

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOVERNING BOARD MEETING

Room 1-111
William B. Travis Building
1701 Congress Avenue
Austin, Texas

April 25, 2019
8:00 a.m.

MEMBERS:

J.B. GOODWIN, Chair
PAUL BRADEN, Member
ASUSENA RESÉNDIZ Member
SHARON THOMASON, Member
LEO VASQUEZ, Member

DAVID CERVANTES, Acting Director

ON THE RECORD REPORTING
(512) 450-0342

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
CALL TO ORDER	7
ROLL CALL	7
CERTIFICATION OF QUORUM	7
CONSENT AGENDA	
 ITEM 1: APPROVAL OF THE FOLLOWING ITEMS PRESENTED IN THE BOARD MATERIALS:	
LEGAL	
a) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Homes of Persimmons (HTC 98170 / CMTS 2026)	12
b) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Fountains at Chimney Rock (HTC 93048 / CMTS 1129)	12
COMMUNITY AFFAIRS	
c) Presentation, discussion, and possible action on awards for 2019 Community Services Block Grant discretionary funds for education and employment services to Native American and Migrant Seasonal Farmworker populations	123
BOND FINANCE	
d) Presentation, discussion, and possible action on Resolution No. 19-030 regarding the annual approval of the Department's Investment Policy	12
e) Presentation, discussion, and possible action on Resolution No. 19-031 regarding the annual approval of the Department's Interest Rate Swap Policy	12
MULTIFAMILY FINANCE	
f) Presentation, discussion and possible action on staff determinations regarding Application disclosures under 10 TAC §11.101(a)(2) related to Applicant Disclosure of Undesirable Site Characteristics 19051 Casa de Manana Apartments Corpus Christi 19078 Provision at Patriot Place Hurst 19079 Provision at Patriot Parkway Venus 19126 3104 Division Lofts Arlington	12

19132 Village at Boyer San Antonio
 19139 Hamilton Wolfe Lofts San Antonio
 19214 Lakeridge Villas Ennis
 19239 Talavera Lofts Austin
 19285 Everly Plaza Fort Worth
 19296 McKee City Living Houston
 19319 Bardin Apartments Arlington
 19332 Avanti at South Bluff Corpus
 Christi

- g) Presentation, discussion and possible 12
 action on staff determinations
 regarding Application disclosures under
 10 TAC §11.101(a)(3) related to
 Neighborhood Risk Factors
 19040 Vista East Houston
 19047 Parkway Meadows Houston
 19085 Gala at MacGregor Houston
 19088 Metro Tower Lofts Lubbock
 19132 Village at Boyer San Antonio
 19134 Village at Nogalitos San Antonio
 19136 Luna Flats San Antonio
 19159 Mid Tule Village Apartments Tulia
 19202 Heritage Heights at Big Spring
 Big Spring
- h) Presentation, discussion, and possible 12
 action on a Determination Notice for
 Housing Tax Credits with another Issuer
 19403 Mesa West San Antonio
- i) Presentation, Discussion, and Possible 126
 Action regarding an Update to the State
 of Texas 2008 Action Plan Substantial
 Amendment for the Neighborhood
 Stabilization Program

ASSET MANAGEMENT

- j) Presentation, discussion, and possible 12
 action regarding a Material Amendment
 to the Housing Tax Credit Land Use
 Restriction Agreement
 02097 Grove Park Terrace Waxahachie

RULES

- k) Presentation, discussion, and possible 12
 action on an order proposing an
 amendment to 10 TAC, Subchapter D,
 Uniform Guidance for Recipients of
 Federal and State Funds, §1.410
 Determination of Alien Status for
 Program Beneficiaries, and directing
 publication for public comment in the
 Texas Register

- l) Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC §5.802, Local Operators for the Section 8 Housing Choice Voucher Program, and directing its publication for adoption in the Texas Register 12
- m) Presentation, discussion, and possible action on an order adopting an amendment to 10 TAC §1.15, Integrated Housing Rule, and directing its publication for adoption in the Texas Register 12
- n) Presentation, discussion, and possible action on an order adopting an amendment to 10 TAC §1.405, Bonding Requirements, and directing its publication for adoption in the Texas Register 12
- o) Presentation, discussion, and possible action on an order proposing the repeal of 10 TAC Chapter 10, Uniform Multifamily Rules, Subchapter H, Income and Rent Limits, and an order proposing new Subchapter H, Income and Rent Limits, and directing their publication for public comment in the Texas Register 12

CONSENT AGENDA REPORT ITEMS

ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS:

- a) TDHCA Outreach Activities, (March-April) 12
- b) Report on the Department's 2nd Quarter Investment Report in accordance with the Public Funds Investment Act 12
- c) Report on the Department's Interim Balance Sheet/Statement of Net Position for the period ended February 28, 2019 12
- d) Report on the Department's 2nd Quarter Investment Report relating to funds held under Bond Trust Indentures 12
- e) Report on the closing of the Department's 2019 Series A Residential Mortgage Revenue Bonds 12
- f) Report on deadlines after force majeure actions 128

ACTION ITEMS

ITEM 3: BOND FINANCE

Presentation, discussion, and possible action regarding the Issuance of Multifamily Housing Revenue Bonds Series 2019 Resolution No. 19-032 and a Determination Notice for Housing Tax Credits for Lago de Plata (#19600) in Corsicana	13
ITEM 4: ASSET MANAGEMENT	14
Presentation, discussion, and possible action regarding a Material Amendment to the Housing Tax Credit Application 18269 2400 Bryan Street Dallas	
ITEM 5: COMPLIANCE	
a) Presentation, discussion, and possible action regarding termination of Program Year 2019 Low Income Home Energy Assistance Program Comprehensive Energy Assistance Program award to Galveston County Community Action Council, Inc.; the commencement of the 30-day notification period required by Tex. Gov't Code §2105.203 and §2105.301; and the authorization of staff to identify a permanent provider, through release and subsequent award of a Request for Application or through a direct designation, to permanently administer the Comprehensive Energy Assistance Program in Brazoria, Fort Bend, Galveston, and Wharton counties (the areas served by Galveston County Community Action Council, Inc.)	20
b) Presentation, discussion, and possible action on initiation of proceedings to remove the eligible entity status of Galveston County Community Action Council, Inc. and terminate the 2019 Community Services Block Grant contract and future funding	76
ITEM 6: COMMUNITY AFFAIRS	
a) Presentation, discussion, and possible action on the Program Year 2019 Department of Energy Weatherization Assistance Program State Plan and Awards	81
b) Presentation, discussion, and possible action on release of the draft Federal Fiscal Years 2020-2021 Community Services Block Grant State Plan for public comment	83
c) Presentation, discussion, and possible action on release of the draft Federal Fiscal Year 2019 Low Income Home Energy	86

Assistance Program State Plan for public
comment

ITEM 7: MULTIFAMILY FINANCE

- | | | |
|----|--|-----|
| a) | Presentation, discussion, and possible action regarding Awards of Direct Loan funds from the 2018-1 Multifamily Direct Loan Notice of Funding Availability
18506 Golden Trails West | -- |
| b) | Presentation, discussion, and possible action regarding refinancing for Legend Oaks (HTC #00155/ State HTF #85100) with TCAP Repayment Funds reserved for workouts | 88 |
| c) | Presentation, discussion, and possible action on the First Amendment to the 2019-1 Multifamily Direct Loan Notice of Funding Availability | 96 |
| d) | Presentation, discussion, and possible action on timely filed appeals under the Department's Multifamily Program Rules
19223 Bamboo Estates Apartments Progreso | 100 |
| e) | Presentation, discussion, and possible action on a waiver relating to 10 TAC §11.2, related to Program Calendar for Housing Tax Credits for #19098 Pinewood Crossing Apartments | -- |
| f) | Presentation, discussion, and possible action on a Determination Notice for Housing Tax Credits with another Issuer
19404 Legacy Ranch at Dessau East Austin | -- |

ITEM 8: RULES

Presentation, discussion, and possible action on an order proposing the repeal of 10 TAC §1.24, Protected Health Information; and an order proposing new 10 TAC §1.24, Information Security and Privacy Requirements; and directing their publication for public comment in the Texas Register	119
--	-----

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

EXECUTIVE SESSION	none
-------------------	------

OPEN SESSION	--
--------------	----

ADJOURN	131
---------	-----

P R O C E E D I N G S

1
2 MR. GOODWIN: Call to order. The April 25,
3 2019 Board meeting for the Texas Department of Housing and
4 Community Affairs, and we'll start with a roll call. Ms.
5 Bingham, absent. Mr. Braden?

6 MR. BRADEN: Here.

7 MR. GOODWIN: Goodwin here. Ms. Asusena
8 Reséndiz?

9 MS. RESÉNDIZ: Present.

10 MR. GOODWIN: Ms. Thomason?

11 MS. THOMASON: Here.

12 MR. GOODWIN: Mr. Vasquez?

13 MR. VASQUEZ: Here.

14 MR. GOODWIN: Okay. We do have a quorum. If
15 you will stand and join me, David is going to led us in
16 the Pledge of Allegiance to the U.S. and Texas Flags.

17 (Whereupon, the pledges were recited.)

18 MR. GOODWIN: So we have some agenda items to
19 clean up, but before we do that, we will have two
20 resolutions read into the record, first being the
21 resolution recognizing May as the National Mobility
22 Awareness Month.

23 Amy, you're going to read that?

24 MS. KINCHELOE: "Whereas, May 2019 is National
25 Mobility Awareness Month, which is dedicated to showing

1 the community at large how persons with disabilities can
2 live active, mobile lifestyles and raise awareness of the
3 mobility solutions available in the local community;

4 "Whereas a goal of the Texas Department of
5 Housing and Community Affairs is to ensure that all Texans
6 have access to safe and decent affordable housing; whereas
7 it is the policy of the Department to support fair housing
8 opportunities in the administration of its single-family
9 and multifamily programs, especially in regards to persons
10 with disabilities, accessing new home construction, home
11 rehabilitation, housing vouchers, and rental assistance
12 programs and services;

13 "Whereas, this year, the Department is
14 celebrating nine years of offering the Amy Young Barrier
15 Removal Program named in honor of the late advocate for
16 Texans with disabilities who helped shape the State-funded
17 program to improve the quality of life for persons with
18 disabilities throughout the State of Texas;

19 "Whereas, the Amy Young Barrier Removal Program
20 provides one-time grants of up to \$20,000 for persons with
21 disabilities, both renters and homeowners earning up to 80
22 percent of the area median family income who need home
23 modifications to increase accessibility and eliminate
24 hazardous conditions in their homes;

25 "Whereas, since 2010, the Department, through

1 the Amy Young Barrier Removal Program, has completed
2 approximately \$19.5 million worth of accessibility
3 modifications on approximately 1,012 homes of Texans with
4 disabilities, such as constructing roll-in showers,
5 installing shower wands and lever faucets, widening
6 doorways, modifying kitchens and laundry rooms with
7 accessible cabinetry and appliances, building ramps and
8 improving walkways with handrails, paving and lighting to
9 accommodate program participants' specific needs;

10 "Whereas, the Department applauds the nonprofit
11 organizations and local governments around the state who
12 have become Amy Young Barrier Removal Program
13 administrators and who advocate for their clients through
14 quality construction, pragmatic solutions and respectful
15 service; and

16 "Whereas, the Department encourages Texans to
17 explore the numerous TDHCA programs and resources related
18 to increasing and maintaining mobility during the National
19 Mobility Awareness Month and throughout the year;

20 "Now, therefore, it is hereby resolved that in
21 the pursuit of the goal and responsibility of increasing
22 mobility opportunities of Texans with disabilities, the
23 governing Board of Texas Department of Housing and
24 Community Affairs does hereby celebrate April 2019 as
25 National Mobility Awareness Month, and encourages all

1 Texas individuals and organizations, public and private,
2 to join and work together in this observance of National
3 Mobility Awareness Month."

4 MR. GOODWIN: Do I hear a motion to adopt this
5 resolution?

6 MR. VASQUEZ: So moved.

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

8 MS. THOMASON: Second.

9 MR. GOODWIN: Any discussion?

10 (No response.)

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

12 (A chorus of ayes.)

13 MR. GOODWIN: Opposed?

14 (No response.)

15 MR. GOODWIN: Okay. That is adopted. The next
16 resolution recognizes May as Community Action Month, and,
17 Amy, you will read that into the record?

18 MS. KINCHELOE: Yes.

19 "Whereas, Community Action agencies are
20 nonprofit and unit of local government organizations
21 designated under the Economic Opportunity Act of 1964 to
22 serve to ameliorate the effects of poverty and help
23 persons experiencing poverty to transition to self-
24 sufficiency;

25 "Whereas, Community Action builds and promote

1 economic stability and enhances stronger communities and
2 the opportunity to live in dignity;

3 "Whereas, National Community Action has
4 enhanced the lives of millions by providing essential,
5 life-changing services and opportunities;

6 "Whereas, Community Action serves 99 percent of
7 America's counties in rural, suburban and urban
8 communities and works toward the goal of ending poverty in
9 our lifetime;

10 "Whereas, Texas has a strong, vibrant network
11 of Community Action agencies to deliver Community Action
12 to Texans in need;

13 "Whereas, Community Action will continue to
14 implement innovative and cost-effective programs to
15 improve the lives and living conditions of the
16 impoverished, continue to provide support and
17 opportunities for the eligible households in need of
18 assistance, and continue to develop and carry out
19 effective welfare system reforms; and

20 "Whereas, the Texas Department of Housing and
21 Community Affairs and the State of Texas support the
22 Community Action Network in Texas and working to improve
23 communities and make Texas a better place to live, not
24 only during Community Action Month in May, but throughout
25 the entire year;

1 "Now, therefore, it is hereby resolved that the
2 governing board of the Texas Department of Housing and
3 Community Affairs doe hereby celebrate May 2019 as
4 Community Action Month in Texas, and encourages all Texas
5 individuals and organizations, public and private, to join
6 and work together in this observance of the hard work and
7 dedication of Texas Community Action agencies."

8 MR. GOODWIN: Do I hear a motion to adopt this
9 resolution?

10 MR. BRADEN: So moved.

11 MR. GOODWIN: It is moved. A second?

12 MR. VASQUEZ: Second.

13 MR. GOODWIN: Any discussion?

14 (No response.)

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

16 (A chorus of ayes.)

17 MR. GOODWIN: Opposed?

18 (No response.)

19 MR. GOODWIN: Okay. We thank you, Amy.

20 We're moving on to the consent agenda, and we
21 have some items that Board member Vasquez has asked to
22 taken out of the consent agenda and put onto the action
23 agenda, and those are Items 1(c), 1(i) and 2(f).

24 Any other Board members or anyone in the
25 audience want any consent items pulled from the agenda?

1 (No response.)

2 MR. GOODWIN: If not, I'll entertain a motion
3 to accept the and approve the consent agenda and consent
4 report items, as amended.

5 MS. THOMASON: So moved.

6 MR. GOODWIN: It's been moved. Is there a
7 second?

8 MS. RESÉNDIZ: Second.

9 MR. VASQUEZ: Second.

10 MR. GOODWIN: So moved and seconded. All in
11 favor, say aye.

12 (A chorus of ayes.)

13 MR. GOODWIN: Opposed?

14 (No response.)

15 MR. GOODWIN: Okay. We are moving -- we will
16 take those items at the end of the action items, so we're
17 going to move on to Action Item No. 3, and there we have
18 bond finance.

19 Teresa, you're going to present?

20 MS. MORALES: Chairman Goodwin and members of
21 the Board, Item 3 involves the issuance of Multifamily
22 Revenue Bonds by the Department for the acquisition and
23 rehabilitation of 150 units in Corsicana, with all of the
24 units restricted at 60 percent of the area median family
25 income and serving the general population.

1 Under the proposed financing structure, the
2 Department will issue unrated tax-exempt bonds in the
3 amount of \$14 million. The bonds will be privately placed
4 with Redstone and will bear interest at a fixed rate of
5 approximately 5.2 percent with a 17-year term and a 40-
6 year amortization.

7 To date, for 2019, Lago de Plata is the third
8 transaction to be funded by the Department's Private
9 Activity Bond Program, bringing the total issuance to just
10 over \$40 million and serving approximately 460 households.

11 Staff recommends approval of Resolution
12 No. 19-032 in the amount of \$14 million and a
13 Determination Notice for 4 percent Housing Tax Credits in
14 the amount of \$723,820.

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

17 MR. BRADEN: So moved.

18 MR. GOODWIN: And seconded?

19 MS. THOMASON: Second.

20 MR. GOODWIN: Okay. So it's been moved and
21 seconded. Any discussion, any questions for Teresa?

22 (No response.)

23 MR. GOODWIN: If not, we'll entertain a vote.
24 All those in favor, say aye.

25 (A chorus of ayes.)

1 MR. GOODWIN: Opposed?

2 (No response.)

3 MR. GOODWIN: Okay. Thank you, Teresa. Item
4 No. 4.

5 MR. BANUELOS: Good morning. Rosalio Banuelos,
6 director of Asset Management. Item No. 4 is presentation,
7 discussion and possible action regarding a Material
8 Amendment to the Housing Tax Credit Application for 2400
9 Bryan Street.

10 We've received an annual award of 9 percent
11 Housing Tax Credits in 2018 in the amount of \$1,500,000.
12 The development was originally approved as a new-
13 construction 14-story development located in downtown
14 Dallas that would contain 105 affordable units, 107
15 market-rate units, retail, commercial space, and storage.

16 The building was designed to incorporate six
17 floors of structured parking and included an amenity area
18 on the top deck of the garage. However, the proposed
19 amendment is for the following changes: an increase in
20 the area of the development site from 1.15 acres to 1.4899
21 acres; changes in the site plan and architectural design;
22 a change in the number of stories from 14 to 15; changes
23 to the designs of the floors and the parking garages,
24 including a reduction in the number of parking spaces; an
25 increase in the number of total units from 212 to 217,

1 adding five additional efficiency units; and changes to
2 the number of 60-, 50-percent, and market-rate units.

