TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOVERNING BOARD MEETING

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

October 12, 2017
9:00 a.m.

MEMBERS:

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

TIMOTHY K. IRVINE, Executive Director

I N D E X

17401 Primrose Village Weslaco
17405 Bridge at Cameron Austin

HOME AND HOMELESS PROGRAMS 11

g) Presentation, discussion and possible action on Conditional Program Year 2017 Emergency Solutions Grants Program Awards

h) Presentation, discussion, and possible action on awards for the 2017 HOME Investment Partnerships Program ("HOME") Single Family Programs Homebuyer Assistance ("HBA") and Tenant-Based Rental Assistance ("TBRA") Open Cycle Notice of Funding Availability ("NOFA")

ASSET MANAGEMENT

I) Presentation, discussion and possible action regarding a Material Amendments to the Housing Tax Credit Land Use Restriction Agreement

02009 Las Villas de Merida San Antonio
02080 Fallbrook Ranch Apartments Houston
05022 The Enclave Houston

j) Presentation, discussion and possible action regarding Material Amendments to the Housing Tax Credit Application

15173 The Heights Apartments Edinburg
16380 Avanti East Edinburg

k) Presentation, discussion, and possible action regarding Placed in Service Deadline Extensions

14291 Cypress Creek at Wayside Houston

BOND FINANCE

l) Presentation, discussion and possible action on Resolution No. 18-006 approving an increase in the maximum amount of outstanding advances under the Advances and Security Agreement with Federal Home Loan Bank of Dallas; authorizing the execution of documents and instruments relating thereto; making certain findings and determinations in connection therewith; and containing other provisions relating to the subject

m) Presentation, discussion and possible action regarding Resolution No. 18-007 authorizing the implementation of Texas Department of Housing and Community Affairs Mortgage Credit Certificate Program 88; approving the form and substance of the program manual and the program summary; authorizing the execution of documents and instruments necessary or convenient to carry out Mortgage Credit Certificate Program 88; and containing other provisions relating to the subject

COMPLIANCE

n) Presentation, discussion and possible approval of amendment to conditions recommended by the Executive Award Review Advisory Committee and approved by the Board for applications 17376, 17700, 17719, and 17307

RULES

o) Presentation, discussion, and possible action on adoption of amendments to 10 TAC Chapter 24, Texas Bootstrap Loan Program Rule, and directing that these be published in the *Texas Register*

p) Presentation, discussion, and possible action on an Order adopting the repeal of 10 TAC Chapter 26, Texas Housing Trust Fund Rule, and an Order adopting new 10 TAC Chapter 26, Texas Housing Trust Fund Rule, and directing that these be published in the *Texas Register*

q) Presentation, discussion, and possible action on the proposed amendments of 10 TAC Chapter 12 concerning the Multifamily Housing Revenue Bond Rules, and directing its publication for public comment in the *Texas Register*

r) Presentation, discussion, and possible action on proposed amendments of 10 TAC Chapter 10 Subchapter D, concerning Underwriting and Loan Policy, and directing its publication for public comment in the *Texas Register*

CONSENT AGENDA REPORT ITEMS

ACTION ITEMS

P R O C E E D I N G S

MR. GOODWIN: I'd like to call to order the October 12, 2017 Texas Department of Housing and Community Affairs Board meeting.

And we will begin by taking roll. Ms. Bingham?

MS. BINGHAM ESCAREÑO: Here.

MR. GOODWIN: Mr. Goodwin here.

MR. GOODWIN: Ms. Reséndiz?

MS. RESÉNDIZ: Present.

MR. GOODWIN: Ms. Thomason?

MS. THOMASON: Here.

MR. GOODWIN: Mr. Vasquez?

MR. VASQUEZ: Here.

MR. GOODWIN: Mr. Braden is not attending, so we have a quorum.

I will ask Tim to lead us in the pledge. Please stand.

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

MR. GOODWIN: Our first order of business will be to approve the consent agenda. Are there any items that a Board member, staff members or the public would like to see pulled?

MR. IRVINE: I believe we have a couple of corrections we need to read into the record.

MR. GOODWIN: Okay.

MR. GOURIS: Tom Gouris, deputy executive director.

We'd like to make one small correction on items 1(l) and (m). Monica Galuski's correct title is now the Chief Investment Officer rather than the Director of Bond Finance. I want to point out that this is a change as a result of a reclassification reflecting her immensely expanded role as she has brought to management funding and operation of our homeownership programs. She's taken that program production from $20 million a month, roughly, to roughly a little over $100 million a month. It's been spectacular based on how she's adjusted our financing structures and that's offered qualified Texans the best possible products for affordable homes and single family housing. While making these incredible changes, she's also continued to bring our variable rate risk down from its peak level of over $350 million to the current level of a little over $98 million.

So the resolution needs to reflect her new title, and congratulations to her as well. There are no other changes on that particular item.

Then we also want to pull item 1(g) for consideration. There's some public comment that folks want to make, so we'll present that separately.

MR. CABELLO: Good morning. Homero Cabello, director for Single Family Operations and Services.

We need to make a clarification for agenda item 1(p) regarding the Texas Housing Trust Fund rule. We need to strike "or the 2012 Texas accessibility standards" under Section 26.27(c)(2), and it's regarding construction requirements.

MR. IRVINE: What was the agenda number?

MR. CABELLO: 1(p), as in Peter. Thank you.

MR. GOODWIN: Any other items? Beau, do we need a motion to accept those corrections as read into the record.

MR. ECCLES: Yes, to exclude those and move the other one to the action agenda.

MR. GOODWIN: So we need a motion to approve the corrections and to move 1(g) to the action agenda.

MS. BINGHAM ESCAREÑO: Mr. Chair, move to approve the consent agenda with the following changes: the change that staff recommended for items 1(l) and (m), the change in position for Monica, and 1(p) that Homer just went over, striking some of the language in Section 26, and to move item 1(g) to the action agenda.

MR. GOODWIN: Do I hear a second?

MS. RESÉNDIZ: Second.

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

Any discussion?

(No response.)

MR. GOODWIN: All those in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: The motion passes.

Next we have consent agenda report items.

MR. IRVINE: Jennifer, you're coming up for the next item?

We'll take the item that we pulled from the consent agenda next.

MR. GOODWIN: We'll take 1(g) before we do the reports?

MR. IRVINE: Right.

MR. GOODWIN: Jennifer, you're going to talk about 1(g).

MR. IRVINE: And as Jennifer is coming up, this is her farewell march because Jennifer is a very longtime employee, I believe she's given us 22 fantastic years, and she's not hanging it up, she's taking on a bigger challenge, she's going over to the General Land Office to help them in the disaster recovery efforts. Jennifer has got a lot of experience in that arena already. She's just such a delight to work with and this is a person that really cares about helping Texans.

(Applause.)

MS. MOLINARI: That's absolutely right. Thank you very much.

I'm very excited for that opportunity. I'm very sad to be leaving TDHCA, this has been my home for a very, very long time and I care very deeply about the programs that I've been involved in and absolutely with the people I have worked with. So thank you very much for that.

MR. GOODWIN: Thank you, Jennifer.

MS. MOLINARI: With that, good morning, Chairman and Board members. Jennifer Molinari, for the next two days, HOME and Homeless Programs director.

Item (g) is a staff recommendation for 2017 Emergency Solutions Grant Awards totaling $8,667,823. These recommended awardees were selected through the 2017/2018 ESG NOFA and local competitions of ESG funding administered on behalf of the Department by the Dallas Metro Homeless Alliance, Tarrant County Homeless Coalition, El Paso Coalition for the Homeless, and Coalition for the Homeless of Houston and Harris County, as reflected on the award log in your Board materials. These grants fund street outreach, rapid rehousing and homelessness prevention, shelter-related services, operations and administration through the ESG program.

