TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOVERNING BOARD MEETING

Dewitt C. Greer State Highway Building
Ric Williamson Hearing Room
125 E. 11th Street
Austin, Texas

March 21, 2019
8:00 a.m.

MEMBERS:

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

DAVID CERVANTES, Acting Director
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j) Presentation, discussion, and possible action regarding a Material Amendment to the Housing Tax Credit Land Use Restriction Agreement

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k) Presentation, discussion, and possible action on an order adopting the amendment of 10 TAC §8.7 Program Regulations and Requirements, and directing publication for adoption in the Texas Register

CONSENT AGENDA REPORT ITEMS

ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS: 9

TDHCA Outreach Activities, (February–March)

ACTION ITEMS

ON THE RECORD REPORTING
(512) 450-0342
ITEM 3: MULTIFAMILY FINANCE
Presentation, discussion and possible action regarding an Award of Direct Loan funds from the 2018-1 Multifamily Direct Loan Notice of Funding Availability
18505 Mistletoe Station Fort Worth

ITEM 4: INTERNAL AUDIT
a) Review and possible acceptance of the State Auditor's Office audit of the TDHCA Financial Statements
b) Report on the meeting of the Internal Audit and Finance Committee

ITEM 5: BOND FINANCE
Presentation, discussion, and possible action on Resolution No. 19-029 approving an increase in the maximum amount of outstanding advances under the Advances and Security Agreement with Federal Home Loan Bank of Dallas, authorizing use of available funds to repay advances, authorizing the execution of documents and instruments relating thereto, making certain findings and determinations in connection therewith, and containing other provisions relating to the subject

ITEM 6: COMMUNITY AFFAIRS
Presentation, discussion, and possible action regarding the possible absorption of the Bay City Housing Authority's Section 8 Housing Choice Voucher Program (HCVP) (PULLED)

ITEM 7: PROGRAMS
Presentation, discussion, and possible action authorizing the release of the Draft Analysis of Impediments to Fair Housing Choice for public comment

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS none
EXECUTIVE SESSION none
OPEN SESSION --
ADJOURN 45
MR. GOODWIN: I call to order the March 21, 2019 Board meeting of the Texas Department of Housing and Community Affairs.

It's time for roll call.

Ms. Bingham?

MS. BINGHAM ESCAREÑO: Here.

MR. GOODWIN: Mr. Braden?

MR. BRADEN: Here.

MR. GOODWIN: Ms. Reséndiz?

MS. RESÉNDIZ: Present.

MR. GOODWIN: Ms. Thomason?

MS. THOMASON: Here.

MR. GOODWIN: Mr. Vasquez?

MR. VASQUEZ: Here.

MR. GOODWIN: We have a quorum.

Okay. Thank you. Could y'all hear me back there? We took roll. Those of you have ever been in the first grade I'm sure have experienced that once or twice. We will start, if you wouldn't mind, please stand as David leads us in the pledge of both the U.S. flag and the State of Texas flag.

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

MR. GOODWIN: We're going to start the morning
off by reading a resolution recognizing April as Fair Housing Month, and Amy is going to read that into the record.

MS. KINCHELOE: Thank you, Mr. Chairman.

Given that the Board's next meeting will not be until late April and Fair Housing Month begins at the start of April, staff wanted to ensure that the Board would be able to consider this resolution a little early.

The resolution reads as follows:

"Whereas, April 2019 is Fair Housing Month, and marks 51 years since the passage of the federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968), signed by U.S. President Lyndon Baines Johnson on April 11, 1968;

"Whereas, the Fair Housing Act provides that no person shall be subjected to discrimination because of race, color, national origin, religion, sex, disability, or familial status in the sale, rental, financing, or advertising of housing and charges the Secretary of the U.S. Department of Housing and Urban Development (HUD) with administering HUD programs in a manner that meets the requirements of the law and purposes of the Fair Housing Act;

"WHEREAS, the Texas Department of Housing and Community Affairs (the Department) administers HUD and
other housing programs that promote the development and
supply of safe, decent, affordable housing for qualifying
Texans;

"WHEREAS, it is the policy of the Department to
support equal housing opportunity in the administration of
all of its programs and services, including encouraging
equitable lending practices for its homebuyer programs and
ensuring compliance with Fair Housing rules and guidelines
for its multifamily developments;

"WHEREAS, the Department, through its programs,
workshops, trainings, and materials seeks to educate
property managers, consultants, program administrators,
architects, contractors, developers, engineers, lenders,
real estate professionals, and others about the importance
of their adherence to the requirements of the Fair Housing
Act;

"WHEREAS, the Department encourages the
development of educational fair housing programs in local
communities throughout the State and is seeking to build
new opportunities for fair housing education and training;
and

"WHEREAS, the Department and the State of Texas
support equal housing opportunity and housing choice in
accordance with the Fair Housing Act not only during Fair
Housing Month in April, but throughout the entire year;
"NOW, THEREFORE, it is hereby RESOLVED, that the Texas Department of Housing and Community Affairs C (1) recognizes the significance of Fair Housing Month as an important time to acknowledge, better understand, and support equal housing opportunity, and encourages the continued commitment to fair housing in the State of Texas; and (2) recognizes that in the pursuit of the goal and responsibility of providing affordable housing and equal housing opportunities for all, the Governing Board of the Texas Department of Housing and Community Affairs does hereby celebrate April 2019 as Fair Housing Month in Texas and encourages all Texas individuals and organizations, public and private, to join and work together in this observance of the impact and importance of affordable housing and equal housing opportunity to the success of all Texans.