3 In addition to this, there is a proposed change
4 to the ownership structure of the managing member and the
5 addition of a special limited partner, which would include
6 a change in the role of the HUB. All of this comes along
7 with changes in cost and financing to the development.

8 Several of the proposed changes are necessary
9 as a result of TxDOT's denial of a previously-anticipated
10 easement that would be used to provide a fire lane for the
11 development, but since that was not granted, the developer
12 had to obtain a third of an acre to build a fire lane
13 within the site and had to change the design of the
14 building.

15 In terms of the ownership structure, the
16 changes necessary to help fill the financing gap that
17 resulted from increased costs of approximately 14 million,
18 which are due to the proposed changes in the design of the
19 development, Davis-Bacon wage requirements as a result of
20 new financing, and due to the fact that the cost estimates
21 in the tax credit application were based on very
22 preliminary plans.

23 As a result, the owner has proposed to add the
24 Dallas Housing Finance Corporation as the sole member of
25 the managing member, and also have the Dallas Housing

1 Finance Corporation buy and own the land to allow for a
2 property tax exemption that could then allow for an
3 increase of that capacity.

4 In addition, the increase on the number of
5 units by five is necessary to have 50 percent of the units
6 as affordable, which is necessary to qualify for the tax
7 exemption as well. This would save the development
8 approximately 500,000 per year in expenses due to taxes.

9 The Real Estate Analysis Division has
10 reevaluated the deal and concluded that it remains
11 feasible, but there have been several changes to the
12 financing, and in summary, costs went up approximately
13 14 million.

14 The primary increased approximately 8 million.

15 The funding from the City of Dallas changed from tax
16 increment financing of 9.3 million to approximately 14
17 million, including HOME, CDBG, and other local government
18 loans and grant funding. The funding from the Department
19 remains unchanged at 1.5 million annually in tax credits.

20 In terms of the ownership structure, the
21 changes would result in removing the HUB from the managing
22 member's ownership structure, which would result in the
23 loss of two points to the application, but this would not
24 have affected the award.

25 However, the removal of the HUB is typically

1 not considered prior to the issuance of 8609s, but staff
2 is seeking approval for that change, given that the HUB
3 would remain in the ownership structure, as part of the
4 special limited partner.

5 In addition, change as far as to 8609s usually
6 require approval from the executive director. In this
7 case, they were also bringing in a new partner, the Dallas
8 Housing Finance Corporation, and changing the role of the
9 existing members, which would change control, and the
10 change in control would not be allowed for our 8609s.

11 However, the applicant has indicated that the
12 special limited partner will be acting as the manager of
13 the managing member, but the documents for that have not
14 been finalized. So staff's recommending approval of the
15 amendment request, including the changes to the financing
16 structure and the development changes subject to
17 completion of the participation review and documentation
18 of the control, as proposed.

19 MR. GOODWIN: Okay. Do you want to repeat all
20 that? Do I hear a motion to approve staff's
21 recommendation?

22 MS. RESÉNDIZ: So moved.

23 MR. GOODWIN: Second?

24 MR. VASQUEZ: Second.

25 MR. GOODWIN: Now, any questions?

1 MR. VASQUEZ: I have a couple. So just to
2 understand, they are increasing the number of affordable
3 units in the project?

4 MR. BANUELOS: They are increasing the overall
5 number, and --

6 MR. VASQUEZ: The raw number, not the
7 percentage.

8 MR. BANUELOS: -- they're also adding -- so
9 they had initially 107 market-rate units. Now, they will
10 have 106, so yes, the number --

11 MR. VASQUEZ: Okay. And then with removal of
12 the HUB, it's really just diminishing the ownership?

13 MR. BANUELOS: It's changing the role. So they
14 got points for having the HUB as part of the managing
15 member structure. They are removing the HUB from that
16 structure and putting it under the special limited
17 partner, which wouldn't qualify for points, but the HUB
18 would be in the structure.

19 MR. VASQUEZ: Okay. And then Dallas Housing
20 Authority is taking --

21 MR. BANUELOS: The Dallas Housing Finance
22 Corporation --

23 MR. VASQUEZ: -- a more major role?

24 MR. BANUELOS: -- is taking the ownership of
25 the managing member. Yes.

1 MR. VASQUEZ: Okay. And they're not coming to
2 us, asking us for any more money?

3 MR. BANUELOS: Correct.

4 MR. VASQUEZ: Okay. Answers my questions.

5 MR. GOODWIN: Any other questions?

6 (No response.)

7 MR. GOODWIN: If not, we'll entertain a vote.

8 All those in favor, say aye.

9 (A chorus of ayes.)

10 MR. GOODWIN: Opposed?

11 (No response.)

12 MR. GOODWIN: Thank you, sir.

13 THE REPORTER: Mr. Goodwin?

14 MR. GOODWIN: Yes?

15 MS. HENDERSON: Make sure we have everyone at
16 the podium speak up. That mike is not registering, so --

17 MR. GOODWIN: Okay.

18 MS. HENDERSON: -- if you would just --

19 MR. GOODWIN: For those of you that couldn't
20 hear that, this mike is not registering. So when you come
21 to the podium to speak, we need for you to speak up loud
22 and clear. We have a little conferencing going on before
23 we take up Items 5(a) and (b).

24 Are we ready, Beau?

25 MR. ECCLES: Yes, sir.

1 MR. GOODWIN: Okay. Earnest? Good morning

2 MR. HUNT: Good morning. Earnest Hunt,
3 director of Compliance Subrecipient Monitoring.

4 MR. GOODWIN: Speak up, Earnest.

5 MR. HUNT: You've got my weakness here, but
6 I'll do the best I can.

7 MR. GOODWIN: All right.

8 MR. HUNT: I'm reporting on Agenda Item 5(a)
9 regarding initiation of proceedings to remove the eligible
10 entity status of Galveston County Community Action Council
11 and terminate the 2019 Community Services Block Grant
12 contract and future funding.

13 And just for a moment, I want to turn attention
14 to the written language in the agenda. About midway
15 through Item 5 under "Compliance," the statement "or
16 through a direct designation" needs to be taken out.

17 MR. GOODWIN: Okay. Where is that, exactly?

18 MR. HUNT: It's about midway through the -- the
19 beginning of that sentence starts with "provider," and at
20 the end of that sentence, starts with "or," So "or
21 through a direct designation" needs to be stricken out.

22 MR. GOODWIN: Okay. That's just a verbal
23 correction, Earnest --

24 MR. HUNT: Yes, sir.

25 MR. GOODWIN: -- to what was posted?

1 MR. HUNT: Yes, sir.

2 MR. GOODWIN: Okay.

3 MR. HUNT: All right. So the Department
4 previously brought this item to the Board at the
5 January 17 meeting earlier this year.

6 The Board tabled the item at that time to allow
7 Galveston County an opportunity to fully implement the
8 corrective action reported in the Quality Improvement
9 Plan.

10 As a result of the review performed by WiseCAP,
11 Inc. and Whitley, LLP, the Department provided a formal
12 review announcement on February 15 of this year to the
13 executive director and the board chair. We conducted a
14 follow-up phone conference which included myself and the
15 director of Community Affairs, Michael DeYoung, on
16 February 19 of this year.

17 On that call, we went over the announcement
18 letter and communicated the expectations for a successful
19 review. The follow-up review was conducted March 25
20 through 28 of this year. The results of that review
21 indicate the QIP is not fully implemented, and Galveston
22 County remains out of compliance with the final decision
23 letter issued in October 2018.

24 I want to note that improvements were found in
25 the following areas during that review. Galveston County

1 has procured a consultant to train its staff on the
2 accounting software. Job descriptions have been created
3 demonstrating adequate separation of duties. An updated
4 accounting manual was provided.

5 Galveston County received work standards and
6 expectations training. Board member job descriptions were
7 provided to the Department. The bylaws have been amended
8 and found to be compliance by departmental staff. A human
9 resource handbook has been developed and provided to the
10 Department, and an employment attorney has been procured.

11 However, insufficient improvement was found in
12 the following areas: cost allocation testing of indirect
13 expenditures did not support the Cost Allocation Plan as
14 written. Galveston County continues to incur unprocured
15 lease costs due to incomplete procurement.

16 Monthly expenditures do not reconcile to the
17 general ledger. Reports indicated disparity of
18 expenditures of approximately 23,000 overreported in
19 December 2018, cumulatively, for the CSBG Program, and
20 approximately 104,000 underreported in the February 2019
21 cumulative CEAP report.

22 Accounting and payroll records did not
23 reconcile to the report and general ledger salaries when
24 tested. Composition of Galveston County's board of
25 directors remains out of compliance with tripartite board

1 requirements in accordance with the CSBG Act.

2 Nine of 12 seats have been filled. The low
3 income sector is underrepresented on the board due to
4 remaining vacancy and lack of following a democratic
5 selection process to select one of their board members.
6 We have not received a progress update for any changes to
7 that board status.

8 A board calendar has not yet been developed as
9 recommended by the QIP. CSBG client files were found to
10 be missing multiple required case management documents and
11 missing income support documentation.

12 There are unresolved information technology
13 issues. Galveston still does not have a formal plan to
14 reduce paper and secure their electronic storage protocol.

15 Discrepancies were exhibited among executive staff
16 regarding Galveston County's access to unrestricted funds
17 and disallowed costs of approximately 37,000 from the
18 previous monitoring report remain unresolved.

19 The Department provided a report to Galveston
20 County's executive director and board chair on April 5 of
21 this year. We have not received responses to the
22 deficiencies I've just described. As a reminder, this
23 request to the Board is an early phase of the lengthy
24 IM-116 process.

25 If the Board approves this request, the

1 Department will pursue a hearing with the State Office of
2 Administrative Hearings, or SOHA. SOAH will issue a
3 proposal to the Board regarding the request to terminate
4 eligible entity status.

5 If the Board decides to move forward with
6 termination, then Galveston County may seek review of the
7 case by federal Health and Human Services. If Health and
8 Human Services does not overturn the decision by the 90th
9 calendar day from the Board's decision, then all CSBG
10 contracts will be terminated. However, throughout this
11 process, Galveston can still draw funds and maintain their
12 operation.

13 And I can address any questions.

14 MR. GOODWIN: So your recommendation is
15 bringing this off of the table, so I think we first need a
16 vote to bring this off of the table? Is that correct,
17 Beau? Or should we have done that before Earnest spoke?

18 MR. VASQUEZ: They're all reconciled.

19 MR. ECCLES: Okay. I think, actually, it's on
20 the agenda item and you don't need to --

21 MR. GOODWIN: So --

22 MR. ECCLES: -- bring it off the table. It's
23 here for this meeting.

24 MR. GOODWIN: Okay.

25 MR. ECCLES: But just as a technical matter,

1 we're talking about CEAP as well as CSBG, which are two
2 different agenda items. Are we handling them -- is -- the
3 presentation seemed to handle 5(a) and 5(b)
4 simultaneously.

5 MR. HUNT: Well, I've got notes for (b), but if
6 you want to do it that way, that's perfectly fine.

7 MR. ECCLES: Well, no. I just wanted to make
8 sure that Board was aware -- if it wanted to separate out
9 the Energy Assistance Program, the CEAP part of it, which
10 is 5(a), because that's not IM-116. That's a different
11 process, and it's also different deficiencies that they
12 have and different results of this vote.

13 MR. HUNT: Most of the deficiencies are the
14 same, with the exception of the board requirements for
15 CSBG.

16 MR. ECCLES: Uh-huh.

17 MR. HUNT: Item (b) is specific to an EARAC
18 condition that was not met, and so that condition followed
19 the same requirements as that decision letter that we
20 issued in October --

21 MR. GOODWIN: Uh-huh.

22 MR. HUNT: -- indicating that they needed to
23 implement the QIP within 90 days. So along those same
24 lines, we would be terminating that contract and moving
25 forward to identify another provider to give 24.99 percent

1 to get operations going to CEAP.

2 MR. GOODWIN: Okay. Why don't we take these
3 separately? Let's do 5(a). That's at the pleasure of the
4 Board. So can I -- so we can start discussion, can I hear
5 a motion to accept staff's recommendation on 5(a)?

6 MS. THOMASON: So moved.

7 MR. VASQUEZ: So moved.

8 MR. GOODWIN: Second?

9 MR. VASQUEZ: Second.

10 MR. GOODWIN: Okay. It's been moved and
11 seconded. Now we'll have questions for Earnest from any
12 Board members?

13 MR. VASQUEZ: Earnest, just to clarify, in
14 support of my neighbors to the south, when you were saying
15 Galveston County --

16 MR. HUNT: Yes.

17 MR. VASQUEZ: -- you were referring to
18 Galveston County Community Action Council, Inc. --

19 MR. HUNT: Yes, sir.

20 MR. VASQUEZ: -- not the --

21 MR. HUNT: The county. That's correct.

22 MR. VASQUEZ: -- county entity, public --

23 MR. HUNT: I apologize for not clarifying.

24 MR. VASQUEZ: Okay. Just to be clear, we're
25 not hammering Galveston County. We're just concerned with

1 the lack of action of Galveston County Community Action
2 Council, Inc.

3 MR. HUNT: Yes.

4 MR. VASQUEZ: Okay. Thank you.

5 MR. GOODWIN: Earnest, one clarification that I
6 would like to make is I -- we've had this come up since
7 I've been on the Board with one other group, and my
8 recollection was this process took about two years to go,
9 and that all along the process, up until HHS making their
10 final determination, the action -- Galveston County
11 Community Action Council, Inc. can appeal their process.

12 They can put things into play, and HHS can come
13 in and say, you know, we're not going to suspend your
14 status. So this is a vote to get this process started,
15 and it was several steps really over a lengthy period of
16 time.

17 MR. HUNT: Yes, sir. The --

18 MR. GOODWIN: Yeah.

19 MR. HUNT: -- first step would be to schedule a
20 SOAH hearing.

21 MR. GOODWIN: Yeah.

22 MR. HUNT: I'm not exactly where we can fit on
23 that calendar. It may be soon. It may be much later.

24 MR. GOODWIN: Right.

25 MR. HUNT: At that point, SOAH can vote to

1 proceed with our recommendation, or either way, to come
2 back to our Board with a decision.

3 MR. GOODWIN: Yeah.

4 MR. HUNT: And then once the Board makes that
5 decision, there are 90 days that still exist for Galveston
6 County Community Action Council, Inc. to reach out to HHS
7 for an appeal. If HHS does not, you know, honor that
8 appeal, then we move forward with termination.

9 MR. GOODWIN: Uh-huh.

10 MR. HUNT: It is an extended process.

11 MR. GOODWIN: My -- having already been through
12 this once, it's been my understanding that HHS almost
13 always grants -- not -- I mean, they approve the appeal,
14 but to grant an appeal hearing.

15 MR. HUNT: That is possible.

16 MR. GOODWIN: Okay. They're not obligated to
17 do it, but it's more than likely that they will do it.
18 Okay.

19 MR. ECCLES: Just as a clarification, are we
20 talking about CEAP or are we talking about CSBG?

21 MR. HUNT: CSBG.

22 MR. GOODWIN: CSBG.

23 MR. ECCLES: Okay. That's 5(b). If we're
24 talking about 5(a), then we're talking about CEAP, and
25 that process is different than what the Board's going to

1 voting on. We're talking about the change of the
2 75 percent of the award that's remaining that has not been
3 contracted for this year, and --

4 MR. HUNT: My apologies.

5 MR. ECCLES: -- so if you could run the Board
6 through what they are coming up on the vote for in 5(a)?

7 MR. HUNT: All right. So that is a little bit
8 different. Same issues of noncompliance. What we are
9 requesting -- the Department is requesting is to reduce
10 Galveston County's 2019 allocation amount by
11 24.99 percent, which is approximately 820,000, and award
12 those funds immediately as an interim award for up to
13 11 months, but at least until a permanent provider is
14 named for Brazoria, Fort Bend, Galveston, and Wharton
15 counties, and also to provide Galveston County with a 30-
16 day notice of the termination of the remaining funds from
17 Galveston County's program year 2019 Low-Income Home
18 Energy Assistance Program/Comprehensive Energy Assistance
19 Program award, and to authorize staff to release an RFA to
20 identify permanent entities to administer the remainder of
21 the PY '19 CEAP contract and possibly to be designated as
22 the CEAP network provider for the service area.

23 MR. GOODWIN: Okay. Thank you both for giving
24 that clarification. Thank you, Earnest.

25 MR. HUNT: I had a mix-up there, so --

1 MR. GOODWIN: Okay. Any other questions for
2 Earnest before we -- I know we have people that want to
3 speak to this. Do you want to speak?

4 MR. COMPIAN: Thank you, Chairman Goodwin.

5 MS. HENDERSON: Speak up, please.

6 MR. COMPIAN: Joe Compian --

7 MR. GOODWIN: You're going to need to speak up.

8 MR. COMPIAN: I'm sorry. A bit hoarse this
9 morning. Joe Compian with -- I'm the newly elected now --
10 chairperson, president of the board of Galveston County
11 Community Action Council. Previously when I appeared
12 before you, I was elevated to president because the
13 previous president had resigned.

14 So first of all, I want to say I apologize. I
15 had committed to you that I would faithfully attend your
16 meetings. I missed last month's meeting. My reason is
17 that unfortunately I had a family emergency. My youngest
18 sister is presently in cardiac ICU at Methodist Hospital,
19 and it happened at about that time, and she's been there
20 the past month, and that's why part of my hoarseness, I've
21 been there with her during these evenings.

22 So I'm proceeding forth also. Mr. Melvin
23 Williams, our executive director, had hoped to be here.
24 He has permitted me to share with the Board -- he also
25 experienced a health crisis. He's been diagnosed with

1 cancer and is undergoing chemotherapy and is not present
2 for that obvious reason.

3 However, I do have the assistant executive
4 director, Mr. Robert Quintero, who will also be speaking
5 on many of the issues that Mr. Hunt addressed, as well as
6 Ms. Robin Henry, our director of neighborhood services.
7 And Mr. Sivam -- I call him Sivam because I have
8 difficulty pronouncing his last name -- but he's our CPA
9 and has provided us invaluable services too, to address
10 many of these issues.