These awards are subject to receipt of an actual award letter by HUD, which has not been received to date, and that is unusual. They are also conditions proposed by the Executive Award Review and Advisory Committee, or EARAC, that are also detailed in your Board book. So as noted in your writeup, EARAC and staff therefore are not ready to make a complete award recommendation for COC Region TX607 which is the balance of state. We are holding out $150,000 potentially for the Children's Center, and we hope to resolve some audit issues surrounding some findings that were in their most recent audit. We'll be bringing a funding recommendation related to that $150,000 to the next Board meeting.

Also, as you're about to hear, since the time of posting of our Board book, staff was made aware that there are disputed material issues of fact that surround the timing and necessity of appeals related to award recommendations for TX500 which is the San Antonio Bexar County Continuum of Care region. Family Violence Prevention Serviced=s, who is in this CoC region, received a deficiency notice and final determination notice regarding point deductions, as well as their appeal rights, but they have recently alleged that they understood staff was recommending that they did not need to appeal, and you'll hear more about that later.

So at this time, staff is recommending the Board approve award recommendations for the remaining ten CoC regions as outlined in the award log, but withhold funding recommendations until the next Governing Board meeting for the $150,000 for the Children's Center and also for TX500, so that the Board consider the conditions that EARAC may impose and whether to waive appeal deadlines established in 10 TAC Chapter 1, and also, if the Board grants that waiver, to hear the results of an appeal, which if it occurs would be posted in the next Governing Board agenda to allow interested parties an opportunity to comment on that agenda item.

So that was a lot and let me summarize. Staff is recommending awards be approved for all CoC regions except TX17500, San Antonio Bexar County CoC subject to conditions imposed by EARAC, a funding recommendation related to the Children's Center will be presented at the next Board meeting, and staff will include an item on the next agenda for consideration on a waiver of appeal deadlines and result of that appeal, if applicable, for Family Violence Protection Services.

So with that, I'd be happy to answer any questions you might have.

MR. GOODWIN: So I would entertain a motion to hear comments regarding staff's recommendation.

MS. BINGHAM ESCAREÑO: So moved.

MR. GOODWIN: So moved. A second?

MR. VASQUEZ: Second.

MR. GOODWIN: Second. All in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Any opposed?

(No response.)

MR. GOODWIN: We will hear comments.

MS. PELÁEZ: Good morning, and I share your sentiments about Jennifer's departure. She has been cognizant of our program for several years.

My name is Marta B. Peláez. I'm the president and CEO of Family Violence Prevention Services, and one of its programs is the Battered Women and Children's Shelter of Bexar County.

Family Violence Prevention Services applied for Emergency Solutions Grant funding in the amount of $207,500. I'm here today, accompanied by our CFO and by the development team member who wrote our grant. Understanding that this opportunity to speak to you this morning is not part of an appeal process, we came from San Antonio to offer our explanation as to why we think the scoring of our application resulting in a decision not to fund is not correct. There were two technical deficiencies that were brought up before us.

MR. GOODWIN: Can I interrupt you just a second?

MS. PELÁEZ: Absolutely.

MR. GOODWIN: Beau, are we getting into hearing what is an appeal and not appropriate at this time?

MR. ECCLES: Well, it's public comment. The restriction is going to be that this matter is not posted as an appeal and the Board can't make any determinations on the basis of an appeal or really discuss how it feels about an appeal because an appeal is not before this Board.

What Jennifer brought up was the concept that there have been allegations that they were led to believe that an appeal wasn't necessary, despite the fact that you were told about your appeal rights and did not appeal at the time, so what I expect is forthcoming is a request to waive the appeal deadlines that exist in our rule and to consider an appeal the regular way, and then pending the outcome of that, to then come before the Board next month, having had this part of the award held out. That would also allow the current CoC, the current applicant who was going to be awarded an opportunity to weigh in a matter that's posted.

However, there are two things that would then be coming before the Board next month: the waiver of the rules which they would need to affirmatively seek to waive that.

MR. GOODWIN: And that's not posted or being requested at this point.

MR. ECCLES: Well, it's not posted, even if it's requested, just as the appeal is not posted and has not formally been made yet. This is really just your opportunity to say you think that you should have an opportunity to have the rules waived regarding the deadlines for filing an appeal and that you would like to appeal, and that would be considered by the Board next month.

MS. PELÁEZ: You took the words out of my mouth, sir. Thank you so very much.

(General laughter.)

MR. GOODWIN: You're welcome to continue or we can reconvene next month and then your story will be much fresher on everyone's mind. You make the choice.

MS. PELÁEZ: Thank you very much. I think the gentleman has said it very eloquently on my behalf, so we will wait for such an opportunity. Nevertheless, I'm very thankful for your hearing us out. We do provide critically important services of a very specific nature to victims of domestic violence who become homeless by no choice of theirs. So that is my plea today, and thank you very much.

MR. GOODWIN: Thank you.

Any of the others want to make any comments?

(No response.)

MR. GOODWIN: Hearing no further comments, I'll entertain a motion to approve staff's recommendation.

MS. BINGHAM ESCAREÑO: Mr. Chair, I just had a question I think for Jennifer. We can move your recommendation. So award all ten with the exception of the San Antonio Bexar County?

MS. MOLINARI: That is correct.

MS. BINGHAM ESCAREÑO: So staff's recommendation would be due to these things coming up after the publication of the agenda and the Board book, that we motion to award all of the awardees listed under the conditions that you said with the HUD letter and that kind of thing, but with the exception of the San Antonio Bexar. So on our table it's showing San Antonio Bexar is TX500. Did you say TX17 -- oh, hello, 2017, I get it. And then are we just holding out that whole line item?

MS. MOLINARI: Yes. You would be holding back the award for that region in total of $636,052, and then would make that final call at the next Board meeting.

MS. BINGHAM ESCAREÑO: Very good.

MS. MOLINARI: These are collapsed funds so what I would say is you have this award that's pending, it will not actually affect the other award recommendations one way or the other. Depending on the outcome of that, there is the City of Temple Salvation Army, I believe, who would receive the amount in your Board book or more or less, depending on how that goes out, but that award recommendation is in your book and would remain the same, the level might change.

MS. BINGHAM ESCAREÑO: Okay. I'm prepared to make a motion.

MR. GOODWIN: Okay.

MS. BINGHAM ESCAREÑO: Mr. Chair, I would move staff's recommendation to approve the awards, with the conditions stated by staff, to the ten applicants that are in our Board book on our table which would leave out the TX500 San Antonio Bexar County location, pending possible action in a future Board meeting.

MR. GOODWIN: Do I hear a second?

MS. THOMASON: Second.

MR. GOODWIN: Motion has been made and seconded. Any questions or comments?

(No response.)

MR. GOODWIN: All those in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay. That motion is approved.

Tom.

MR. GOURIS: The next item has to do with kind of a recap for 1(l), one of the things we talked about that you guys just approved in consent. It is in regard to the advances in security agreement with the Federal Home Loan Bank, and what I'd like to do, if I could indulge you all to move a little bit, we're going to bring a short video for you because this agreement represents the first successful partnership between Federal Home Loan Bank of Dallas and the Department. This program was the first of its kind for them and for us, and first that we know of that has existed, and it was negotiated and structured and drafted from scratch, and it has been a tremendous success and one of the keystone elements to our being able to bring down costs of financing and one of the keystones to being able to increase our affordability for households and that's increased the volume.