"Signed this twenty-first day of March 2019."

MR. GOODWIN: Do I hear a motion to approve this resolution?

MS. RESÉNDIZ: So moved to approve the resolution.

MR. GOODWIN: It's been moved. A second?

MS. RESÉNDIZ: 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. The motion has been approved.

Moving to the consent agenda, we've had a request by Board Member Vasquez to pull items 1(e), 1(i) and 1(k) so that the Board can hear a little more description about those presentations.

Are there any other items that any other Board member or anyone in the public would like to see pulled for discussion?

(No response.)

MR. GOODWIN: If not, I'll entertain a motion to approve the consent agenda as amended.

MS. BINGHAM ESCAREÑO: Move to approve the consent agenda as amended.

MR. GOODWIN: A second?

MR. BRADEN: 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.
Moving them to the action items, we are going to take this just a little out of order. We'll come back and hit those three items, but first, because Marni needs to be over at the State Capitol testifying in a House committee, we're going to move to item 3.
MS. HOLLOWAY: Good morning, Chairman Goodwin, members of the Board. I'm Marni Holloway. I'm the director of the Multifamily Finance Division.
Item 3 is Presentation, discussion and possible action regarding an award of direct loan funds from the 2018 Multifamily Direct Loan Notice of Funding Availability. This is application 18505 for Mistletoe Station in Fort Worth. Mistletoe Station was awarded 9 percent credits in 2017. This is a new construction project of 110 one, two and three bedroom units for a general population in Fort Worth.
After award, the applicant encountered circumstances beyond their control that could not have been prevented or foreseen. Equity pricing dropped from 95 cents -- this is a correction to the bar, the bar says 91.5 but it was actually 95 cents -- at original application to 86 cents which results in approximately
$1.3 million less of equity for the transaction.

The City of Fort Worth increased the required storm water infrastructure improvements during the permitting process which resulted in over $2 million in increased cost. Other factors that contributed to increased infrastructure costs include inaccurate city utility drawings, the city requiring improved sanitary lines, and increased inspection and testing fees by the city as a result of the increased infrastructure work.

This application originally requested $1.5 million in direct loan funds. The direct loan rule describes costs that have been allocated to or paid by another fund source and deferred developer fee as ineligible for reimbursement with direct loan funds.

Further, the NOFA states: "Awards to refinance or supplemental financing will not exceed an amount necessary to replace lost funding or maintain original anticipated levels of feasibility."

During the underwriting review, staff has found that $911,087 in direct loan funds is the amount necessary to maintain original levels of feasibility and to ensure that direct loan funds do not pay for costs allocated to another fund source, such as the deferred developer fee.

A TCAP RF loan of $911,087 at one percent interest rate with a 30 year amortization and a 15-1/2
year term will be used to fund increased hard, soft and financing costs. Despite total loan proceeds for the application increasing over all of the loan funds going into the transaction, the deferred developer fee will remain the same as the last time staff evaluated this transaction, which was with an amendment request in July of 2018. The loan will be subordinate to the Hunt Mortgage loan and will maintain second lien position during the permanent period. As a result of the increased loan proceeds and lower effective interest rate on all permanent debt, deferred fee is now expected to be repaid in year nine rather than year eleven.

This application layers direct loan rent restrictions on nine of the 110 units which cannot be the same units restricted by the City of Fort Worth's HOME funds. At the time of the previous participation review, the applicant was a medium portfolio Category 1; EARAC recommends approval without conditions.

The direct loan rule requires that applications for developments previously awarded funds by the Department be found eligible by the Board. Staff is recommending that the Board find this application eligible due to increased project costs as a result of the City of Fort Worth's increased and required infrastructure improvements and the decreased equity proceeds as a result
of a substantial drop in equity pricing post-award.

Staff is recommending that an award of $911,087 in Tax Credit Assistance Program repayment funds from the 2018-1 NOFA for Mistletoe Station be approved.

I'd be happy to take any questions, and our applicant is here also.

MR. GOODWIN: Okay. Any questions?

MR. VASQUEZ: Just a question regarding the inaccurate city utility drawings. Was that inaccurate delivered from the city, or is that --

MS. HOLLOWAY: Why don't we let Lisa answer that question.

MS. STEVENS: Good morning. Lisa Stevens with Sagebrook Development.