11 Let me say that I disagree with a lot of the
12 items and comments that Mr. Earnest Hunt indicated. I
13 feel that we have complied with the issues that have been
14 presented to our organization.

15 Whether it's been 100 percent, no, but I don't
16 think any Community Action agency in this state can say
17 that they're 100 percent compliant on anything, on files
18 or anything. As a matter of fact, as a result of public
19 information request, Baker Ripley themselves owe money to
20 to this organization.

21 Before, they indicated in the record that they
22 had to pay before they could assume any duties, so that
23 organization even has its challenges. Up until Tuesday, I
24 sincerely believed that staff was dealing with us in good
25 faith, and I want to explain why I say that.

1 I sincerely believe that. On Tuesday -- last
2 month, we seated our new board. After God knows how long,
3 with fights, board members not attending meetings, we
4 finally made that transition; representatives from county
5 governments, and we finally made that transition.

6 This past Tuesday, we had our second meeting.
7 Additional members were seated, tripartite. And at that,
8 as an agenda item, a staff member from TDHCA was to have
9 been present to provide some board training as new board
10 members.

11 That did not happen. That did not happen. And
12 that really surprised me, because this Board has not taken
13 any action to terminate our contractual arrangement, our
14 funding arrangement. And we are still in the process of
15 developing staff, developing our board members, the new
16 ones especially.

17 And that, for me, was a bad-faith action by
18 staff. I fully expected that they'd be there. You do not
19 know the disappointment of the new board members when
20 we're told that the representative from TDHCA was not
21 going to be available for the board training.

22 And I -- but it also speaks to the previous
23 time that we were here, when staff had already reached out
24 to Baker Ripley and had caused the difficulties in terms
25 of recruiting board members, which I had to -- as a

1 reminder to you who were here -- I had to go out and
2 reestablish those relationships and recruit board members
3 as a result of that particular, I felt, bad-faith action
4 on the part of staff.

5 And I'm sorry to say that, because I've enjoyed
6 very much over the -- Mr. DeYoung and Mr. Hunt and others
7 that I've come in contact with. As the newly elected
8 board president, let me say that there was no one else
9 willing to run for the position by the way, so it was by
10 acclamation that I assumed that.

11 The -- we have met our responsibilities in
12 terms of establishing a tripartite board. We have
13 followed the rules. We have representatives of public
14 officials -- in fact, two county judges, one mayor, and
15 the other pending from another mayor jurisdiction --
16 mayoral position.

17 And we have initiated in two of the counties --
18 the rules indicate -- I think you have a democratically
19 elected method for low-income representatives, which could
20 be a direct election where people sign in or,
21 alternatively, you go to organizations which historically
22 represent low-income individuals, low-income communities,
23 and you have them select a member to serve on the board.

24 So in the four-county area, we have in fact an
25 election for two -- okay. I'm sorry.

1 MR. GOODWIN: Two swaths of time you've been
2 there.

3 MR. COMPIAN: I'm sorry, Mr. Goodwin. I
4 apologize. It's so important.

5 And then the public and then the low income was
6 two groups and then two elections which occurred --
7 terminated on Tuesday. There were no other -- there were
8 one candidate for each of those positions.

9 So we pursued all these, and staff will go into
10 information of the board. So I guess at the end of this
11 day, you have a decision, whether you initiate this
12 process. I hope that you don't.

13 We are a work in progress, period. Complete
14 new staff. And let me say, every request -- and a lot of
15 it is telephone, but when you sit in a cold hospital ICU
16 room and you suddenly discover that there's things in your
17 phone that you didn't even know existed, which my brother-
18 in-law put on there to record phone calls, I have phone
19 calls here from your staff saying it's not in their best
20 interest to terminate our relationship.

21 And there's other information here as well,
22 too. So I've operated in good faith, and today, I have to
23 say -- regretfully say I don't think staff has done that,
24 that same thing.

25 I ask that you let us proceed. In August,

1 you're going to have another audit. Let us meet these
2 standards, those that remain, by the way, those that
3 remain. And by the way, we'll show you that we've
4 complied. And then let's go on, because honestly, I'll be
5 the first to tell you, we give up.

6 I have no, no -- there's no hesitancy in saying
7 that if we're not meeting and doing the job to service the
8 citizens and the residents of the four counties which we
9 represent.

10 MR. GOODWIN: Okay.

11 MR. COMPIAN: Thank you for your time.

12 MR. GOODWIN: Any questions? Joe? So is -- I
13 have a question for you. Is Melvin --

14 MR. COMPIAN: Yes, sir.

15 MR. GOODWIN: -- in the kind of shape where he
16 is leaving his position with you, and if he is, have you
17 found a replacement --

18 MR. COMPIAN: Well --

19 MR. GOODWIN: -- for the agency?

20 MR. COMPIAN: -- unfortunately, there was after
21 fighting, as well, too.

22 MR. GOODWIN: After what?

23 MR. COMPIAN: After fighting with the previous
24 board members, I had asked that an assistant executive
25 director/HR person be brought on. Melvin opted to do

1 that, and he brought on -- we have here, Mr. Robert
2 Quintero.

3 He's the son of a former council -- long-term
4 council person in Galveston, a lawyer by training, and
5 specialty in nonprofit management and grant fund
6 development, so he's here to address also the Board on
7 that side.

8 But that's not -- but Melvin unfortunately --
9 the chemo has made it difficult for him to get around.

10 MR. GOODWIN: Is he planning to continue with
11 the agency?

12 MR. COMPIAN: That is something --

13 MR. GOODWIN: You're assuming or hoping --

14 MR. COMPIAN: Yeah.

15 MR. GOODWIN: -- that he recovers?

16 MR. COMPIAN: We're hoping that he recovers,
17 naturally, but between my own family crisis, I really
18 haven't had that conversation with him at this point.

19 MR. GOODWIN: Okay.

20 MR. COMPIAN: I want him to deal with his
21 health issues first.

22 MR. GOODWIN: Okay.

23 MR. COMPIAN: Okay. Thank you, sir.

24 MR. GOODWIN: Thank you.

25 MR. COMPIAN: Any other questions?

1 (No response.)

2 MR. QUINTERO: Thank you for -- Chairman --

3 MR. GOODWIN: Three minutes.

4 MR. QUINTERO: -- Goodwin. I'm sorry?

5 MR. GOODWIN: Three minutes.

6 MR. QUINTERO: I'll try to get it all in.

7 MR. GOODWIN: Uh-huh.

8 MR. QUINTERO: Our staff, I'm going to bring
9 them up as well, please.

10 MR. GOODWIN: They need to be on the front row,
11 if they would, if they're going to speak.

12 MR. QUINTERO: I'd like to address some of the
13 things that Mr. Hunt said, and --

14 MR. GOODWIN: Please --

15 MR. QUINTERO: -- there --

16 MR. GOODWIN: -- give us your name --

17 MR. QUINTERO: Oh, I'm sorry. Robert Quintero.
18 That's Q-U --

19 MR. GOODWIN: -- and your title.

20 MR. QUINTERO: -- I-N-T-E-R-O. I -- Mr. Hunt
21 has brought a few, you know, causes for action on here,
22 and we're going to talk about the allocation of the
23 building space in which we RFP'd out.

24 I don't know if y'all were able to pass out the
25 books that I have presented to y'all this morning, but

1 they are the RFPs that we produced and we had them
2 published.

3 Now, we didn't get answers on all of them.
4 Some of the RFPs did not come in. Mr. Hunt says that
5 we're paying for some space that we don't know where it
6 is. We had the building superintendent in which we rent
7 from our home office in Galveston -- there's some 500 feet
8 that he says that we don't -- that we're paying for.

9 And even the building superintendent is unaware
10 of where that 500 feet are. We're actually trying to --
11 we would love to have it and utilize it, but we don't have
12 it. We just don't have it. And I don't know where he
13 gets that information from.

14 We didn't see Mr. Hunt measure the building.
15 We didn't see him pull out a tape measure and walk it off
16 or anything like that, or have one of those rolling
17 measuring tapes that figure out the square footage.

18 Now, on other things that he had mentioned, the
19 board calendar --

20 MR. ECCLES: Actually, just as an
21 administrative matter, let me break in here and say we
22 received, just before the meeting, several binders -- or
23 binders of information for the Board to review. We've
24 done a cursory review of them, and if the -- if you would
25 agree to -- there is a pay stub toward the back of that

1 material.

2 If you would agree that the personally
3 identifiable information on that may be redacted, then
4 that will be presented.

5 MR. QUINTERO: That was an error of staff --
6 okay -- because we do not do that as far as
7 confidentiality. So we -- yes.

8 MR. ECCLES: So that would be what you're
9 asking to --

10 MR. QUINTERO: Yes.

11 MR. ECCLES: -- put into the record? Okay.

12 MR. QUINTERO: Correct. And that will -- if we
13 could redact that, that would be wonderful.

14 MR. ECCLES: Very good.

15 MR. QUINTERO: Okay. So anyway, the square
16 footage is in error. Also, he mentioned the board
17 calendar. Well, the board calendar has been developed;
18 it's in there. We've talked about IT and IT security,
19 which he brought up.

20 The security plan is in there. We've taken
21 care of that hurdle. We -- he talked about the paper
22 reduction. Well, we now have a paper reduction policy in
23 there. I want to -- every hurdle, everything that they've
24 brought up to us, we've managed to get past it.

25 We have a policy in place for everything.

1 We're doing everything that they've requested. We keep on
2 jumping through the hoops, but it seems like the goalpost
3 keeps moving a little further and further away.

4 (Buzzer sounds.)

5 MR. QUINTERO: I'm going to close up in just a
6 second.

7 MR. GOODWIN: Okay.

8 MR. QUINTERO: I -- it just -- whatever the
9 case may be, are we a perfect agency? No, but I don't
10 think anybody is. But we are a work in progress, and we
11 get better every day. We're not as bad as we were
12 yesterday, we're better today, and we're going to even be
13 better tomorrow.

14 But we ask that -- for your -- we pray that --
15 we ask -- have favor with you, and I will turn it over to
16 Mr. Sivam, because I can't say his last name either.

17 MS. HENDERSON: Can you all make sure you sign
18 in at the podium, so we can get the correct --

19 MR. GOODWIN: Yeah.

20 MR. QUINTERO: Oh, I'm sorry.

21 MS. HENDERSON: -- spelling of your last names,
22 please?

23 MR. MAHASIVAM: I am Sivam Mahasivam. I am the
24 CFO/comptroller for GCCAC.

25 MR. GOODWIN: You're going to need to speak up.

1 MR. MAHASIVAM: Okay.

2 MR. GOODWIN: All right?

3 MR. MAHASIVAM: Yeah. My first name is Sivam,
4 my last name, Mahasivam, and I am the comptroller/CFO for
5 GCCAC. I work part-time for them, because I have a public
6 accounting practice on my own, so we normally do audits
7 and tax, and then -- so I devote my time within my
8 practice and serving them.

9 So I joined them in October last year, 2018,
10 and since then, I have been helping them to -- on
11 implementing a lot of new processes and systems and
12 training the staff and trying to get the financials and
13 all that.

14 So I will strictly speak to the financial items
15 that the staff mentioned, and also trying to give you some
16 background. I know these deficiencies, in order for
17 GCCAC -- going on for a couple of years, it actually
18 started in 2016 audit, external audit.

19 So they found deficiency, and then that was
20 pretty much repeated in 2017 audit, and then similar
21 findings were found by the TDHCA monitoring reviews. But
22 throughout all these years, maybe 18 to 24 months,
23 corrections were not done primarily because -- not because
24 they -- I believe not because they don't -- they didn't
25 want to do it -- because they didn't have enough expertise

1 to do the corrections.

2 And so that's one of the questions Head Start
3 also had been asking: You had all this time, and why you
4 didn't correct all these? Is because Melvin -- Mr.
5 Williams didn't have a person. So he had a comptroller
6 previously, but he didn't know how bad the gravity of the
7 problems or bad does those problems -- so he has been
8 struggling, and finally -- and I couldn't come on board
9 full-time because I have my own practice.

10 So we -- you know, I agreed to go -- come part-
11 time. So pretty much it started in October, and so from
12 ground-zero, from October. So then as I joined, we have
13 this QIP requirement. So then we have many things to do
14 at the same time.

15 We had to fix the past financials. Every month
16 you don't do, that come late, so we had to catch up on
17 that one, and ongoing new designs of the processes and all
18 that. So -- and also, it was a little difficult from our
19 perspective also, because the timelines keep changing, so
20 you're trying to meet -- especially if you're under the
21 gun so, you know, you won't think properly.

22 So you try to fix it, and then time moves on
23 and then we fix it later. But by the way, by -- when they
24 were here in March, we have substantially, not
25 100 percent, but substantially we complied all the major

1 requirements, which is fiscally required for the agency.

2 (Buzzer sounds.)

3 MR. MAHASIVAM: So I have to -- so I don't --
4 having that I only give a couple of -- on page 4 of the
5 Item 5(a), there are several improvement is needed. So we
6 are also confused as to their materiality, because we too
7 have a cost allocation plan which is based on the template
8 provided by TDHCA staff. And then we have a very data-
9 driven allocation plan. So we are not too sure what's the
10 expectation, and how, you know -- there may be staff -- it
11 is a new process.

12 And we also need, ourselves, some feedback to
13 make changes. Because even during the process, we made
14 changes from the QIP, because we found that that is not
15 the best way to do it. So we continuously improve.

16 But I don't think why they are saying that the
17 cost allocation plan isn't -- we don't have any specifics
18 as to why it is deficient.

19 And also the big item, 104,000, in February of
20 2019, this is also confusing to us. We provided
21 reconciling item for the 104,000, and we don't -- we
22 didn't get why it is not acceptable. For example, the
23 difference is true in the sense like, for example, you
24 have a bank balance in your books and you have a balance
25 from the bank.

1 If it is different, we provide a reconciling
2 differences. But they continue to insist that the
3 difference is not acceptable, so the reconciliation is not
4 acceptable. So they can continue to say there's a
5 difference between bank balance and book balance, not
6 telling why a reconciliation is unacceptable.

7 The primary reason, that this 91,000 was
8 reported in prior contract that was entered in the report
9 we generated. so that needed to be backed out. And so we
10 provided emails and explained how that should be done, but
11 for our -- according to us, it should be 104,000 minus
12 91,000.

13 So it's around 13,000. 13,000 is the
14 difference, which has actually happened prior to October.
15 So we need time to go and look and research before we
16 charge to federal funds, because we don't want to charge
17 something until we are finally certain that it is
18 accurately chargeable.

19 So the difference is in both grant -- the deal
20 difference is more than what was reported to TDHCA. So we
21 are more conservative to make sure that, if you are
22 requesting any reimbursement, that is properly
23 supportable.

24 So until we research and identify the old ones,
25 we will not report them to TDHCA. So -- but -- so the

1 overall -- we believe -- as our system is concerned, we
2 are more than 90 percent sure that all the major issues
3 have been taken care of.

4 (Buzzer sounds.)

5 MR. MAHASIVAM: I myself is an auditor, so I
6 know what is internal controls, what is material weakness,
7 and everything else, because I do similar audits, even
8 single audits. So I use that knowledge to make sure that
9 we cover our bases. Thank you.

10 MR. GOODWIN: Thank you. Any questions?

11 (No response.)

12 MR. GOODWIN: Another speaker? Do you have a
13 question?

14 MR. VASQUEZ: Well, not for the speakers, but I
15 don't know if it's for Earnest or for Beau. Just -- so we
16 can -- the Board members can understand -- and I
17 appreciate everyone coming here and giving us all the
18 details and reasons and background.

19 We get it, you're working on it. But my
20 question on the process here -- are we giving them 30
21 days' notice that we are reducing the funds and
22 terminating the remainder of the award in 30 days, or does
23 that happen -- we start that process and then they appeal
24 to SOAH, and not until the SOAH hearing is complete does
25 it get implemented, or does it get implemented before the

1 SOAH hearing?

2 MR. ECCLES: Well, and I'll ask the program
3 people to augment me on this just to make sure that I'm
4 getting it right.

5 After the January meeting, I believe we came
6 back in February to make sure that 25 percent of the
7 award --

8 MR. VASQUEZ: Right.

9 MR. ECCLES: -- was provided to GCCAC in order
10 to make sure that there was no interruption of service.
11 That contract, however, does not end in 30 days. That
12 contract is the entire length. It's just that it's
13 25 percent of the contract amount.

14 So 30 days from now, that 25 percent isn't
15 going to change. That's just to allow us to go onto the
16 next step. And there was talk of Baker Ripley, where
17 actually that's not part of what's going on today. It
18 doesn't automatically go to Baker Ripley, the remainder
19 75 percent of that award.

20 It's -- the next step, and what this Board
21 would be voting on, would be to give 30 days of reduction
22 of funds and termination, but it would be only authorizing
23 the release of an RFA to identify permanent entities to
24 administer the CEAP funds in the service area.

25 And I think Michael's up here to perhaps

1 describe things in a little more detail.

2 MR. VASQUEZ: Right.

3 MR. CERVANTES: Mr. Chairman, may I?

4 MR. GOODWIN: Yes.

5 MR. CERVANTES: Yeah. And, Michael, if you
6 would -- I mean, just to clarify, because I think, as we
7 were working our way through the presentation, distinction
8 between 5(a) and 5(b) --

9 MR. ECCLES: Yeah.

10 MR. CERVANTES: -- and CEAP versus CSBG here.
11 So I want to make sure the Board is clear on the IM-116
12 provisions on the 5(b), and the provisions that are taking
13 shape with 5(a).

14 And it's my general understanding that, as Beau
15 basically stated, the 75 percent component of the CEAP is
16 the one that's in discussion this morning in terms of
17 nonrenewal, and then proceeding with a potential RFP for
18 services in the region.

