the balconies and porches. There was a different calculation that the architect had used to qualify the building as a single building under the City's building code.

Because the City's calculation differed and put it over a threshold to be classified as multiple buildings, it resulted in having to go back and make design and significant changes to the building in order to put a firewall and additional stairs and ingress and egress elements to the building.

So that added time to the process, both by going back to design, redesigning, as well as time to go back to permit the new changes to the designs. Those changes, then, added to the costs of the project in such a way that we were not able to execute a construction contract, because the bids were running at the same time the permitting process was running.

We did get our permits approved at the end of September. We were in the closing process with our lender and investor. Our investor is here, and can attest their readiness to close the transaction. I have a letter here from a lender that also attends their readiness to close.

The result is, we weren't able to execute the
construction contract within that time frame. So we have now gone back. We are stripping out a number of balconies and porches in order to get back underneath the City's single building threshold, and then are going back to the permitting process.

The designs are -- changes are being made now. They will be resubmitted at this end of this month, early next month, and we anticipate then it will take about four to six weeks for the permit changes to be approved. At the same time, our contractor will go and rebid the project with these new changes, and we expect that that will get us under threshold so that we can have a closing in the first quarter.

MR. GOODWIN: Okay. Any questions?

MR. VASQUEZ: And you said your lender has indicated their readiness to close?

MR. FAIRFIELD: Yes, sir.

MR. VASQUEZ: And will they continue? Is it open-ended? I mean, how long will they keep it?

MR. FAIRFIELD: The lender said they intend to provide the construction and permanent financing on the project, and it's understood that this project will close in the first quarter of 2019.

MR. GOODWIN: Other questions? Do you want to speak, sir?
MR. ALDRIDGE: Sure.

MR. GOODWIN: Okay.

MR. ALDRIDGE: I'll be brief. Jason Aldridge with National Equity Fund.

MR. GOODWIN: I need for you to sign in, please.

MR. ALDRIDGE: Okay. So we are the purchaser of the tax credits in the project. We just want to confirm our commitment to the project. We're very comfortable with the deal itself and the development team, and we fully intend to close this, Q1 next year.

MR. GOODWIN: Okay. The real issue here in front of the Board, as I understand it, isn't whether you're going to close or not. It is whether or not we're going to invoke a penalty of some magnitude for applications that you as the applicant and/or affiliate might submit in the 2019 round, as it relates to readiness to close.

We hope you close. We hope you use the award. We hope you provide the housing that the Texans you're going to serve need, but it still doesn't change the fact that we granted you five points under our readiness to proceed program, and we have one of three remedies that we as a Board need to decide that we're going to place on you for the 2019 round.
So any --

MS. THOMASON: I do have a question.

MR. GOODWIN: Okay.

MS. THOMASON: So am I oversimplifying? This may have just been a mistake on either the architect's part or someone not knowing what the calculations would be that were used by the City of Houston?

MR. FAIRFIELD: The architect did meet with the City, and they thought that they understood the calculation that the City was going to use. They met with them in advance. I don't know if the person they met with is the person that reviewed the plans.

So that -- I could get that information from the architect. But they thought they understood the calculation that was going to be made.

MR. GOODWIN: Beau, did you have a comment?

MR. ECCLES: I just have a question. I heard you say that you're going to be stripping out balconies and decks. So you're anticipating that there is going to be a significant architectural change from what the application shows?

MR. FAIRFIELD: It's not a significant change in the sense that it's part of a point criteria. The project still meets all of the points that are required for the award, from an architectural point of view.
MS. THOMASON: And there was a comment about the increased cost, but -- so is that increased cost just from an architectural redesign standpoint, because you're not adding the firewall and not doing things that would have been required if it was the larger square footage?

MR. FAIRFIELD: That's the larger part of it. We are making some changes to some of the finishes, the -- that we're changing the architect, that included some structural steel, that we found a way of avoiding.

Because of the tariffs that are going on now, we're trying to not have the steel required.

MS. THOMASON: Thank you. I'm just trying to understand what would make this different from other projects, the other 20 projects that did meet the deadline. So --

MR. GOODWIN: So just as a reminder, any other questions from Board members? Anyone else wanted to speak to this issue? We kind of have three things we needed to decide among, and number one is to make the applicant and all of their affiliates of the applicant -- if I'm stating that correctly, Marni?

MS. HOLLOWAY: Uh-huh.

MR. GOODWIN: Ineligible for any application in 2019, or any application that they submit in 2019 will receive one -- a one-point deduction, or to do nothing.
And so I'm going to need a motion from someone that feels which of those three you think is a proper course of action to take on this.

