TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOVERNING BOARD MEETING

Greer Building
Williamson Board Room
125 East 11th Street
Austin, Texas 78701

January 12, 2023
10:01 a.m.

MEMBERS:

LEO VASQUEZ, III, Chair
BRANDON BATCH, Member (absent)
ANNA MARIA FARIAS, Member (absent)
HOLLAND HARPER, Member
KENNY MARCHANT, Member
AJAY THOMAS, Member

BOBBY WILKINSON, Executive Director

I N D E X

the statutory four-year rule review and order of proposed readoption for 10 TAC Chapter 10, Uniform Multifamily Rules, Subchapter F, Compliance Monitoring, §10.603, Notices to the Internal Revenue Service (HTC Developments during the Compliance Period), and §10.620, Monitoring for Non-Profit Participation, HUB, or CHDO Participation, and directing their publication for public comment in the *Texas Register*

h) Presentation, discussion, and possible action on the statutory four-year rule review and order of proposed readoption for 10 TAC Chapter 29, Texas Single Family Neighborhood Stabilization Program Rule, and directing its publication for public comment in the *Texas Register*

I) Presentation, discussion, and possible action on the proposed repeal of 10 TAC Chapter 1, Subchapter B, Accessibility and Reasonable Accommodations; proposed new 10 TAC Chapter 1, Subchapter B, Accessibility and Reasonable Accommodations; and directing publication for public comment in the *Texas Register*

LEGAL
j) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Dale Meadows (HOME 530200 / CMTS 4001)

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

CONSENT AGENDA REPORT ITEMS

ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS: 7

a) Media Analysis and Outreach Report, November 2022

b) Report on TDHCA One-Time or Temporary Allocations B Pandemic Response and Other Initiatives

c) Report regarding a Request for Proposal for Financial Advisor issued by the Texas Department of Housing and Community Affairs.

ACTION ITEMS

Executive Session: the Chair may call an Executive Session at this point in the agenda in accordance none

P R O C E E D I N G S

MR. VASQUEZ: I'd like to call to order the meeting of the Governing Board of the Texas Department of Housing and Community Affairs. It is 10:01 a.m. on January 12, 2023. Thank you all for being here.

We will start out with the roll call.

Mr. Batch is absent today. Ms. Farias is on a trip somewhere.

Mr. Marchant?

MR. MARCHANT: I'm here.

MR. VASQUEZ: Mr. Thomas?

MR. THOMAS: Here.

MR. VASQUEZ: And Mr. Harper?

MR. HARPER: Here.

MR. VASQUEZ: We do have a quorum. I guess since Mr. Batch is recently married, he's not allowed to come out and play as often as he used to. So we do have a quorum.

Thank you for being here, Mr. Harper.

And we'll start out, as usual, with Mr. Wilkinson leading us in the pledges.

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

MR. VASQUEZ: Thank you for that. I always feel like saying "Play Ball" after we do that.

And that reminds me for all of you Horned Frog fans, my condolences for your deep loss. I was cheering for them for like the first ten minutes.

Okay. Moving right along to the consent agenda. Are there any changes to the consent agenda or items that someone wants to move to action?

(No response.)

MR. VASQUEZ: Hearing none or seeing none, I will entertain a motion on the consent agenda.

MR. THOMAS: Mr. Chairman, I move the Board approve items 1 and 2, as described and presented in the respective Board action requests.

MR. MARCHANT: Second.

MR. VASQUEZ: Great. Thank you. Motion made by Mr. Thomas, seconded by Mr. Marchant. All those in favor say aye.

(A chorus of ayes.)

MR. VASQUEZ: Any opposed?

(No response.)

MR. VASQUEZ: Hearing none, motion carries.

We are not having an executive session today. Moves us to item 3, the executive director's report.

Mr. Wilkinson, what's been happening?

MR. WILKINSON: All right, Mr. Chairman.

Last week was the pre-application week for the

2023 9 Percent Housing Tax Credit award cycle, so we're in it again. Right? Staff reports we received a total of 216 pre-applications. That's down quite a hitch, I think we were at 300 or so the year before.