19 Is that -- am I pretty much on target with
20 that?

21 MR. DEYOUNG: Yeah. Let me try and --

22 MR. VASQUEZ: And, Michael, I'm sorry.

23 MR. DEYOUNG: Sure.

24 MR. VASQUEZ: Just --

25 MR. DEYOUNG: That's fine.

1 MR. VASQUEZ: -- for you all to understand what
2 I'm getting at is that even if we take action now to
3 continue with staff's recommendations -- because despite
4 all the efforts being made, the history is there that if
5 they don't fix it we have all these long lead time things
6 that we have to keep the wheels in motion, but the
7 Community Action Council has an opportunity at the SOAH
8 hearing to lay out all these reasons and fixes that you
9 all have, and that can stop the process.

10 And if the SOAH judge agrees to that, well,
11 then, they're good, they can keep going. Right? But in
12 the meantime, we as a Board need to keep these wheels in
13 motion, because there's all these different hoops that we
14 need to jump through, if we're going to terminate the
15 contract and award it to someone else.

16 Is that -- that's my point, that even if we
17 vote to continue --

18 MR. DEYOUNG: Yeah.

19 MR. VASQUEZ: -- with staff's recommendation
20 today, that doesn't mean it's all over for this group that
21 is presenting that they're getting everything in order.

22 MR. DEYOUNG: Correct. So I'm going to speak
23 specifically to just CEAP, and we'll take up 116 and CSBG
24 later on.

25 We came to the Board in February with an item

1 that said we would like to provide 25 percent, 24.99
2 percent, of the award to Galveston County in an effort not
3 to impact client services.

4 So the concern was that they had a 2017
5 contract that was getting close to the end of its
6 lifetime, and if they fully expended and we didn't have a
7 sufficient amount of funds to continue services for the
8 residents of Galveston, Wharton, Fort Bend and Brazoria
9 County, we would be impacting clients in an adverse way.

10 So we brought the action to have that award
11 made. That contract got executed, and it was executed
12 with a December 31 end date, December 31, 2019. This
13 action is the termination of that contract.

14 They have access to it until we go through this
15 process, but we have 75 percent of the award for those
16 four counties still unobligated at this time, and that's
17 what we're trying to identify, a permanent provider, so
18 that services would not be interrupted to the clients of
19 those four counties.

20 One of the issues that confronts us is the
21 timing of the calendar, and utility assistance does not
22 flow fast during the winter and spring months, but very
23 soon, we're about to get hit with a wall, as every
24 Community Action agency in the state of Texas is.

25 Clients start coming in in June and July, when

1 their bills really start to go up, and that's when this
2 program starts to spend a lot of money each and every
3 month.

4 So this process would move us forward, and this
5 would give us the notification -- the authority to go to
6 the SOAH office, notifying them of our intent to have a
7 hearing concerning Galveston County Community Action.

8 MR. GOODWIN: That answer your question?

9 MR. VASQUEZ: Yes.

10 MR. GOODWIN: Okay. Any other questions? MR.

11 BRADEN: Just for clarity -- so we're only talking about
12 the 25 percent. That's really what they have now, the 25
13 percent contract, and the 75 percent they don't have. Is
14 that correct?

15 MR. DEYOUNG: Correct. And the -- and that's
16 something I overlooked, I should have said. They have not
17 accessed that 25 percent. They still have about a half-
18 million dollars of 2017 money that they have not drawn
19 down for utility assistance.

20 So even though there's that contract sitting
21 out there, they have not drawn anything on that contract.

22 So --

23 MR. GOODWIN: Okay. Brooke, did you want to
24 say something?

25 MR. VASQUEZ: She certainly looks like that.

1 MS. BOSTON: Sorry. Just to clarify, Mr.
2 Braden, your question was, is this only about the
3 25 percent? And the answer is no. The SOAH referral will
4 be for both parts. It will be to terminate the 25 percent
5 and discontinue the onward relationship on the 75 percent
6 also, both relating to Galveston.

7 MR. BRADEN: So what's the current status of
8 the 75 percent?

9 MS. BOSTON: It's kind of just sitting there --

10 MR. BRADEN: It's like in abeyance?

11 MS. BOSTON: -- but because these are network
12 subrecipients, the expectation is that it will go to GCCAC
13 unless some other action transpires. So it's
14 effectively -- the first 25 percent, and Megan, correct me
15 if I say this wrong -- the first 25 percent is the
16 termination of an actual contract. The 75 percent is more
17 the discontinuation of the relationship in which they're
18 our network provider.

19 MR. BRADEN: Okay.

20 MS. BOSTON: Does that sound about right?
21 Thank you. So both actions would proceed with SOAH.

22 MR. BRADEN: Okay.

23 MS. BOSTON: Yes.

24 MR. GOODWIN: And by the way, Brooke, in the
25 future, can they reapply for that contract? Is that a

1 contract that goes out -- if we took this action and this
2 money was not available in 2019, but all of these things
3 that they continue to work on, they've gotten them in
4 shape, would they be eligible to apply to be the provider
5 in 2020 or no?

6 MS. BOSTON: When we released the request for
7 applicants, they could apply. Once you guys select a
8 replacement provider, though, that person is a continual
9 provider, unless something like this happens.

10 MR. GOODWIN: Okay.

11 MS. BOSTON: So there wouldn't be an annual
12 opportunity, but they are entitled to apply to the RFA.
13 Yes.

14 MR. GOODWIN: Okay.

15 MS. BOSTON: Yeah.

16 MR. GOODWIN: Okay. Any other questions? Any
17 other speaker?

18 MR. CAMPION: She -- actually, she got here
19 just now.

20 MR. GOODWIN: Oh, okay.

21 MS. HENRY: Hello. I'm Robin Ellis Henry,
22 program director for Galveston County Community Action
23 Council.

24 MR. GOODWIN: Robin, I need for you to sign in
25 and speak up.

1 MS. HENRY: Good morning again.

2 MR. GOODWIN: Good morning.

3 MS. HENRY: Thank you, Chairman Goodwin and all
4 the board members for giving us the opportunity to speak
5 this morning. I would like to say that I came on board
6 less than a year ago. It was a daunting task, one I was
7 willing to take, and I've had turnover in staff, new staff
8 that are catching on, quite bright, willing to work.

9 With the challenges, I've tasked staff and
10 support and we've created new ways to process cases. The
11 errors that are noted as far as reimbursement for income
12 that was missing, I uploaded those documents, as well as
13 submitted emails, and they're in the Board booklet that we
14 gave you all.

15 Also, training for staff has been minimal from
16 TDHCA. However, I have been given an invitation to come
17 May 30 through May 31 to Baker Ripley for training by
18 TDHCA for income guidelines. That has been a historical
19 finding, one that has been reduced in the time that I've
20 been here, and I do believe that where there is progress
21 there will continue to be progress, given time and the
22 tools.

23 I ask, I plea, we pray that we're given the
24 opportunity to continue to make progress, and we will
25 continue to reach out for technical assistance and

1 guidance, and comply in all ways that we can. Thank you.

2

3 MR. GOODWIN: Thank you. Anybody else want to
4 speak? Are you going to speak?

5 MR. CAMPION: Yes.

6 MR. GOODWIN: You have to come up. This time,
7 I'm going to hold you to the three minutes.

8 MR. CAMPION: So Chairman Goodwin, thank you.

9 I just want to address --

10 MR. GOODWIN: You have to reannounce who you
11 are.

12 MR. CAMPION: Oh, now -- I'm sorry. Joe
13 Champion.

14 MR. GOODWIN: Okay.

15 MR. CAMPION: I'll sign in again.

16 MR. GOODWIN: Okay.

17 MR. CAMPION: I want to just address briefly
18 this hope that you're extending to us an organization:
19 You can reapply, you can -- there's a process that's
20 involved. Once again --

21 MR. GOODWIN: I didn't mean to imply hope, if
22 that's what you took from this.

23 MR. CAMPION: Well, that --

24 MR. GOODWIN: The point of information --
25 question that I had --

1 MR. CAMPION: -- that --

2 MR. GOODWIN: -- make sure I understood when I
3 got to ready to vote --

4 MR. CAMPION: -- so --

5 MR. GOODWIN: -- that I understood what the
6 situation.

7 MR. CAMPION: I, once again, have a taped
8 conversation here with Mr. Michael DeYoung that
9 specifically says that there is no agency, no agency that
10 has ever recovered from this process. That's why we're
11 here.

12 MR. GOODWIN: Okay.

13 MR. CAMPION: That's his statement, and
14 that's -- so once again, I urge this group -- let's go on,
15 let's continue.

16 We have responded to these issues, and the
17 Board book is there. And we will continue to provide the
18 servicing. You have comments from over 400 individuals
19 opposed to this that we submitted as well too, and that's
20 what I could gather in two days.

21 MR. GOODWIN: Okay. Thank you, sir.

22 Earnest, did you want to respond to anything
23 that's been said?

24 MR. HUNT: Earnest, director of Compliance
25 Subrecipient Monitoring. So a couple of points have been

1 made.

2 MR. GOODWIN: Speak up, Earnest.

3 MR. HUNT: Oh. A couple of points have been
4 made. As you all know, we did receive a binder this
5 morning. So it's not something that we've been -- we've
6 had the opportunity to review in depth. As far as the
7 allocations -- so I guess the question is, to what extent
8 would the Board consider the QIP fully implemented?

9 So indirect costs are being allocated. What we
10 had problems with -- there are some items that are still
11 being allocated 50-50. And so when we request support for
12 that determination, there's no real determination.

13 There are some items -- regarding the square
14 footage, no, we don't actually take a tape measure and
15 measure the building. We rely on the records of the
16 subrecipient.

17 We received records indicating a certain amount
18 of square footage. It was Galveston County -- or GCCAC's
19 staff that provided information to us that that square
20 footage was incorrect.

21 So we're getting conflicting information from
22 staff that contradicts the documentation that's been
23 provided to us. So from our perspective, we don't yet
24 have clear determination of what square footage should be
25 used.

1 Regarding the plan, the plan that was provided
2 to us indicates that insurance would be allocated based on
3 the square footage that we just mentioned. However, our
4 testing indicated that it's being allocated based on
5 actual hours dedicated to each program, which isn't
6 ineligible, but it doesn't jibe with the plan.

7 So these are inconsistencies, and again, it's
8 up to the Board's determination what we should consider
9 fully implemented.

10 And I mentioned travel, items such as
11 accounting fees, and paper delivery, things that I
12 think -- that I believe in Mr. Mahasivam's determination
13 wouldn't be material under a financial statement audit --
14 again, we're not performing a financial statement audit.

15 This isn't a single audit. We're monitoring
16 against the requirements of Uniform Grant Management
17 Standards, and one of the cornerstones of those
18 requirements are consistent treatment. So where we see
19 inconsistencies during just a regular normal monitoring
20 view, these are the things that we bring up.

21 So similarly, for this update to the Board,
22 we're bringing it to your attention.

23 MR. GOODWIN: Okay.

24 MR. HUNT: Regarding the board make-up, so at
25 the time that we visited, there were nine members that had

1 been elected to the board, or that represented the board.

2 One of those members was a low -- representing
3 the low-income sector. That member was not democratically
4 selected, nor had they been -- did they -- were they
5 selected by a low-income organization in the area, and so
6 we couldn't count that toward the tripartite requirement.

7 If there have been changes to that, which we
8 have left the door open for updates, we have not been
9 notified of that.

10 And I can speak conversationally about the
11 training. It's my -- I don't supervise the training and
12 technical assistance. It's my understanding that our
13 staff wanted to train a complete board, at the very least,
14 a complete tripartite board, and so there is some
15 scheduling inconsistencies there.

16 But aside from that, I don't know if you have
17 any specific questions about what's been represented.

18 MR. GOODWIN: Okay. Any additional questions
19 before we -- Paul?

20 MR. BRADEN: Mr. Chairman.

21 So, Earnest, you asked about, you know, what we
22 would consider fully implemented in the QIP, and of
23 course, I can only speak for myself, but my focus, when we
24 look at this is, you know, the risk to the Department to
25 have to repay HHS funds and whether people in the service

1 area are getting service.

2 So those would be the two things that I would
3 focus on in terms of looking at what has been a lack of
4 improvement, and considering what is put in our Board
5 material, it seems to imply that your conclusion is that
6 there -- those two risks are, you know, still there, and I
7 would think the -- maybe the accounting areas would be
8 something that would be immediately a concern to me in
9 terms of a lack of, you know, allocation, and the
10 discrepancy with the \$104,000.

11 Those things are -- seem to be red flags to me.

12 But generally, I mean, I'd like to hear views on that
13 type of thing.

14 MR. HUNT: So a couple things. So we had a --
15 we have disallowed costs from a prior report, and those
16 costs are contingent upon a reallocation of those
17 previously unallocated expenditures. And so we've allowed
18 Galveston County -- again, GCCAC -- to reallocate those
19 expenses so that we can determine if there's a material
20 variance.

21 A portion of those, I believe just the salaries
22 for the scope that we tested for that particular review,
23 were reallocated -- provided to us. But that is not the
24 request we made in the report, nor the request that we
25 made verbally. We're looking at the totality of that

1 contract period.

2 So at the very least, we still have 37,000 from
3 that prior report that remains in question or disallowed,
4 until we can receive that support. Regarding our review
5 of case files, that resulted in some inconsistencies.

6 During a normal monitoring review, we have a
7 little under 5,000 in question. So of course, Galveston
8 County would be presented the opportunity to respond to
9 that and to address those costs in question, but we
10 haven't bridged that determination as of yet.

11 Regarding the discrepancies in the reporting to
12 the Department -- so my conversation with Mr. Mahasivam
13 indicated that he is trying to make adjustments to
14 reconcile the prior periods, and I guess for me that's a
15 bigger concern, because prior periods represent closed
16 contracts.

17 So we -- so if expenses were underreported in
18 the current period, I do have some concerns that expenses
19 may have been overreported in the prior period. I don't
20 have support for that, but that's where the concerns would
21 lead.

22 MR. GOODWIN: Uh-huh.

23 MR. HUNT: If so, you know, again, this is not
24 financial statement accounting; it's on a closed contract.

25 Our only recourse for overreporting expenditures are

1 disallowed costs that have to be repaid back to the
2 Department.

3 And I kind of alluded to the fact that we've
4 had some discrepancy, whether or not Galveston County has
5 access to unrestricted funds to address those. We've
6 received conflicting information. We're unable to
7 determine from the financials if unrestricted funds are
8 available, but that answers a big part of whether or not
9 there is a liability for the Department to our funding
10 sources as to whether or not that liability can be
11 addressed by the subrecipient.

12 MR. GOODWIN: Does that answer your question?

13 MR. BRADEN: Yes.

14 MR. GOODWIN: Okay. Any additional questions?
15 Any additional questions? Okay.

16 MR. MAHASIVAM: I would like to respond --

17 MR. GOODWIN: Okay.

18 MR. MAHASIVAM: -- to some of those comments.
19 I'm trying -- I'm Sivam Mahasivam. I'm the CFO for GCCAC.

20 The cost allocation plan, what he mentioned,
21 50-50, because the new data-driven -- and we have a table
22 provided to the staff to look up, you know, what line
23 item, what percentages to use, and then -- and they didn't
24 follow the instruction.

25 And one example -- that was actually the one

1 they selected: So Williams traveled to Austin in January.
2 That's around \$200. Was -- instead of 42.58, it was
3 split as 50-50. So that was the difference he was talking
4 about.

5 That is nothing wrong with that plan, but the
6 staff didn't pick up the right percentages in this big
7 table. The extra spreadsheet was given to them, and they
8 looked at it, and we walked through with them on how that
9 one works.

10 So -- and also he mentioned about the space
11 being allocated on staff hours. That is actually correct
12 because -- and they approved -- the example he -- we are
13 talking about is in the plan. It was provided to them,
14 that space being -- that's the example we gave in the
15 allocation plan, that is how the space be allocated based
16 on the staff hours.

17 Because space are allocated in a two-step
18 process. First, we identify whether it is something that
19 we directly allocate. So once it's directly allocated,
20 then comes to what has to be indirectly allocated, for
21 example, admin.

22 So admin space is the one that -- admin space
23 cannot be allocated to a program based on the square
24 footage anymore, because we occupy -- we don't work for
25 the program. So it has to be allocated based on the

1 actual hours we put on each program.

2 So that is -- that's the correct methodology.
3 That was approved, that is in the plan. So I don't know
4 why they are confusing that. And also we are not trying
5 to go back. We know that closed contract is closed
6 contract that cannot go back and open up that.

7 So the 104,000 is wrong. And also, as I
8 mentioned, 91,000 was already reported. However, it still
9 appears in the report from the system. So therefore, when
10 you're trying to reconcile to the current process, we need
11 to back out what was reported already in the previous
12 contract, so -- and then you can reconcile back to the
13 current report.

14 So we have 104-, 91_ was already reported. So
15 we are not asking anything, we are not going to re-report
16 that one. So it's the -- only 13,000 is to be reconciled.

17 So that is actually current year, but the contract is
18 still open.

19 But maybe we -- some of them we have already
20 find out that, because they have backdated the
21 expenditures, so it has gone in the previous month after
22 it's been reported. But we just want to make sure that,
23 you know, they are actually -- that's the reason or
24 there's an incorrect actual.

25 And also on the third 7,000, they are talking

1 about the prior -- the audit they -- we haven't paid back.

2 (Buzzer sounds.)

3 MR. MAHASIVAM: It has two components. One is
4 related to salaries. The other one is related to space
5 and other expenses, and mainly about the space, because
6 they are requesting repayment because they didn't follow
7 the formalities for contracting the space, which runs into
8 years back, and it just came up only from the last review.

9 As to the salaries, there is a small portion,
10 whatever -- I cannot remember, but around 13-, \$14,000,
11 and that is only for the period they looked at it. But we
12 agreed with them, and then we go back and look at the
13 entire period, and then we recalculated.

14 It comes to around \$6,000 difference for the
15 entire -- we are talking about millions of salary, and we
16 are off by 6,000, which if this is the easiest to pay, we
17 will pay that one.

18 And so that -- those are the two main things
19 I -- and as to the availability of funds, they -- the
20 availability of funds is a moving number. GCCAC has
21 nonfederal funds. Based on the last tier audit report, we
22 had \$330,000 nonfederal funds. There's unrestricted
23 nonfederal funds.