So we want to show you this quick short five-minute video, and it was actually made by the Federal Home Loan Bank and they're presenting it to the world and we wanted to present it to you on their behalf.

MR. GOODWIN: Great. Thank you, Tom.

(Whereupon, a brief video was shown.)

MR. GOODWIN: Wow! Monica, stand up.

(Applause.)

MR. GOODWIN: Thank you, thank you, thank you.

Tom, any other comments?

MR. GOURIS: That said it all.

MR. GOODWIN: Obviously it's good work we do here, as a former chairman of ours used to say. On the front of our agenda there is a report about what we did in fiscal 2016. For those of you who haven't looked at it, I encourage you to go back and look at it. You'll notice that we helped 750,000 Texans in some form or fashion through this agency and we funded some $1.7 billion worth of benefit to those 750,000 Texans. So why doesn't all the staff of this agency stand up and let's give them a round of applause for what they've done, including Tim and Beau.

(Applause.)

MR. IRVINE: Can't do without a good Board.

MR. GOODWIN: For those of you that didn't hear that, Tim, said you can't do it without a wonderful chairman and darn good Board to go with it.

(General laughter and applause.)

MR. GOODWIN: Item number 2, Michael, I show you as number one on the list. Do you have anything that you want to report? It says something about outreach activities.

MR. LYTTLE: No, Mr. Chairman. That's just a standard report about what the agency did during the last month in terms of trainings and presentations and things like that.

MR. IRVINE: And the consent reports are just there for information unless you have one you'd like to hear more detail on.

MR. GOODWIN: Anybody have any questions about any of those report items?

(No response.)

MR. GOODWIN: Did we pull 2(d)?

MR. IRVINE: We did not pull it. I'll just make a comment on it, though. This was something that was requested in public comment at the last Board meeting regarding oversight in the administration of the tax credit awards and the way that we will be handling the award that's on the wait list that's next in line that should have received its allocation. We are extremely optimistic that any day now the IRS will make available the national pool of credits and that it will be larger than in prior years, Texas will be eligible to participate and we'll be able to address this award fully.

MR. GOODWIN: Any questions from Board members regarding that?

(No response.)

MR. GOODWIN: Okay. We'll move on to action items. Item 3(a).

MS. MORALES: Good morning. Raquel Morales, Asset Management Division.

Item 3(a) is a request for an extension to the 10 percent test deadline and a request for a waiver of the fees for Parkland Villas which is a 2016 competitive tax credit awarded. The Board action item goes into detail about the delays this applicant has experienced in reaching the 10 percent test deadline. I'm happy to answer any questions about it, but the staff is recommending approval of the request.

MR. GOODWIN: Any questions? I see that we have someone who wants to comment on it.

SPEAKER FROM AUDIENCE: Only if the Board has questions.

MR. GOODWIN: Then I will entertain a motion to approve staff's recommendation.

MS. BINGHAM ESCAREÑO: Move approval.

MR. GOODWIN: Second?

MR. VASQUEZ: Second.

MR. GOODWIN: It's moved and seconded. Now we'll hear any comments.

(No response.)

MR. GOODWIN: All in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: That is passed.

MS. MORALES: Item 3(b) is a request for an extension to the placed in service deadlines for tax credit developments that are located in a major disaster area. The Board action item in your Board book outlines and summarizes in table format the requests that we have received. We've received a total of eleven requests so far. Staff has outlined any information that we've had regarding the construction progress to date that we're aware of, the requested extension deadline, and then staff's proposed recommendation.

Staff is requesting approval of the recommendations presented in that Board action item. If you guys have any questions about specific developments, I'm happy to answer those.

MR. GOODWIN: Anybody want to comment on that one?

(No response.)

MR. GOODWIN: Okay. I'll entertain a motion to approve staff's recommendation.

MS. BINGHAM ESCAREÑO: So moved.

MR. VASQUEZ: Second.

MR. GOODWIN: Moved and seconded. Now any discussion, questions.

MR. IRVINE: I'd just like to make a comment. The Revenue Procedure 2014-49 does give the Department a good bit of discretion and latitude on granting placed in service extensions. Any time you employ discretion you need to have, I think, a good basis for the way that you go about using that discretion, so I certainly implore anybody seeking placed in service to just give us a good candid, hard-hitting assessment of actual factors caused by the hurricane and its wake as the grounds for the extension and tie it to the length of the extension you're requesting so that we have a solid record to support whatever discretion we use.

MR. ECCLES: And just to dovetail off of that, that Revenue Procedure that Tim referenced is for placed in service extensions for developments that are in the major disaster areas, so that Revenue Procedure is not going to be relevant if your development is outside of the major disaster area. And the standard that was referred to is that the placed in service deadline cannot be met because of the major disaster. So it's not a terribly high standard that you have to hit but some evidence that demonstrates that you can't meet the placed in service deadline because of the major disaster, that's what we're looking for.

MR. GOODWIN: Any other comments or questions?

(No response.)

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

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: That motion passes.

MS. MORALES: May I ask to take 4(b) before 4(a) since I'm already up here?

MR. GOODWIN: That's what I was going to suggest.

MS. MORALES: Great. Thank you.

4(b) is staff's proposed draft rules for the Asset Management requirements. This year staff's proposed rule really is nothing major, it's a lot of administrative cleanup as a result of changes that we made last year and working through those processes we thought, you know, we really need to clarify the rule here.

The most significant changes were summarized in your Board action, but again, if you guys have any questions, I would ask that the Board approve that we publish this for public comment.

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

MS. RESÉNDIZ: So moved.

MR. GOODWIN: So moved. Second?

MR. VASQUEZ: Second.

MR. GOODWIN: Moved and seconded. Any questions?

(No response.)

MR. GOODWIN: All those in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Thank you, Raquel.

MS. MORALES: Thank you.

MR. GOODWIN: Now we'll take 4(a).

MR. ECCLES: Actually, if I could jump in with a bit of a clarification that staff brought to my attention. Typically when the Board approves the consent agenda the reports are accepted as well as the agenda items are taken. It seemed to get a little bit fractured, so if the Board hasn't, would it accept the reports?

MR. GOODWIN: The reports. So let's entertain a motion for approval of the consent reports.

MS. BINGHAM ESCAREÑO: So moved to accept.

MR. GOODWIN: Second?

MS. THOMASON: Second.

MR. GOODWIN: Any questions?

(No response.)

MR. GOODWIN: All those in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: We've cleared up my little screw up.

Marni.

MS. HOLLOWAY: Good morning, Chairman Goodwin, members of the Board.

Item 4(a) is presentation, discussion and possible action on the proposed amendment of 10 TAC Chapter 13 concerning the Multifamily Direct Loan Rules and directing its publication for comment in the *Texas Register*.

Through the Direct Loan Program we administer various fund sources, including HOME funds, TCAP repayment, National Housing Trust Fund -- if we ever get any -- and in 2017 we also had a portion of the Neighborhood Stabilization Program I program income. We use these funds to make awards of grants and loans through application of the Multifamily Direct Loan rules.

You'll recall the Direct Loan Rule was new in 2017 and we found in the past year that it has helped us in administering the funds and that there are some places we missed with the first go-round and there are places that we needed to be clearer.

Real briefly, the changes that we've made in purpose, we've expanded on some of the citations.

In definitions, we've added some definitions that are specific to the Direct Loan Program so they're not included in the Chapter 10 definitions.

In general loan requirements we've added language regarding when direct loan funds can be used, and I need to make a correction in this section to 13.3(b). At the very end of that part there's a bracketed statement that says: need to address funding to accelerate payment of developer fee. This is just a remnant of our editing process and will be removed from the rule that's posted in the *Register*.