Yes. The answer to the question is the city drawings that were provided to us, as well as the city's storm water study that was provided to us at the time of application ended up not being accurate. What was in the ground was not what the city drawings depicted, and the amount of storm water, this is a site that is an area relatively built out, and so our site is kind of the last vacant piece and it turned out that there was 600 cfs more storm water flowing through our site or to our site than was depicted in the original storm water study by the city.
MR. VASQUEZ: Okay.

MR. GOODWIN: Other questions?

(No response.)

MR. GOODWIN: If not, we'll entertain a motion to accept staff's recommendation.

MS. THOMASON: I make a motion to accept staff's recommendation.

MR. GOODWIN: Okay. Do we have a second?

MR. BRADEN: Second.

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

Any further discussion?

(No response.)

MR. GOODWIN: All those in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Thank you, Marni.

MS. HOLLOWAY: Thank you.

MR. GOODWIN: Good luck today at the Capitol.

Being sensitive, Sarah, that you're here to give us a State Auditor's report, we'll move next to item 4(a), the Internal Audit.

MS. PUERTO: Good morning, members. My name is Sarah Puerto with the State Auditor's Office, and I was the project manager for the audit of the Department of
Housing and Community Affairs fiscal year 2018 financial statements. I'm here to present the reports that were issued as part of this audit.

On December 20, 2018, we expressed unmodified opinions on the Department's fiscal year 2018 basic financial statements, Revenue Bond Program Enterprise Fund financial statements, and the computation unencumbered fund balances of the Housing Finance Division. We also issued a report on compliance with the Public Funds Investment Act. The results of our tests disclosed no issues of noncompliance or other matters that are required to be reported under Government Auditing Standards. We also issued a report on internal control over financial reporting and on compliance and other matters as required by auditing standards.

We did not identify any material weaknesses in internal control over financial reporting or any noncompliance with laws or regulations that materially affected the financial statements.

We also previously issued two reports earlier in the audit. On September 12, 2018, we issued a report that concluded that the financial data schedule prepared by the Department was fairly stated in all material respects in relation to the fiscal year 2017 basic financial statements taken as a whole. On September 27,
2018, we issued a report that concluded that the Department's electronically submitted financial data schedule to the U.S. Department of Housing and Urban Development Real Estate Assessment Center agreed with related hard copy documents.

And finally, on December 20, 2018, we emailed to you a document entitled "Required Communication with Those Charged with Governance." That includes several items we are required to communicate to the Board.

And that concludes my prepared presentation, and I would be happy to answer any questions you may have.

MR. GOODWIN: Any questions?

(No response.)

MR. GOODWIN: I missed the sentence that said this was the best financially run agency in the State of Texas. Did you leave that out by accident?

MS. PUERTO: It was an accident.

MR. GOODWIN: Oversight. We can get that in the next report.

(General laughter.)

MR. GOODWIN: Motion to accept Sarah's report?

MS. BINGHAM ESCAREÑO: Move to approve.

MR. GOODWIN: Move to approve. Second?

MS. THOMASON: Second.

MR. GOODWIN: No discussion. All in favor say
aye.

(A chorus of ayes.)

MR. GOODWIN: Next we have a report from Ms. Thomason regarding the Audit and Finance Committee.

MS. THOMASON: Yes. We met this morning at 7:30. The State Auditor's Office presented their report, which we did recommend for approval to the full Board, and we have done that.

Other items presented were Internal Audit items. Mark is here to answer any questions that anyone may have. We spoke about the public information request audit, or the PIR function. A new standard operating procedure has been developed for that function. And he also presented the audit for the migrant labor housing activities which included site visits, testing of the inspection records and discussion of outreach. There as some really good discussion this morning related to that. So if anyone has any questions, Mr. Scott is here to answer those.

MR. GOODWIN: Any questions? Any comments?

(No response.)

MR. GOODWIN: If not, we move approval of the Audit and Finance Committee report.

MS. BINGHAM ESCAREÑO: Move to approve.

MR. GOODWIN: Moved to approve. Second?
MS. THOMASON:  Second.

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

(A chorus of ayes.)

MR. GOODWIN:  Opposed?

(No response.)

MR. GOODWIN:  Now we will move back to item 1(e).  Michael.  Good morning.

MR. DeYOUNG:  Good morning, Chairman and members of the Board. My name is Michael DeYoung. I'm the division director for the Community Affairs Division.  Item 1(e) is recommending awards for the 2019 CSBG discretionary grant for direct client assistance and network operational improvements.

To give you a little background on this item, the Community Services Block Grant is about $33 million annually to the State of Texas. We file a two-year plan, and you'll see that draft plan actually next month, that will be the next two-year cycle. But this item relates to a small percentage of that award. We get about 90 percent of that $33 million goes to eligible entities. We have 40 nonprofits in the state that we work with; they serve all 254 counties. Five percent of that award remains for state administration. The last 5 percent the state is given pretty wide discretionary authority to work with.
those funds, so we have throughout the years used those funds to do direct client assistance with these nonprofits, we've also done some network operational improvements, we've done migrant seasonal farm worker projects, we've also done some support for our Section 8 program to administer vouchers in smaller communities, and this year we're doing all of those activities. I'll also throw in, we've done disaster relief. Every year we set aside a small part of the money just in case we have a disaster and we need to provide vouchers or client assistance to areas affected by a disaster.