The pre-application is optional for applicants who intend to participate in the round; however, it is worth quite a few points and therefore it is critical for most applications that end up being competitive. It's very rare that you would come in with a full app without pre-app points and get an award.

Compared to last year, this is a decrease of 87 pre-applications, which was anticipated due to the number of supplemental credits requested, as well as market factors, which have been discussed in previous meetings of this Board. We expect that we will still receive enough full applications in March to get all the funding out the door without issue.

Multifamily staff this week tallied the supplemental credits notices of intent we received. The Department received a total of 62 notices of intent from applicants that were awarded in 2021 for a total of $11,083,465 in expected supplemental credit requests.

The last time we did supplemental, it was just under $5 million, so this is a bigger chunk of the future. This will have a significant impact on the round in the form of fewer new applicants being funded.

Moving on to Homeowners Assistance Fund, or HAF. As of yesterday, HAF has funded or approved funding for 28,095 households. That's about $296 million with an additional $1.1 million in progress. The program still has a few hundred million of funding available.

Our average assistance amount per household is up to $10,716. We now have 26 intake centers operating around the state, helping applicants with filing applications and answering questions. That's something, you know -- I've said this before -- that we weren't able to do with rent relief because people were still wearing masks and not congregating, et cetera. So this is a way for people that don't feel comfortable applying online or they don't have a nephew or someone that can help them; they can go to a physical intake center.

I'd also like to add, you know, we're doing utilities now with Homeowners Assistance Fund, so if you're a homeowner, you need help with your mortgage, your insurance, your HOA, your property taxes, and your utilities all through this program.

Texas Rent Relief Program, we compiled some year-end statistics for the program, and here are a few highlights. So just in this last year with the kind of lower level of the program, we'd already spit out the $2 billion or so; we disbursed an additional $271 million in assistance, helped 51,361 Texas families stay in their homes. That's more than the entire city of Waco.

The program in 2022 reduced the amount of outstanding -- the uncashed payments from more than $50 million to about $500,000. We reduced the processing rate of payments pending for more than 30 days from 90 percent to 2 percent, and they improved the rate of calls answered by the call center within 20 minutes from 10 percent to 90 percent.

Also worth mentioning that within the last month the Supreme Court of Texas issued another emergency order extending the Texas Eviction Diversion Program through March 1, 2023.

We still have a few more re-allocations coming. We don't know how much, we don't know when we'll get them, but we should at some point be reopening the portal maybe once, maybe twice, and by late summer, fall, maybe we can be finished and kind of wrap up.

There will still be the housing stability services section portion of rent relief that we used to fund various homeless activities, et cetera. That will have a longer tail; that will be going on a little farther.

That's it for my prepared remarks. Any questions from the Board about the Department?

MR. MARCHANT: There's no new money coming; this is just money that's being turned back in and recycled back out.

MR. WILKINSON: Correct. It's either local governments that got a direct allocation, they had a population over 200,000, or every state, including really small states with not that many renters that due to our system got a pretty good small state minimum that they're not all going to spend it. But you know, at some point --

MR. MARCHANT: They know you can't spend it, so they send it to you.

MR. WILKINSON: Right, right, right. So it's good for us, but at some point, all the clawbacks and the re-allocations will just be finished and wind down the program.

MR. MARCHANT: Thanks.

MR. VASQUEZ: Any other questions for Mr. Wilkinson?

(No response.)

MR. VASQUEZ: Thank you for your report and update.

This moves us to item 3(b) on the agenda, Presentation, discussion, and possible action authorizing amendments to vendor contracts, as required by Texas Government Code Chapter 2155.

Ms. Boston.

MS. BOSTON: Chairman Vasquez, Board members, my name is Brooke Boston, I'm one of our deputy executive directors, and I'm presenting item 3(b) to you today.

For a little bit of background, as you know and see each month in our report to you, TDHCA received significant pandemic and one-time funds over the last several years. To support those programs and the vast increase in work, the Department brought on multiple vendors across a variety of those programs.