24 That's the one that's being used to finance the
25 operation, because all the time, we have zero from TDHCA,

1 because we expense first, we expend the money first and
2 then request for reimbursement.

3 So those are the money funding -- it's like
4 working capital being funded. And. well, we might even
5 have around 60 days' worth of receivables from TDHCA. So
6 there's not really much confusion. Maybe Mr. Williams may
7 have told that we don't have, because maybe he doesn't
8 want to pay.

9 So -- but we do have unrestricted funds.

10 MR. GOODWIN: Okay.

11 MR. MAHASIVAM: Thank you.

12 MR. CERVANTES: Excuse me. Can I ask a
13 question?

14 MR. GOODWIN: Yes.

15 MR. CERVANTES: What -- just curious. The
16 nature of the unrestricted funds, what's the -- what's
17 generating the unrestricted funds that you're using as
18 this working capital at this time?

19 MR. MAHASIVAM: Unrestricted funds, they have
20 unrestricted funds coming from prior years, probably four,
21 five years prior, through donations. We -- I don't really
22 know the source, but they have -- but they exhausted
23 around half a million in 2017. Because of the hurricane,
24 they have to spend, because not paid for by any of the
25 agencies.

1 MR. CERVANTES: Uh-huh.

2 MR. MAHASIVAM: And so pretty much -- but I
3 don't really know the source, because it has been coming
4 from -- I have -- I went through several audit reports,
5 prior audit reports --

6 MR. CERVANTES: Uh-huh.

7 MR. MAHASIVAM: -- and still they keep -- but
8 it's getting reviewed. But in 2018, 2017, they got 20,000
9 donations, emergency funds from some foundation, but that,
10 I believe, has been spent. But this is coming from long
11 time ago. They had a big number, but now, we have only
12 around 300,000.

13 MR. CERVANTES: So in the event that the
14 current questioned cost turned out to be disallowed costs,
15 just for clarification, that would be the source that you
16 would be utilizing --

17 MR. MAHASIVAM: Yes.

18 MR. CERVANTES: -- and that would reduce your
19 working capital in turn for the reduction --

20 MR. MAHASIVAM: Yeah, yeah.

21 MR. CERVANTES: -- of that cash that would come
22 back to the Department. Right?

23 MR. MAHASIVAM: Yeah. If it -- because we are
24 fighting -- because we believe these are not truly
25 disallowed costs --

1 MR. CERVANTES: Uh-huh.

2 MR. MAHASIVAM: -- because some of them -- even
3 the payroll-related disallowed costs, that is a
4 calculation mistake that's in their report, because they
5 have only calculated salaries only for the actual hours
6 worked. They disregarded vacation and sick leave, because
7 the federal law -- three years for everybody has to pay
8 not only the hours worked for the vacation pay also,
9 because we don't pay out of our own fund; that has to come
10 from the federal fund. So that is the main reason it was
11 different.

12 MR. CERVANTES: Uh-huh.

13 MR. MAHASIVAM: And then also as to the
14 procurement costs, one other argument was -- I know that
15 they didn't follow formalities for preparing the
16 contracts, basically getting the quotes and the RFPS and
17 all that. But the programs did benefit out of that, and
18 it was actually below market, because we are getting a lot
19 of in-kind out of that, because if you go out of the
20 market, the rent is going to go up.

21 MR. CERVANTES: Uh-huh.

22 MR. MAHASIVAM: So now we've got a lot of
23 in-kind out of that, because it's a below-market rate we
24 have. But we understand that it is -- we are not in
25 compliance with the formalities of the program. But it is

1 not truly a disallowed cost, because the program did
2 benefit 100 percent.

3 But if you find anything, we will pay it. I
4 agree with him that I will pay the 6,000, and -- if they
5 decide that's what they are going to go. I gave them the
6 calculation for 10 months, and if that's all right and if
7 it reduces the working capital, there are a couple of
8 things we might be able to do -- is we were trying to
9 protect the working capital as much as we can.

10 MR. CERVANTES: Uh-huh.

11 MR. MAHASIVAM: And one thing we can do is --
12 TDHCA allows advance. We can always request an advance,
13 which we never requested. So we can always deliver -- the
14 accounting is difficult, but -- difficulty, but we can
15 request so that can supplement our working capital.

16 So we have -- I know that there are so many
17 agencies, they operate -- even CSBG Program, absolutely no
18 working capital.

19 MR. CERVANTES: Right.

20 MR. MAHASIVAM: They are all much larger than
21 our agency, but I think we should be able to manage --

22 MR. CERVANTES: Okay.

23 MR. MAHASIVAM: -- for the working capital.

24 Okay?

25 MR. GOODWIN: Additional questions? Any other

1 comments?

2 MR. QUINTERO: Robert Quintero.

3 As Mr. Hunt mentioned in his -- when he opened,
4 all of the things that we've already met, no further
5 action was required. There was a lot of them on that
6 list. There was a lot of that QIP that we've completed.
7 And as you look in your books that we handed out, we've
8 met all those requirements.

9 I am a man of faith. I prayed this morning
10 that -- for God's grace and favor. I'm going to pray that
11 you all give us that favor. Mr. Compian mentioned that we
12 have an audit coming up in August, and in August, once
13 that's done, I ask that you think about giving us until
14 then and you read that audit report.

15 Let us show the improvements that we made.
16 We're a work in progress. Not one of us have been here
17 one year, not one of us, and look how far we've come in
18 that one year. This ship was going down way before we
19 came around. Look how far we've come in this short amount
20 of time.

21 Once again, we're not perfect, but not one
22 agency is. But look how far we've come. We're better
23 today than we were yesterday, and we'll be even better
24 tomorrow. Just give us that opportunity.

25 MR. GOODWIN: Okay. Any other questions?

1 (No response.)

2 MR. GOODWIN: If not, we have a motion in front
3 of the Board to approve staff's recommendation as it
4 relates to Item 5(a), and we have a second.

5 And, Beau, you have a clarification?

6 MR. ECCLES: Well, actually, just a point. It
7 was mentioned by Mr. Compian that there a number of --
8 somewhere around 3- to 400. We received this morning from
9 GCCAC several hundred slips of paper: "Register your
10 opinion," name filled out, a check box, against staff
11 recommendation on Agenda Item 5(a) and (b).

12 Many are dated and signed. Some are not, but
13 we will sort out which ones have been identified. But if
14 none of them are here, I just wanted to clarify. But at
15 least there have been opinion apparently registered from
16 several -- from a few hundred folks.

17 MR. GOODWIN: Okay.

18 MR. ECCLES: And just putting that on the
19 record.

20 MR. GOODWIN: Okay. Any other questions or
21 comments?

22 MR. VASQUEZ: Again, just to ultimately clarify
23 here that GCCAC has the opportunity to come into
24 compliance at any time up until the end of the termination
25 proceedings.

1 MR. GOODWIN: Brooke, are you going to answer
2 that?

3 MS. BOSTON: Brooke Boston. That's correct.

4 MR. VASQUEZ: So if we -- staff deems it that
5 they've done enough to come into compliance, they can keep
6 going, and this termination process stops.

7 MS. BOSTON: That's correct.

8 MR. VASQUEZ: If SOAH -- the SOAH
9 administrative law judge says, hey, they've provided all
10 kinds of evidence that they're in compliance, the
11 termination process stops?

12 MS. BOSTON: That's correct. Now, I --

13 MR. VASQUEZ: But if we don't vote to continue
14 with the recommendations here of the staff to proceed with
15 termination process, then we've lost all of our momentum
16 and --

17 MS. BOSTON: That's correct. Yes. Now, to
18 address Mr. Compian's earlier comment that it hasn't
19 happened before, that's correct.

20 We have not had a CSBG or a CEAP client or
21 organization who has had the funds removed and chose to
22 come back and try and back in the program, but it's not
23 because the opportunity didn't exist.

24 MR. GOODWIN: Okay.

25 MR. VASQUEZ: Good.

1 MR. GOODWIN: Okay.

2 MS. BOSTON: Yes.

3 MR. GOODWIN: Any other comments or questions?

4 MR. BRADEN: Mr. Chair?

5 MR. GOODWIN: Mr. Braden?

6 MR. BRADEN: So in January, I was one of the
7 advocates to give your agency more time, because I didn't
8 want you to spend efforts sort of dealing with that SOAH
9 process while you were trying to fix your agency, and
10 clearly, you've made progress, but I do have confidence in
11 our staff, and you have not satisfied our staff's analysis
12 that you've made enough progress, and their opinion is,
13 you know, you are at risk in terms of repaying funds, and
14 you know, it could negatively impact people in your area.

15 So unlike in the past where I was sort of
16 advocating for giving you more time and not letting this
17 process go forward, in light of the comments that Leo just
18 made, that this is a process, and it will take a while,
19 I'm in support of staff's position as well, and I plan to
20 vote in favor.

21 MR. GOODWIN: Okay. Any other comments from
22 Board members?

23 MR. COMPIAN: May I be permitted?

24 MR. GOODWIN: Sure.

25 MR. COMPIAN: Joe Compian. To you know, those

1 of you that are old enough to remember Paul Harvey: "And
2 now here's the rest of the story." When I first came
3 aboard this board, they were tagged with a reimbursement
4 amount of \$130,000.

5 Now, under the Texas Administrative Code, as I
6 recall this referenced in the letter that was sent out,
7 there was a demand made that you could appeal it, you
8 know, or pay it, but the Code also says that you can also
9 enter into repayment arrangements.

10 Now, no one ever indicated -- and Mr. Williams
11 said we should enter into repayment arrangements. Mr.
12 DeYoung attended a meeting -- and I go back to this bad
13 faith, as I start thinking this over -- and, in our public
14 meeting, stood up and said, why haven't you paid the
15 \$130,000?

16 And Mr. Williams just was in shock. And I
17 wasn't the president at that point, but the previous
18 president, you know, God, we have to send -- so we sent
19 the 130,000. And so this issue of risk I think is
20 minimal.

21 We have the access to the capital. The
22 question is, now, this time, under my watch, we're going
23 to follow all the rules. We're going -- if there's monies
24 that are owed, then we're permitted to enter into a
25 repayment arrangement as well.

1 But it's our request, so this time we've gotten
2 wiser, and as that was appropriately mentioned here, it's
3 all new staff, it's all new staff --

4 MR. GOODWIN: Okay.

5 MR. COMPIAN: -- and we're doing this, and at
6 this action that is contemplated on staff recommendation
7 is, I firmly believe, based upon the statements made to me
8 by staff, forget about it, you guys are toast. That's
9 what I -- and I have that on tape, if you'd care for me to
10 put it to -- all right?

11 And one of --

12 MR. GOODWIN: We've heard that, please. Is
13 there something new that you want to add to --

14 MR. COMPIAN: Oh, and one other thing. I've
15 followed faithfully the recommendations of staff,
16 including directions by Mr. DeYoung, saying, you need to
17 get rid of certain people. And once again, it's on this.
18 You -- and one of the items that he was completely --
19 said, well, director of neighborhood services.

20 I can't fire anybody. I'm just a board -- at
21 that point, a first vice president. But I did bring --
22 have some serious discussion with Mr. Williams, and
23 ultimately, that transition occurred. And there was a
24 meeting with Mr. DeYoung and Mr. Williams and myself.

25 But then Mr. DeYoung, in conversations, is also

1 saying, Melvin Williams is not the person that needs to be
2 your executive director. You need to do something like
3 that.

4 (Buzzer sounds.)

5 MR. GOODWIN: Okay.

6 MR. COMPIAN: And I refuse to do that, those
7 things.

8 MR. GOODWIN: Thank you.

9 MR. COMPIAN: So thank you.

10 MR. GOODWIN: Okay. Any other discussion? If
11 not, I'm going to call for the vote. All those in favor
12 of staff's recommendation for Item 5(a), signify by
13 saying, aye.

14 (A chorus of ayes.)

15 MR. GOODWIN: Opposed?

16 (No response.)

17 MR. GOODWIN: Okay. We'll move on to 5(b).

18 Earnest, I think you've presented most of this,
19 but you might just give us an update, since that lasted as
20 long as it did.

21 MR. HUNT: Yeah. I apologize. I kind of mixed
22 that up.

23 MR. GOODWIN: That's all right.

24 MR. HUNT: But Item 5(b) is specific to a
25 Community Service Block Grant Program contract for 2019,

1 and we kind of went in depth about the SOAH process. This
2 vote by the Board initiates this IM-116 process. The next
3 step would be to go to SOAH. We can't really determine
4 how it would take us to get that set.

5 SOAH would make a recommendation to the Board.

6 The Board would have another opportunity to go with
7 SOAH's recommendation. At that point, if the vote is
8 still to terminate their eligible entity status, then they
9 have 90 days to appeal with the HHS.

10 So staff's recommendation is to initiate
11 proceedings for IM-116.

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

14 MS. THOMASON: So moved.

15 MR. VASQUEZ: So moved.

16 MR. GOODWIN: Second?

17 MR. VASQUEZ: Second.

18 MR. GOODWIN: Okay. Discussion? Anybody want
19 to speak to it?

20 MR. COMPIAN: I would like to --

21 MR. GOODWIN: Okay.

22 MR. COMPIAN: -- attempt it. Once again, I
23 guess it is all a done action. Vote in favor of this
24 recommendation, I'm asking, once again, is not appropriate
25 under these circumstances, especially under these

1 circumstances which in fact prior to any action by this
2 Board, they're already soliciting another entity to come
3 in, and that's -- the process of the Board selection was
4 interrupted, as well, too.

5 So each step that we've tried to take has
6 occurred, and when I talk about information --

7 (Mr. Compian begins playing audio on his
8 phone.)

9 MR. GOODWIN: Why don't you turn that off --

10 MR. VASQUEZ: I was going to say --

11 MR. GOODWIN: All right. We're going to get
12 legal counsel's advice as to the presentability of this.

13 MR. COMPIAN: I'm just --

14 MR. GOODWIN: Hold on, hold on just a second.
15 So he had to step out of the room. So we're going take a
16 10-minutes restroom break and then reconvene in
17 10 minutes. So anybody that needs to go use the
18 facilities may do so.

19 (A short recess was taken.)

20 MR. GOODWIN: We're going to reconvene from our
21 recess; our short 10-minute break is now over.

22 Mr. Compian, you were up here and you were
23 playing a tape, which this Board has a set of rules for
24 how information comes in front of this Board.

25 Playing a tape at the microphone does not meet

1 with those rules, so you're welcome to speak to any aspect
2 of 5(b) that you would like to speak to, and we're going
3 to hold you this time to three minutes.

4 MR. COMPIAN: Yes, sir. Once again, Joe
5 Compian. I'm not going to say much more, but I hope my
6 voice is going out.

7 MR. GOODWIN: Okay.

8 MR. COMPIAN: But once again, I urge that this
9 Board deny or do not accept the staff's recommendations,
10 and that's all I say --

11 MR. GOODWIN: Okay. Thank you.

12 MR. COMPIAN: -- on that side.

13 MR. GOODWIN: Any other questions?

14 MS. RESÉNDIZ: Mr. Chair, may I just make a
15 comment?

16 So, Melvin and Joe -- or no, I'm sorry --
17 Robert and Joe -- one, I just want to thank y'all so much
18 for working for a nonprofit. I led two major nonprofits,
19 and I understand what it's like to reshape them.

20 And I'm truly conflicted as to what's being
21 brought, but I'm also under the realization that, yes -- I
22 have to admit I was disappointed to know that you were
23 recording staff without their consent, and as an attorney,
24 that you let him play that.

25 So I'm trying to find a way to come to terms

1 with everything, just because I'm very empathetic to your
2 situation, but I also understand that there has to be
3 guidelines, not only on our part, but the guidelines that
4 are set by this nonprofit.

5 Whatever your financials say, you have a
6 fiduciary responsibility, you have a responsibility of
7 loyalty, and you have a responsibility of, you know, the
8 duty of care, and that's a legal -- you know, that becomes
9 a legal issue all the way around. But I do wish y'all
10 luck, and hopefully, we can all, you know, help one
11 another out in the future.

12 MR. GOODWIN: Yeah. Very short.

13 MR. QUINTERO: Okay. We will be -- just to let
14 y'all know, we will be appealing the situation, both (a)
15 and (b), and just to reiterate what Mr. Compian had said
16 about the playing field just not being fair and things
17 were predetermined prior to me even being started, my very
18 first board meeting for GCCAC, Mr. DeYoung came to visit
19 me in my house, and we're talking.

20 And I said, we're going to do everything to get
21 this ship right. He says, well, in December, Mr. Hunt's
22 going to be coming to Galveston, and he has his gun
23 loaded, and it only has one bullet in it, and it has
24 GCCAC's name on it.

25 I thought that was just hyperbole at first.

1 Two months later, he told me the same thing. He repeated
2 it to Ms. Robin at -- Robin Ellis, and I -- that just told
3 me that this was already predetermined in their eyes, that
4 they were going to try to do this to us.

5 That wasn't a fair playing field. The QIP
6 hadn't come out yet, and that -- and after the QIP came
7 out, I said, this is their -- they didn't even have an
8 open mind about this. They didn't play fair with us.
9 This was not fair to us.

10 MR. GOODWIN: Okay. We've heard that. Any
11 other questions?

12 (No response.)

13 MR. GOODWIN: If not, I'm going to call for the
14 vote. All those in favor of staff's recommendation for
15 5(b), signify by saying aye.

16 (A chorus of ayes.)

17 MR. GOODWIN: Opposed?

18 (No response.)

19 MR. GOODWIN: Okay. 5(b). We're moving on to
20 Item No. 6.

21 Michael?

22 MR. DEYOUNG: Michael DeYoung, Community
23 Affairs Division director. Let me get my papers straight.
24 I apologize.

25 Item 6. The next three items are all plans for

1 the Community Affairs Division. We have annual plans.
2 Item 6(a) is the possible action on program year 2019,
3 Department of Energy Weatherization Assistance State Plan
4 and Awards.