So this item specifically relates to a portion of that 5 percent that we have discretion on and this award is for direct client assistance to 16 entities in the amount of $290,184, and then we also have some network operational improvements, so this would be going into that community action agency and helping them with either maybe some upgrades to their financial systems, working with them to acquire better client tracking software, improve their staff training so that they can do a better job of case management at the local level.

So the entire recommendation before you is $446,174, it goes to 19 eligible entities. These 19 entities all applied. We did an RFA that you had authorized back in the original Board item when we asked
for the authority to make the discretionary awards. I will tell you we received 25 applications for these funds. Eight of those applications were determined to be ineligible and that was due to an expenditure clause that we had put in the RFA. We wanted them to be at 80 percent by the time we had taken the applications essentially, and eight of them had violated that clause. Each of those eight were given an opportunity to appeal. Six appealed to the interim executive director. We actually upheld two of those appeals and four were rejected. And so before you is the award of $446,174 to the 19 eligible entities for these discretionary awards.

And I'd be glad to answer any questions.

MR. GOODWIN: Questions?

MS. RESÉNDIZ: Mr. Chairman, I have a question.

Hi, Michael. What is our direct role regarding the Section 8 housing vouchers?

MR. DeYOUNG: Our role. So we administer vouchers in about 37 counties in the State of Texas and we're kind of a unique entity because essentially we can go anywhere in the state and service Section 8 vouchers. From time to time we have fluctuated in our role as administering the Section 8 vouchers. At one point we were probably up at 1,500 vouchers, now we're closer to 900 vouchers, and from time to time we have an opportunity
to either add to that voucher count or either step in and serve a small community.

We have historically provided financial support to the Section 8 program. Section 8 is HUD funding, it's fairly rigorous in its need for constant oversight. You get a monthly allocation and you have to make sure that you're drawing it down at the right time, you're not holding onto it too long. So that portion of the discretionary award provides for an administrative person on my staff to actually help track all those vouchers, all the transactions, make sure the payments are correct. If a client moves out, we have to have a reconciliation of how long did they stay in the unit, how much do we owe the landlord, how much does the landlord owe us if we overpaid. That's where the support goes.

I will tell you historically we've set aside $150,000; we have never used anywhere close to that amount, usually it's in the area of $15- to $20- to $30,000 a year in order to make sure that we stay reconciled with all of the various landlords in the 37 counties that we provide services to.

MS. RESÉNDIZ: Thank you.

MR. DeYOUNG: Sure.

Other questions?

MR. VASQUEZ: I just wanted to say this is
something I think the Department needs to highlight that it's extra services that we offer in our Community Affairs program, that while no one award is huge, I mean, everything is under $25,000 each, but I'm sure it makes a great help, assistance to these small programs. I mean, can you comment anything on how it really impacts some of these smaller organizations?

MR. DeYOUNG: Actually, I do enjoy this part of the Community Services Block Grant because the agencies apply to us. We ask them what would help you transition people out of poverty, and in many instances these dollars are going to be spent on direct client assistance. So what you'll see is somebody who comes to the community action agency, they're six hours away from having a degree, maybe it's a nursing degree or it may be their CDL license, but they can't afford to go to school or they don't have the opportunity to get to school, and the community action agency a lot of times is pinched for funds to say we can help you.

When we make these awards, hopefully these dollars are put to use on those cases where they can do the most good to get that person transitioned out of poverty. In many instances it's just a matter of getting them to the class or helping them with their books so that they can finish that class, get the degree, and hopefully
have a successful transition out of poverty. When that occurs, that hopefully is a person who will no longer rely on these programs in the future years.

Each agency is allowed to design what they want to do with their funds, so what is needed out in, say, the Midland-Odessa area is probably CDL license for drivers. Well, they can help. But if you go over to East Texas, it could be a totally different solution. And so the agencies tell us what they need, we review their application, and then we fund their application if it's successful. So it is a neat part of community action that we have the opportunity to use these funds in this discretionary manner.

MR. VASQUEZ: And does it just work out that we go from -- I see one line item in El Paso Community, then the next line item is Greater East Texas Community. Does it just work out that we sort of spread it all around the state?

MR. DeYOUNG: Each of the agencies technically could have applied for these funds. It varies from year to year, depending on how their budgets are going, whether they need additional funds. You'll see some agencies tend to not apply, they may have larger budgets, they have more flexibility within their budget, but especially some of these smaller agencies that you'll see here that they
serve one or two counties, they get an opportunity. They may only get $150- or $200,000 in CSBG funds from the formula and yet they have an opportunity to get may be 10-15 percent more money to go to direct client assistance or actually improve their operational capability. So this is a fun award, this is good stuff.