Because there was urgency in getting these programs out and available as quickly as possible, the Department utilized and continues to utilize the Governor's COVID Disaster Declaration that provides that any state statute or administrative rule regarding contracting or procurement that would impeded an agency's response to cope with the disaster is suspended for the duration of the disaster for that limited purpose. Such declaration continues to be in effect, and in our selection, contracting and management of vendors, we are utilizing that waiver.

One of the components of those procurement regulations that is waived provides that an agency's board must consider material amendments and specifies what a material change is, specifically that it includes term extensions of more than six months or increasing the total consideration to be paid to the vendor by at least 10 percent.

While staff believes that the waiver of state statutes or administrative rules continues to be applicable to these vendor agreements because they continue to be used to administer pandemic response programs, out of deference to the spirit of the statute and because there is sufficient time at this period to seek such approval without negatively impacting program delivery to critical services to clients, staff is seeking to comply with this requirement relating to garnering Board consideration of the material amendments.

There are currently four of our vendor contracts established under the disaster declaration that are now in need of amendment that meet this materiality standard.

These four amendments are all needed to continue to ensure consistent, timely, accountable program management of three of our largest programs: the Texas Rent Relief Program, and the Homeowner Assistance Fund Program that Bobby just talked about to you guys, and the Texas Utility Help Program.

So with that background, I'll tell you a little bit about each of the four contracts, and there's also a lot of detailed information in your Board materials.

So the first of the contracts relates to our contract with Deloitte & Touche, LPP. The Department contracted with Deloitte in June of 2021 to provide QA/QC and fraud services for the Texas Rent Relief Program. The contract expires at the end of this month.

TDHCA has received additional funds that have kept the program going longer than expected, and as Bobby mentioned, anticipates that it may receive several more rounds of re-allocated ERA-II funds from Treasury. The amount and timing of when we would get those funds is unknown.

Staff believes that QA and QC fraud services will be needed through August of 2023, with a little bit longer for closeout through December of '23. Additionally, to cover the cost of keeping them on through August of '23, we recommend increasing the not-to-exceed contract amount from $11.7 million to $15.7 million, noting, however, that Deloitte will only get paid for work completed. If in a few months their services are not required, the Department would not pay that maximum not-to-exceed amount and those funds would be repurposed.

So I would also note that this new total contract amount for them is 0.64 percent of the total amount of Texas Rent Relief funds that we had, so it's a very, very small contract relative to the scope of the program.

So I don't know if you want to ask any questions about these on a contract-by-contract basis or if you want me to go through all four.

MR. VASQUEZ: Why don't you go through all four, because I know my questions are more broad-based.

MS. BOSTON: Okay, great.

The second contract is also for QA and QC services but is in association with our HAF Program. The Department contracted with CohnReznick on January 13, 2022 to provide such services. The contract actually expires tomorrow, January 13.

Because the initial contract was only for a year and the program still has significant funds remaining to assist households, there still is a continuing need for the services from CohnReznick. They're agreeable to continuing their services for an additional year. In this amendment, staff is not requesting any additional funds because there is still a balance in their contract with us; we're only requesting an extension of time.

The third contract is also relating to the HAF Program. In this case, the Department contracted with Yardi in October of 2021 to provide turnkey program administration and application services for HAF.

They provide a whole bundle of services, including hosting a web-based application intake and processing system, performing application review, prioritization and approval, performing calculation of payments, processing payments, preparing reporting, and hosting a call center for us.

Since the inception of HAF, the Department has changed the program design several times to add activities under our HAF plan to be more responsive to the needs of Texas homeowners.

Originally under the eligible program activities there were only program design elements: mortgage reinstatement, taxes, insurance and HOA fees. Two additional design elements have been added and are now being offered to households: the making of future mortgage payments and the payment of utility expenses.

Yardi collaboratively took on those activities and added teams of staff to work those requests when they came in. Those added activities increased the workload required of Yardi; therefore, this amendment revises the per-application fee that Yardi can bill from $250 to $280 per application to adjust for the added program activities occurring. Because most applications are taking advantage of one or both of these additional activities, the increase per applicant rate of $280 applies to all applications.

