TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOVERNING BOARD MEETING

Texas Capitol Extension
Room E2.030
1100 Congress Avenue
Austin, Texas

February 27, 2020
9:00 a.m.

MEMBERS:

LESLIE BINGHAM, Vice Chair
PAUL A. BRADEN, Member
SHARON THOMASON, Member
LEO VASQUEZ, Member

BOBBY WILKINSON, Executive Director
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## CONSENT AGENDA

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

#### ASSET MANAGEMENT

**a)** Presentation, discussion, and possible action regarding a Material Amendment to the Housing Tax Credit Application

- 03134 Cien Palmas El Paso
- 16422 Pathways at Shadowbend Ridge Austin
- 17736/19707 Providence at Ted Trout Drive Hudson
- 19133 Alazan Lofts San Antonio

**b)** Presentation, discussion, and possible action regarding a Material Amendment to the Housing Tax Credit Application and Land Use Restriction Agreement

- 00010 El Patrimonio Apartments McAllen
- 01031 La Estancia Apartments Weslaco
- 10035 HomeWood at Zion Houston

**c)** Presentation, discussion, and possible action regarding a Material Amendment to the Housing Tax Credit Land Use Restriction Agreement

- 00056 The Woodlands of Beaumont Beaumont
- 03134 Cien Palmas El Paso

#### COMMUNITY AFFAIRS

**d)** Presentation, discussion, and possible action on approval of the draft 2020 Department of Energy Weatherization Assistance Program state plan for public comment

#### FINANCIAL ADMINISTRATION

**e)** Presentation, discussion, and possible action to adopt a resolution regarding designating
signature authority and superseding previous resolutions

LEGAL
f) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Plainview II Triplex (HOME 532315 / CMTS 2658)

g) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Southeast Texas CDC (HOME 537606 / CMTS 2660)

h) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Maryland I (HTC 91122 / CMTS 990)

RULES
i) Presentation, discussion, and possible action on the adoption of the 2020 State of Texas Low Income Housing Plan and Annual Report, and an order adopting the repeal and new 10 TAC §1.23 concerning State of Texas Low Income Housing Plan and Annual Report, and directing their submission to the Texas Register

SINGLE FAMILY AND HOMELESS PROGRAMS
j) Presentation, discussion, and possible action on awards for the 2019 HOME Investment Partnerships Program Single Family Development Open Cycle Notice of Funding Availability

BOND FINANCE
k) Presentation, discussion, and possible action on Resolution No. 20-011 authorizing the filing of one or more applications for reservation with the Texas Bond Review Board with respect to qualified mortgage bonds, authorizing state debt application, and containing other provisions relating to the subject

MULTIFAMILY FINANCE
l) Presentation, discussion, and possible action regarding the issuance of Determination Notices for 4% Housing Tax Credit Applications 20407 New Hope Housing Avenue J Houston

m) Presentation, discussion, and possible action regarding the re-issuance of the Determination Notice for Scharbauer Flats (#20448)
CONSENT AGENDA REPORT ITEMS

ITEM 2:  THE BOARD ACCEPTS THE FOLLOWING REPORTS:

a) Outreach and Activities Report (Jan-Feb)

b) Report on the Department=s 1st Quarter Investment Report in accordance with the Public Funds Investment Act

c) Report on the Department=s 1st Quarter Investment Report relating to funds held under Bond Trust Indentures

d) Report on an Amendment relating to Application 19239 Talavera Lofts

ACTION ITEMS

ITEM 3:  TEXAS HOMEOWNERSHIP Housing Finance Activity Report

ITEM 4:  ASSET MANAGEMENT

Presentation, discussion, and possible action regarding approval of a Multifamily Direct Loan assumption

1001800 The Lakeshore Apartments Homes Lake Dallas

ITEM 5:  MULTIFAMILY FINANCE

a) Presentation, discussion, and possible action regarding a waiver of 10 TAC §11.204(15) regarding the requirements for a Feasibility Report for proposed Rehabilitation Development Applications

b) Presentation, discussion, and possible action on penalties for failure to meet deadlines under 10 TAC 11.9(c)(8) Readiness to Proceed

19070 South Rice Apartments Houston 25
19074 900 Winston Houston 25
19077 Telephone Road Elderly Houston 29
19085 Gala at McGregor Houston 25
19242 The Tramonti Houston 39
19245 Huntington Chimney Rock Houston 39
19296 McKee City Living Houston 25

c) Presentation, discussion, and possible action on the First Amendment to the 2020-1 Multifamily Direct Loan Notice of Funding Availability

d) Presentation, discussion, and possible action regarding the cancellation of the 2020-2 Multifamily Direct Loan Special Purpose Notice
of Funding Availability and approval of the 2020-2B Multifamily Direct Loan Special Purpose Notice of Funding Availability

e) Presentation, discussion, and possible action regarding the approval for publication in the Texas Register of the 2020-4 Multifamily Direct Loan Special Purpose Notice of Funding Availability (NOFA)

ITEM 6: RULES
Presentation, discussion, and possible action on the proposed repeal and proposed new 10 TAC Chapter 7, Subchapter A, General Policies and Procedures, and Subchapter B, Homeless Housing and Services Program; 10 TAC §7.31, §7.34, §7.36, §§7.41-44, Emergency Solutions Grants; and 10 TAC §7.62 and §7.65, Ending Homelessness Fund, and directing publication for public comment in the Texas Register

ITEM 7: BOND FINANCE
Presentation, discussion, and possible action on Inducement Resolution No. 20-010 for Multifamily Housing Revenue Bonds Regarding Authorization for Filing Applications for Private Activity Bond Authority
20602 Vermillion Apartments Houston
20604 The Walzem San Antonio ETJ

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

EXECUTIVE SESSION

OPEN SESSION

ADJOURN

none

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PROCEEDINGS

MS. BINGHAM: Good morning. Welcome to the February meeting of the Texas Department of Housing and Community Affairs.

We were all going to come to the Valley last week, but that didn't quite work out, but nice to see you this morning.

Shall we get started with the pledge?

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

MS. BINGHAM: So I didn't do roll call, so I'll do roll call quickly.

Mr. Braden?

MR. BRADEN: Here.

MS. BINGHAM: Ms. Thomason?

MS. THOMASON: Here.

MS. BINGHAM: Mr. Vasquez?

MR. VASQUEZ: Here on time.

MS. BINGHAM: I'm here.

Yes, right under the wire. So we do have quorum.

And, Michael, do you have the resolution to read? Good morning.

MR. LYTTLE: I do, Madam Chair.

This is a resolution for the Board's approval.
It reads as follows:

"Whereas, the Owner-Builder Loan Program commonly known as the Texas Bootstrap Loan Program was established by Senate Bill 1287, authored by Senator Eddie Lucio, Jr., during the 76th Legislative Session in 1999;

"Whereas, the Texas Bootstrap Loan Program is funded through the state’s Housing Trust Fund and appropriated biennially by the Texas Legislature;

"Whereas, the Texas Department of Housing and Community Affairs (TDHCA) administers the Texas Bootstrap Loan Program, and operates with a network of state-certified owner-builder housing nonprofits and local governments;

"Whereas, the Texas Bootstrap Loan Program is one of the state’s most successful, cost effective programs helping very low-income residents achieve homeownership, and has become a national model for self-help affordable housing initiatives;

"Whereas, in the last 20 years, the Texas Bootstrap Loan Program has awarded more than $61 million in Bootstrap home loans to help more than 1,800 Texas households improve upon or rebuild their existing homes through Asweat equity; and;

"Whereas, on February 20, 2020, TDHCA celebrated the 20th anniversary of the Texas Bootstrap
Loan Program and expressed its gratitude to Senator Lucio
for his leadership and support of the program, and thanked
all administrators both past and present who have helped
participating households achieve the American Dream of
homeownership;

"Now, therefore, it is hereby resolved, that the
Governing Board of the Texas Department of Housing and
Community Affairs does hereby mark February 20, 2020, as a
celebration of the Texas Bootstrap Loan Program in Texas
and recognizes the positive effects the program has made on
the State of Texas and its residents."

And it's signed this 27th Day of February 2020.

MS. BINGHAM: So we had a recognition
celebration while a couple of us were in the Valley last
week, and it was powerful, it was a great celebration, got
to meet a couple of the families, recognize some of the
partner organizations. It was nice to be there.

MR. WILKINSON: It was at the Habitat for
Humanity in Harlingen, and Chairman Lucio and Vice Chair
Bingham spoke, and it was a good event all around.

MS. BINGHAM: Thanks very much.

Do we need action on the resolution?

MR. WILKINSON: Sure.

MS. BINGHAM: I'll entertain a motion to so
resolve.
MR. BRADEN: I'll make a motion to approve.

MS. BINGHAM: Second?

MS. THOMASON: Second.

MS. BINGHAM: Mr. Braden motions, Ms. Thomason seconds.