It's not going to -- this project is going to continue to proceed. It's not a vote on this project. It's a vote on one of those remedies. So does anyone on the Board have a strong feeling one way or the other as to which you would recommend and would make a motion, so moving?

I'm looking at all of you.

MR. VASQUEZ: Can I ask one more question?

MR. GOODWIN: Sure.

MR. FAIRFIELD: Yes, sir.

MR. VASQUEZ: Has the developer -- do you have any projects going into the 2019 application process?

MR. FAIRFIELD: We -- we're not -- the applicant -- I'm not aware that the applicant has -- and I'm not the applicant. But I'm not aware that the applicant has any projects going into the 2019 round.

MR. GOODWIN: I'll voice my feeling, and that is that I think, you know, for the 20 that met this, I understand the USDA that we talked about earlier was a different circumstance, but I suspect all of the other 20 had some issue they dealt with their municipalities or their entities and their governments.
I'm sorry that this has happened. I'm glad the project is going to move forward, but I think that if this is going to be one of our rules, I think it's important for this Board to say that when you apply for these five points and you don't meet them, I don't -- I would hate to make somebody ineligible, if you've got a great application coming up that -- maybe one you don't even know about today.

But I do think that it would make sense to enforce at least the one-point penalty, which again, probably won't eliminate any of the good projects that you might have coming forward. So that's kind of my opinion, but I'm not going to make a motion since I'm the Chair.

MS. THOMASON: I will make a motion to deduct one point from any of the 2019 applications from this --

MR. GOODWIN: Okay.

MS. THOMASON: -- developer.

MR. GOODWIN: Second?

MR. VASQUEZ: Applicant or affiliate?

MS. THOMASON: Or affiliate.

MR. GOODWIN: Yeah. So do I have a motion and a second?

MR. CERVANTES: Second.

MR. GOODWIN: Okay. Discussion?

MS. BAST: I'm sorry. Cynthia Bast of Locke
Lord. We do represent the applicant on this, and I do want to be clear as to the motion, because the rule goes to a penalty to the applicant. The applicant here is the -- and its affiliates -- the applicant here is the Montrose Center, which is a Texas nonprofit based in Houston.

Mr. Fairfield is a representative of Covenant, which is the developer. The developer is not the applicant, by definition, and so therefore, I just want to clarify the record and make sure that the penalty is applied to the applicant and the affiliate, as called for in the rules.

Thank you.

MR. GOODWIN: Yes. Thank you, Cynthia. I -- would you take that clarification?

MS. THOMASON: I will clarify. Our motion was to deduct one point from a 2019 application from the applicant or affiliate of this project.

MR. GOODWIN: Okay. And the second agrees with that clarification? Any other questions or discussion? If not, all those in favor, say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Thank you, sir.
MR. FAIRFIELD: Thank you, sir.

MR. GOODWIN: Item 6(c).

MS. HOLLOWAY: Andrew is going to be discussing the [indiscernible 56:48] with you.

MR. GOODWIN: Okay. Good morning and welcome, Andrew.

MR. SINNOTT: Good morning, Chairman Goodwin, members of the Board. Andrew Sinnott, Multifamily Loan Programs administrator. I'm here presenting the 2019-1 Multifamily Direct Loan Notice of Funding Availability. We'll have -- under this notice, we'll have $34,557,797 available for the development of affordable multifamily rental housing.

Funding will be available under four set-asides, $6,615,058 in HOME funds, under the Community Housing Development Organization, CHDO set-aside for nonprofits that can be certified as CHDOs, proposing new construction or rehabbed multifamily developments, $11,638,041 in TCAP repayment funds, and National Housing Trust Fund under the supportive housing soft repayment set-aside for application proposing new construction or rehabilitation of developments serving supportive housing population and/or developments that will restrict units to 30 percent AMI, that would not have those deep affordability restrictions otherwise.
Four million in TCAP repayment funds will be available under the preservation set-aside, which is a set-aside that existed in previous NOFAs many years ago, but which we haven't used in a while. Excuse me. This set-aside is solely for applicants proposing rehabilitation.

And then finally, we'll have $12,304,698 in HOME TCAP repayment funds and NSB programming from under the general set-aside, which will be limited to new construction activities this year, since we have the preservation set-aside specifically for applications proposing rehab.

Similar to last year's NOFA, there will be a priority for applications with development sites in individual assistance counties, as declared by FEMA, through March 1, 2019. We have also added a range of minimum required interest rates available in the NOFA this year, since we deleted references to the recommended interest rate -- minimum interest rate which was 4 percent in the Multifamily Direct Loan Rule, Chapter 13.