Set-asides, allocations and priorities, we've provided some clarification of the requirements there.

On award process we've added language that ties back to federal environmental clearance requirements. We've allowed for flexibility for 9 percent applications if we're over-subscribed -- as we were in this past round -- and we've limited the use of direct loan funds so they can't be used to cover increased developer fees for someone who is coming back for funding later.

Under scoring criteria we've added Section 811 as a scoring item, which mirrors the QAP.

Under loan structure and underwriting we've clarified when changes to loans must come back to you for approval. We've addressed the 75 percent of cash flow requirement imposed by 221(d)(4) loans that's been in front of you a number of times in the past year. And we've added some basic language regarding construction only loans.

Post-award requirements, we've added requirements for quarterly construction reports which matches the rest of our business, most of our multifamily business. And then pre-closing and post-closing amendments, we've added language that in mos cases reflects current policy and practice but applies it specifically to direct loans and describes the specific amendments the executive director can approve.

On Board approval, the draft 2018 Multifamily Direct Loan Rules will be posted to the Department's website and published in the *Texas Register*. Public comment will be accepted between October 27 and November 27. The final Multifamily Direct Loan Rules will be brought before the Board in December for approval.

Staff recommends approval of the proposed amendments of 10 TAC Chapter 13 for publication in the *Register* to open for public comment. I'll be happy to take any questions.

MR. GOODWIN: Any questions for Marni?

(No response.)

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

MR. VASQUEZ: So moved.

MR. GOODWIN: Second?

MS. THOMASON: Second.

MR. GOODWIN: Any questions? Any public comment?

(No response.)

MR. GOODWIN: All those in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Thank you, Marni.

MS. HOLLOWAY: Item 5(a), moving along, is presentation, discussion and possible action regarding the issuance of multifamily housing revenue bonds for Emli at Liberty Crossing, this is a Series 2017 Resolution No. 18-008, and a determination notice of housing tax credits.

An application for the development was initially submitted in 2016 and then resubmitted in August of 2017. The Board adopted the inducement resolution originally in the March 2016 meeting, and it was updated in the March 2017 meeting. The Bond Review Board certification of reservation was issued for $18 million on August 23, with a final bond delivery deadline of January 20, 2018.

Emli at Liberty Crossing proposes the new construction of 240 units in Wilmer that are going to serve the general population. Fifty-four of the units will be restricted at 50 percent of AMI, the remaining 186 will be restricted at 60 percent of AMI.

A public hearing for the proposed development was held on November 1, 2016, with three people in attendance. A copy of the hearing transcript is included in your Board book. We've received one letter of opposition from a community member, and no letters of support.

This applicant is considered a Medium Category 3 portfolio and their compliance history was deemed acceptable by EARAC, which also has recommended the issuance of the bonds and the determination notice.

This transaction involves an FHA 221(d)(4) loan which mirrors the financing structure used by several bond transactions previously approved by the Board. Under the proposed structure, the Department will issue short term, tax exempt, fixed rate bonds in an amount not to exceed $17,600,000 that will be collateralized with the proceeds of the taxable FHA mortgage loan. The bond proceeds will be utilized for project costs, and as they are drawn, proceeds from the FHA loan are simultaneously drawn and placed in an escrow account for the benefit of the bondholders. This cash collateralization minimizes risk for the Department.

The bond mortgage will be subordinate in lien position to the FHA mortgage, but the bond proceeds will also be cash collateralized as long as the bonds are outstanding. Upon redemption of the bonds, an FHA mortgage loan will remain and carry a 4-1/4 percent interest rate with a 40-year term and amortization.

Staff recommends the approval for issuance of up to $17,600,000 in tax exempt multifamily housing revenue bonds and a determination notice of $1,230,776 in 4 percent housing tax credits for Emli at Liberty Crossing, of course, subject to any underwriting conditions.

MR. GOODWIN: Any questions for Marni?

(No response.)

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

MS. BINGHAM ESCAREÑO: So moved.

MR. GOODWIN: So moved. Second?

MR. VASQUEZ: Second.

MR. GOODWIN: Moved and seconded. Any other questions or comments?

(No response.)

MR. GOODWIN: All those in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MS. HOLLOWAY: Item 5(b) is presentation, discussion and possible action regarding the issuance of Multifamily Housing Revenue Bonds for the Springs Apartments, Series 2017, Resolution Number 18-009, and a determination notice of housing tax credits.

The Board adopted the inducement resolution for this project on June 29, and a 4 percent housing tax credit application was received on June 30. A reservation certificate was issued by the BRB, the Bond Review Board, in the amount of $20 million on July 27, 2017, with a bond delivery deadline of December 24, 2017.

Springs Apartments will be located in Balch Springs which is in Dallas County. This new construction development will have 221 units, restricted at 60 percent of AMI, serving the general population. The financing structure mirrors the previous agenda item.

The applicant's portfolio is considered a Large Category 2 and the previous participation was deemed acceptable by EARAC.

A public hearing was held on September 18 of 2017. There were twelve people in attendance, the majority of whom signed in as opposed to the development. A copy of the hearing transcript is included in the Board item.

Staff recommends that the issuance of up to $20 million in tax exempt multifamily housing revenue bonds be approved, along with the issuance of a determination notice of $1,314,707 in 4 percent housing tax credits for Springs Apartments.

MR. GOODWIN: Do you want to speak to this? So I need a motion to hear comments regarding staff's recommendation.

MS. BINGHAM ESCAREÑO: So moved.

MR. GOODWIN: So moved. Second?

MR. VASQUEZ: Second.

MR. GOODWIN: Seconded. All in favor say aye.

(A chorus of ayes.)

MR. CLARK: Mr. Chairman, Board, I'm Michael Clark, president and founder of UH Property Management. I find myself in an unusual position here. I'm known as the Will Rogers of tax credit communities, never met one I didn't like, until today.

We've been the manager of Spring Oaks Apartments in Balch Springs for the past seven years. We also leased Peachtree Senior Community also located in Balch Springs. Over the past seven years we have been singularly unable to achieve 60 percent rental rates because of the market. We've only been able to maintain, over those seven years, an average economic occupancy of 93 percent. Reality is this: Balch Springs simply does not need any new affordable market; it doesn't have the demand for more affordable housing. Introducing 221 units at 60 percent set-aside is, frankly, a recipe for disaster.

We're also, ironically, leasing up a 336-unit 4 percent deal called Hutchins at Gateway. We have 600 families on a waiting list for that community. Many of those families are falling off when they come in and find out it's 60 percent. Most of them, the successful renters, are holders of Housing Choice Vouchers from the Dallas Housing Authority. These folks are leaving the substandard and crummy housing of South Dallas to be able to move into a brand new rental community. Unfortunately, Balch Springs properties do not compete with this in the sense that the primary market for Hutchins Gateway is south of I-20 where Balch Springs is north of I-20 and southeast of Dallas.

I just feel, honestly, that introducing this many new tax credit apartments in Balch Springs, which is already, frankly, a struggle. And one more point I'd like to make, although the property is older, the owner has aggressively encouraged us to upgrade every unit with new flooring, new fixtures, we've repainted the exterior, it's been upgraded constantly, and I really believe sincerely that the staff has made a mistake in recommending to the Board that this project be allocated. And in the public hearing the majority of the people in attendance were also opposed to it.

I'm happy to answer any of your questions.

MR. GOODWIN: Any questions?

(No response.)

MR. CLARK: Thank you.

MS. BAST: Good morning. Cynthia Bast.