All those in favor aye.

(A chorus of ayes.)

MS. BINGHAM: Motion carries. Thank you very much.

All right. Consent agenda. Everybody has had a chance to review the consent agenda. Anybody need any items pulled, tabled?

(No response.)

MS. BINGHAM: If not, I'll entertain a motion.

MS. THOMASON: Move to approve.

MS. BINGHAM: There's a motion from Ms. Thomason.

MR. BRADEN: Second.

MS. BINGHAM: Second Mr. Braden.

All those in favor aye.

(A chorus of ayes.)

MS. BINGHAM: Motion carries. Great.

Action items. We're going to hear from Cathy.

MS. GUTIERREZ: I'm always so anxious to get up here and report on our activities. It was great to see you.
last week, Leslie.

MS. BINGHAM: Great to see you too.

MS. GUTIERREZ: Cathy Gutierrez, the director of Home Ownership, and I'm here to present to you on item 3, the housing finance activity report.

2019 was another record year for TDHCA and for homebuyers throughout the State of Texas, so if you could take a minute to walk with me through the Housing Finance section of the Board book.

To the left you will see that we served 10,177 Texas households through our Texas Home Ownership programs. This was a 30 percent increase from 2018. The next section speaks to the total number of homes for which TDHCA provided the financing, 9,976. This is a 68 percent increase from 2018. Our first mortgage loan volume came in at $1.6 billion. This is an 80 percent increase from 2018 numbers of $905 million.

Please note that included in this figure is the issuance of two very successful tax exempt mortgage revenue bond programs totaling $331.6 million, representing 21 percent of our overall volume.

The next item to discuss our mortgage credit certificates issued, 2,965. This is a 32 percent decrease from 2018 volume of 4,349 certificates issued. The reason for the decrease has to do with private activity bond cap
which is necessary for the issuance of mortgage credit certificates.

Volume cap is vital to the sustainability of our operations. In 2019 a shortage of bond cap caused us to suspend the stand-alone MCC option, hence the decline in issuance. Since inception, the MCC program has proven worthy in making homeownership a reality across this great state of ours. TDHCA has issued over 23,000 MCCs to Texas homebuyers.

To the top right of our activity you will find a graph that speaks to the income of those we serve. You will find that the average income for TDHCA borrowers is $58,400 and that 71 percent of our borrowers are at or below 80 percent of the area median family income. It is important to note that this is combined family income, so income for both the husband, the wife, and anyone with ownership interest in the property is included in that figure.

Next we have the loan distribution amount that speaks to the size of loans being issued. The majority of loan volume is going to home purchases between $125,000 and $225,000, with an average loan amount statewide of $177,000.

Please refer to the Texas map in your Board book to examine loan performance by county. We also welcome any
requests from the Board regarding more intimate loan
details.

Last but certainly the most exciting part of our
presentation is the economic impact we are having in our
state. The National Home Builders Association developed a
formula that allows us to calculate the approximate impact
new construction homes have on the local economy the year
they are built.

Based on 38 percent of our 2019 loan volume
being new construction loans, we estimate that our team's
efforts have generated over $1 billion in local wages,
contributed over $144.5 million in tax revenue, and 12,422
jobs were created, and that is just with respect to the new
construction portion of our loan program.

So what happens next? 2020 looks bright and
exciting. We are buys automating, simplifying processes
and developing a marketing strategy that we feel will put
us in the strongest position we have ever been.

We are enhancing outreach efforts to homebuyers,
lenders, Realtors, housing counselors, and other potential
partners throughout the affordable housing industry. We
will be reporting on progress as we move forward to
penetrate more deeply into the underserved markets in the
state and to assist as many homebuyers as possible with the
purchase of a home.
In closing, I have to take the opportunity to give a shout out to our Home Ownership and Bond Finance team. Some of them are here with us today, unexpected, we caught them off guard but wanted to make sure they came if they could.

We've got Monica Galuski, our Bond Finance director, chief investment officer. We call her our fierce leader and financial genius. She is really one of the reasons behind the affordability that comes with these programs and why we have even so much increase in activity.

Also with us today from our Bond Finance team and our Home Ownership team: John Tomme, a senior financial analyst; Michelle Straley, senior financial analyst; Eric Soriano, our Texas Home Ownership finance consultant.

Not with us today we've got: Lisa Johnson, our Texas Home Ownership specialist; Heather Hodnett, our single family program manager; and Fernando Guajardo is our business development officer.

Commitment, dedication, their passion and vision, I mean, we sit there and we strategize on how we can best serve our partners, the state, the consumer, and it's really an exciting time for me to be a part of that team. We have this attitude on our floor of go big or go home. You know, we work really hard. In fact, walking
over here we ran into a gentleman and he made a comment to Monica and Michelle: Didn't I see you guys sleeping on the street?

I was like where did you guys sleep on the street, what's this all about? And they were there trying to make sure that they got their application in for bond cap. You know, those are the things that we do to make sure that we've got everything that we need to provide these types of programs to Texas households.

$1.6 billion, 10,000-plus households in just 2019, that's exciting. And again, I said this last time I was up here, we are not slowing down, we hope to continue to grow the program even more.

Thank you for the opportunity to present this information. If you have any other question, I would love to answer those.

MS. BINGHAM: I think we should ask the dedicated, visionary, loyal team to stand up so that we can recognize them.

MS. GUTIERREZ: Yes, I agree.

MS. BINGHAM: All right. Stand up.

(Applause.)

MS. BINGHAM: Thank you, guys. Thanks, Cathy.

And the thing that you didn't mention that we're all aware of is that your team helps make us the role model
for the rest of the country too.

MS. GUTIERREZ: That's right.

MS. BINGHAM: So all of the innovative, passionate things that you all work for, there are people all around the country that are watching those too.

MS. GUTIERREZ: Exactly.

MS. BINGHAM: Thank you. Thanks very much. No other questions?

(No response.)

MS. BINGHAM: No action. Thank you.

Item number 4, Asset Management, presentation, discussion, possible action regarding the approval of a multifamily direct loan assumption. And you're not Homer.

(General laughter.)

MR. BANUELOS: I am not.

MR. BANUELOS: Good morning. I'm Rosalio Banuelos, director of Asset Management.

MS. BINGHAM: Good morning.

MR. BANUELOS: Item 4 is presentation, discussion and possible action regarding approval of a multifamily direct loan assumption for the Lakeshore Apartment Homes, that's HOME 1001800, located at Lake Dallas in Denton County.

The Department committed funds to the Lakeshore Apartment Homes, formerly known as Champion Homes on the
Lake, in the form of a $3 million multifamily direct loan, or MFDL, from the HOME Community Housing Development Organization, CHDO, set-aside, to construct 100 multifamily units of which 28 are income and rent restricted under the HOME program.

The development is currently owned by Chicory Court Lake Dallas LP and its general partner is an entity solely owned by Housing Services Incorporated, which was certified by the Department as a CHDO. The Department's loan is subordinate to a HUD-insured loan that had a balance of $13,135,160 as of December 2019.

The HOME loan is structured to be repaid out of annual surplus cash, has a zero percent interest rate, a 40-year amortization period and a 40-year term. The first loan payment was due on December 1, 2016, and the loan matures on December 2055. The Department's loan currently has a balance of $2,901,000.

In January 2020, the Department was informed of an agreement for the transfer of the development to a proposed new owner, Chicory Lake Dallas LP. In the proposed ownership structure, several limited partners will be added, but the current CHDO entity will remain as the sole owner of the proposed general partner.

Therefore, the transfer is considered an exception to the ownership transfer process under the
rules; however, a review of the initial draft of the proposed owner's limited partnership agreement and the proposed general partner's company agreement determined that these documents must be revised in order to meet the CHDO set-aside requirements specified in the LURA, and this must be resolved before the transfer is done and the loan assumption takes place.

The purchase price of the property is $20 million which is proposed to be funded with approximately $4 million from the buyer, and by assuming the current first lien debt and the multifamily direct loan from the Department.

According to the buyer, the ownership transfer is dependent on the assumption of the HOME loan given that without this assumption the buyer would need to raise additional equity or acquire additional debt, which would make the transaction infeasible for them.

The buyer stated that with the Department's loan in place the HOME restricted rents can be justified due to the reduction in interest and it will ensure that the funds are available for maintenance, repairs and interior unit upgrades.

However, the transaction will result in an estimated $4 million gross gain to the seller, and even though the sale proceeds are anticipated to exceed the
outstanding balance of the HOME loan, the seller does not propose a repayment of this loan. For that reason, the loan assumption cannot be approved administratively by the executive director.

However, because the transaction does not propose adding additional debt or changing the terms of the Department's loan, it does not negatively affect the development's financial feasibility.