A couple of important things to note with this contract. First, the increased rate is only effective on cases billed after January 1 of 2023, and most significantly, while the amendment increases the allowable billing rate, it does not increase the total not-to-exceed contract amount. There is still significant unbilled funds in the contract, so we don't need to give them more total money; we're just giving them more room to bill per application, still not to exceed.

And the last one is also with Yardi; they have several contracts with us. So this fourth and final contract amendment is in relation to our Texas Utility Help Program.

The Department contracted with Yardi in June of 2022 to receive a portion of our allocation of LIHEAP to provide turnkey program administration and application services for Texas Utility Help. They also receive LIHWAP funds from us, which is our water program.

The original contract contemplated services only for a fixed amount of total program assistance to households and did not provide for increases of those program funds. However, nationally there has been a movement where there continue to be new released allocations of LIHEAP funds, of which those are coming to Texas, and so we are recommending that those funds also be in part given to Yardi so that they can continue to assist households.

Unlike the other contracts I've talked about, this contract is structured more similar to a subrecipient contract, in that we actually have the total amount of program money that's feeding through to households in the contract, and then they are eligible for a percentage of that as their administrative fee. So if they don't move the money for the households, then they can't claim a percentage.

The reason this program is set up differently than HAF and TRR, those were temporary programs with very few regulations. This program with LIHEAP is a longstanding program; it has a lot of federal regulations and infrastructure. We have state rules and regulations that govern the program, so we are trying to pass that down in exactly the same way with Yardi as we would with our subrecipients.

So staff is recommending increasing the total program funds by an additional $48.4 million. The current amendment revises the contract from $77.1 million to $125.5 million. That, of course, as I noted, is not their fee, that is all program funds.

And with that, thanks for your patience, I know that was a lot, and I'm happy to answer questions.

MR. VASQUEZ: Okay. Thanks, Brooke. I have several questions.

So are any of these extensions over a year long?

MS. BOSTON: No.

MR. VASQUEZ: So these are just short-term extensions, basically, for each contract.

MS. BOSTON: Well, not all of them are.

MR. VASQUEZ: They're not multi-year contracts that we are awarding.

MS. BOSTON: Correct, that's right. And not all of them are even are adding time, but of the ones that are adding time, it's no more than a year.

MR. VASQUEZ: Okay, great. So bottom line, it's multi-year contracts that we're issuing anew.

MS. BOSTON: Correct.

MR. VASQUEZ: Okay. How much longer are we going to be doing this disaster contracting?

MS. BOSTON: That's a great question. You know, with Texas Rent Relief we have several vendor contracts, and that one we think may go through as far out as December, but it really ties in with whether we're going to get those re-allocated funds, how much, how quickly we can get them moved.

MR. VASQUEZ: I'm sorry; let me clarify my question.

MS. BOSTON: Okay.

MR. VASQUEZ: How much longer are we going to be issuing contracts, or the procedure for us issuing contracts under the COVID disaster relief umbrella?

MS. BOSTON: You mean new ones, like we will be adding more new ones?

MR. VASQUEZ: Next time we have similar types of contracts, are we going to do this through the fast track contracting or will it be a full and open competition?

MS. BOSTON: Yeah. So for instance, we have a new program under Department of Energy with weatherization; we've gotten a huge allocation for that. That one we're doing a traditional procurement for a turnkey vendor.

I'd like to say that I think under the current programs that we know of there are no remaining contracts that we would do a procurement under the disaster declaration.

MR. WILKINSON: The waivers are still there via the Governor, but we don't really think we're going to need them for anything; COVID is over.

MS. BOSTON: If any other disaster funds came that were urgent, then that may kind of prompt us to get back to that.

MR. VASQUEZ: If we need to re-allocate, we get another allocation, of course, yeah, let's do it this way.

MS. BOSTON: Right.

MR. VASQUEZ: And do you feel that the Department has enough in our evaluation processes for new contracts that there's enough opportunity for small businesses to compete against some of these big companies for new contracts?