5 The DOE Weatherization Program is about \$6-1/2
6 million annually. It goes into the weatherization of low-
7 income homes. We have 20 providers around the state.
8 We're required annually to file a plan. This state plan
9 was approved for release for public comment back at the
10 February Board meeting.

11 We had a 21-day comment period, and we did
12 receive comments. There were technical corrections made,
13 and the plan was corrected. And during that time period,
14 we also had what's called a Weatherization Assistance
15 Program Policy Advisory Council.

16 This is a group of individuals who are named to
17 look at the plan and to provide recommendations on the
18 plan. It could be technical recommendations. But
19 ultimately they looked at the plan and they asked that we
20 go ahead and move forward with the plan.

21 The final DOE WAP plan is being presented for
22 approval, and it has a list of the awards included in that
23 Board item that you see in front of you. I will give you
24 the note that three of those subrecipients that went to
25 EARAC were conditioned, and they are Fort Worth, Nueces

1 County, and Hill Country Community Action Agency.

2 Staff is seeking recommendation to submit the
3 plan to DOE. The program year would begin on July 1 of
4 this year and extend to June 30 of next year.

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

7 MS. THOMASON: So moved.

8 MR. GOODWIN: Second?

9 MR. BRADEN: Second.

10 MR. GOODWIN: Moved and seconded. Any
11 questions?

12 (No response.)

13 MR. GOODWIN: Hearing none, all those in favor,
14 say aye?

15 (A chorus of ayes.)

16 MR. GOODWIN: Opposed?

17 (No response.)

18 MR. GOODWIN: Okay. 6(b).

19 MR. DEYOUNG: 6(b). Item 6(b) is release of
20 the draft 2020-2021 CSBG, Community Services Block Grant
21 State Plan. The U.S. Department of Health and Human
22 Services requires that the Department submit a state plan
23 every two years in order to receive its allotment of CSBG
24 funds.

25 The Department has prepared a draft plan for --

1 I want going to say 2021, but it's year 2020-2021, and we
2 are requesting in that plan that we have an increase of
3 50,000 to our discretionary funding for intensive eligible
4 entity assessments.

5 One of the things we've done -- well, let me
6 back up. I guess at the last Board meeting, I went how
7 we -- 90 percent of the CSBG funds goes to eligible
8 entities, and we have 5 percent for our state
9 administration and 5 percent for discretionary.

10 Each year, we come to you with a recommendation
11 for how we spend those 5 percent, 5 percent of
12 discretionary funds. You know, in a little while, you'll
13 have action results from last year's discretionary awards.

14 But this year, we want to increase one component of that
15 specifically, which is the intensive assessments.

16 When we go into troubled community action
17 agencies and we do these assessments, we bring in an
18 outside group called the Partnership, Community Action
19 Partnership, and they help us get a third perspective on
20 an organization, so it's not just TDHCA or the
21 subrecipient.

22 We did it most recently with Galveston as well.

23 They hire consultants. They bring in, through the
24 Partnership, these consultants. They do an assessment and
25 kind of give us an action plan to move forward. So we

1 want to increase that just a little bit this year, so we
2 feel like we may have some additional engagements.

3 Prior to going to the Board, we released this
4 draft plan to our CSBG network, which is 40 subrecipient
5 agencies throughout the state of Texas. They cover all
6 254 counties, and it also went to their state association,
7 TACAA, this Texas Association of Community Action
8 Agencies.

9 They've provided some input already, and we've
10 reflected that in this plan. Now, once the draft plan is
11 approved, it will announce the public comment period and
12 the public hearing information in the Texas Register, and
13 then we'll have a comment period between May 10 and
14 June 10, and there will be four public hearings, two of
15 which will be held at night, two during the day.

16 And this year, we're going to Austin, Fort
17 Worth, Odessa, and Houston. If HHS issues different
18 guidance after you approve this draft plan, we want
19 consideration to be able to make those conforming changes
20 and nonsubstantive changes to the plan and, if necessary,
21 change the public hearing dates if we get federal guidance
22 that impacts us.

23 We anticipate coming back to you all in July
24 with the final plan. That would be submitted to HHS, and
25 then ultimately the programs would start on January 1, and

1 they run January 1 to December 31.

2 MR. GOODWIN: Okay. Do I hear a motion to
3 accept staff's recommendation for Item 6(b)?

4 MR. VASQUEZ: So moved.

5 MR. GOODWIN: Moved. Second?

6 MR. BRADEN: Second.

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

9 (No response.)

10 MR. GOODWIN: Hearing none, all those in favor,
11 say aye.

12 (A chorus of ayes.)

13 MR. GOODWIN: Opposed?

14 (No response.)

15 MR. GOODWIN: Okay. Six. Moving on to 6(c).

16 MR. DEYOUNG: Okay. Item 6(c) is the release
17 of the draft federal fiscal year 2019 Low Income Home
18 Energy Assistance Program State Plan, LIHEAP. U.S.
19 Department of Health and Human Services requires a plan as
20 well.

21 We've prepared that state plan for 2020. This
22 is only a one-year plan; you see this annually. The
23 primary purpose of LIHEAP is the utility assistance
24 program. You hear us refer to as CEAP, Comprehensive
25 Energy Assistance Program.

1 About 75 percent of the funds go to that.
2 Another 15 percent go to a Weatherization Assistance
3 Program that runs in conjunction with the DOE plan that
4 you just approved. This draft plan was released to the
5 subrecipient network, again, to garner some feedback
6 before we actually would go out for the public comment
7 period.

8 We're asking again if there's any late guidance
9 from the federal government about the plan, which they
10 have been known to do occasionally; it does not happen
11 every year. We ask for some allowance so that we could
12 make any changes to make it conform to that guidance.

13 Once the draft plan is approved, we'll announce
14 it again in the public -- in the *Texas Register*. We'll
15 collect public comment the same time period, May 10
16 through June 10. The same four public hearings will
17 occur.

18 So we'll open up one public hearing, take
19 comment on the CSBG. We'll open up the -- another public
20 hearing and take comment on LIHEAP as well. And then upon
21 completion of the public hearing, we modify the plan and
22 put it in its final form, and we'll bring it back to you
23 again in July for final approval.

24 This program runs in conjunction with the CSBG
25 on a January 1 to December 31 contract date. With that --

1 MR. GOODWIN: Do I hear a motion to approve
2 staff's recommendation for Item 6(c)?

3 MS. THOMASON: So moved.

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

5 MR. BRADEN: Second.

6 MR. VASQUEZ: Second.

7 MR. GOODWIN: Moved and seconded. Any
8 discussion?

9 (No response.)

10 MR. GOODWIN: Hearing none, all those in favor,
11 say aye.

12 (A chorus of ayes.)

13 MR. GOODWIN: Opposed?

14 (No response.)

15 MR. GOODWIN: Okay. 6(c) is passed. We move
16 on to Item 7(b). Andrew?

17 MR. SINNOTT: Good morning, Chairman Goodwin --

18 MR. GOODWIN: Good morning.

19 MR. SINNOTT: -- members of the Board.

20 Item 7(b) is presentation, discussion and
21 possible action regarding refinancing for Legend Oaks with
22 TCAP Repayment Funds set-aside for workouts. This is --
23 while it's a direct loan recommendation or recommendation
24 for direct loan award, it's kind of a unique direct loan
25 award recommendation, so I wanted to just give you all

1 some background on how this deal got to today's
2 recommendation.

3 So despite staff ultimately recommending funds
4 for this deal under the Department's authority to use a
5 certain amount of TCAP repayment funds for workout
6 scenarios, this application for direct loan funds
7 initially was received under the 2018-1 Multifamily Direct
8 Loan NOFA.

9 However, what the applicant was proposing,
10 which was refinancing of permanent debt where rehab was
11 not the primary activity, in addition to all the waivers
12 that would have been necessary, that together precluded
13 the application from being considered the 2018-1 NOFA.

14 Furthermore, by virtue of this property having
15 an existing State Housing Trust Fund loan, this property
16 can potentially access funds reserved for workouts by
17 Board action taken on November 13, 2012, in which the
18 Board action request gave the executive director or
19 authorized designee the authority to "effectuate the use
20 of program income from TCAP to acquire, redevelop and/or
21 refinance previously funded rental developments that have
22 lost or are at risk of losing their affordability
23 requirements."

24 So now that we've established how this deal got
25 to this recommendation, today's unique recommendation,

1 I'll discuss the history and the current status of this
2 property. So Legend Oaks is a 48-unit property serving an
3 elderly population in Llano, Texas.

4 The applicant borrower, Llano DMA Housing,
5 received an allocation of 9 percent credits and an award
6 of \$350,000 in State Housing Trust Fund in 2001. Both the
7 HTC LURA and the State HTF LURA restricted 36 of the
8 48 households through 2042.

9 Along with the tax credit equity and the State
10 HTF loan, they also had first lien permanent debt from
11 Fannie Mae, which matured on September 1, 2018. Since
12 that time and through May 31, 2019 -- so just about
13 another month or so -- Llano DMA Housing is in a
14 forbearance period on that Fannie Mae loan.

15 The applicant has indicated that they are
16 requesting funds from the Department to help pay off the
17 Fannie Mae loan as a last resort, since the property
18 cannot support conventional or agency debt at the current
19 interest rates of 4 to 6 percent, due to the high
20 operating expenses, namely the increased water rates by
21 the City of Llano that went into effect in 2017.

22 According to the property condition assessment
23 initially provided, the property has been well maintained,
24 with only about \$8,000 worth of rehab, mainly window and
25 framing repair required. This led the applicant to only

1 request 480,000, most of which was to go toward repaying
2 the Fannie Mae loan.

3 However, after staff told the applicant that
4 regardless of the source of direct loan funds, either from
5 the 2018-1 NOFA or from the Department's workout
6 authority, the property would have to be rehabbed to bring
7 the property up to 2010 ADA standards, meeting
8 accessibility requirements in our rule, the applicant had
9 the PCA provider perform an accessibility compliance
10 review.

11 The accessibility compliance review revealed
12 that 112,000 worth of work would have to be completed in
13 order to bring the property up to 2010 ADA standards.

14 So the proposal before the Board today is as
15 follows: a \$636,857 repayable loan with a 35-year and 10-
16 year term, zero percent interest rate, with TCAP repayment
17 funds from the Department's workout pot of funds that
18 would go toward three things.

19 One, paying off the balance and fees associated
20 with the Fannie Mae loan, which is approximately 475,000;
21 construction and construction contingency, which is
22 approximately 123,000; and a partial payoff of the State
23 HTF loan, with the other partial payoff coming from the
24 applicant with their own funds.

25 As I mentioned earlier, 36 of the 48 are

1 currently and will continue to be restricted by the
2 Housing Tax Credit and State HTF LURAs. Additionally, as
3 a result of the TCAP repayment funds' LURA that will be
4 placed on the property, 40 of the 48 restricted -- 40 of
5 the 48 units will be restricted to households at or below
6 80 percent AMI, resulting in four of the current market
7 rate units being restricted to low-income households.

8 The term of the TCAP LURA will be 30 years,
9 resulting in seven additional years of affordability, so
10 that will bring it out to 2049, instead of 2042. If not
11 for these funds, the affordability requirements in the
12 Housing Tax Credit LURA and the State HTF LURA are at risk
13 of being extinguished as a result of foreclosure.

14 Finally, while this does not impact the
15 specific property, should the Board approve this award,
16 staff will replenish the workout pot of funds that we're
17 tying down for this award with 636,857 of unobligated TCAP
18 repayment funds, maintaining the Department's ability to
19 provide financing to similar properties that are at risk
20 of foreclosure.

21 In addition to the workout authority granted
22 under the November 2012 Board action, today's
23 recommendation is grounded in two state rules. First, 10
24 TAC 13.3(d) of the Multifamily Direct Loan Rule, states
25 that "Multifamily Direct Loan funds may be used to assist

1 distressed developments previously funded by the
2 Department when approved by a specific action of the
3 Board."

4 And 10 TAC 11.302(h) and the underwriting rules
5 allow staff to characterize workout developments that do
6 not adhere to the underwriting guidelines, which this deal
7 does not, as the best available option or acceptable
8 available option, as long as the option analyzed and
9 recommended is more likely to achieve a better financial
10 outcome for the property and the Department of the status
11 quo.

12 Staff has found that what is being presented to
13 you today is an acceptable available option.

14 MR. GOODWIN: Okay. Thank you, Andrew.

15 MR. SINNOTT: Thank you.

16 MR. GOODWIN: Do I hear a motion to approve
17 staff's recommendation for Item 7(b)?

18 MS. THOMASON: So moved.

19 MR. GOODWIN: Moved. Second?

20 MS. RESÉNDIZ: Second.

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

22 Any questions for Andrew?

23 MR. VASQUEZ: I have a couple --

24 MR. GOODWIN: Okay.

25 MR. VASQUEZ: -- quick questions. So under

1 this new -- if we go through with this loan, their cash
2 flow situation is going to be positive or not?

3 MR. SINNOTT: It will be positive through year
4 10. That's why we've got that short term on this loan, so
5 that we can reassess in 10 years how the property is
6 doing, if its cash flow has improved, and make another
7 determination as to whether to refinance or do something
8 else at that time, or potentially, the applicant borrower
9 could sell the property before then, to where we would get
10 paid off.

11 MR. VASQUEZ: And just because there's one page
12 in here where I see net operating income at negative
13 5,700.

14 MR. SINNOTT: It's probably after year --

15 MR. VASQUEZ: Well, stabilized first-year pro
16 forma.

17 MR. SINNOTT: I'll take a look. So I'm looking
18 at the long-term pro forma. I'm not sure --

19 MR. VASQUEZ: Yeah, that was just --

20 MR. SINNOTT: -- stabilized first --

21 MR. VASQUEZ: -- first year. Page 5 of seven.

22 MR. SINNOTT: Yeah. So I've got -- applicant
23 has represented 37,449 in NOI. TDHCA shows 43,195 in NOI.

24 I'm sorry. Where are you seeing the negative --

25 MR. VASQUEZ: The last -- oh, that's the

1 variance. I'm sorry.

2 MR. SINNOTT: Okay.

3 MR. VASQUEZ: It's the variance. Okay. It's
4 the variance. It wasn't the --

5 MR. SINNOTT: Yeah.

6 MR. VASQUEZ: It's --

7 MR. SINNOTT: Yeah. It's -- that's the
8 variance.

9 MR. VASQUEZ: I retract my question.

10 MR. SINNOTT: Yeah. It's -- and if you go to
11 the long-term pro forma, page 7 of seven under the
12 underwriting report, you'll see that they've got positive
13 cash flow through year 10, and then after that, year 15
14 through 35, it goes negative.

15 MR. VASQUEZ: Okay. And then just confirming,
16 it is a 10-year balloon?

17 MR. SINNOTT: Exactly, yeah, which is going
18 toward paying a balloon on the Fannie Mae loan right now.

19 The Fannie Mae loan, I think it was either 15-year or
20 18-year term, with a 30-year AM, or something like that.
21 That's what the 470,000 or so is going towards.

22 MR. VASQUEZ: So theoretically, we're actually
23 going to get repaid on this?

24 MR. SINNOTT: Hopefully, yeah.

25 MR. VASQUEZ: Okay. All right.

1 MR. GOODWIN: Any other questions?
2 (No response.)
3 MR. GOODWIN: Did you want to speak to this?
4 FEMALE VOICE: No.
5 MR. GOODWIN: Okay.
6 (No response.)
7 MR. GOODWIN: Hearing none, all those in favor,
8 say aye.
9 (A chorus of ayes.)
10 MR. GOODWIN: Opposed?
11 (No response.)
12 MR. GOODWIN: Okay. 6(b) is approved. Moving
13 on, Andrew, to 6(c).
14 MR. SINNOTT: Sure.
15 MR. VASQUEZ: 7(c).
16 MR. SINNOTT: 7(c).
17 MR. GOODWIN: Oh, 7(c). I'm sorry.
18 MR. SINNOTT: No worries. 7(c) is
19 "presentation, discussion, and possible action on the
20 First Amendment to the 2019-1 Multifamily Direct Loan
21 Notice of Funding Availability."
22 So in December, the Board approved the 2019-1
23 Multifamily Direct Loan NOFA with approximately 34-1/2
24 million in HOME TCAP repayment funds, NSP-1 program
25 income, and National Housing Trust Fund available under

1 the CHODO Supportive Housing soft repayment preservation
2 and general set-asides.

3 Of that amount, \$2,304,698 in HOME and
4 5-1/2 million in TCAP repayment funds for a total of -- I
5 think I left out the NSP --

6 MR. GOODWIN: Yeah.

7 MR. SINNOTT: -- 2.3 in HOME, 5-1/2 million
8 TCAP, and 4.5 million in NSP-1, for a total of
9 12.3 million, was made available under the general set-
10 aside.

11 To date, we've received 27 applications under
12 the general set-aside, requesting almost \$70 million, with
13 the other three set-asides undersubscribed. In order to
14 help meet the demand in the general set-aside, we are
15 proposing to take the following steps in the first
16 amendment to the 2019-1 NOFA.

17 First, on the HOME side, reprogram
18 approximately 6.1 million in unrequested HOME funds from
19 the CHODO set-aside to the general set-aside, and then
20 program approximately \$6 million in deobligated HOME funds
21 to the general set-aside.

22 Secondly, with regard to TCAP repayment funds,
23 reprogram \$2 million in unrequested TCAP repayment funds
24 from the preservation set-aside to the general set-aside,
25 and then program 3.66 million in TCAP repayment funds

1 received January through March to the general set-aside.

2 These actions will result in approximately 12.1
3 million additional HOME funds for 14 -- approximately 14.4
4 million total HOME funds available in the general set-
5 aside, and 5.66 million additional TCAP repayment funds,
6 for 11.16 million total TCAP repayment funds available in
7 the general set-aside.

8 The NSP-1 PI available in the general set-aside
9 will remain at 4.5 million. So among HOME TCAP repayment
10 funds and NSP-1 program income, total funds available
11 under the general set-aside will be approximately
12 \$30.1 million after approval of this amendment.