Therefore, staff recommends approval of the proposed owner's assumption of the HOME loan in order to proceed with the proposed ownership transfer, but staff also recommends that the approval be conditioned upon the acceptance by the Department's Legal Division of a limited partnership agreement and general partner's company agreement that demonstrate that the proposed owner will meet the CHDO requirements as defined in the HOME LURA.

That’s all I have and I'm available for any questions.

MS. BINGHAM: Does everybody understand? Any question?

MR. BRADEN: Through the chair.

So I understand what you're saying that the debt should be the same and it will be strong in the reinvesting, but do we look at the new owner to see if they're at least as creditworthy as the existing owner?
MR. BANUELOS: In this case, because they're bringing in investors mainly and the general partner is not changing, we don't view the financial capacity of the limited partners because they are not in a controlling role.

MR. BRADEN: So it's the same control, it's just new investors should have more capital.

MR. BANUELOS: It's a new limited partnership owner with a new general partner that is owned by the nonprofit that is currently in place.

MS. BINGHAM: Any other questions?

(No response.)

MS. BINGHAM: Mr. Fisher, did you want to speak?

MR. FISHER: (Speaking from audience.) Only if you have questions.

MS. BINGHAM: So that's a slightly complicated recommendation, but we'll entertain a motion for either staff's recommendation or some other recommendation.

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

MS. BINGHAM: Okay. I have a motion from Mr. Braden.

MR. VASQUEZ: Second.

MS. BINGHAM: Second from Mr. Vasquez.

Any other questions?
(No response.)

MS. BINGHAM: All those in favor aye.

(A chorus of ayes.)

MS. BINGHAM: Opposed?

(No response.)

MS. BINGHAM: Motion carries. Thank you very much.

And just housekeeping, could you guys hear okay?

Okay, very good.

And then I didn't do housekeeping too, for anybody that signed up to speak, if you're speaking on an agenda item, then as that agenda item nears we usually use these two front rows here, so as your item starts to get close, you can go into those front two rows.

If you signed up to speak but not on an item that's currently on the agenda, we'll have time at the end of the meeting for public comment on possible future agenda items.

Item number 5.

MS. HOLLOWAY: Good morning.

MS. BINGHAM: Good morning.

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

Item 5(a) is presentation, discussion and possible action regarding a waiver of 10 TAC 11.204(15)
regarding the requirements for a feasibility report for proposed rehabilitation development applications.

The 2019 QAP required a feasibility report for new construction, reconstruction or adaptive reuse applications. For the 2020 QAP, the description of types of developments was deleted which made the feasibility report a requirement for rehab apps.

Potential applicants have contacted the Department with concerns that certain provisions are overly burdensome because they are not typically required at the early stages of a rehab development. They do not feel that the staff's summary of the QAP during presentations to the Rules Committee and Board clearly disclosed this change, that this change would have the effect of creating a new requirement for rehabs. Because they were not aware of the change, they did not make comment in opposition.

These applicants have requested a waiver of the provisions they would have commented on. If public comment had been timely received, staff would have modified the rule to mitigate the specific burdens created by the changed requirements.

It's important to note that applications seeking direct loan funds will continue to have federal property standard requirements regardless of any waiver of our rule.

We will work with the development community to
identify language for the 2021 QAP that allows staff to garner documentation for complete review of a proposed rehab while not creating an undue burden on the applicant. Staff recommends waiving 10 TAC 11.204(15) relating to feasibility reports for each submitted 2020 rehabilitation application.

I'd be happy to take any questions.

MS. BINGHAM: Great. Thank you.

Any questions, Mr. Vasquez?

MR. VASQUEZ: So Marni, I'm trying to remember back through all this busy time when we were doing this. We did not discuss -- this is related to rehab?

MS. HOLLOWAY: Correct.

MR. VASQUEZ: There was something big that we did talk about related to rehabs. It wasn't this?

MS. HOLLOWAY: No. For this particular item, and in my presentation to the Rules Committee and to the Board I mentioned that there were changes to the feasibility report requirements, I did not say rehabs will now have to meet this requirement.

MR. VASQUEZ: Okay.

MR. BRADEN: Because it wasn't intended. This is an unintended consequence of a rule change.

MS. HOLLOWAY: It was intended but we didn't do it surgically. So the feasibility report requires a
current survey and a site plan created by a civil engineer.

   Early on in a rehab deal those typically aren't
done. There are other parts of the feasibility report that
talk about code and zoning and other things that we hope
that applicants are examining prior to giving us an
application.

   Those are the things that we would have liked to
have for rehab developments and hopefully for next year
we'll be able to figure out a way to sort of split that
apart so that we're not creating a burden for the rehab
apps but we're getting this other information that we'd
like to have in order to make sure that they're feasible.

   MS. BINGHAM: Any other questions?

   (No response.)

   MS. BINGHAM: I'll entertain a motion on the
item.

   MR. VASQUEZ: I move to approve staff's
recommendation.

   MS. BINGHAM: Motion from Mr. Vasquez.

   Second?

   MS. THOMASON: Second.

   MS. BINGHAM: Second from Ms. Thomason.

   Any other questions?

   (No response.)

   MR. BRADEN: I think this is more a comment, I'm
going to vote for it too, but it seems like, on reflection, it seems like this is the second thing that we've sort of fixed by waiver, and maybe I'm wrong, maybe it was last month we talked about the same thing, but I assume we're keeping a list in terms of making corrections.

MS. HOLLOWAY: Absolutely. And I think Bobby mentioned this at last month's meeting.

MR. BRADEN: That's what it was.

MS. HOLLOWAY: I was off in D.C.

MS. BINGHAM: It was a topic then.

So all those in favor aye.

(A chorus of ayes.)

MS. BINGHAM: Opposed?

(No response.)

MS. BINGHAM: Motion carries.

Thank you, Marni. And no comment.

So item 5(b), we have a number of applications here that we're going to talk about and you want to kind of do them in an order that make sense.

MS. HOLLOWAY: Certainly. With the vice chair's approval, because four of the applications we are discussing today have the same circumstance and staff recommendation and two more applications are similarly linked, I'd like to take these out of order and in groups.

MS. BINGHAM: Thank you.
MS. HOLLOWAY: This item is presentation, discussion and possible action on penalties for failure to meet deadlines under 10 TAC 11.9(c)(8). This is the readiness to proceed scoring item.

The first group of applications I'd like to discuss are 19070 South Rice Apartments, 19074 900 Winston, 19085 Gala at McGregor, and 19296 McKee City Living. These are all 2019 9 percent awards that received points for readiness to proceed.

You'll recall that this is a five-point scoring item for applications in counties that have received an individual assistance disaster declaration from the federal government. The scoring item requires that the developments close all financing and full execute a construction contract on or before the last business day of November 2019.

Failure to meet the requirement to close may result in penalty if the Board decides that an applicant or affiliate should be ineligible to compete in the 2020 application round or that it should be assigned a penalty deduction.

These applicants were all awarded funds by the City of Houston. The city has informed us that because of delays on their part, largely due to the federally required environmental clearance for CDBG DR funds -- so that's
their disaster funds -- the developments would fail to meet
the deadline that's required in rule.

The rule does not require that staff recommend
ineligibility or penalty to the Board but in this case, due
to the failure on the part of the city to close financing
being something the developments could not have anticipated
or prevented, staff recommends that no penalty or
ineligibility be imposed on the four applications I listed
earlier.

I'll be happy to take any questions.

MS. BINGHAM: What questions do you have?

MR. VASQUEZ: Are there any representatives from
the City of Houston here to explain their poor
administrative process?

(No response.)

MR. VASQUEZ: I'll get after them later.

Again, this is just, my understanding, a very
timing-wise and having different delays, and it takes 60
days or something or there's some time period that they had
to wait on one part of it before they could even -- it's
really out of their hands given that schedule.

MS. HOLLOWAY: The federal environmental
clearance requires a publication and comment period prior
to the rights being received, and I think that the city's
application and approval timing didn't necessarily mesh
well with ours. Hopefully we will have taken care of those
issues for this year.

  MR. WILKINSON: The city did send a letter.
  
  It's in the Board book. Combining CDBG DR with tax credits
tends to complicate things.
  
  MS. HOLLOWAY: Quite a bit. We're getting good
at it, though.
  
  MR. WILKINSON: But is it necessary?
  
  (General laughter.)
  
  MS. BINGHAM: And the staff take this seriously.

In other words, this is a prospective crediting of five
points on a promise.

  MS. HOLLOWAY: Correct.
  
  MS. BINGHAM: And so I appreciate the staff's
thoughtfulness in this, because those five points made some
applications possibly winners.

  MS. HOLLOWAY: Absolutely.
  
  MS. BINGHAM: And so the staff can recommend and
the Board can then make decisions for future consideration
that could include point penalties or up to debarment.

  MS. HOLLOWAY: Or ineligibility.
  
  MS. BINGHAM: Ineligibility for the 2020 round, which
pre-applications are due tomorrow.