The range of interest rates goes from zero to 3.5 percent, and is dependent mainly on three factors: the set-aside, whether or not the application is layered with housing tax credits, and whether or not the Department will have a first lien position during the
permitting period.

Staff's motivation for structuring the minimum required interest rates this way was to properly price in the varying levels of risk, both in terms of repayment and compliance that we are typically exposed to when our direct loan is in a subordinate lien position, or when our direct loan is used without the equity that tax credits provide.

It should be noted that these are minimum required interest rates, and not recommended interest rates. Therefore, staff will have limited, if any, ability to recommend a deal that is not feasible at these minimum required interest rates.

We will begin accepting applications under the NOFA on January 14, 2019, and continue to accept applications through November 29, 2019, provided there are sufficient funds. We hope to amend the NOFA in the coming months with additional HOME and National Housing Trust Fund, as those funds become available.

And I want to make a quick correction to the NOFA that's before you today before you take any action. On page 5 of the NOFA, under 6(f), under Section 6(f), it should read: "The request for funds under the CHDO supportive housing soft repayment preservation and general set-asides may not be less than 300,000, regardless of the
set-aside under which an application is being submitted," with the following sentence under 6(f) remaining unchanged. So it's just adding "preservation" to that list of set-asides that cannot -- the request cannot be less than $300,000.

Finally, I want to note that we had discussed the pre-development set-aside at a roundtable with interested stakeholders last month, and in the draft NOFA that we put on the forum, our online forum, a few weeks ago, staff has determined that a special NOFA for pre-development would make more sense than a set-side within this NOFA.

So staff will be presenting the pre-development NOFA at a future Board date.

MR. GOODWIN: Okay.

MR. SINNOTT: And that -- do you have any questions?

MR. GOODWIN: Any questions for Andrew? If not, do I hear a motion to accept staff's recommendation?

MR. ECCLES: Along with the clarification.

MR. GOODWIN: Along with the clarification. Correct.

MR. BRADEN: So moved, with noted clarification.

MR. GOODWIN: Okay. Second?
MS. THOMASON: Second.

MR. GOODWIN: It's been moved and seconded.

Any questions? All those in favor, say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay.

MR. SINNOTT: Thank you.

MR. GOODWIN: Thank you, Andrew. Moving on to Item 6(e).

MS. HOLLOWAY: Item 6(e) is "Presentation, discussion and possible action regarding an Award of Direct Loan Funds from the 2018-1 Multifamily Direct Loan Notice of Funding Availability." This is Application 18019 that is requesting $3,090,000 in direct loan funds for Highlander Senior Village.

The development was awarded $500,000 of 9 percent credits in July. They proposed new construction of 66 one- and two-bedroom units for an elderly population in Bulverde. Twenty of the units will carry additional direct loan rent and income restrictions as the result of an award.

The direct loan would cover a gap created by reduction of the permanent debt that was described in the 9 percent application along with increased costs. The
increased loan proceeds, along with a permanent debt interest reduction of 4.85 percent to 4.43 percent, allows the deferred developer fee to be reduced by $313,564 and is paid in four years, rather than eight.

The applicant's compliance history is designated as a small portfolio category four and was deemed acceptable by ERAP. The direct loan rule requires applications for developments that were previously awarded Department funds under any program to be found eligible by the Board.

The applicant has provided evidence of adverse factors beyond their control that could materially impair their ability to provide affordable housing, as criteria for the Board to consider in affirming their eligibility. Specifically, the applicant has increased project costs as a result of the development site's location near a floodplain and the Edwards Aquifer Recharge Zone.

This request would be funded with HOME funds that will help the Department to meet HUD expenditures deadlines, and while we don't have commitment deadlines at the moment, we do have expenditure deadlines before you, and we need to be mindful of those.

Staff recommends that the Board find this application eligible due to increased project costs and recommends that an award of $3,090,000 in HOME funds from
the 2018-1 NOFA for Highlander Senior Village be approved.

I'd be happy to take any questions.

MR. VASQUEZ: Marni, to clarify --

MS. HOLLOWAY: Uh-huh.

MR. VASQUEZ: -- okay. So this is not an additional $3 million in loans that they're asking for. It's replacing --

MS. HOLLOWAY: In part, it's replacing --

MR. VASQUEZ: Part of the Sterling --

MS. HOLLOWAY: -- part of the Sterling loan, and then their increased costs. So it's not a dollar-for-dollar replacement on the Sterling loan. It's both things.