I am here just as a messenger for Mr. Bob Coe of Affordable Housing Analysts, who could not be here today because of an illness in his family.

He prepared a letter and I'm going to give you just some highlights of it, and first, with apologies for the late presentation of this information. Certainly, it would be more desirable to have this information earlier in the process, but as they were awaiting the underwriting report to see how it was presented and analyzed and getting a copy of the market analyst through the open records, this is the timing that worked out, and I apologize for that.

Briefly, in his letter he prepared his own market analysis here, and he says:

My firm researched and analyzed existing HTC family complexes in the general Balch Springs area. Several complexes reported issues with attaining TDHCA maximum rents and some reported below stabilized occupancies. Both of these issues tend to be the indications of limited demand for additional affordable units. The following summarizes issues with complexes which were conveyed to us over telephone or onsite interviews.

Peachtree Seniors reported inability to obtain TDHCA maximum rents. Based on an analysis of their rent role as of June 2017, their average attained rents are 9.69 percent below TDHCA maximums.

Crawford Park Apartments reported occupancy at 81.85 percent, had been in the 70s recently, and they are offering concessions which resulted in below TDHCA max rents.

Murdeaux Villas reported a current occupancy of 78 percent and are offering concessions which resulted in below TDHCA max rents.

Sterlingshire Apartments, newest HTC in area, reported a current occupancy of 83.8 percent and currently offering concessions.

Spring Oaks reported not attaining TDHCA max rents.

In addition to the proposed Springs Apartments with 221 units, Gateway at Hutchins is a 336-unit family 4 percent project in Hutchins, mentioned by Mr. Clark, which is leasing up currently. 318 of the 336 units are considered comparable to the existing units and the units from Springs Apartments. Both of these complexes are located south and west of Balch Springs but near Loop 635 and within relatively close proximity.

We drew a PMA which contains areas surrounding Loop 635 which includes both Springs Apartments and Gateway at Hutchins and which is within TDHCA guidelines. Properties within this PMA are within an approximate 15-minute drive and could likely draw similar tenants.

So then he presents a capture rate table that shows one bedrooms with a capture rate of 48.7, two bedrooms at 136.4, and three bedrooms at 43.5. Finally, it should be noted that the maximum allowable gross capture rate for a family urban project is 10 percent and the maximum allowable capture rate for an individual unit type is 75 percent. The gross capture rate is over six times what is allowable and the two bedroom units are significantly over the 75 percent allowable capture rate. And then he concludes: TDHCA underwriters are allowed to perform an extended market analysis during their underwriting process.

I don't have any more information than that, but was asked to present it. Thank you.

MR. GOODWIN: Thank you.

MR. JACK: Good morning. Darrell Jack with Apartment Market Data. I apologize because I'm not as prepared as I would have liked to have been, as only hearing about this a few minutes ago.

We did the market study for this project, and first of all, would just state for the record the market study, if it didn't meet the requirements of TDHCA, I would have got a call from Brent Stewart saying that there was a problem, so obviously since the project is here before you today, it meets the requirement.

But there's much more to this story that I think you need to be aware of. This is not as clear-cut as just someone opposing our findings in the market study. The problem with Balch Springs over the last few years has been that TDHCA awarded tax credits to a developer by the name of Ron Pegram -- that sits in the back of this room right now -- and he successfully locked out any other developers from coming to Balch Springs apartments. He's done this simply by the fact that his property manager sits on the city council. If there's no demand out there, I think the City of Balch Springs would have not issued the resolutions and opposed the project from the beginning, like Mr. Pegram has orchestrated in years past. I can specifically speak to a project that we worked on for NRP that was unsuccessful based on the vote of his property manager.

So his property has sat there, for at least three years that I've been watching, at 100 percent occupancy. It's a senior project called Peachtree Seniors, and it does achieve the maximum program rents, and it has year after year after year. This isn't about a market study that didn't report the correct information to the state, it's about a developer that's trying to lock out Balch Springs from any other tax credit developments. It's just that simple. And he's been able to do this successfully, year after year after year now, by having his manager sit on the city council.

If these are lies, have Mr. Pegram come up and talk to you about this, but the fact is the market study stands. Senior projects that compete with his property were 99 percent occupied. I think when we did the study in February, there were only three available senior units in that entire market.

You just approved in the project before, Emli at Liberty Crossing, a project that's going to compete with the project that Mr. Clark stood up here and said they have 600 people on the waiting list but they can't fill the project because the people don't qualify. I know for a fact that Mr. Stewart has been concerned about that project, talked to me at length about it, and also talked to representatives of that developer to find out how many units are actually being leased. On that Wilmer deal, you guys are the issuers of the bonds, for Pete's sake, so of course you have concerns if there's not demand in the market. And this project over in Balch Springs isn't even in that PMA.

So you need to be aware that you're not getting the full story here on this deal. This is nothing more than a developer that wants to lock out any competition and has done it successfully year after year after year now. I did that market study. The methodologies that we used to come up with the demand in that market study are the exact same methodologies that were used in this report, and so if they're flawed, they were flawed from the beginning, but they couldn't have been too bad because his property sits there effectively full year after year after year.

So don't be fooled by these comments up here. We stand by our market study. The market analyst that did this has way more experience than most people in this room. He's got over three decades managing apartments, he was previously the president of the Dallas Apartment association and the Texas Apartment Association, he knows North Texas like the back of his hand.

Thank you.

MR. GOODWIN: Thank you.

Any other comments, Marni? Any questions?

MS. HOLLOWAY: I have nothing further.

MR. GOODWIN: Nothing further.

MR. VASQUEZ: Actually I do just have a question. So all the distance requirements and such, everything was met according to our standards?

MS. HOLLOWAY: I'm going to ask Brent to respond to those questions.

MR. STEWART: Brent Stewart, director of REA.

First, I want you to know there was no staff error here. We evaluated this project just like we evaluate every project according to the rules.

Market studies are subjective. The PMAs that are drawn to determine where demand is going to come from is a subjective decision made by the market analyst. Real Estate Analysis is very concerned about PMAs, we're very concerned about how demand is calculated. We spent a lot of time on Hutchins and the Emli deal that are located about seven miles from this project. In fact, we had a number of discussions where the PMA was actually redrawn to reflect more about where demand was going to come from.

We became aware of this information this morning. I've got guys over at the building trying to quickly figure out data, and they're just not going to be able to do that right now, not in time to provide answers on that. We did talk with the owner of Hutchins. They have 96 leases that will be occupied in December, that's 28 percent. The project is not complete yet, it's ahead of schedule, they have 600 people on the wait list. That's what I've been told about Hutchins.

Emli was just approved this morning. Of the 240 units there, 54 of those units are 50 percent units, they're not 60 percent units, so don't know what the impact there is. Springs Apartments has a 9 percent capture rate which is right at the high end of the allowable capture rate.

But again, this stuff is subjective, and recent events have caused some concern about Real Estate Analysis being able to evaluate this stuff in a way that can be more objective. We are objective where we can be, we will call it out when we feel like there is something extremely wrong. I'm not able to stand here this morning with any data supporting one argument or the other. I know the market study was reviewed according to the rules.

MR. GOODWIN: Well, when you say one side or the other, you do mean you still stand behind your approving the market study.

MR. STEWART: That's correct.

MR. GOODWIN: So the evidence that's been presented in front of us to dispute that market study, that's what you cannot say is legitimate or in your opinion unwarranted.