MS. BOSTON: Definitely. When we are following a traditional procurement model, we're required to reach out to a certain portion of HUBs, anyone who is listed with the Comptroller's Office as being interested in hearing, and so we would do that.

I would note, though, that even with the other procurement that we did, we did reach out to small providers, so some of the ones that we considered were small mom-and-pop kind of firms.

MR. VASQUEZ: Great. Well, when these come around again -- and some of these are pretty substantial fee contracts -- let's make sure it's as transparent and outreaching to as many groups as we can to get competition.

MS. BOSTON: Certainly.

MR. VASQUEZ: Do any other Board members have questions for Ms. Boston?

MR. THOMAS: Just one question, Mr. Chairman.

MR. VASQUEZ: Go ahead.

MR. THOMAS: On the second contract item you mentioned, you had referred to the fact that there was no additional cost, that you were not coming back to the Board for any more money for that contract because there was still money in the existing contract that covered the additional up to a year. Right?

Do you foresee that for the duration of the extension required, or is that like two months from now you might come back to the Board for additional money? Like how much in surplus is in the existing contract to cover the services that they're going to cover?

MS. BOSTON: Yeah, great question. The original contract for that one is $2.5 million, and we have paid them to date only $600,000, so there's still $1.8 million left, and that was for about a year of work. So I can't say it won't happen, but I definitely think there's a significant amount of money in there still, more than they've spent so far.

MR. THOMAS: Okay. Thanks, Brooke.

MR. VASQUEZ: Anyone else?

(No response.)

MR. VASQUEZ: Okay. I forgot I'm supposed to ask, if anyone wants to speak on this subject or future subjects, please make sure you move up here to the front two rows so I can know that you're interested in speaking on whatever the topic is, agenda items.

Hearing no further discussion, I'll accept a motion on item 3(b) of the agenda.

MR. THOMAS: Mr. Chairman, I move the Board approve the amendments to the four vendor contracts, as presented in the Board action request on this item.

MR. VASQUEZ: Motion made by Mr. Thomas. Is there a second?

MR. HARPER: Second.

MR. VASQUEZ: Seconded by Mr. Harper. All those in favor say aye.

(A chorus of ayes.)

MR. VASQUEZ: Any opposed?

(No response.)

MR. VASQUEZ: Hearing none, motion carries.

Thank you, Brooke.

Moving on to item 4 of the agenda, Presentation, discussion, and possible action regarding a material amendment to Housing Tax Credit application for project 20406, Gala at Central Park.

Mr. Banuelos.

MR. BANUELOS: Good morning, members of the Board. Rosalio Banuelos, director of Asset Management, and yes, item 4 is an amendment to the application for Gala at Central Park.

This development received an award of 4 percent housing tax credits and a National Housing Trust Fund loan in 2020 for the new construction of 94 units for the elderly population in Hearst, Tarrant County.

Construction of the development is now complete, and the owner is now requesting approval for reduction in the common area from 35,602 square feet to 19,656 square feet, which represents a reduction of 15,946 square feet, or 44.79 percent from the common area represented in the architect's certification at application.

According to the amendment request, the common area represented in the architect's certification was mistakenly pulled from the gross market area of an entire floor, and the owner-representative has pointed out that the building plans in the application supported 32,602 square feet of common area. However, due to subsequent changes in the design, the final common area is 19,656 square feet, which is approximately 40 percent less than what the common area should have been based on the floor plans in the application.

The owner submitted a copy of the as-built floor plans and pointed out that the common area square footage decreased because the building was redesigned and units and maintenance areas were placed in some areas that initially identified common area. In addition, as part of the redesign, the interior corridors were eliminated or decreased such that there was a reduction in the common area.

The change to the common area square footage does not materially alter the development in a negative manner and was not foreseeable or preventable by the owner at the time of application.

In addition, the owner has indicated that there is no net financial impact on the development as a result of the proposed changes, and staff determined that the change does not affect the scoring of the application or the funding award. The development will continue to meet the accessibility requirements, and the final credit amount will be determined once the cost certification review process is finalized.

Staff recommends approval of the amendment request, and I am available to answer any questions.