MR. VASQUEZ: Great.

MR. GOODWIN: Any other questions?

(No response.)

MR. GOODWIN: If not, do I hear a motion to approve Mr. DeYoung's report?

MR. VASQUEZ: Motion to approve.

MR. GOODWIN: Okay. Second?

MS. RESÉNDIZ: Second.

MR. GOODWIN: Any further discussion?

(No response.)

MR. GOODWIN: All those in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Thank you, Michael.

MR. DeYOUNG: Thank you. Have a great day.

MR. GOODWIN: Thanks.

Next we have item 1(i). Raul.

MR. GONZALES: Good morning, Chairman Goodwin
and Board members. My name is Raul Gonzales and I'm the director of the Office of Colonia Initiatives, Housing Trust Fund, and Neighborhood Stabilization Program.

Item 1(i) is a request to authorize the programming of Neighborhood Stabilization Program One program income to support continued land bank program activity.

Land banks are governmental or non-governmental nonprofit entity established, at least in part, to temporarily manage and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging reuse or redevelopment of urban property. For NSP a land bank operates in a specific defined geographic area. These subrecipients purchased properties from 2010 to 2013 that had been abandoned or foreclosed upon or were vacant infill lots and signed a 10-year agreement to facilitate redevelopment and dispose of land bank properties.

On November 27, 2012, HUD issued a closeout notice, along with subsequent guidance and clarified the ability to continue certain activities after August 16, 2013, the extended expenditure deadline. HUD also clarified the ability to continue certain activities after the expenditure deadline. HUD stated in the notice that occupancy of all property is not a requirement for expenditure and that disposition is an activity that they
expect to continue until properties reach their final eligible use.

For the NSP One program, funds are available for purchase, rehabilitation, or new construction of single family homes were expended by that deadline, but not all properties have reached their final eligible use. A continuous source of funds is necessary to pay third party costs required. Subrecipients have been working to complete the redevelopment of these land bank properties and have incurred expenses for costs to operate the land bank. Some of the eligible costs are generally taxes, insurance and mowing and similar maintenance charges.

We are proposing the funds required to close homebuyer transactions and fund land bank eligible costs be budgeted from NSP One program income and made available to current subrecipients in good standing through a reservation system participation agreement. The amount budgeted to each subrecipient will be based on records of expenses submitted to the Department by the subrecipient and may be limited as described in this action by time, the type of activity or the availability of funds.

Staff is recommending that available Neighborhood Stabilization Program One program income funds be budgeted for land bank eligible costs, homebuyer down payment and closing cost expenses. The amount
budgeted will be based on the availability of NSP One program income but will not exceed $500,000 without further Board action. Approximately 200 land bank properties remain that have not been placed into final eligible use.

And with that, close and answer any questions.

MR. GOODWIN: Any questions?

MR. VASQUEZ: Mr. Chairman.

So when is the end date for all these properties?

MR. GONZALES: The end date is coming up on the agreements. The end date is the end of August of this current year, 2019, and we're in discussion of what our next step is going to be of extending these contracts and working with the current administrators or subrecipients that have these properties.

MR. VASQUEZ: I mean, is there any incentive that can be provided to get these properties developed?

MR. GONZALES: There may be, and one of the discussions we've had is to provide some kind of incentive based on the number of loans and how quickly they close out these properties, so we have had some discussions and it's something that we'll have to look into to make sure that it's an expense that's eligible under the program.

MR. VASQUEZ: Okay. And I guess just finally,
I imagine it's conceivable that there's a percentage of these properties that just aren't suitable to get developed and we're just going to be paying for lawn mowing in perpetuity?

MR. GONZALES: Well, we hope not. Some of these lots that are not eligible or they're not suitable for building, maybe some side lots that could be worked in where the individual living next door, if they qualify or are eligible, that lot could be donated or sold to the neighbor. So we're hoping that that won't happen, but eventually we will have to come up with a plan and we're working with those administrators to devise an action plan to come to a final eligible use.

MR. VASQUEZ: Okay. I just hope we can really encourage them.

MR. GONZALES: And we definitely will continue to do so and look at alternatives to incentivize them to speed up the process. Yes, sir.

MR. VASQUEZ: Great. Thanks.

MR. GOODWIN: Any other questions?

(No response.)

MR. GOODWIN: If not, do I hear a motion to approve the report?

MS. RESÉNDIZ: So moved.

MR. GOODWIN: It's been moved. Seconded?
MS. THOMASON: Second.

MR. GOODWIN: Moved and seconded. Any other discussion?

(No response.)

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

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay. Thank you, Raul.

MR. GONZALES: Thank you.

MR. GOODWIN: Next we have item 1(k). You don't look like Brooke.

MR. DURAN: Not Brooke, no. Sorry to disappoint. My name is Spencer Duran. I'm the manager of the Section 811 Program.