MR. STEWART: We reviewed the market study according to the rules. We did spend some extra time on that market study because we have two bond transactions that are close by. It's very important, obviously, for the success of those projects. We walked away saying, look, the benefit of the doubt goes to the applicant. In this case it was close enough, the information we have out of actual CMTS reports, which owners are required to report to us occupancy and rent information, there was nothing that we saw in the market study that would suggest that we would not approve that market study.

Again, this information is brand new this morning, have no way of verifying or disputing that information.

MR. GOODWIN: Any other questions or comments?

MR. IRVINE: I have a comment. I understood some of the public testimony earlier to say that REA had latitude to develop its own market study, and I really think -- if I misheard that, please correct me -- but I really think that's inaccurate. Under the rules we have latitude to evaluate market studies prepared by the third parties but not to create our own.

MR. ECCLES: I believe that's borne out in statute.

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

(No response.)

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

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

MR. GOODWIN: Motion to approve. A second?

MS. THOMASON: Second.

MR. GOODWIN: And seconded. Any other discussion?

(No response.)

MR. GOODWIN: All those in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Thank you, Marni.

MS. HOLLOWAY: Andrew is going to take the next couple.

MR. GOODWIN: Okay. Good morning to Andrew.

MR. SINNOTT: Good morning, Chairman, members of the Board. My name is Andrew Sinnott, Multifamily Loan Program administrator.

We're just doing 17506, Tuscany Park at Arcola under item 5(c). The other one, Freedom's Path, has been pulled. So application 17506 is requesting $2,020,000 in direct loan funds under the general set-aside for the 2017-1 NOFA for the new construction of a 96-unit development in Arcola in Fort Bend County.

The application received an allocation of 9 percent housing tax credits in July 2016 for application 16105, and subsequently closed on the land and equity this past summer. Since the time of original underwriting in July 2016, the equity price has decreased from approximately 99 cents to 89 cents, yielding approximately $1-1/2 million less equity. Also, a less favorable interest rate on the first lien loan, while decreasing the amount of first lien proceeds by 45 percent occurred.

Changes in the equity and the debt markets were beyond the applicant's control in accordance with 10 TAC 13.5(d)(2) which requires applicants who previously received Department funds, such as this one, to be found eligible by the Board. The $2,020,000 in TCAP repayment funds will make up for the decrease in equity and debt proceeds, while reducing the effective interest rate on all debt. And as a result of the TCAP repayment fund investment, 50 of the 96 units will now be TCAP restricted units that will be layered among the housing tax credit units.

As required in 10 TAC 13.11(m), staff recommends the closing on the direct loan occur no later than December 29, 2017. So with that, staff recommends approval of application 17506 Tuscany Park at Arcola, for an award of $2,020,000 in TCAP repayment funds.

MR. GOODWIN: Since I don't see any public members sitting up front, I'm assuming there's no one that wants to comment on this. I'll entertain a motion to approve staff's recommendation.

MS. THOMASON: So moved.

MR. GOODWIN: So moved. A second?

MS. RESÉNDIZ: Second.

MR. GOODWIN: Any questions or comments for

Andrew?

(No response.)

MR. GOODWIN: None from the public. All those in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. SINNOTT: And under item 5(d) there are two applications to discuss, both of which are requesting a waiver of 10 TAC 13.8(c)(5) of the Multifamily Direct Loan Rule.

The first is the Works at Pleasant Valley Phase II, application number 17500. This application is requesting $1-1/2 million in direct loan funds under the supportive housing soft repayment set-aside in the 2017-1 NOFA for the new construction of a 29-unit development in East Austin which will be located adjacent to their 45-unit development that they constructed a few years ago with NSP-3 funds.

The direct loan funds are the only source of Department funding in this deal, therefore, 13.8(c)(5) requires applicants to provide a minimum of 20 percent owner equity as a percentage of total development cost, and an as-completed appraisal which results in a total repayable loan-to-value of not greater than 80 percent.

The purpose of this new rule, which became effective this year, was to mitigate risk that has typically been inherent in direct loan only deals and to weed out potentially over-leveraged deals.

The applicant has provided an as-completed appraisal which shows a value of nearly $6 million, meaning that the Department's loan-to-value once the project is complete would be about 25 percent, well under that 80 percent threshold, based on the $1.5 million in direct loan funds requested.

However, it's the 20 percent owner equity requirement where this applicant is requesting the waiver. The applicant is providing 6.7 percent owner equity as a percentage of total development cost. That's about $312,000 over roughly $4.6 million total development cost. Other equity or equity-like sources include $1.85 million from the City of Austin, $350,000 from FHLB of Atlanta, $250,000 from the Meadows Foundation, $100,000 from a private individual family, and donated contractor and overhead and profit in the amount of $276,628. And all these funders structured their awards as grants or deferred forgivable loans so it's all essentially equity.

The waiver rule at 10 TAC 10.207(a)(2) requires applicants to establish how the waiver request is necessary to address circumstances beyond the development owner's control, and how, if the waiver is not granted the Department will not fulfill some specific requirement of law. Staff believes that should this application ultimately be recommended for an award, which will likely be an award of National Housing Trust Fund, this application would help the Department meet specific commitment and expenditure deadlines associated with that fund source. So waiving 10 TAC 13.8(c)(5) which is being met on the as-completed appraisal side and is being met alternatively, I would argue, on the equity through non development owner equity or equity-like sources, would help the Department meet those commitment and expenditure requirements.

Additionally, because the totality of the funding is essentially equity or equity-like sources and because the applicant is a mission-driven nonprofit that has successfully operated a similar development with their Phase I property, staff recommends approving this waiver request.

MR. GOODWIN: Questions?

MR. VASQUEZ: So the total amount of all these sources of contributed funds, grants and forgivable loans, does meet the 20 percent?

MR. SINNOTT: Oh, yes, well over. It's just a matter it's not owner equity, but it's equity from other sources.

MR. VASQUEZ: And then the forgivable loans are subordinated and all that?

MR. SINNOTT: Exactly. We would typically take first lien position with our $1-1/2 million National Housing Trust Fund loan.

MR. GOODWIN: 17500, you want to take that separately?

MR. SINNOTT: Yes, I'll take the next one separately.

MR. GOODWIN: Okay. So do I hear a motion to approve staff's recommendation for 17500.

MR. VASQUEZ: Move to approve staff's recommendation.

MR. GOODWIN: Second?

MS. BINGHAM ESCAREÑO: Second.

MR. GOODWIN: Any discussion?

(No response.)

MR. GOODWIN: All those in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay. 17509 now, Andrew.

MR. SINNOTT: Okay. So the second one is Poesta Creek Apartments, application 17509, and it's the same request of a waiver as the one that I just did.

This application is requesting $2 million in direct loan funds under the CHDO set-aside in the 2017-1 NOFA for the rehabilitation of a 50-unit development in Belville. Again, direct loan funds are the only source of Department funding in this deal, therefore, 13.8(c)(5) requires the 20 percent owner equity and the as-completed appraisal.

The applicant has provided an as-is appraisal, as required for all rehab developments in the Uniform Multifamily Rules in 10 TAC 10.2054. That as-is appraisal shows a value of $2.77 million, meaning that a potential $2 million loan from the Department would result in a loan-to-value of 72.2 percent right now before rehab was complete. So once the rehab is complete, the LTB ratio should further improve to where we're down in the 60s.

On the owner equity requirement, the applicant and its affiliate is providing 14.9 percent owner equity as a percentage of total development cost, and that's about $442,000 over $2.96 million in total development cost. Other equity or equity-like sources include $50,000 from the City of Belville, $50,000 in donated professional services from the architect, and $50,000 in donated professional services from the consultant, so when combined with owner equity, the total equity is 20 percent. Additionally, the applicant will be providing a second lien loan to themselves in the amount of $371,012, meaning that the total owner investment in the project equals 27.5 percent.