13 While the 30 million that will be available in
14 the general set-aside with the approval of this NOFA
15 amendment may not be enough to meet demand of all 2019
16 9-percent layered applicants, we anticipate being able to
17 make several more awards under the general set-aside with
18 the additional funds.

19 Staff plans on notifying impacted 2019
20 9-percent layered direct loan applicants of the
21 oversubscription within the general set-aside in
22 accordance with 10 TAC 13.5(f) shortly, so that they may
23 revise their financing prior to award.

24 Two other changes to the NOFA in this first
25 amendment: The application submission deadline will

1 change from 5:00 p.m. Austin local time on November 29,
2 2019, to 5:00 p.m. Austin local time on November 26, 2019,
3 since the Department will be closed on November 29, which
4 is the day after Thanksgiving.

5 And the certificate of reservation requirement
6 for 4 percent Housing Tax Credit layered direct loan
7 applications in 6(f) of the 2019-1 NOFA, will change to
8 align with the requirements of 10 TAC 11.201(2)(b)(i),
9 which talks about a longer time period for -- to submit
10 the certificate of preservation.

11 Staff will continue to monitor the demand for
12 direct loan funds and may bring additional amendments to
13 the NOFA at future Board meetings.

14 MR. GOODWIN: Okay. Do I hear a motion to
15 approve Item 7(c), as presented by staff?

16 MS. THOMASON: Motion to approve.

17 MR. GOODWIN: Second?

18 MS. RESÉNDIZ: Second.

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

20 Any questions?

21 (No response.)

22 MR. GOODWIN: Hearing none, I will call for the
23 vote. All those in favor, say aye.

24 (A chorus of ayes.)

25 MR. GOODWIN: Opposed?

1 (No response.)

2 MR. GOODWIN: Okay. 7(c) is passed. Move to
3 Item 7(d).

4 Marni?

5 MS. HOLLOWAY: Good morning, Chairman
6 Goodwin --

7 MR. GOODWIN: Good morning.

8 MS. HOLLOWAY: -- members of the Board. I'm
9 Marni Holloway. I'm the director of the Multifamily
10 Finance Division. Am I loud enough?

11 MR. GOODWIN: You're loud enough for me.

12 MS. HOLLOWAY: Okay. No one has ever accused
13 me of being quiet. This item, 7(d) is "presentation,
14 discussion, and possible action on timely filed appeals
15 under the Department's Multifamily Program Rules." This
16 item is for Application No. 19223, Bamboo Estates
17 Apartment.

18 This is a 9-percent application in the current
19 round. A scoring notice was provided to the applicant,
20 which identified points staff had determined the
21 application did not qualify to receive under the QAP. The
22 applicant has appealed that scoring notice, and the acting
23 director has denied that appeal.

24 This application proposes the new construction
25 of 79 units for a general population in Progreso. The

1 development would consist of single-family homes and
2 duplex units.

3 Staff determined that the application does not
4 qualify for 18 financial feasibility points because it did
5 not include the required pro forma signed by the lender.
6 It also did not qualify for one point under funding
7 request amount, because their application requested more
8 than the amount that was available in the subregion -- and
9 the applicant is not appealing that item -- and also are
10 not able to use six pre-application participation points
11 because as a result of losing the 18, there's more than
12 four-point difference from what was reflected at pre-app
13 to the full application.

14 As you are aware, applicants provide both Excel
15 and PDF versions of the application. This is something
16 that we discussed in the past. In the past, we have in
17 some cases accepted parts of the Excel workbooks that were
18 not included in the PDF as meeting criteria for an
19 administrative deficiency.

20 That's in very specific circumstances that
21 we've been able to do that. The pro forma included in the
22 Excel version of this application or -- does meet the
23 threshold part of our rules that require a pro forma. So
24 we require a pro forma in one place, and in another place,
25 we use it for scoring.

1 However, the QAP specifically states that to
2 qualify for points the pro forma must be signed by the
3 construction or permanent lender. The applicant should
4 have printed the pro forma from Excel, had the appropriate
5 lender sign it, and PDF'd the resulting document for
6 inclusion in the full application.

7 This is what all the other applications have
8 done. A signed pro forma was not submitted in this
9 application. A lender letter in the application
10 references a pro forma, but it is simply a reference and
11 does not provide the required information that's available
12 on a pro forma document.

13 It is most significant that the signed pro
14 forma that was submitted with the appeal is not the Excel
15 pro forma submitted with the application. The signed pro
16 forma provided on appeal is different from the one that
17 was in the materials that were received by the deadline,
18 which leads to a question of whether it existed at
19 application or was created as part of the appeal
20 documentation.

21 We have in the past taken the position that if
22 an applicant is able to prove to us that documentation
23 existed prior to application, then we may be able to
24 accept it as curing a deficiency, but it has -- we -- they
25 have to show us that.

1 The rule regarding documentation to
2 substantiate items in an application is clear that all
3 materials must have been clearly established at the time
4 of submission.

5 In this case, the pro forma provided at appeal
6 does not match the pro forma provided at application,
7 leading to a conclusion that the documentation was not
8 established, the deficiency cannot be cured, and the
9 points cannot be awarded.

10 Staff recommends denial of the appeal. I'd be
11 happy to take any questions.

12 MR. GOODWIN: First, we'll have a motion to
13 accept staff's recommendation.

14 MR. BRADEN: So moved.

15 MR. VASQUEZ: Second.

16 MS. RESÉNDIZ: Second. It's been moved and
17 seconded. Any questions for Marni?

18 (No response.)

19 MR. GOODWIN: Sounds like to me, Marni, this is
20 a clear case of something was missing.

21 MS. HOLLOWAY: Yes. The signed pro forma was
22 missing. It was -- they sent a pro forma with the
23 appeal --

24 MR. GOODWIN: Uh-huh.

25 MS. HOLLOWAY: -- that did not match what was

1 in the application. When we pointed this out -- so to I
2 guess -- the further appeal, there are letters claiming
3 that the lender changed it and signed it, and it was a
4 clerical error that that one was not included in the
5 application.

6 MR. GOODWIN: Okay. Thank you.

7 MS. HOLLOWAY: Uh-huh.

8 MR. GOODWIN: Please let me remind you to sign
9 in, state your name and who you represent, and you will be
10 held to three minutes.

11 MR. PHILIP: Chairman Goodwin, members of the
12 Board and Mr. Cervantes, thanks for the opportunity.
13 Marni stated accurately the facts, so we won't repeat a
14 lot of them. For --

15 MR. GOODWIN: I need you to speak up and state
16 your name.

17 MR. PHILIP: My name is Sunny Philip. I
18 represent the nonprofit from South Texas which is a
19 community-based nonprofit proposing this development in
20 Region 11. And we have some explanation as to what has
21 transpired.

22 This application is prepared by the nonprofit
23 in-house, and we had prepared the Excel version and
24 submitted that Excel version to the lender and the equity
25 provider. The lender, Harper Capital, out of New York,

1 signed the pro forma and the -- that letter on
2 February 28, 2019, and we have provided copies of that
3 through the application.

4 As a supplement to the appeal, we have provided
5 a letter from the lender, which is also in the package, as
6 to what has transpired. The equity provider also signed
7 the pro forma with the March 1 date. There is some
8 difference there.

9 Let me explain as to what the difference was.
10 We are using 221(b) for HUD-insured debt, and that one has
11 a debtor risk payment and a mortgage insurance premium.
12 The Excel portion we submitted and submitted to the lender
13 has two line items. That's service and mortgage insurance
14 premium. It is stated.

15 They have reviewed it and said that HUD
16 financing in \$100 increments, or they are rounded off to
17 that, and they calculated the mortgage insurance premium,
18 which is supposed to reduce each year as the principal
19 goes down. So they made that correction. That's the only
20 correction. So in a year, it is less than \$100 or
21 something. Okay? And that's the only change.

22 And again Marni acknowledged that TDHCA
23 confirmed that we met with the threshold requirements, and
24 we do. And it is true that the signed pro forma was
25 missing from the application, but the Excel was, and we

1 have provided documentation that there existed a letter
2 from the -- that the lender had also signed a pro forma
3 also.

4 And also if you really look at the state
5 statutes and also the QAP, the pro forma and the lender,
6 that comes under the financial feasibility. That means
7 that we need to project as to how many units towards the
8 income minus expenses what is the amount available as the
9 net cash flow?

10 From there, we will reduce the debts of these
11 payments. There is no changes made to the income or the
12 debt or the expenses, so we have concluded. So --

13 (Buzzer sounds.)

14 MR. GOODWIN: Okay.

15 MR. PHILIP: -- based on the practice of the
16 Department, we are providing proof to you that there
17 existed a pro forma signed by the lender, and we simply
18 ask this: the Board favorably say that this item should
19 have been or can be resolved by an administrative
20 deficiency.

21 We ask the Board to remand it back to the
22 executive director so that that minor, immaterial item can
23 be resolved for a deficiency.

24 MR. GOODWIN: Okay. Anybody else going to
25 speak?

1 MR. GONZALES: My name is Jose Gonzales.
2 Chairman Goodwin, members of the Board, I just wanted to
3 speak to the issue that Marni raised about the numbers
4 being different in the different pro formas. The letter
5 dated February 28 from Harper Capital identifies a payment
6 amount of -- excuse me -- or an amortization amount of
7 \$206,718.

8 What they did when they sent in the pro forma,
9 the one that they actually signed, because Harper is a
10 meticulous FHA lender, is that they acknowledge that the
11 mortgage insurance premium portion, as Mr. Philip
12 mentioned, is based on the principal balance and reduces
13 on an annual basis.

14 So they start out their pro forma to 206,718,
15 and then the second year, they start at 206,638, and they
16 provided an amortization schedule, which is in your
17 packet, that shows that that payment is reducing. The
18 debt amount, the mortgage amount, does not change in any
19 of the documentation that they provided.

20 It simply that they really burrowed down into
21 demonstrating and stating what an accurate payment was.
22 The TDHCA form by itself typically will just take the MIP
23 in the first year and spread it across the 15-year time
24 frame. Thank you.

25 MR. GOODWIN: Okay.

1 MS. JACKSON: Good morning, Mr. Chair and
2 fellow Board members. My name is Antoinette Jackson. I'm
3 known by everyone as Tony. I just want to again point out
4 that, as you said, Chairman Goodwin, this is a clear-cut
5 matter, and we have provided the documentation to show
6 that it is.

7 We do believe that this is an administrative
8 deficiency and not a material deficiency that caused this
9 termination. In the email chain that we did provide to
10 TDHCA, the lender very clearly states in his email that
11 was dated on February 28, which is before the application
12 deadline, that we reduced the loan amount on the sources
13 and uses from 3.518637 to 3.518600 because HUD only allows
14 multiples of 100.

15 As such, it does look like a different pro
16 forma. The client prepares the pro forma, and they submit
17 it to the lender for the lender to review and to sign off
18 on and provide their letter. However, when they -- the --
19 my client had already submitted their Excel, was waiting
20 for the signed to come back, and the lender changed it to
21 meet the HUD guidelines.

22 When they submitted their application, they
23 simply inadvertently failed to put that pro forma inside,
24 but the lender has acknowledged that they made that
25 change. It is not a new pro forma. They simply had to

1 fix the pro forma to meet their guidelines because we're
2 seeking a HUD loan, and then they later, on a letter on
3 April 12, 2019, further explained that this was something
4 that they changed and they laid out the facts.

5 Again, we have admitted that we inadvertently
6 missed putting it in the application, but the pro forma
7 has not changed in terms of there being a significant
8 difference. It was simply a change that the lender made
9 because they had to meet their HUD guidelines.

10 And so it is our position that this could be
11 fixed through an administrative deficiency, and it's not
12 termination.

13 MR. GOODWIN: Okay.

14 MS. JACKSON: Thank you.

15 MR. GOODWIN: Any other comments? Any
16 questions from any Board members?

17 MR. BRADEN: So I guess I have a question of
18 staff. I don't know if it's Marni or David.

19 So do you agree with their characterization of
20 the differences between the two pro formas?

21 MS. HOLLOWAY: They are not big changes. You
22 know, it's not big swings, the changes. The concern for
23 us is if there was a change -- there was a change from,
24 you know, what was submitted to us in the application to
25 what was submitted to us in appeal.

1 MR. BRADEN: Would you think those changes are
2 material?

3 MS. HOLLOWAY: If we have received the signed
4 pro forma in the application that differed from the Excel
5 document, we would have treated that as a deficiency and
6 requested clarification. Because we didn't have the
7 signed pro forma that is specifically required by rule, we
8 couldn't go that route.

9 MR. BRADEN: So again, I don't know if it's
10 Marni, David or both. So -- or is it the opinion of staff
11 that an administrative deficiency is not a course of
12 action that this could be -- go through?

13 MS. HOLLOWAY: Huh-uh, because it was something
14 that was completely missing from the application.

15 MR. VASQUEZ: And --

16 MS. HOLLOWAY: What they provided to us has us
17 questioning whether or not it actually existed prior to --

18 MR. BRADEN: But how is it that we're
19 questioning if they did submit something and it's not
20 materially different than what the signed one -- MS.

21 HOLLOWAY: Because -- it's just because it's different at
22 all.

23 MR. BRADEN: But they'd explained why it's
24 different. Right? I mean --

25 MS. HOLLOWAY: They have explained why it's

1 different. We have a -- we have letters, you know, and we
2 have this signed pro forma that was dated February 28 that
3 differs from the application that was submitted to us.

4 MR. BRADEN: Okay. Obviously I'm not the
5 accountant. There are several accountants. As the Board,
6 to me, it doesn't sound like a material difference, and
7 you know, if we're saying we're not going to go forward at
8 all because they didn't sign something although they
9 submitted it in an unsigned version -- was I the one that
10 made a motion to approve this?

11 MR. GOODWIN: Yes.

12 MR. BRADEN: I retract my motion.

13 MR. GOODWIN: Okay. Can I retract you from the
14 second?

15 MR. VASQUEZ: I didn't --

16 MR. GOODWIN: Let's get the retraction. Who --
17 I don't remember who seconded it. Did you?

18 MS. RESÉNDIZ: I did.

19 MR. GOODWIN: Will you retract your second?

20 MS. RESÉNDIZ: I retract my second.

21 MR. GOODWIN: Okay.

22 MS. HOLLOWAY: And --

23 MR. GOODWIN: David, you had a comment you
24 wanted to make?

25 MR. CERVANTES: Yeah. Just -- Paul, just to

1 add to your thought, I guess, part of the consideration
2 was also the nature of the site and being in the
3 feasibility component of the entire application process.

4 So in addition to weighing, you know, the
5 materiality aspect perhaps, I think there was self-
6 admission of it not being in the original application
7 packet and then the nature of it being, you know, up at
8 the top of the level in terms of feasibility and its
9 available in the packet -- I guess was the other thing was
10 playing into it, you know; the level of -- whether this
11 was an administrative deficiency or not --

12 MR. VASQUEZ: Again, let me also clarify.
13 The -- it was not signed? It was included but not signed,
14 or just not included at all?

15 MS. HOLLOWAY: Not included at all. It was in
16 the Excel version of the application, but it was not the
17 PDF version of the application.

18 MR. VASQUEZ: Okay. But the Excel version --

19 MS. HOLLOWAY: Did not match the PDF that was
20 ultimately submitted to us on appeal.

21 MR. VASQUEZ: -- but the Excel version was
22 initially originally submitted, albeit unsigned?

23 MS. HOLLOWAY: Yes, yes. So applications come
24 in to us as Excel workbooks. So just a regular, live --

25 MR. VASQUEZ: Uh-huh.

1 MS. HOLLOWAY: -- Excel workbook, and then that
2 workbook is PDF'd and documents are -- the supporting
3 documents are inserted into it.

4 MR. VASQUEZ: Okay. When did the Harper
5 Capital letter get submitted? Is that in the original
6 package?

7 MS. HOLLOWAY: No. There was a Harper letter
8 in the original package as a lender letter.

9 MR. VASQUEZ: And did it reference the --

10 MS. HOLLOWAY: It --

11 MR. VASQUEZ: -- the figures in the
12 spreadsheet?

13 MS. HOLLOWAY: It doesn't -- the lender letter
14 does not get to that level of detail. It does reference a
15 pro forma. It says, "We have received and reviewed
16 Borrower's 15-year rental housing operated pro forma for
17 the above-captioned project." The --

18 MR. VASQUEZ: The --

19 MS. HOLLOWAY: -- pro forma.

20 MR. VASQUEZ: -- section above that, all the
21 loan-to-cost ratio, effective gross annual income, total
22 expenses, those numbers don't come from the pro forma?

23 MS. HOLLOWAY: They come from the pro forma.
24 They are not on the lender's letter.

25 MR. VASQUEZ: But see right above the text that

1 you --

2 MS. HOLLOWAY: Oh, I see.

3 MR. VASQUEZ: -- were just reading --

4 MS. HOLLOWAY: Yeah. Okay.

5 MR. VASQUEZ: -- the top of that page.

6 MS. HOLLOWAY: Yes. All of that information.

7 MR. VASQUEZ: All that information comes from
8 the pro forma?

9 MS. HOLLOWAY: Yes, it does. So going back to
10 this, and this one of those hypertechnical --

11 MR. VASQUEZ: Oh, no, I agree --

12 MS. HOLLOWAY: -- things --

13 MR. VASQUEZ: -- that technically they didn't
14 meet it, but --

15 MS. HOLLOWAY: -- about -- it wasn't in the
16 application, and then when they submitted it to us on
17 appeal, it did not match what was in the application that
18 we had received.