Item 1(k) discusses a proposed rule amendment that would provide assurances to owners of existing properties that have elected to participate in the Section 811 Program that TDHCA staff will respond quickly to notices of vacancy.

The way that the process works is an owner of a participating property, they've made a commitment to set aside a certain number of units to the Section 811 Program, and TDHCA, with our health and human services
partners, we go out in the community and we find qualified households and we build up waiting lists for those units, and then the next ten or so vacancies, whatever the commitment may be, are obligated to the 811 Program households. So when an owner or a property manager knows when a vacancy is coming up, they simply send us an email alerting us that a vacancy is coming up that's eligible to be filled with an assisted household, we look at our waiting list spreadsheet, and we can quickly determine whether or not we have anybody on our waiting list who would fill that unit.

So for example, if a two bedroom unit is becoming available on the second floor but our household waiting list only consists of single individuals who need a first floor unit because of accessibility reasons, we would tell the property owner we cannot fill that unit at this time, go ahead and rent it out to your tax credit applicants.

We've added this timeline not because it is a new practice, our practice is and will always be to quickly either accept or reject the unit almost immediately, but we felt that the three day deadline on us will provide property owners better reassurance that we're not going to leave them with any vacancies.

MR. GOODWIN: Good. Any questions?
MR. VASQUEZ: So except for that section saying we will acknowledge receipt within three days, business days, that's the only substantive change?

MR. DURAN: Yes, absolutely. There were some minor changes to conform with Texas Register standards, so we capitalized some terms and we spelled out some acronyms, but yes, the heart of the change, the intention of the changes is to provide that three day deadline for us. But yes, you will see that there is blackline other changes that are simply capitalizing some terms or spelling some other terms out or referencing other parts of the Texas Administrative Code and instead of just referencing 10 TAC whatever, we go ahead and spell out what that section is.

MR. GOODWIN: Any additional questions?

(No response.)

MR. GOODWIN: So do I hear a motion to approve the amendment, directing publication and adoption in the Texas Register?

MR. VASQUEZ: So moved.

MR. GOODWIN: So moved. Second?

MR. BRADEN: Second.

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

(A chorus of ayes.)
MR. GOODWIN: Opposed?
(No response.)
MR. GOODWIN: Thank you, Spencer/Brooke.
MR. DURAN: Thank you.
(General laughter.)
MR. GOODWIN: Okay.
MR. VASQUEZ: Mr. Chairman, if I could just make a quick comment?
MR. GOODWIN: Sure, absolutely.
MR. VASQUEZ: Part of the reason -- and I think this is more of my leftover habits from prior departments/agencies I've been involved with -- the reason I asked for this to come out of the consent agenda is so that the Board is more aware of when there's substantive changes in rules that we're publishing that it's just highlighted to us.
MR. GOODWIN: Sure.
MR. VASQUEZ: So this one wasn't that substantive and it really put more onus on us rather than the public, but that's just the reason why I'd like to see these when there's substantive changes, make sure it gets highlighted to us as the Board.
MR. GOODWIN: Okay. All right.
Item 5, Monica.
MS. GALUSKI: Good morning, Mr. Chair, members
of the Board. Monica Galuski, director of Bond Finance and chief investment officer.

This is agenda item 5 which is Presentation, discussion, and possible action on Resolution No. 19-029 approving an increase in the maximum amount of outstanding advances under the Advances and Security Agreement with Federal Home Loan Bank of Dallas, authorizing use of available funds to repay advances, authorizing the execution of documents and instruments relating thereto, making certain findings and determinations in connection therewith, and containing other provisions relating to the subject.

As you can see by the chart on page 2 of this item, the Department's single family loan volume continues to increase, and with the recent release of our 2019-A bond program, we're expecting that to just continue to go upwards, which we're just now beginning to see those loans coming trough for purchase. So we're going to need to make some adjustments to accommodate our increased volume.

A little background. The Advances and Security Agreement with the Federal Home Loan Bank is a short term collateralized line that the Department uses to fund the purchase of loans originated through our single family programs. Current collateral is $15 million in cash that's invested in the Federal Home Loan Bank's liquid
yield investment, and the other collateral is mortgage
loans that the Department has purchased that are waiting
to be pooled and we get credit for 92 percent of those
loans as collateral.

So there are a few factors that keep this from
being a straightforward calculation, and one is that we've
always got loans in the line. There are cutoffs for when
we're pooling our mortgages, so even when we settle a pool
of mortgage-backed securities, there's $25- to $50 million
worth of loans still in the line that have come in and are
waiting for the next pool. As a result, TDHCA currently
doesn't have enough collateral in the line to purchase all
the loans that are waiting for us to purchase them. In
fact, we're short recently by as much as $30 million in a
day, and once you're behind on purchases, because with
each purchase of loans, you're converting $100 of
collateral, you buy loans, the next day you've only got 92
percent of that, it's almost impossible to ever catch up
once you've sort of run behind without injecting
additional cash into the equation.