MR. VASQUEZ: Substantially, it's not a total increase in loans. It's --

MS. HOLLOWAY: Yes.

MR. VASQUEZ: -- substantially replacing --

MS. HOLLOWAY: Substantially, yes.

MR. VASQUEZ: -- and replacing in part?

MS. HOLLOWAY: Uh-huh.

MR. VASQUEZ: And then, overall, it's lowering the interest rate on the project?

MS. HOLLOWAY: And lowers the overall rate.

Yes.

MR. VASQUEZ: But we are at a 4 percent rate,
albeit a 40-year amortization, but -- so we're actually -- it's not one of these zero interest loans. It's just --

MS. HOLLOWAY: No, it's not.
MR. VASQUEZ: Okay. Thanks.

MR. GOODWIN: Any other questions? If not, I'll entertain a motion to accept staff's recommendation.
MR. VASQUEZ: I'll move to accept staff's recommendation as presented.

MR. GOODWIN: Second?
MS. THOMASON: Second.
MR. GOODWIN: Okay. It's been moved and seconded. Any other discussion or questions? All those in favor, say aye.

(A chorus of ayes.)
MR. GOODWIN: Opposed?
(No response.)
MR. GOODWIN: Okay. That concludes our action item agenda.

MS. HOLLOWAY: Thank you.
MR. VASQUEZ: Mr. Chairman, if I may? I mean to make this statement at the time that it was going on. I would just encourage all applicants, developers, financiers, investors -- whenever there's a problem that you see with a project, communicate that at the earliest possible moment to staff and follow up in writing to
staff, so that we have a record of -- to see what efforts and communications have been made.

Because by the time it reaches the Board and we don't see documentation here in the file, I look at that with great skepticism, versus seeing that there's letters and communications and explanations and the staff having said, yes, I spoke to the developer, applicant, ahead of time.

So just at least from my perspective, it changes how favorably I might look at the issue in question.

MR. GOODWIN: Thank you, sir. And I agree with you wholeheartedly. We are at that point in the agenda where we'll take public comments or comments that will support agenda items for future Board meetings. Are there any such items?

(No response.)

MR. GOODWIN: Okay. Before I entertain a motion to adjourn this meeting, I would like to, since it is the last meeting of the year, recognize that we have started the last meeting of the year, and hopefully, we will [indiscernible 1:07:14] for the next part of next year, at least the first half, with our new executive director -- executive administrator --

MR. ECCLES: Acting director.
MR. GOODWIN: Acting director. I'm sorry. I don't remember all those titles very well. In my world, they're not that big a deal, you know. You're either a man or not a man. So a man -- you can either be the man or the woman.

The acting director, David Cervantes, has now been on the job for a total of five days and has done a wonderful job, so congratulations, and we're glad to have you.

MR. CERVANTES: First Board meeting. Thank you so much.

MR. GOODWIN: And I know many of you out there that are in the industry that have cornered me in the hallways and in the bathrooms and on phone calls and things. Always, you start out with one phrase that always come out, and this time of year, I think it's well to recognize all of you for saying that, and that is that the staff of the Texas Department of Housing and Community Affairs are made up of people with big hearts, great minds.

They care about the people that you are serving. They care about serving you, and they care about their jobs. And over the years that I've been on this Board, I can say, without question, that is true, and I'd like for all of the staff members that are here at the
meeting to stand up and let you acknowledge them, and the Board acknowledge them, with a round of applause.

(Applause.)

MR. GOODWIN: And I guess by the lack of standing, Beau and David don't plan to be around very long. We meant that too for you, Beau, as well, I want you to know.

And I would like to, at the end of the year, make a very heartfelt note of gratitude to the other Board members for the time and energy that you've put into this Agency, and for the goodness out of your heart, and as far as the former Board chair used to say, for the extremely high pay that you receive, we even more appreciate what you've done. So with that all being said, unless anyone else has something else to add, I would entertain a motion to adjourn.

MR. VASQUEZ: So moved.

MS. THOMASON: Second.

MR. GOODWIN: Second? All right. All in favor, say aye.

(A chorus of ayes.)

MR. GOODWIN: Happy new year, happy holidays, and we'll see you next year.

(Whereupon, at 9:00 a.m., the meeting was adjourned.)
CERTIFICATE

MEETING OF:  TDHCA Board
LOCATION:  Austin, Texas
DATE:  December 6, 2018

I do hereby certify that the foregoing pages, numbers 1 through 60, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Leslie Berridge before the Texas Department of Housing and Community Affairs.

DATE:  December 10, 2018

/s/ Adrienne Evans-Stark
(Transcriber)

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