  MS. BINGHAM: Correct. So we're talking right
now South Rice, 900 Winston, Gala at McGregor, and McKee.
Staff's recommendation is no penalty or other action due to the City of Houston's obstacles.

MS. HOLLOWAY: Correct.

MS. BINGHAM: So shall we taken them? Then we'll take them like that for action.

So any motion for those four properties, applications just named regarding staff's recommendation?

MR. VASQUEZ: Madam Vice Chair, given the specifics of this situation, I move that we approve staff's recommendation.

MR. BRADEN: Second.

MS. BINGHAM: So Mr. Vasquez moves and Mr. Braden seconds staff's recommendation.

Any further discussion?

(No response.)

MS. BINGHAM: All those in favor aye.

(A chorus of ayes.)

MS. BINGHAM: Opposed?

(No response.)

MS. BINGHAM: Motion carries on those four.

Thank you.

MS. HOLLOWAY: The next application that we'll take up is 19077, this is Telephone Road Elderly Development.

This application was awarded readiness to
proceed points which require that they close by the last
business day in November, and the applicant failed to meet
this deadline.

Their closing was delayed due to the quality of
bids received in their federally required procurement
process. This is a public housing authority. They believe
that several qualified bidders were not able to submit bids
due to Tropical Storm Imelda making landfall immediately
before the bid submission deadline in September. The
applicant points out that because the at-risk set-aside was
undersubscribed in 2019, they would have received an award
without the five points for readiness to proceed.

On January 31, 2020, staff notified the
applicant that the matter would be presented for final
determination of future ineligibility or point deductions
by the Board at this meeting.

Staff does not have a recommendation.

MR. VASQUEZ: Are they accurate in that due to
the undersubscription, the five points wouldn't have
mattered anyway?

MS. HOLLOWAY: That is correct.

MR. VASQUEZ: So maybe this is a question for
our esteemed legal counsel. Would it help us maintain
precedent by removing their five points on this one and
saying just because they didn't make the rule but it
doesn't make a difference in the end?

MS. HOLLOWAY: If we started to say you don't get your five points from the previous round, then we'd potentially wind up in a situation where we're taking away an award and trying to give it to someone else.

MR. ECCLES: Actually, let me just interject. The rule does not provide the ability to remove.

MR. VASQUEZ: It's not retroactive, it's only prospective.

MR. ECCLES: Prospective up to two points from the next round or they are ineligible to participate in the 2020 round. It's all prospective, and there's no precedents.

MR. VASQUEZ: I wonder what Mr. Braden thinks of this.

MR. BRADEN: Is the housing authority here?

MS. HOLLOWAY: Yes.

MS. BINGHAM: Do you have questions?

MR. BRADEN: Well, yes, or just if they want to make any kind of statement.

MS. BINGHAM: Good morning. Please sign in and let us know what your name is.

MR. WILLIAMS: Good morning, panel. I'm James Williams, Sr., community development coordinator for the Houston Housing Authority. Our interim CEO, Mr. Mark
Thiele, and my vice president of the real estate investments division, Cody Roskelley, regret they couldn't be here to respond.

We really appreciate the opportunity to respond on the deficiency. As our response indicated, we were impacted in our procurement process. We've been able to recover from that standpoint, we now have a contract that we're ready to sign, all we're trying to do moving forward is to get to the closing.

Now, in terms of the penalties imposed, we recognize this body must make decisions and we respect the decision of the panel.

MS. BINGHAM: Mr. Braden.

MR. BRADEN: Good morning. Thank you for coming.

MR. WILLIAMS: Yes.

MR. BRADEN: So I assume HHA is familiar with the HUD procurement regulations and has done this in the past. Correct?

MR. WILLIAMS: Yes, however, this is our initial 9 percent LIHTC product, and one of the things we were doing was trying to ascertain all of the different processes that we needed to do before we went forward with the procurement.

Once we did do the initial procurement timely,
unfortunately we had the events of the storm that precluded some of our contractors to participate, and then we were fortunate to get a much more competitive pricing as a result of the second procurement.

MR. BRADEN: So you think this is more attributable to a learning curve associated with the new process or the storm?

MR. WILLIAMS: Certainly learning curve as well as the storm had an impact. We always try to look at contingencies whenever we are planning these types of developments. For myself, I think overall we are at a good place now, notwithstanding this snafu, and we respect the decision of the panel in any way.

In terms of 2020 going forward, we don't anticipate applying in the 2020 round. We are going to basically give ourselves some time, look at the best practices that we could have employed in this one, and move forward.

MR. BRADEN: Okay.

MS. BINGHAM: Any other questions for Mr. Williams?

MR. VASQUEZ: So this was supposed to have all the documents by end of November.

MR. WILLIAMS: Yes, sir.

MR. VASQUEZ: Are they done?
MR. WILLIAMS: Well, we are just in the final due diligence with our equity provider. We do have a GC, we have everything ready. Of course, their process is external to the agency, so we're just waiting on them to finalize.

MR. VASQUEZ: So even here at basically the end of February, we're still not.

MR. WILLIAMS: We have a reasonable timeline of the next 30 to 45 days.

MR. VASQUEZ: Okay. Maybe I'm then asking staff again. So what are the options presented to the Board? I know there's no recommendation officially.

MR. WILKINSON: One or two point deduction or ineligible for this round, and if they're not applying -- I think as the bar is written, you don't know for sure whether they're going to apply or not tomorrow, but now we found out that he's not applying.

MR. BRADEN: And that is a question that I just wanted to confirm. You just confirmed that -- you know, obviously we take this real seriously, it's important, people need to finish on time, and when people don't finish on time we want to hold people accountable.

I personally usually give public housing authorities a little more grace period, because I know all the challenges you're facing. In this situation it's
almost fortuitous. I mean, we could sort of follow our preference in terms of penalties and try to hold people accountable because it sounds like you're not applying anyway so it won't hurt you this round.

MR. WILLIAMS: Yes, sir.

MR. BRADEN: Easy decision.

MR. VASQUEZ: I agree with that sentiment, however, just again to our staff, so what else do we have to incentivize -- I'm not after you all, I agree with Mr. Braden -- so other than not letting them participate in this next round, do we have anything else that's available to incent an applicant who was supposed to get everything done by the end of November, still hasn't by the end of February? They say it sounds like it's any day, but what if we're here in June and they still haven't gotten us the paperwork?

MR. WILKINSON: The 10 percent test is the next.

MS. BINGHAM: That would be the next timeline.

MR. WILKINSON: And then placed in service deadline. But as far as additional penalties for missing the original readiness to proceed deadline, the rule as written currently is for the next round one or two points or ineligibility. We can look at making some other options for the next time.

MR. VASQUEZ: Maybe just for future thought as
we're looking at rules about progressive sanctions or something, because this just doesn't seem to me that we're giving them enough incentive to get their act together.

MR. WILKINSON: It will go in the Book of Marni.

MS. HOLLOWAY: That's what we call it.

(General laughter.)

MS. BINGHAM: So is the staff's position that eventually delays just hurt the applicant? In other words, we have other hurdles. We have the 10 percent. We have the placed in service, that those are enough of a kind of construct to incentivize folks to keep their deals rolling?

MS. HOLLOWAY: The 10 percent test and placed in service deadlines apply to all applications. If the Board wishes to create a structure that provides additional incentive for these readiness to proceed applications, that's something that we could do with the rule in the future for deadlines other than the 10 percent test and the placed in service.

MS. BINGHAM: Gotcha. So I guess I'm just thinking it through. This one is a little bit unusual because applicant is not going to be applying and award would have been given regardless, but because we have to be thoughtful about any future failures to meet, I think that's what we're trying to do is just make sure that the rules are such that it disincentivizes folks from over-
aggressively making that promise and giving themselves points and then the Board or the staff having to make recommendations and the Board take action in the future.

So we can consider that. I'm kind of leaning toward, you know, it's a hard stop and you either make it or you don't make it, and then there's penalties accordingly, unless there are other mitigating circumstances.

MS. BINGHAM: We have another public comment.

MS. SCOTT: My name is Sarah Scott. I'm with Coats Rose. I'm HHA counsel.

I would ask that if a penalty is going to be imposed that it would be a one- or two-point penalty rather than ineligibility.

And I would say that this is a very unique circumstance because of the procurement requirements that apply that for the most part don't apply to any other developer, and of course, no one would have foreseen that a 45-day public bid process would come back with the lowest bid being $6 million over the estimated cost, so there was really no other option but to re-bid and the bidding deadline was past November 30.

MS. BINGHAM: Gotcha.

Any questions for Ms. Scott?

(No response.)
MS. SCOTT: Okay. Thank you.

MS. BINGHAM: Thanks very much.

MR. WILLIAMS: Thank you very much.

MS. BINGHAM: So I'll entertain a motion on 19077 Telephone Road Elderly regarding penalties for failure to meet deadlines under 10 TAC 11.9(c)(8) Readiness to Proceed. Motion?