To this point, the Department's master
servicers has accommodated our shortfall and sort of
carried us but they're both under no obligation to do so
and they won't always have the necessary capital to do
that for us. Plus, the Department earns the float on
those loans while we own them, and it's a significant amount of revenues. Even just that $30 million, if we daily can't purchase $30 million, that costs us about a million dollars a year in revenues. So it's not insignificant.

So with this item, staff is requesting an increase in the maximum amount of advances that can be outstanding under that agreement at any one point in time to $250 million, and requesting authorization to use up to $10 million of available funds to repay outstanding advances which are borrowings under that agreement. Available sources include amounts eligible for release from either and/or both of our single family indentures and other available single family related funds that we have on deposit. Any indenture withdrawal has already been taken into account in the most recent cash flows that were provided to the rating agencies for rating confirmation. Staff is still working with the Department's financial advisor, bond counsel to determine the best and most efficient sources of funds to apply to this infusion -- I guess is the best way to put it.

With that, I'll close and happy to answer any questions.

MR. VASQUEZ: Mr. Chairman.

MR. GOODWIN: Yes, sir.
MR. VASQUEZ: So, Monica, would you characterize this as a good problem to have?

MS. GALUSKI: It's an awesome problem to have.

MR. VASQUEZ: I agree.

MR. GOODWIN: Mr. Bond Counsel, sound good to you?

Any other questions? If not, I'll entertain a motion.

MR. VASQUEZ: I guess there's one more question. On your chart on that page 2, so do you really think that the trajectory is going to keep on going up or will it level out at this higher level?

MS. GALUSKI: We seem to see when we do a bond issue that we spike up and then we kind of hold there, plateau a little, and then the next bond issue, but we're not falling back down to prior levels. So we're doing sort of a jagged climb up but it's still kind of all up. At some point, you know, we're going to be limited. We have to fund the down payment assistance and related costs on that, but for now, we just continue to manage it, we work closely with our financial advisor, and we're not at the point yet where we're getting concerned, but it's a lot of volume.

MR. VASQUEZ: And this growth is not being generated by us lowering standards or anything like that.
MS. GALUSKI: Absolutely not.

MR. VASQUEZ: It's just demand keeps growing.

MS. GALUSKI: It's demand, and we've got, frankly, an excellent product.

MR. VASQUEZ: Great. Thanks.

MR. GOODWIN: On the street I hear that the demands, our requirements have actually increased, our that our security is actually getting better.

MS. GALUSKI: Yes. You are correct.,

MR. GOODWIN: Okay.

Any other questions?

(No response.)

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

MR. VASQUEZ: Move to approve the recommendation and request.

MR. GOODWIN: Second?

MR. BRADEN: Second.

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

Any further discussion?

(No response.)

MR. GOODWIN: All in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)
MR. GOODWIN: Thank you, Monica.

MS. GALUSKI: Thank you.

MR. GOODWIN: Thank you for a job well done.

Next we have item 7. I'm sorry, I apologize.

Item 6 has been pulled at this stage. It will be on a future agenda. So we're moving to item 7.

Good morning.

MS. TRACZ: Good morning, Chairman Goodwin and Board members. I'm Cate Tracz, Fair Housing manager.

Item 7 requests your approval to release the draft Analysis to Impediments to Fair Housing Choice, or the AI, for public comment.

HUD requires that an AI be prepared every five years because the Department operates HUD community planning and development funds, or CPD funded programs, which are the HOME Program, the National Housing Trust Fund Program, and the Emergency Solutions Grants Funds Program. Additionally, there are three other state agencies that are also recipients of these HUD funds and are therefore covered by this AI: the Texas Department of State Health Services, which administers the HOPWA, or Housing Opportunities for Persons with AIDS Program; the Texas Department of Agriculture, who administers the Community Development Block Grant Program; and the General Land Office, who administers the Community Development
Block Grant Disaster Recovery Program.

On behalf of all of the Texas state agencies that receive these HUD CPD funds, TDHCA has taken the lead role in developing the AI. The Texas Workforce Commission Civil Rights Division has also participated in the AI development process by providing training, technical assistance and data on fair housing complaints. Considerable collaboration with our partner state agencies and consultation with stakeholder groups and a robust outreach and engagement with the public has taken place over the last several months in the development of this draft AI document.

The draft AI both assesses where Texas is as a state as it relates to fair housing, and then identifies impediments and possible solutions where applicable and feasible within HUD regulations. The assessment is achieved by looking at several topics: a statewide and regional analysis of demographics and housing considerations; a review of existing rules and regulations; a discussion of actions that have been and are currently being taken to affirmatively further fair housing by the state; an analysis of TDHCA's assisted housing portfolio and lending programs; and an overview of fair housing complaints and cases.

All of these topics together, presented chapter
by chapter in the draft AI, lay the framework for the identification of statewide impediments to fair housing choice. Recommended actions to address those identified impediments are also provided in the draft AI.