19 MR. VASQUEZ: But the materiality of that not
20 match and the explanation for it is --

21 MS. HOLLOWAY: So I --

22 MR. VASQUEZ: -- logical, and again, I
23 understand you're --

24 MS. HOLLOWAY: -- am not looking at the
25 materiality of --

1 MR. VASQUEZ: Yeah. You're looking at --

2 MS. HOLLOWAY: -- the difference in the
3 numbers.

4 MR. VASQUEZ: -- absolutely the --

5 MS. HOLLOWAY: I'm looking at -- it's
6 different.

7 MR. VASQUEZ: Yeah, yeah. And again, I'm not
8 faulting you and the staff for denying this per the rules
9 that are set. It just -- perhaps the Board has --

10 MS. HOLLOWAY: This is the --

11 MR. VASQUEZ: -- the discretion to say, is it
12 material or not?

13 MS. HOLLOWAY: And that's why Board --

14 MR. VASQUEZ: Yeah.

15 MS. HOLLOWAY: -- appeals --

16 MR. VASQUEZ: Yeah, absolutely.

17 MS. HOLLOWAY: -- absolutely.

18 MR. GOODWIN: Sharon had a question.

19 MS. THOMASON: It wasn't so much a question as
20 an answer maybe to Paul's initial question, but I'm not
21 concerned about materiality. I'm more concerned about the
22 rules and the way things are submitted and that was my
23 comment.

24 MR. GOODWIN: Okay. Any other questions.

25 Marni, did you want to say something else?

1 MS. JACKSON: I think it did get answered. I
2 just wanted to make the comment that the lender letter
3 does refer to the pro forma. It simply was inadvertently
4 not placed in, but it does lay out their lender letter per
5 the requirements, and they could not do that without the
6 pro forma, but they also did reference the pro forma.

7 So again, this was simply inadvertently not
8 placed in, but it was in -- this lender letter was in the
9 application --

10 MR. GOODWIN: Okay.

11 MS. JACKSON: -- at application submission, and
12 the submission was made prior to the application and
13 before we got the letter back.

14 MR. GOODWIN: Okay. So we have a motion -- or
15 a recommendation from staff to deny this appeal, and we
16 have no motion at this stage of the game, so I'm going to
17 entertain a motion from a Board member as to how you'd
18 like to handle this.

19 MR. VASQUEZ: Mr. Chairman, I'd like to make a
20 motion to uphold the appeal of the applicant and allow the
21 scoring to be applied as if they had complied with the
22 proper application rules.

23 MR. GOODWIN: Okay. Your motion is to uphold
24 their appeal, approve their appeal, and to grant them the
25 points, should we --

1 MR. VASQUEZ: Well, as --

2 MR. GOODWIN: -- do that, or should we grant
3 a -- this could be handled through an administrative
4 deficiency? Any suggestion there as to --

5 MR. VASQUEZ: Yeah, what's the proper way to --

6 MR. GOODWIN: -- a Board action?

7 MR. ECCLES: It would be granting the appeal
8 and finding that this matter can be cured through the
9 administrative deficiency process.

10 MR. GOODWIN: Okay.

11 MR. VASQUEZ: That's what my motion is.

12 MR. GOODWIN: Is that what your motion is?

13 MR. VASQUEZ: This --

14 MS. HOLLOWAY: Which would in effect give them
15 no points.

16 MR. GOODWIN: Yeah.

17 MS. HOLLOWAY: So they're appealing a scoring
18 notice that's, you know, in effect it --

19 MR. VASQUEZ: Well, I think it's appealing if
20 this signed pro forma was attached.

21 MR. BRADEN: But they're only appealing --
22 right -- not they're appealing the one point that --

23 MS. HOLLOWAY: No, they are not.

24 MR. BRADEN: Okay. So this would not be giving
25 that one point?

1 MS. HOLLOWAY: It wouldn't.

2 MR. GOODWIN: Yeah. This would be the 18

3 points --

4 MR. VASQUEZ: Plus --

5 MR. GOODWIN: -- and the six points.

6 MR. VASQUEZ: -- the six.

7 MR. GOODWIN: Yeah.

8 MS. HOLLOWAY: And the six points.

9 MR. GOODWIN: Okay.

10 MR. BRADEN: Right.

11 MR. VASQUEZ: Because we charge them for

12 charging us --

13 MR. GOODWIN: Yeah.

14 MR. VASQUEZ: -- for charging them.

15 MR. GOODWIN: So we have a motion. Do we have

16 a second?

17 MR. BRADEN: Second.

18 MR. GOODWIN: Now, any further discussion?

19 (No response.)

20 MR. GOODWIN: If not, we'll entertain a vote.

21 All those in favor, say aye.

22 (A chorus of ayes.)

23 MR. GOODWIN: Opposed?

24 MS. THOMASON: Opposed.

25 MR. GOODWIN: Okay.

1 MS. HOLLOWAY: Thank you.

2 MR. GOODWIN: Opposed. There's one opposed.

3 MR. VASQUEZ: Thank you all.

4 MR. GOODWIN: So now we are moving to Item 8.

5 Brooke?

6 MR. VASQUEZ: Is there a 7(e)?

7 MR. GOODWIN: 7(e) and 7(f) have been pulled.

8 Yeah.

9 MR. VASQUEZ: They told me.

10 MR. GOODWIN: We announced that earlier.

11 MR. VASQUEZ: It will say right here that
12 something that's pulled from the agenda.

13 MR. GOODWIN: Brooke?

14 MS. BOSTON: Good morning. I'm Brooke Boston,
15 our director of programs.

16 Board members, I'm presenting Item 8, which the
17 proposed rulemaking for Chapter 10, Texas Administrative
18 Code, Section 1.24. Currently, that section is entitled,
19 "Protected Health Information," but with this action, we
20 are proposing that the rule be revised and also renamed,
21 "Information Security and Privacy Requirements."

22 This rule was last updated in June 2014. So it
23 was in need of being updated. TDHCA collects and/or
24 generates a variety of personal information that is
25 subject to the protection of almost a dozen state and

1 federal statutes and regulations; therefore, protecting
2 the security and privacy and personal information is a
3 priority of the Department.

4 The basis for the rule is to ensure compliance
5 with those state and federal laws and therefore warranted
6 expanding our rule beyond only protected health
7 information to include other non-health protected
8 information.

9 We also took this opportunity to provide more
10 detailed duties and responsibilities of our contractors
11 who handle that protected information and how we will
12 formalize that. This rule will apply to any person or
13 entity that meets our definition of contractor under this
14 rule, which includes a third party, including but not
15 limited to outside auditors and legal counsel, funding
16 agencies, vendors or subrecipients, including any of their
17 representatives that may gain access to protected
18 information.

19 In this case, the definition of subrecipient is
20 more expansive than in some of our programs and actually
21 expands out into our Tax Credit Program as well. This
22 rule is establishing a new requirement for all
23 contractors. Any contractors with the Department with
24 Department contracts that are active on the day that this
25 rule becomes effective will have 180 calendar days from

1 when it becomes effective to enter into a Department-
2 developed -- what we call an ISPA, or Information Security
3 and Privacy Agreement.

4 Contractors that execute new Department
5 contracts or renewals on or after this rule becomes
6 effective will enter into an ISPA before they're allowed
7 to execute their contract for program funds. To minimize
8 the burden that we were worried could occur for the
9 administrators -- we have a lot of administrators and
10 subrecipients who participate in multiple programs and
11 activities -- they'll only have to enter it once, and
12 we'll keep track of that, so they won't have to reenter
13 for multiple programs or over multiple years.

14 The rule proposed provides for what that ISPA
15 agreement will have to include. Some of the requirements
16 include such things as security measures for devices that
17 connect to Department networks, maintaining an inventory
18 of all IT assets, implementing and maintaining a risk
19 management program, ensuring information is recoverable,
20 adhering to monitor techniques for detecting or putting in
21 and investigating security incidents, conducting criminal
22 background checks on employees with access to the
23 Department's information, and maintaining and following an
24 IT security policy that's been approved by the Department.

25 A few last items of note: The rule also lays

1 out how an event of a breach must be handled and provides
2 for how issues related to the Texas Public Information Act
3 must be addressed as it relates to the data the contractor
4 has.

5 Lastly, the rule provides the ability for the
6 Department to conduct periodic IT general control audits,
7 internet security scans, internal network vulnerability
8 assessments, and contract monitoring audits at reasonable
9 times and with reasonable notice.

10 After approval of the draft today, it will be
11 released for public comment from May 10 to June 10, and it
12 will still come back to the Board again for final
13 adoption. I do have our director -- this rule was
14 primarily written by our deputy counsel, who works on all
15 of these issues and laws, and our IT director.

16 So they're here if there are specific
17 questions.

18 MR. GOODWIN: Okay.

19 MS. BOSTON: Yes.

20 MR. GOODWIN: Do I hear a motion to approve
21 staff's recommendation for Item 8?

22 MR. VASQUEZ: So moved.

23 MR. GOODWIN: So moved. Second?

24 MR. BRADEN: Second.

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

1 Any questions or discussion?

2 (No response.)

3 MR. GOODWIN: Hearing none, take a vote. All
4 those in favor, say aye.

5 (A chorus of ayes.)

6 MR. GOODWIN: Opposed?

7 (No response.)

8 MR. GOODWIN: Okay. Now, we'll take up
9 Item 1(c).

10 MR. DEYOUNG: Good morning again. Michael
11 DeYoung, Community Affairs Division director.

12 Item 1(c) is the possible action on awards for
13 the 2019 CSBG discretionary funds for education and
14 employment services to Native American and migrant
15 seasonal farmworkers.

16 Going back to what I had just previously said,
17 in a prior for CSBG, we save 5 percent for discretionary
18 purposes. We have a couple different things that we do
19 with those funds. This is one of the good fund programs
20 that we have.

21 We have three awards before you. They are to
22 two different populations. First is migrant seasonal
23 farmworkers. We have two entities, one in the El Paso
24 area, Opportunity Center for the Homeless, for -- and
25 they're doing employment and education projects, and as

1 well as we have Family Services Association of San Antonio
2 for employment and education projects serving migrant
3 seasonal farmworkers in San Antonio.

4 Usually, when I talked to you about the
5 programs in the Community Affairs Division, they're
6 limited to the county. So you have an entity, say,
7 Galveston County. They have four counties. That's all
8 they do.

9 And this is one of the few areas where these
10 folks can actually expand outside of their area. Even
11 though they're located in San Antonio and in El Paso,
12 they'll serve a slightly larger area, and they'll reach
13 anywhere where they feel like they can benefit migrant
14 seasonal farmworkers with those programs.

15 And then the last one of the three awards is to
16 the Adult and Youth Development Association, and they're
17 doing an employment and education project serving Native
18 Americans, and they are based in the El Paso area, and
19 again, they will exceed the El Paso County area with their
20 services.

21 Each of these contracts is for \$100,000, and it
22 was applied for through an RFA that you approved last year
23 when we took that Board item, I believe at the end of
24 July. They'll receive a 12-month contract, and the 12-
25 month contract, we hope, will begin on May 1 and go

1 through April 30, 2020, and they will provide services
2 throughout that one-year period.

3 MR. GOODWIN: Good. Do I hear a motion to
4 approve staff's recommendation for Item 1(c)?

5 MR. VASQUEZ: Move to approve.

6 MR. GOODWIN: Second?

7 MS. RESÉNDIZ: Second.

8 MR. BRADEN: Second.

9 MR. GOODWIN: All in -- any discussion,
10 questions?

11 MR. VASQUEZ: And again, it's great that -- you
12 know, the organization that TDHCA is reaching out to all
13 these other areas, so that's fantastic.

14 MR. GOODWIN: Uh-huh.

15 MR. DEYOUNG: Yeah. These awards are a very --
16 they not a huge dollar, but they're very important
17 populations that we serve, and historically we've then
18 flowed -- and you know, what might be two years in
19 Native -- or two awards in Native American.

20 This year, it's two awards to migrant seasonal
21 farmworkers, but it's a --

22 MR. GOODWIN: Good.

23 MR. DEYOUNG: -- good thing.

24 MR. GOODWIN: Okay.

25 MR. VASQUEZ: Yeah. Thanks.

1 MR. DEYOUNG: Thank you.

2 MR. VASQUEZ: Shall we vote?

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

4 (A chorus of ayes.)

5 MR. GOODWIN: Opposed?

6 (No response.)

7 MR. GOODWIN: Okay. Item 1(i).

8 MS. HOLLOWAY: Item 1(i) is "presentation,
9 discussion, and possible action regarding an update to the
10 State of Texas 2008 Action Plan Substantial Amendment for
11 the Neighborhood Stabilization Program."

12 The Department received more than \$101 million
13 as an initial allocation of Neighborhood Stabilization
14 Program funds from HUD, after submission of a Substantial
15 Amendment to the State of Texas 2008 Action Plan.

16 The Substantial Amendment was intended to
17 address the potential applicants that may use NSP funds.
18 The Department has been contacted by potential applicants
19 that would like to use NSP program income. So this is
20 income we're receiving from that initial award.

21 But the HOME regulatory requirements that we
22 originally adopted for rental developments are not able to
23 be easily combined with other fund sources, such as
24 historic tax credits or HUD COC leasing. This proposed
25 change would allow certain actions that are required by

1 the HOME regulations to be undertaken by the owner to be
2 undertaken by what would be a master tenant.

3 So we have the owner of the property. We have
4 a master tenant, and that master tenant has taken on some
5 of these owners' responsibilities dealing with the actual
6 residential tenants. So what this Substantial Amendment
7 does is basically carve out the parts of the HOME
8 regulations that cause this issue, so that we are able to
9 move forward with a couple of transactions.

10 This may lead to us having a tripartite
11 contract with the master tenant and the owner of the
12 property in addition to the LURA agreement. As described
13 in your Board book, the update to the Substantial
14 Amendment will be posted on the Department's website from
15 April 29 to May 13, 2019 in order to gather public
16 comment.

17 If there is no comment that leads to a change
18 to the Substantial Amendment, it will be submitted to HUD
19 and the changes will be implemented on HUD's acceptance.
20 If there are any changes, then we would be coming back to
21 you in order to discuss those changes.

22 MR. GOODWIN: Okay. And your recommendation is
23 to move this forward?

24 MS. HOLLOWAY: Yes. Our recommendation --

25 MR. GOODWIN: Okay.

1 MS. HOLLOWAY: -- yes.

2 MR. GOODWIN: Okay.

3 MS. HOLLOWAY: And this is a report item, so it
4 can --

5 MR. GOODWIN: Okay. Do I hear a motion to
6 approve this report item?

7 MS. THOMASON: So moved.

8 MR. GOODWIN: Second?

9 MS. RESÉNDIZ: Second.

10 MR. GOODWIN: Any discussion?

11 (No response.)

12 MR. GOODWIN: Hearing none, all those in favor,
13 say aye?

14 (A chorus of ayes.)

15 MR. GOODWIN: Opposed?

16 (No response.)

17 MR. GOODWIN: Okay. And our last action item I
18 have is Item 2(f).

19 MS. HOLLOWAY: This is a report on deadlines
20 after the -- after a force majeure action. The Department
21 has granted force majeure relief to several developments
22 impacted by unforeseen events described in that force
23 majeure rule.

24 In this action, the owner returns their
25 original allocation of tax credits, and the Department

1 immediately issues a new carryover agreement under the
2 current tax credit allocation year.

3 Because a new allocation is made from a new
4 allocation year, the placed-in-service deadline for the
5 new credits is de facto the federal deadline for placement
6 in service for that new allocation year.

7 Board action requests in the past may have
8 language in them that describe a shorter placed-in-service
9 deadline. This generally -- generally, that timeline is
10 something that the owner described in their request to us
11 for force majeure: I'd like -- I need force majeure
12 relief. I think I can be done in six months, that kind of
13 thing.

14 Our current force majeure rule does not address
15 a discrepancy between the federal placed-in-service
16 deadline and an earlier deadline, or any penalty for
17 exceeding that earlier deadline.

18 It's not the intent of the Department to create
19 an unenforceable deadline that is shorter than the federal
20 deadline without authority under our rules. To the extent
21 that any prior force majeure approves for the -- or
22 described in the earlier deadline for placement in service
23 than the federally-permissible deadline, staff wants to
24 relay to you that, in the event those deadlines are not
25 met, the development will still be considered to meet

1 requirements, so long as they meet that federal deadline.

2 Future rules for guiding force majeure may
3 include a penalty for exceeding their proposed shorter
4 deadline that -- and that we of course would put in the
5 rule and take back for comment.

6 MR. GOODWIN: Okay.

7 MS. HOLLOWAY: I'd be happy to take any
8 questions.

9 MR. GOODWIN: Do I hear a motion to approve
10 staff's report?

11 MS. RESÉNDIZ: A motion to approve.

12 MR. GOODWIN: Second?

13 MR. BRADEN: Second.

14 MR. GOODWIN: Moved and seconded. Any
15 discussion or questions?

16 (No response.)

17 MR. GOODWIN: Hearing none, all those in favor,
18 say aye?

19 (A chorus of ayes.)

20 MR. GOODWIN: Opposed?

21 (No response.)

22 MR. GOODWIN: Okay. I think that completes our
23 action item agenda, and we're at a spot where we take
24 public comments on matters other than items of which were
25 posted in this agenda item that may set an agenda for the

1 future.

2 Anybody have a comment?

3 (No response.)

4 MR. GOODWIN: This is us being transparent and
5 open. Any Board members have anything they would like to
6 say before I call for a motion to adjourn?

7 (No response.)

8 MR. GOODWIN: No? I'll entertain a motion to
9 adjourn.

10 MR. BRADEN: So moved.

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

13 (A chorus of ayes.)

14 MR. GOODWIN: We are adjourned. See you next
15 month.

16 (Whereupon, at 10:48 a.m., the meeting of the
17 Governing Board of the TDHCA was adjourned.)

C E R T I F I C A T E

1
2
3 MEETING OF: TDHCA Board
4 LOCATION: Austin, Texas
5 DATE: April 25, 2019

6 I do hereby certify that the foregoing pages,
7 numbers 1 through 132, inclusive, are the true, accurate,
8 and complete transcript prepared from the verbal recording
9 made by electronic recording by Elizabeth Stoddard before
10 the Texas Department of Housing and Community Affairs.

11 DATE: May 1, 2019
12
13
14
15
16

17 _____
(Transcriber)

18
19 On the Record Reporting &
20 Transcription, Inc.
21 7703 N. Lamar Blvd., Ste 515
22 Austin, Texas 78752
23
24