MR. BRADEN: I make a motion to impose a one-point penalty.

MS. BINGHAM: Okay. So there's a motion for a one-point penalty.

MR. ECCLES: And just as a quick point of clarification. That is a one-point penalty on the applicant. The rule talks about applicant or affiliate. The bar, as it's been presented to the Board, is just referencing the applicant, so if the applicant could be identified in the course of this motion, that would be helpful for the order to be clear.

MR. BRADEN: So I'd make a motion to impose a one-point penalty on the applicant Houston Housing Authority for the 2020 round.

MS. BINGHAM: So we have a motion for a one-point penalty to Houston Housing Authority.

Is there a second?

MS. THOMASON: Second.
MS. BINGHAM: Ms. Thomason seconds.

Any further discussion?

(No response.)

MS. BINGHAM: All those in favor aye.

(A chorus of ayes.)

MS. BINGHAM: Opposed?

(No response.)

MS. BINGHAM: Motion carries. Thank you very much.

MS. HOLLOWAY: Our last two applications under this item are 19242 The Tramonti and 19245 Huntington Chimney Rock.

MR. VASQUEZ: Why are these all Houston?

MS. BINGHAM: Are you uncomfortable?

MR. VASQUEZ: Making me look bad.

(General laughter.)

MS. HOLLOWAY: Well, keep in mind that these are individual assistance counties, so yeah.

All right. An award of $1.5 million in 9 percent credits was made to The Tramonti for 104 units of general population in Houston, and an award of $1.476- was approved for Huntington Chimney Rock that was 100 units for elderly populations. These applicants claimed the five points for readiness to proceed in disaster-impacted counties.
The applicant claims their delay in closing was caused by a prolonged appeal process with the City of Houston after their application for gap funding under the Hurricane Harvey Disaster Relief Program was denied, along with the resulting need to arrange alternative financing. They further claim that time required for platting and permitting also delayed closing.

On January 31, 2020 staff notified the applicant that the matter would be presented for final determination of future ineligibility or point deductions by the Board at this meeting, and the applicant has provided a letter to the Board which is in your Board book.

So in a nutshell for this one, they had applied for City of Houston gap financing. They were denied. They chose to go through an appeal process that delayed their closing.

MS. BINGHAM: So which part is beyond their control like per the -- what makes that any different than any other process?

MS. HOLLOWAY: I don't see that choosing to go through an appeal process rather than going to the alternative financing immediately is something that was beyond their control. They certainly made a decision there.

MS. BINGHAM: Okay. Any questions for Marni?
MR. VASQUEZ: This is the same developer for both properties. Right?

MS. HOLLOWAY: Yes.

MR. BRADEN: And is the applicant/developer here?

MS. BINGHAM: Good morning.

MR. MUSEMECHE: Good morning. I'm Mark Musemeche with MGroup.

The City of Houston was a fun process that we all went through, and I guess my comments are simply this. It was a risk we all took when we went for gap money with Houston, certainly did not anticipate not being funded. That's what happened to us, it happened very late in the process.

So our denial -- I won't get into all the specifics -- we think was about merit, so we went through an appeal process with the city because we wanted our funds from the gap funding. That took time to go through the appeal process.

When we realized it wasn't going to go anywhere, it's now late August, September, it wasn't going to happen before closing. So we were unfortunately caught up in that delay process, we didn't make it, and so I plead for your mercy, I hope that we can move on.

I would point out, though, about the comments
about punitiveness of this type of process. I will tell you that we've competed with this Department for the past 10 or 15 years every single year, we've been awarded every single year. To not compete, to have penalty points this year is punitive. So whether we didn't submit or not, we knew that we had an issue here. So it is punitive not to compete, I'll point out, and go for points. So we understand that and appreciate your consideration.

And I will point out also last year we had two applications that were to close in October. They closed in October, a much more stringent deadline than this year. We had no outside influences, no outside third parties to rely upon.

Those projects are finished, they're leasing now, so we have performed and we can perform. This particular year was unusual, we got caught up in some unfortunate circumstance with our funding.

MS. BINGHAM: Any questions for Mr. Musemeche?

MR. VASQUEZ: Did you ultimately resolve the funding?

MR. MUSEMECHE: No.

MR. VASQUEZ: I mean not through the city but alternative.

MR. MUSEMECHE: We had to restructure our entire applications and go through different lending proposals and
equity. We have it fixed and we're proceeding, but there was just a lot of uncertainty at that time and so to move forward and make all these deadlines it was very challenging to me.

MS. BINGHAM: Any other questions for Mr. Musemeche?

MR. VASQUEZ: So you are putting forth applications for this next cycle?

MR. MUSEMECHE: We had applications in, but we anticipated having an issue with you guys, so that application was also in Houston this year, did not get a resolution of support, so we're back to not having an application.

But I only say that because whether you perceive this penalty a punishment or not, I'm telling you it is punitive when you know after competing year after year after year if we have an issue it's punitive. So whether we submitted or not is not the issue, we knew we could potentially be penalized, so it hurt us this year.

MS. BINGHAM: Mr. Braden.

MR. BRADEN: Just for clarity and because of the way we've been doing things, I see in your correspondence you're referred to as MGroup. Is that the actual application for these two applications?

MR. MUSEMECHE: (Nods head.)
MR. BRADEN: Okay. I just want to make sure

MS. BINGHAM: So I'll entertain a motion on
actions for The Tramonti and Huntington Chimney Rock
regarding penalties for failure to meet deadlines under
readiness to proceed.

MR. BRADEN: I would make a motion to have a
two-point penalty against applicant MGroup for the series
2020 round.

MS. BINGHAM: So there's a motion for a two-
point penalty for the applicant.

MR. VASQUEZ: Just to clarify, we heard just now
that there is no MGroup application that's in the 2020
round.

MS. HOLLOWAY: Yes, that's correct.

MR. VASQUEZ: I second Mr. Braden's motion.

MS. BINGHAM: So motion by Mr. Braden, seconded
by Mr. Vasquez for a two-point penalty for the applicant.

Any further discussion?

MR. VASQUEZ: For the 2020 round.

MS. BINGHAM: Thank you. For the 2020 round.

All those in favor aye.

(A chorus of ayes.)

MS. BINGHAM: Opposed?

(No response.)

MS. BINGHAM: Motion carries. Thank you.
Marni, are you going to do 5(c)?

MS. HOLLOWAY: Yes.

MS. BINGHAM: Great.

MS. HOLLOWAY: Item 5(c) is presentation, discussion and possible action on the first amendment of the 2020-1 Multifamily Direct Loan Notice of Funding Availability.

The 2020-1 NOFA was previously approved for $13,846,168 in HOME funds. Over the past several months, three applications for National Housing Trust Fund awards have withdrawn their applications under the 2018 and 2019 NOFAs.

So these are applications we were holding funds but they hadn't gotten to an award quite yet. These withdrawals resulted in $5,385,999 of trust fund becoming available for us in the soft repayment set-aside for 2020.

Due to the commitment deadlines tied to the trust fund, an increase in the maximum per application request under the set-aside to $2 million is recommended. Currently it's $1 million but because we have these commitment pressures.

The applications received for these funds will be divided into sub-priority groups driven by the received date and the other fund sources that are used in the applications.
We're starting first with 4 percent applications that are layered with TDHCA bonds, the second would be applications that are not layered with 9 percent tax credits, and the third would be 2020 9 percent tax credit layered applications. After the 9 percent applications are received, any remaining funds will be available as they are submitted to us.

The amendment also makes minor corrections to citations in the NOFA.

Staff recommends approval of the first amendment to the 2020-1 NOFA.

MS. BINGHAM: Great. Any questions for Marni on that one?

MS. HOLLOWAY: It's just the first amendment. Last year I think we had six.

MS. BINGHAM: No public comment. We'll entertain a motion.

MR. VASQUEZ: I'd move to approve staff's recommendation.

MS. BINGHAM: Motion by Mr. Vasquez.

MS. THOMASON: Second.

MS. BINGHAM: Second by Ms. Thomason.

Any further discussion?

(No response.)

MS. BINGHAM: All those in favor aye.
(A chorus of ayes.)

MS. BINGHAM: Opposed?

(No response.)

MS. BINGHAM: Motion carries. Thank you, Marni.

MS. HOLLOWAY: Item 5(d) is presentation, discussion and possible action regarding the cancellation of the 2020-2 Multifamily Direct Loan Special Purpose Notice of Funding Availability and the approval of the 20202-2B Multifamily Direct Loan Special Purpose Notice of Funding Availability.

So the 2020-2 NOFA made $11,383,833 dollars of trust fund available to applications layered with 4 percent credits that participated in the Texas Bond Review Board's 2020 lottery at the end of 2019. Seven applications requesting a total of $19,900,000 were received in December.