MR. VASQUEZ: Thank you. I have a couple of questions that this one brings up.

So just looking at the raw numbers, this is a huge difference in the common area -- and keeping in mind that most things that the Board deals with, even if you haven't dealt with it before, it just seems like common sense you'd understand what this is -- can you explain to us what counts as a common area?

MR. BANUELOS: Yes. It's defined in the QAP. The definition of common area is: an enclosed space outside of the net rentable area, weather conditioned or unconditioned, to include such area contained in property management offices, resident service offices, 24-hour front desk office, club rooms, lounges, community kitchens, community restrooms, exercise rooms, laundry rooms, mailbox areas, food pantry, meeting rooms, libraries, computer labs, classrooms, break rooms, flex space programmed for resident use, interior corridors, common porches and patios, and interior courtyards. Common area does not include individualized garages, maintenance areas, equipment rooms, or storage.

MR. VASQUEZ: Did you say interior corridors?

MR. BANUELOS: Yes.

MR. VASQUEZ: A hallway is considered a common area?

MR. BANUELOS: If it is enclosed.

MR. VASQUEZ: Who'd've thunk it?

(General laughter.)

MR. WILKINSON: And Chairman, if you go to the PDF on 174, you see the breakdown, and it's mostly stairways, breezeways and corridors that is the bigger chunk of the total common area.

MR. BANUELOS: I will say for this development it is one single building, three-story building that has a significant amount of enclosed corridors. Most developments that are garden style have a clubhouse that is separate from the building, so common area would be the area of the clubhouse.

In this case, because of the corridors, the common area is larger for this development than it would have been for other developments. At 19,000 square feet, even at that point it is still larger than what we typically see for most developments.

MR. VASQUEZ: And to clarify some of what you read off there, so a yard out in front or out in back, uncovered, doesn't count as a common area.

MR. BANUELOS: So there's a section here that I haven't seen yet but it says interior courtyards. We haven't seen that yet, but I would take that to mean if it's a yard that's enclosed in the back it could possibly count for common area.

MR. VASQUEZ: But in front or back would not count as a common area. Okay.

This, I think, was kind of eye-opening when I read it and was kind of surprised by that.

Let me ask another just sort of bigger-picture question. We found out about this change at cost certification.

MR. BANUELOS: That is correct, after the fact.

MR. VASQUEZ: So this change was made and the developer is asking for forgiveness rather than having asked for permission ahead of time?

MR. BANUELOS: That is correct.

MR. VASQUEZ: Does the Board -- and maybe this is a question for Mr. Eccles -- does the Department have any kind of recourse -- punishment, for lack of a better word -- when this type -- in this case it obviously doesn't sound like that drastic of a problem, but in general, when we find out about something that the developer already did and then they come to us for forgiveness, do we have any kind of recourse to get the attention of that developer and other developers so it doesn't happen again.

MR. ECCLES: This is a 9 percent deal?

MR. BANUELOS: It's a 4 percent.

MR. ECCLES: Okay. The statute for material amendments does offer the rare opportunity for the Board to actually withdraw credits or to rescind credits at this point. Also, there might be the ability to penalize for failure to live up to the assertions in the application, but again, that's where the question comes is that a remedy that the Board wishes to exercise for this?

MR. VASQUEZ: And again, for clarification, I'm not talking about this particular project having any remedies against it, but could you define possible remedies, again, just so the Board knows and everyone else out here understands what could happen? It doesn't have to be an all-inclusive; just a couple of examples, please.

MR. ECCLES: Honestly, I'd prefer not to go off the top of my head and terrify the development community saying that it's a pronouncement by TDHCA that this is the scope. I'm happy to brief the Board at the next Board meeting of the remedies of asking for forgiveness instead of permission when a matter has to come for material amendment.

MR. VASQUEZ: That's fine. Everyone can sleep uneasy for a month.

MR. MARCHANT: Mr. Chairman?

MR. VASQUEZ: Yes, Mr. Marchant.