The waiver rule at 10 TAC 10.207(a)(2), like I said, requires applicants to establish how the waiver request is necessary to address circumstances beyond the development owner's control, and how, if the waiver is not granted, the Department will not fulfill some specific requirement of law. Should this application ultimately be recommended for an award, it would be an award of HOME funds under the CHDO set-aside which carries specific commitment and expenditure requirements. As a result, waiving this requirement, which is alternatively being met with an as-is appraisal rather than an as-completed appraisal, and being met alternatively on the equity side through non development owner equity or equity-like sources, would help the Department in meeting those commitment and expenditure deadlines.

Given these facts, staff recommends approval of this waiver request.

MR. GOODWIN: Any questions?

MR. VASQUEZ: I don't know if it's a question or a concern. The slight difference that I see in this is that the consultant -- who I think in previous meetings we've already talked about consultants having overblown fees to begin with -- no offense to the consultants out there -- I just kind of question whether this is cash in the deal or just, hey, I've made so much money off this anyway, here, take $50,000 off my fee.

MR. SINNOTT: It's difficult to evaluate.

MR. VASQUEZ: It just doesn't seem like the prior one, here's money in the deal.

MR. SINNOTT: The $50,000 from the City of Belville is obviously local support.

MR. VASQUEZ: I have no problem with that.

MR. SINNOTT: But then the donated professional services from the architect and consultant are a little tougher to evaluate, but the way that they've shown it is they've got the line item for architectural and consultant services in the total development cost schedule, and so it's being shown as a source on the sources and uses to balance out. I don't know if that makes sense.

MR. VASQUEZ: Well, it could reduce the uses by $50,000 as well and come up with the same.

MR. GOODWIN: Brent, would you like to address the professional fees and how they're approved from an analysis perspective so somebody is not putting on $300,000 and saying I'll give $50,000 of it back when they'd have been happy with $250-.

MR. IRVINE: Well, regardless of how the fees are characterized, though, don't we look at the total debt relative to the appraised value, a realistic loan-to-value.

MR. SINNOTT: Right. So there are two ways of achieving the no more than 80 percent loan-to-value, and one way is through the appraisal and the other way is through owner equity. So they're meeting it through the appraised value right now on an as-is basis at 72.2 percent based on the $2.77 million as-is value, which like I said, that will further improve to where we're down in the 60s loan-to-value once the project is complete. So we're meeting it in that respect.

MR. GOODWIN: The question I'd ask Brent to at least address it.

MR. STEWART: Sure. Brent Stewart.

So soft costs are hard for us to evaluate and we get quite a range of soft costs for architectural and engineering, for a bunch of other soft costs like that. We can usually get pretty good at permit fees and things that there's some information about there. So the data points that we have are cost stuff that's provided to us on deals that come in through cost certification, as well as we keep data on the applications in total that come in and we can kind of take a look across the board in terms of similar product type, that type of thing, but we still get quite a range.

This deal did not look like it was outside of a range. That doesn't mean that we can't speak to how that amount was determined. All I can tell you is the amount of the A&E fell within the range of normalcy, if you want to call it that. It didn't stick out to us as being out of normal.

MR. VASQUEZ: I think, like I said, it wasn't really a question as much as a concern that I think staff should look at when we evaluate these kinds of alternative equity sources.

MR. STEWART: Right. The area that REA is trying to solve some of this is through better data, and we're working on that now. It's a humongous task.

MR. VASQUEZ: Thank you.

MR. GOODWIN: Any other questions?

MS. BINGHAM ESCAREÑO: I just had a question for Andrew too. The previous request for waiver, the Works in Austin, City of Austin, obviously it's a bigger project, they have a lot more money in the deal than say a Beeville smaller deal. They also had some developer and architect contributions in that deal. Right?

MR. SINNOTT: Contractor overhead and profit.

MS. BINGHAM ESCAREÑO: I don't remember hearing consultant.

MR. SINNOTT: It was $276,628 in donated contractor overhead and profit.

MS. BINGHAM ESCAREÑO: Okay.

MR. SINNOTT: And these are just waivers at this point. These will come back should they be recommended for an award and we'll do further review on everything prior to bringing these back for an award.

MR. GOODWIN: Do I hear a motion to approve staff's recommendation for 17509?

MS. BINGHAM ESCAREÑO: So moved.

MR. GOODWIN: So moved. A second?

MS. THOMASON: Second.

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

(No response.)

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

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay. That is passed.

And our last item, Marni.

MS. HOLLOWAY: Yes. Item 5(e) is presentation, discussion and possible action regarding refinancing of a direct loan funded development. This is a request for waiver for the Azure in Midland.

The development received an award of $3 million of CHDO funds under the 2012 NOFA which were to be subordinate to a first lien loan from IBC. The development owner closed on the HOME loan on October 31 of 2013, and the project was substantially complete in mid 2015. The entire $3 million HOME loan has been drawn. The development owner is pursuing refinance of the first lien debt in order to lower the interest rate and increase the loan amount. This proposed refinancing of the first lien debt requires the Department to waive the minimum loan term requirement in the Direct Loan Rule in order to be within six months of the shortest term of any senior debt.

Adding more first lien debt and reducing the term of the first lien debt to ten years will require the Department to reduce its loan term to ten years and six months. The development owner has offered to mitigate this increased risk by using approximately $250,000, or roughly 30 months of monthly payments, of the new loan's proceeds to pay down the Department's HOME loan to bring it to a balance equal to 10-1/2 years remaining on the 15-year term.

It's important to note that the requested action today is only a waiver of the minimum loan term requirement in the Direct Loan Rule. We will not know until REA completes their analysis if the proposed refinance will meet Department requirements and further Board action may be required depending on the results of that REA analysis.

Staff is recommending approval of the development owner's request to waive the minimum loan term of 15 years, as stated in the Direct Loan Rule.

MR. GOODWIN: Any questions?

MR. VASQUEZ: I'm confused. So we're not really reducing the minimum term, we're just paying in advance to shorten what's left to 10 years, or 10.5.

MS. HOLLOWAY: That's what they're offering as mitigation because we would be waiving that part of our rule with the minimum 15-year term. And part of it, too, is that they're increasing the first lien balance in front of us, so they'd be paying us down rather than us just reducing our term

MR. VASQUEZ: Again, it's still technically a 15-year term but they're paying the last five years in advance.

MS. HOLLOWAY: Well, we would be modifying our loan documents so that they're down to that 10-1/2 years in order to match the maturity date on the first lien debt. That's the twist in there.

MR. VASQUEZ: And then they're borrowing more money and applying part of that to us?

MS. HOLLOWAY: Yes. And we're going to modify our loan documents so it's a term that's less than what's allowed by our rule.

MR. VASQUEZ: I think I understand.

MS. HOLLOWAY: I'm sorry if I wasn't real clear about that whole picture.

MR. GOODWIN: Other questions?

(No response.)

MR. GOODWIN: If not, I'll entertain a motion for recommendation of staff's approval.

MS. THOMASON: So moved.

MR. GOODWIN: So moved. Second?

MS. BINGHAM ESCAREÑO: Second.

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

(No response.)

MR. GOODWIN: All in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay.

MS. HOLLOWAY: Thank you.

MR. GOODWIN: Thank you, Marni.

We have hit a spot in our agenda where all action items and consent items have been heard. We'll listen and hear any public comments. I would remind you that these public comments are for matters other than the items which were posted on this agenda and that the Board cannot enter into a discussion or ask questions as it relates to these comments, but they will possibly make the basis for a future Board agenda item.