All seven applications were deemed to have the same acceptance date under the terms of the NOFA. Because of this and over-subscription of the Housing Trust Fund under the NOFA, the applications were subject to scoring criteria.

As the result of an administrative deficiency, the three highest scoring applications reduced the number of trust fund units in their proposed developments but maintained their competitive position, presumably because
they had an opportunity to view the other applications that had been posted online.

Six of the seven applications received the same deficiency. They had elected to use the average income set-aside for tax credits and have layered the direct loan units with the tax credit units, which was inconsistent with requirements in the NOFA. The other three applications did not change their unit mix in their response.

One applicant, which was Palladium, did not receive a deficiency because they had followed the requirements of the NOFA with their original application. That applicant filed an appeal claiming that the applicant for 20410, 20411 and 20412 had provided documentation through the administrative deficiency process that amounted to a new application and should therefore be terminated.

Just as an aside, this appeal was under 10 TAC 1.7, which is different than the section that 9 percent appeals come under, so under 1.7 this applicant is able to appeal a decision made about another application, which is not possible under the 9 percent app.

Within their appeal letter the applicant requested that if their appeal was not granted they be given an opportunity to revise their application in an effort to be more competitive.
The executive director responded to Palladium stating that because they were not given an opportunity to clarify their application through the administrative deficiency process simply because it was the only application that correctly designated the units, it may appear that they were not treated equitably. So everyone else got to change their apps and this one did not.

The executive director denied the appeal regarding material deficiencies but relayed that he had directed staff to bring this action item to the Board so that all eligible applications could have an equitable opportunity to submit or revise their apps as they see fit.

All eligible applicants were informed by email on February 4 of this potential Board action item so that they all have had an opportunity to revise their application and prepare it for re-submission.

Staff recommends cancellation of the 2020-2 NOFA and approval of the 2020-2B NOFA with applications accepted under the 2020-2 NOFA through 5:00 p.m. Austin local time on March 5, so from today through the end of March 5.

MS. BINGHAM: Questions?

MR. WILKINSON: It's a do-over. It's just like one more week do-over, and then everyone is happy, maybe.

(General laughter.)

MS. BINGHAM: So all six or all seven have a do-
over.

MS. HOLLOWAY: Anyone who was eligible.

MR. VASQUEZ: So you could get a completely new application, theoretically.

MS. HOLLOWAY: Theoretically.

MS. BINGHAM: Do we have public comment on this?

SPEAKER FROM AUDIENCE: I'm here to support the staff's recommendation, so happy to speak if necessary.

MS. BINGHAM: Great. Very good.

MR. VASQUEZ: And it's the same total availability of funds.

MS. HOLLOWAY: Correct.

MR. VASQUEZ: So if everyone reaps, we're still going to be over-subscribed.

MS. HOLLOWAY: Correct.

MR. VASQUEZ: How far over-subscribed were we in the first?

MS. HOLLOWAY: Eight million, I think.

MR. VASQUEZ: So it was like $19 million?

MS. HOLLOWAY: Yes. This is an unusual situation, and we're not accustomed to being over-subscribed in direct loan funds, and I think it's something that we're going to continue to see, and probably next year we'll see sort of a tightening up of scoring and tiebreakers and deficiencies and those kinds of things as
we deal with direct loan applications.

MS. BINGHAM: Looking more like 9 percent?

MS. HOLLOWAY: Closer to if we get into this competitive position.

MR. BRADEN: I make a motion to approve and accept staff's recommendation.

MS. BINGHAM: There's a motion to approve staff's recommendation from Mr. Braden.

MS. THOMASON: Second.

MS. BINGHAM: Second from Ms. Thomason.

Any further discussion?

(No response.)

MS. BINGHAM: All those in favor aye.

(A chorus of ayes.)

MS. BINGHAM: Opposed?

(No response.)

MS. BINGHAM: Motion carries.

MS. HOLLOWAY: The last one for today.

MS. BINGHAM: Item 5(e).

MS. HOLLOWAY: Yes. This is presentation, discussion and possible action regarding the approval for publication in the Texas Register of the 2020-4 Multifamily Direct Loan Special Purpose Notice of Funding Availability.

This is for pre-development.

Last year we published our first NOFA for pre-
development activities funded with TCAP RF which resulted in two nonprofit organizations receiving pre-development grants, and those grants have turned into applications.

There likely are other nonprofits that would be able to utilize this funding as they pursue development opportunities that could result in the use of the Department's HOME and/or trust fund dollars.

We have $200,000 in undedicated TCAP RF available which could result in four $50,000 awards to private nonprofits that have not received funding for a multifamily development from the Department since January 1, 2010.

Staff recommends approval of the 2020-4 Special Purpose NOFA for pre-development activities.

MS. BINGHAM: Great. Any questions for Marni?

MR. VASQUEZ: I'm sorry. So this is just approving the total $200,000, or is this assigning $50,000 increments to four different applicants?

MS. HOLLOWAY: It's approving the $200,000, and it would result in, if we get four applications, four $50,000 awards.

MR. VASQUEZ: So we're not awarding.

MS. HOLLOWAY: No.

MS. BINGHAM: We're approving the $200,000 and then staff will have the ability to.
MS. HOLLOWAY: Right. We'll go through our whole application process, and any awards, of course, would come back to you.

MR. VASQUEZ: Didn't we already do this?

MS. HOLLOWAY: It's only the third NOFA of the day.

(General laughter.)

MR. VASQUEZ: But I mean way back.

MS. HOLLOWAY: Last year.

MR. VASQUEZ: It was last year?

MS. HOLLOWAY: Yeah, it was last year.

MR. VASQUEZ: Let's do over, do it again.

MS. BINGHAM: It was a winner. Entertain a motion.

MR. BRADEN: Move to approve.

MS. BINGHAM: Mr. Braden moves to approve staff's recommendation.

Second?

MS. THOMASON: Second.

MS. BINGHAM: Second from Ms. Thomason.

Any further discussion?

(No response.)

MS. BINGHAM: All those in favor aye.

(A chorus of ayes.)

MS. BINGHAM: Opposed?
(No response.)

MS. BINGHAM: Motion carries.

MS. HOLLOWAY: Thank you.

MS. BINGHAM: Excellent.

Item 6, presentation, discussion and possible action on the proposed repeal and proposed new 10 TAC Chapter 7, Subchapter A, and then a whole bunch of other sections.

MS. CANTU: Good morning, Madam Vice Chair and Board members. My name is Naomi Cantu. I'm the Homeless programs administrator, standing in for Abigail Versyp.

The item before you presents the proposed rule changes to the department's Homeless programs in 10 Texas Administrative Code Chapter 7, Subchapters A, B and parts of C and D.

The changes presented today are clarifications and updates identified by staff when administering the Emergency Solutions Grants, the Homeless Housing and Services, and the Ending Homelessness Fund programs.

All of Subchapter A, General Policies and Procedures, and all of Subchapter B, Homeless Housing and Services Program, are recommended for repeal and replacement due to the extent of the updates.

For example, both Subchapter A and B have proposed changes to address new funding available through
Rider 16 of the Appropriations Act from the last legislative session for homeless youth activities.

The rules have been updated to include a definition of youth headed household, inclusion of transitional living as an eligible activity for the Homeless Housing and Services Program, and other related changes.

On to Subchapter C. Parts of the Emergency Solutions Grants Program are being recommended for repeal and replace in order to incorporate more detail on certain processes.

One of the changes being proposed is the appeal process for the ESG applicants in a local competition. A local competition occurs when the Department procure an organization to run a competition for ESG funds on the Department's behalf.

The proposed update to the rule ensures that an appeal process by the vendor is in place for the local competition and that applicants in a local competition cannot appeal to the Department's executive director or Board after the local competition results are submitted to the Department for Emergency Solutions Grants funds.

Finally, we end with Subchapter D. Parts of the Ending Homelessness Fund Program rule are being recommended for repeal and replace. The proposed update to the rule
clarifies the eligible applicant organizations for the Ending Homelessness Fund, and clarifies the contract term and limitations.

Staff recommends approval of the draft rules to be published in the Texas Register and open for public comment.

I'll take any questions.

MS. BINGHAM: Naomi, we'll have the usual stakeholder meeting roundtables?

MS. CANTU: We will release them for public comment, and we can definitely hold a roundtable.

MS. BINGHAM: Very good. Any questions for Naomi?

(No response.)

MS. BINGHAM: I'll entertain a motion.

MS. THOMASON: Move to approve staff's recommendation.

MS. BINGHAM: Thank you. Motion from Ms. Thomason.

MR. BRADEN: Second.

MS. BINGHAM: Second from Mr. Braden. Any other discussion?

(No response.)

MS. BINGHAM: All those in favor aye.

(A chorus of ayes.)
MS. BINGHAM:  Opposed?

(No response.)

MS. BINGHAM:  Motion carries.

Thank you very much, Naomi.