I would like to emphasize that the General Land Office, or GLO, has taken ownership of all facets of the document that relate to disaster recovery and response. They drafted a separate chapter, Chapter 9, that provides a review of specific considerations and actions that have been taken specifically as it relates to disaster recovery in response with the HUD CPD funds. To the extent that comment is received relating to disaster recovery issues, those are fully the responsibility of the GLO.

The AI presented today has been made available for public review over the last two weeks prior to the Board meeting. In that time staff has identified several technical and nonsubstantive corrections and typos that will be corrected prior to the draft AI being released for public comment. For example, we inadvertently used the term Fair Housing Initiative Program, or FHIP, in one portion of the text, which actually should have been the term Fair Housing Assistance Program, or FHAP, when describing an entity that engaged in testing for fair housing compliance. So those will all be corrected.

Upon the Board's approval today of this draft
document, the AI will be released for more than 40 days of public comment between Monday, March 25, and Monday, May 6. During this time, staff will hold 13 public hearings, one in each of TDHCA's state service regions, and consistent with our citizen participation plan. Following the public comment period, staff will review and carefully consider all public comments received. Staff will then present the final Analysis of Impediments to Fair Housing Choice to the Board in the summer of 2019. Once adopted, at that time this will become a guide for the Fair Housing team at the Department as we work on implementing the recommended actions to minimize identified impediments.

And finally, before I wrap up, I'd like to acknowledge several people. About a year and a half ago we made the decision to produce this document in-house instead of hiring a third party firm, therefore, this AI has been a huge undertaking for the Department.

Much of the development of this draft AI is due to the countless hours and hard work of Julie Leung and Nathan Darius on the Fair Housing and Data Management Reporting team. They not only performed extensive data collection, analysis and preparation of draft tables and maps, but also performed research and performed extensive amounts of technical writing. It's about a 900-page document that they did in the term of this job. Brooke
Boston, the executive sponsor of this project, is not able
to be here today, but asked that I emphasize how impressed
and pleased we are with Nathan and Julie's contributions.

While no longer at TDHCA, we also wanted to
acknowledge the hard work and efforts of Suzanne Hemphill
in getting this project off the ground.

Additionally, the Fair Housing team relied on
the critical eyes of the Housing Resource Center staffers,
Sidney Beaty and Kali Adams, who performed extensive
quality control on the document which was immensely
valuable.

And lastly, I cannot leave without giving
thanks to those who spent large chunks of their time
reviewing every page of this document with a fine tooth
comb: our federal compliance counsel, Megan Sylvester;
our general counsel, Beau Eccles; our director of External
Affairs, Michael Lyttle; and David Cervantes in his acting
role as executive director.

It was all of our efforts together that
resulted in this draft AI and they all did a tremendous
job.

So that concludes my overview of this item and
I'm happy to answer any questions.

MR. GOODWIN: On behalf of the Board, I would
like to say thank you for your efforts, and to all of the
staff members that you mentioned, thank you very much. We're all very much appreciative of this.

MS. TRACZ: Thank you.

MR. GOODWIN: Questions?

MR. VASQUEZ: I'll just comment. Again, when this was emailed to me, the link, I was just stunned when I saw the breadth and depth of this report. I mean, obviously a lot of work has gone into it and I'm looking forward to hearing what comments we receive from the public. But if anyone hasn't had a chance to peruse it yet, it's quite a report.

MR. GOODWIN: Very impressive.

Any other questions or comments?

(No response.)

MR. GOODWIN: If not, I'll entertain a motion to approve staff's recommendation.

MS. RESÉNDIZ: So moved.

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

MR. VASQUEZ: Second.

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

Any further discussion?

(No response.)

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

(A chorus of ayes.)
MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay. That brings us to a part of the agenda where we take public comments for future agenda items. Does anybody have anything they want to bring up for future items?

(No response.)

MR. GOODWIN: If not, I would point you to the first page of the agenda and remind you that in fiscal 2018 we served 613,399 households and dispensed and regulated $3.2 billion of investments. So as a former chairman of ours used to say, this work is very important, and congratulations to all of the staff members who have done such a wonderful job being recognized by the State Auditor's Office as the best financially run agency in the State of Texas. That's the way rumors get started, you say it enough times and it gets started.

(General laughter.)

MR. GOODWIN: If there's no further comments, we'll entertain a motion to adjourn.

MS. BINGHAM ESCAREÑO: So moved.

MR. GOODWIN: Second?

MR. BRADEN: Second.

MR. GOODWIN: All in favor say aye.

(A chorus of ayes.)
MR. GOODWIN: See you next month.

(Whereupon, at 8:50 a.m., the meeting was adjourned.)
CERTIFICATE

MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: March 21, 2019

I do hereby certify that the foregoing pages, numbers 1 through 46, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Housing and Community Affairs.

DATE: March 27, 2019

(Transcriber)
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