So I see some people that apparently want to make public comments, and remind you that your comments will be limited to three minutes.

MR. DUFFY: Hello. My name is Dalton Duffy, and I live at Skyline which is owned and operated by Foundation Communities, and we understand that you help us a lot and we never really quite get to say thank you.

I spent most of my life, almost all of my adult life as a drug addict and an alcoholic. What you're about to hear from me is how that began for me and how it ended.

I was a junior in high school when I witnessed my first-born daughter die. I watched her in the incubator as she began to cry. They closed the curtains, and a few minutes had passed when all of a sudden I heard a deafening scream come from down the hall. It was my girlfriend and she had been told that our baby had died. When I got to her, she dug her nails into the back of my neck and she begged me to do something. Please save our baby, she said. I had never felt so helpless or defeated in my whole life, and there as nothing at the time that I could do, nothing.

And that night I drank Boone's Farm wine and got drunk for the first time in my life, but what I didn't know was that it was the beginning of a life filled with nights just like that one. For the next several years, decades, actually, I would stay as drunk and/or as high as I could get.

I went from being an alcoholic to being an alcoholic and a drug addict, and that's a dangerous combination for any one person. Drugs led me to a dangerous world of people, a dark and ugly part of our society. I witnessed things that I didn't know we as humans were capable of doing to each other, and don't get me wrong, before that part of my life was over, I would participate in some of those despicable acts. There are things that I've done in my life that I'm not proud of. Some of those things I cannot and will not ever forget.

I started with alcohol and marijuana and progressed to pills, and from pills I progressed to cocaine, and then once I began using crack cocaine, it became impossible for me to hold a job. I lost all desire to do anything except get high and stay high. Eventually

I lost everything, my wife, my daughter, my home, my car and ultimately my dignity. All lost because of my use of drugs and alcohol.

I had a cousin who would feed me occasionally, but after a time she no longer trusted or respected me and wouldn't even let me stay in her house. I'll never forget when she gave me a pillow and a blanket and wished me luck and closed the door in my face. That's when it really hit me: I had nowhere to go, no place to sleep, I was homeless.

And I remember one night when I was sleeping outside, it began to rain. I found an abandoned house but it was locked. In this driveway was a flatbed trailer. I got underneath it and for the most part I was protected from the rain, but then I remember rain dropping between the cracks, and as that happened, my spirit broke and I began to cry. I remember crying out: God, please help me, I don't know how to live this way; God, I'm lost, I don't know what to do. And after that prayer, I remember falling off to a peaceful sleep.

The next day, as God would have it, my sister tracked me down and got me into a rehab, and it was there that God changed my life in a way that I would never have imagined. I see life through a whole new set of eyes. But when it was time to leave rehab, I got scared because

I had no place to go, and I didn't want to end up back on the streets like I had seen several other residents do. During my two years in rehab, people just left and came back and left and came back, and they had nowhere to live. Having a place to call home is a crucial step for anybody leaving rehab, it's the most important part of beginning our journey back into society.

And that's when I found Foundation Communities, their affordable housing plan, and I have to say that they absolutely saved my life. Had it not been for Foundation Communities and the people that support Foundation Communities, I don't know that I would be standing here in front of you today. I needed a safe place to live so I could begin my new life, I needed a home. And because of Foundation Communities, I was able to move into my own apartment, have my own bed to sleep in at night, wake up in a stable environment for the first time in years.

You can't really hold a job if you don't have any place to sleep, take a shower or wash your clothes, a place to call home, and I've been with Foundation Communities now for nine years. As a result of being supported by Foundation Communities, I've been able to move forward with my own life. I used to work for Salvation Army and now I work for Foundation Communities Health Initiatives team. I'm able to help people that were just like me coming into their communities and change their life.

And I want to say personally that we never get to say thank you enough to the people that support Foundation Communities and their affordable housing, and I'm glad I was picked to come here so I can say thank you, because had it not been for people like you, then I would not be standing here today. And coming this March 2, I'll have eleven years clean and sober, and I never wanted to be sober my entire life but I am now. So thank you, TDHCA, for your support of Foundation Communities.

MR. GOODWIN: Thank you.

(Applause.)

MR. HEWITT: I don't hear so well. Sorry. Can you hear me okay?

MR. GOODWIN: A little closer to the mic.

MR. HEWITT: Closer. Is that better? That's what I want to do, I want to do a sound check first because I really don't hear very well. I've got these nice very sophisticated hearing aids from the Veterans Department, but they're almost too sophisticated, they rarely work. It's phenomenal, it's actually a really cool thing.

Hello. My name is Robert Hewitt, and I would like to thank the Board and Foundation Communities for just my whole life currently. I am a veteran of the United States Army and I've lived at Capitol Studios for the last 2-1/2 years. This coming March it will be three years. Capitol Studios is an affordable housing community right down the street in downtown Austin, owned and operated by Foundation Communities. Living in Capitol Studios not only saved my life, it restored my dignity.

I'd like to share some of my story with you. My life changed dramatically in my late 40s. I was a successful engineer but started to lose my hearing. As my hearing loss progressed, I was unable to continue my job and had difficulty finding work. Without steady employment or support from my family and friends, my financial situation worsened, my savings depleted. I felt desperate and I decided I would start driving a truck. I thought this would be a way to make money and I wouldn't have to pay rent, I could sleep in my truck rather than paying rent. The hours were unsustainable, sometimes 18-hour shifts at a time, and I didn't have anywhere else to turn. My hearing was almost completely gone at this point and carrying on a conversation was completely impossible. Without a place to sleep, I became homeless.

I went to the Veterans Administration for help. The VA put me in a shelter for about six months. Then I learned there was an opening at Capitol Studios. Given the demand for affordable housing in this city, I was told I needed to show up early to get my application completed. I knew this might be a second chance. I wanted a place of my own where I would have my own shower, my own bed and to be able to lock the door behind me.

Until you've completely lost your privacy, you can't comprehend how important this simple idea of locking a door behind you is. I showed up at Capitol Studios with a fellow veteran at 4:00 a.m. in the morning, no one else was there, but that's how badly I wanted a home.

Now, understand, becoming hearing impaired later in life shook the tectonic plates of my existence, no joke. I felt lost and had little to no confidence, and I'm a pretty confident, cocky person normally. Every conversation, every experience, simply just walking down the street because as you're walking down the street you can hear the cars around you, you know where the traffic is. You can walk out in the street and not know a car is coming, it's different. Everything is completely different. For a long time I didn't know how to adjust.

Currently I use hearing aids provided to me by the Veterans Administration. I am slowly becoming more social. Having a home I can afford has given me a sense of stability. Affordable housing gave me a second chance at living a meaningful life.

I'd like to say thank you to the TDHCA Board for supporting affordable housing, and for the opportunity to share my story with you today.

MR. GOODWIN: Thank you.

(Applause.)

MR. GOODWIN: Any other public comment?

(No response.)

MR. GOODWIN: If not, I'll entertain a motion to adjourn.

MS. BINGHAM ESCAREÑO: So moved.

MR. GOODWIN: So moved. A second?

MR. VASQUEZ: Second.

MR. GOODWIN: All in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: We're adjourned.

(Whereupon, at 10:30 a.m., the meeting was adjourned.)

C E R T I F I C A T E

MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: October 12, 2017

I do hereby certify that the foregoing pages, numbers 1 through 70, 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.

10/18/2017
(Transcriber) (Date)

On the Record Reporting
3636 Executive Ctr Dr., #G22
Austin, Texas 78731