All right. Item number 7 is Bond Finance.

Good morning.

MS. MORALES:  Teresa Morales, director of Multifamily Bonds.

Vice Chair, members of the Board, item 7 involves consideration of an inducement resolution that would give staff the authority to submit two applications for a reservation of private activity bond volume cap to the Bond Review Board.

On the multifamily side, TDHCA has a set-aside of approximately $160 million with which to reserve and issue bonds until August 15 of each year. On that date any unreserved volume cap will collapse into one pot that all issuers of all types will have access to on a first come, first served basis.

This inducement includes a request for $29 million for the Vermillion Apartments, which is an existing tax credit property in Houston that is coming back for re-syndication and rehab.

The other application is the Walzem and includes a request for $20 million in private activity bonds. This
application may sound familiar because it was before you and approved at the December 12 Board meeting for an award of 4 percent credits and direct loan funds.

The proposed development is located in the ETJ of San Antonio, and therefore the bond issuer was the Bexar County Housing Finance Corporation. You may recall that during staff presentation in December it was noted that there has been some opposition received on this application.

As a result of that opposition, recognizing that Bexar County HFC was not going to proceed with the transaction, the applicant made the decision to request that TDHCA serve as bond issuer.

Your Board write-up goes into detail about the process following the inducement, but in a nutshell, adoption of the inducement is nothing more than a first step in this process. Staff will review the application that is submitted and any changes that may have occurred from when we originally reviewed it.

We will hold a TEFRA public hearing which will be at a location close to the community containing the proposed development, which is our standard practice. And a transcript of that hearing along with any public comment that may have been received over the next few months will be provided to the Board when it's time to consider the
bond issuance.

I would note that despite having already approved the credits and the direct loan funds, when the application is presented before you again, it will request consideration of all funding sources so that the approvals occur at the same time.

MS. BINGHAM: Any questions for Teresa?

MR. BRADEN: Through the chair.

So as part of our review of the application process, do we look at traffic issues as part of that? I understand this is just the inducement but after that when we start reviewing the application.

MS. MORALES: To the extent that it's included in the third party reports, I don't know that there's anything within our rules that would prompt us to require anything in that regard. That's more of a TxDOT issue and through permitting and that type of stuff at the local level.

MR. BRADEN: Okay.

MS. BINGHAM: So what we would see would be any public comment related to those concerns.

MS. MORALES: Right.

MR. BRADEN: But unlike 9 percent tax credits where all of that is looked at as part of the application, these already have 4 percent tax credits, and we've already
awarded the 4 percent tax credits part of it.

MS. MORALES:  We have technically already
awarded the 4 percent credits, however, with the twist in
having them come through us as the issuer, they would have
to submit a new tax credit application, we would re-review,
again compare any changes particularly with respect to
underwriting that may have occurred since the time we
originally reviewed it up until the time that it's
presented before you.

MR. BRADEN:  What's the timing when that would
come before us again?

MS. MORALES:  It could be as early as April,
perhaps May.  Part of the process would include scheduling
and holding that TEFRA public hearing in San Antonio, and
then also, on the bond side, drafting all of those bond
documents and making sure that debt and equity are far
enough along in their due diligence to be able to present a
full-baked transaction.

MR. BRADEN:  Okay.

MR. VASQUEZ:  But also to clarify, when we
re-examine the 4 percent tax credits, that's counting
against the prior pool that they're already allocated from,
or is that being allocated against the 2020?

MS. MORALES:  With respect to the 4 percent
credits there is no pool, there is no ceiling amount as
compared to 9 percent deals. Your ceiling amount, if you want to think of it that way, is with respect to the bond volume cap, and so in that regard it would be counting against TDHCA's set-aside for 2020.

MR. VASQUEZ: 2020. Okay, so the 4 percent.

MS. MORALES: The 4 percent credit is thought of to be an automatic credit.

MS. BINGHAM: So any further discussion?

(No response.)

MS. BINGHAM: Is there a motion regarding the approval of the inducement, staff's recommendation?

MR. BRADEN: I'll make a motion to approve.

MS. BINGHAM: Okay. I have a motion to approve from Mr. Braden.

Second?

MR. VASQUEZ: Second.

MS. BINGHAM: Mr. Vasquez seconds.

Any further discussion?

(No response.)

MS. BINGHAM: All those in favor aye.

(A chorus of ayes.)

MS. BINGHAM: Opposed?

(No response.)

MS. BINGHAM: Motion carries.

Thank you very much, Teresa.
So that is the end of the agenda for today. We'll hear any public comment on agenda items for future consideration at this time.

MS. LONEY: Good morning. I thank you for taking a couple of extra minutes this morning. It's only 10:00, so I feel like that's good.

For the record, my name is Lauren Loney, and I am a staff attorney at Texas Housers, until about 5:00 p.m. today, and then I'm leaving, so I'm here today to just chat really briefly about a LIHTC property in Galveston called Sandpiper Cove and the enforcement and compliance that are currently undergoing or they've begun against its owner Millennia Companies.

And I'm here to express our hope that the Board and staff will, when the time comes, commit to debarring Millennia Companies from future participation in the LIHTC program.

Sandpiper Cove was allocated tax credits in 1990, and its primary source of funding is Section 8 funding from HUD. Millennia purchased Sandpiper Cove in 2015, and residents there have for years, and despite many complaints to HUD and Millennia, been subjected to living with mold, leaking and rusted appliances, repeated flooding events, cockroach and rat infestations, power outages that have ruined food, and sewage backups into people's homes,
into their sinks and bathtubs. 

Millennia has been in the spotlight across the country for several years about the really deplorable conditions at at least 10 other Section 8 and LIHTC properties in other states.

I've spoken with staff about Sandpiper Cove, and we're happy to hear that TDHCA has referred Sandpiper and Millennia to the Enforcement Division; however, staff has explained to me that TDHCA debarment rules for habitability issues only consider debarment if a property has received a REAC score of 50 or less twice since its ownership.

We really fervently disagree that REAC scores alone are themselves a valid assessment of the actual conditions in which tenants are living, and HUD itself has recognized that this system of inspection is broken and that scores are not indicative of safety of habitability at these properties. And one walk through Sandpiper Cove will confirm that for anybody who visits.

Another issue that came up for me today as I was listening discussions is that there's concerted debate and discussion around TDHCA rules, like feasibility and readiness to proceed, and I hope that that same level of concerted debate and discussion will be for the rules that should be the highest priority, which is making sure that our Texans who are living in these properties that their...
health and safety is protected.

Fundamentally we understand that the conditions at Sandpiper Cove are the responsibility of HUD, they are the ones that are subsidizing this property every year, and TDHCA's role here is secondary, but when TDHCA has a property in its inventory and those tenants are literally getting sick because they're exposed to so much mold, TDHCA should use whatever authority it has to hold the owner and the property management accountable.

And in this case the most meaningful enforcement would be to make sure that Millennia and companies like Millennia, which is a national affordable housing developer, are not allowed to operate in the state any further.

I did bring a memo and a media packet. It's just news stories that I found from a quick Google search, so if y'all can accept that, there's more info there.

MS. BINGHAM: Great. Thanks, Lauren. Wish you the best.

MS. LONEY: Thank you.

MR. ALCOTT: Good morning. I'm Tim Alcott with the San Antonio Housing Authority, and I want to thank y'all first for bringing Alzem early on the consent agenda. I always appreciate that I don't have to speak about the item either, because it's on consent and it's easier for
me.

But the San Antonio Housing Authority, as you may know, is the largest housing authority in the state based upon the number of units that are built or that we house, and this year we are closing on the financing of 4,500 new units in the San Antonio area.

But I'm clearly not that talented to do that alone, I do it in partnerships with other people in this room, and we do these developments with very large developers, and our typical stand when we do these developments is that our partner provides the guarantees, and so the tax credit guarantees, the compliance guarantees, and because they're on the hook for that, they do the management, and so all the compliance issues when they come in, they're responsible for. My small staff doesn't do that, especially with this many units coming online.

And so this is what brings me here today, is on the QAP last year we added in the previous participation rule 1.301(c)(9) -- I had to write it down to make sure I got that correct -- that provides that tax credit developers designate who is responsible for tax credit compliance and only that party is responsible.

And this section is proposed to be deleted this year, and that causes me some concern, because I don't have
the ability to control that, and so if I have a deal with Developer A, Developer B, Developer C, I'm the co-developer, if they each have one or two or ten compliance issues, even though I'm not responsible, they roll up to me and what would be ironic is all my co-developers could continue to receive tax credits and participate in the process but I may not be able to because they're rolling up to me because I'm the co-developer on those.

And I know that staff has worked really hard on this. I actually want to thank them because they actually emailed me directly about this issue, and they didn't have to do that, so they're doing a great job.

But I don't know how to deal with this situation, because housing authorities and other government institutions may find themselves in the same situation that I'm in that I may be in non-compliance to be able to receive tax credits in the future.

I do a lot of development, and the reality is we don't have any non-compliance issues, and so I don't think this will really hurt me on the short term, to be honest and forthcoming, but I am worried that I'm being held accountable for something that I really don't have the ability to control. So just look at that when we have the QAP rules.

I appreciate it.
MS. BINGHAM: Thank you, Tim.

Good morning.

MR. LONGORIA: Good morning, Madam Vice Chair and Board members and Director Wilkinson. I'd like to say, first of all, thank you for having me today. My name is Jaime Longoria. I'm the executive director of the community service agency located in Hidalgo County in Edinburg.

The reason I'm here today, actually I'm going to start off by quoting Mr. Rogers and say it's a wonderful day in the neighborhood. It's a wonderful day in Hidalgo County because we've developed and helped to bring together a novel approach to service delivery in Hidalgo County.

We were very interested in providing services to those families that were located in remote areas of our county since our inception. We receive LIHEAP funds, utility assistance funds for families, we also administer Community Services Block Grant funds, we have a small grant from the Texas Veterans Commission, so we provide services to veterans, and we also provide services to seniors in the form of a Senior Corps program. So we were very interested in reaching those hard-to-reach families.

Hurricane Harvey came along and we realized very quickly that while we weren't affected in the Rio Grande Valley, our neighbors to the north all along the coast were
affected, and we wanted to find a way of being of service
so we developed a mobile unit, a little mobile trailer -- I
call it our horse trailer. It was really our first attempt
at becoming more mobile in service delivery.

So we took our show on the road, so to speak,
and we were able to assist our sister agency in Galveston
in administering their funding in Galveston. However, what
we heard from the folks in Galveston was they still wanted
service delivery to be closer to families, and we started
to think a little bit outside the box, together with your
Community Affairs team, as to how we could do that, how we
could be closer to families, specifically when they were in
their darkest time, their darkest moment of need, and we
realized that closer was better for emergency service
delivery.

So we started to put together a plan for how we
would do that, and Sarah Chapa with our office actually has
a little brochure, if we could provide those to y'all. Can
we do that? Can we approach with that?

MR. ECCLES: It's the chair's purview.

MS. BINGHAM: Sure.

MR. LONGORIA: So that's a little brochure of a
mobile unit that we upgraded to from what we called our
little horse trailer, and we put this out for bid -- for
the auditors in the room -- and we wanted to ensure that we
weren't being the disaster after the disaster, so to speak. We wanted families when they were facing a bad situation to be able to come to something close to their home that would make them feel a little more comfortable. What families told us time and time again in the two or three subsequent disasters we had in Hidalgo County, flooding events, was the little that they had left after the disaster they weren't willing to leave their homes and expose to looters or to the elements.

So we developed this trailer and we put it out for bids and we asked folks to bid on it and we took delivery of this actually at the very end of December. We had an unveiling just a couple of weeks ago and we unveiled that to the public.

It's a 24-foot trailer, it's a mobile office platform. We've outfitted it with laptop computers, we've got a networking system where we're able to use our hot spots and have our computer signal, our internet signal available and safe, and we're able to take that into the remote areas of the country during disasters.

Because we anticipated y'all being in Weslaco a couple of weeks ago, we know there were scheduling issues so the meeting came up here, so we decided that we would bring our show on the road. So we actually have our trailer located right on the corner of 12th and San Jacinto
for you all to go in and visit.

I also brought with me Mr. Ricardo Saldaña. He's our emergency management coordinator in Hidalgo County, and I wanted him to share a few words about what it means to families facing crisis to have a mobile platform like this.

MS. BINGHAM: Thanks, Mr. Longoria.

Good morning.

MR. SALDAÑA: Good morning. Ricardo Saldaña, emergency management coordinator, Hidalgo County.

One of the great things about this is when Jaime came on board as the director for CSA, we created a partnership between us, Hidalgo County Office of Emergency Management, and then we had a couple of events.

We've been through six federal declarations in the last five years. The majority of them have been for individual assistance. Jaime's office has done a tremendous job doing the outreach for those families who were impacted by these disasters.

We learned by one over the area devastated a lot of homes, electricity was knocked down, no internet services. They had to travel five to ten miles into town to get those services where Mr. Longoria could establish an office.

Then Harvey hit. Hidalgo County supported along
the Gulf Coast in Corpus, and Jaime and his team up in Galveston, Montgomery County, they supported some of those efforts to try to get to those families. That little horse trailer that he mentioned about, he was able to reach some of those communities along the river there. He was in a Cambodian community up there, able to be -- a little translation issues but he got them the help that they needed.

Then we got hit with other disasters in the Valley that his team went in. It was also difficult because internet, electricity, we had to move these families over. One time we had to bring in a crew for Verizon to get us internet service to an area and it took them a week to get it.

Well, with this tool being put in his toolshed it's now going to be excellent because we can go to the community, provide that service at their front lawn and bring them all in there, handicap accessible, has everything that he needs, electrical power, Wi-Fi to do the work that he needs to do to provide those services to the community.

Emergency management and the county service agency in Hidalgo County have created a partnership. He works real closely with us and we really appreciate that because those services are provided to those families that
were impacted during their darkest moment, but we
appreciate you all supporting this effort.

Hopefully we can become a model for the rest of
the state of Texas where these units will be placed in the
regions and able to support some of those areas that have
been impacted and make it more effective to get those
services to those families.

Thank you.

MS. BINGHAM: Thank you. Thanks for coming.

MR. LONGORIA: Just to finish up, I wanted to
emphasize that we utilized CSBG funds, together with our
CEAP funds, recognizing that this mobile platform can be
used for a variety of different kinds of service
deliveries, and that is we can go into the little community
of Heidelberg, very isolated, only has a little county
park, doesn't even have a schoolyard, doesn't have any
church facility, it really is about 80 to 100 homes that we
can provide services to. So we'll pull that trailer in,
park that trailer, and deliver a variety of services,
census information, LIHEAP utility assistance, disaster
assistance, just a whole variety of things.

I'd really like to thank publicly TDHCA for your
staff in working with us to develop this idea and helping
us to develop the funding mechanism really to get this tool
into our community.
And I wanted to thank the people of Hidalgo County and the counties of Wharton, Fort Bend, Galveston, and Brazoria County for all of their input in helping us develop this idea of mobile service delivery.

Specifically it was families on the banks of the Brazos River that had mud in their homes, two to three feet of mud in their homes, that came out and said, There is no way that we were ever going to leave the little that we had left.

So I invite you guys to join us today and celebrate and to kind of take a tour of our facility.

MS. BINGHAM: Thank you. Thanks very much, Mr. Longoria.

MR. WILKINSON: Thanks, Jaime.

He was supposed to see us last week in the Valley, took the trailer all the way up here to show it to us. I'm going to go see it, I encourage everyone else to see it too.

This is a really interesting, innovative and worthy use of the CSBG funds. I think it's a model community action agency that others could follow. You don't think of disaster and paperwork necessarily unless you've been involved with it, and it's a lot of it, so bringing the office to the person rather than telling the person, oh, you need to truck it ten miles to the office,
is a good thing to do.

So thank you, Jaime, again.

MS. BINGHAM: Thank you, guys.

If there's no other public comment, I'll entertain a motion.

MR. WILKINSON: I'm sorry. I think I have one more.

Ernie, do you have a public comment? Come up.

After nearly a century with the Texas Department of Housing and Community Affairs.

(General laughter.)

MR. WILKINSON: What's it really, 28 years?

MR. PALACIOS: 28-1/2 years.

MR. WILKINSON: 28-1/2, who's counting. Right?

Our number-two financial man in the building is leaving us.

MS. BINGHAM: No way.

MR. WILKINSON: Short speech, please.

MR. PALACIOS: Thank you for your support, and it's been a pleasure. I've made a lot of good friends, and I'm going to miss you guys. Thank you.

MR. WILKINSON: Us too. Thanks, Ernie.

(Applause.)

MS. BINGHAM: Great. All right. Thanks to staff for all your continued hard work. I really heard
some awesome stories today. Makes us feel good about what
we're doing.

Thank you to the Board for your service.

Thank you to the developer community and all of
our other partners. Appreciate your partnership.

Motion to adjourn?

MR. BRADEN: So moved.

MS. BINGHAM: All right. Motion. Second?

MR. VASQUEZ: Second.

MS. BINGHAM: All those in favor aye.

(A chorus of ayes.)

MS. BINGHAM: The meeting is adjourned.

(Whereupon, at 10:26 a.m., the meeting was
adjourned.)
CERTIFICATE

MEETING OF:     TDHCA Board
LOCATION:      Austin, Texas
DATE:      February 27, 2020

I do hereby certify that the foregoing pages, numbers 1 through 75, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Housing and Community Affairs.

DATE:  March 3, 2020

(Transcriber)

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