MR. MARCHANT: If the Board had a policy of not granting a forgiveness, just a hard core if you do this, you're not going to get -- you stepped over the line and you're not going to be considered so that if they know that if they do this, they're disqualifying themselves, but we don't have a policy. Can we change a policy on recourse, or does a policy have to be amended?

MR. WILKINSON: At cost cert sometimes credits are cut because they don't have enough eligible basis. That happens all the time. But as far as an amendment that wouldn't have affected the scoring, we haven't moved to punish in any way.

MR. BANUELOS: As far as policy, we would probably have to include that as part of the next rulemaking process and put on that and ultimately have it issued.

MR. MARCHANT: Well, if you declare right up front in the rules that you start with that if you decide to do this, don't come back for forgiveness because just don't go down that road, or get permission before you go down that road is a better way to say it.

MR. VASQUEZ: Thank you, Mr. Marchant. That's part of my intent, that we need to be informed up front about these potential changes. And I'll also note over the years I'm sure everyone has seen material amendment items that have come up before the Board and the materiality of many of those, of most of those is immaterial, you know, just barely over some percentage change. That's not, I guess, what I'm worried about. I don't think that the Department should really be worried about that.

MR. WILKINSON: It's the big ones in statute, change of residential density and stuff, and it gets triggered so easily.

MR. VASQUEZ: And so for the most part it's not, I think, a big concern. We'd still like to be informed up front, and I think staff needs to make sure that the developer community understands that: Let us know what's going to happen; don't surprise us at the end.

MR. BANUELOS: I will say that's the intent in the rules, something that we have in there.

Unfortunately, for material amendments it doesn't matter, but we say for non-material amendments, if they come in and notify us of the change in advance, there wouldn't be a fee associated with that request, but if they come in after the fact and ask for approval, we charge them a fee for material amendments.

Because we have to bring it to the Board, we charge a fee regardless, so there wouldn't be that benefit, but the rules are structured such that we ask that the changes be presented to us before they are implemented.

MR. VASQUEZ: Okay, great.

Do you have any other, Mr. Thomas?

MR. THOMAS: Yeah, just a few points of emphasis. So I think along the same lines, the Board's message clearly seems to be come ask for permission; don't ask for forgiveness. Right? So we just cover all bases there.

But going back to this particular project at Gala at Central Park, while it's not material -- and I clearly understood that from the briefing and from your comments -- the broader definition of these common areas they sort of encompass what's in there, there is sort of a debatable, like a living worthiness to some of these things. Right?

I mean, I doubt the developer was overly luxurious in his estimates for like hallways and things like that, and so you've got tenants living in here, you've got to move in furniture, you've got to do these things. I'm sure they're up to fire code; I'm sure that they've taken all that into consideration.

But we just don't want that to be sort of the general rule, right, in terms of let's cut all the common areas to the absolute skinniest it can be and that way we show a great project and come back later that this is the case.

But for points of emphasis on another matter, it is important to note for the public that the number of units isn't going down in this at all, none of the changes impacted any of the units or the schematics of how they were built, so I think it's probably self-explanatory in the briefing and from your comments that this probably falls in that immaterial sort of nature of it, so I'm supportive. But clearly, I think fellow members what we've communicated in this agenda item, I think that's an overarching message we need to emphasize for this.

MR. HARPER: (Mic not on.)

MR. BANUELOS: The architect's certification in the application identified 35,000 square feet of common area. The developer, as part of this amendment request, identified within the plans that there was a total of 32,000 square feet of common area, so it was 3,000 that was questionable as far as whether it was identified in the plans or not, but it was identified in the architect's certification, not 11,000.

MR. HARPER: So the management says this was included and should not have been included; this was included and should not have been included, because it's got numbers on there.

MR. BANUELOS: Are you looking at the drawing?

MR. HARPER: Yes, the drawing.

MR. BANUELOS: So it talks about the corridor that was incorrectly accounted for, and this was a question that came up in our review of the amendment, because we had multiple numbers that were presented to us as the common area square footage.

One of the questions that I was trying to get an answer to was what was eliminated as part of the development as built. And in an effort to explain that, the developer provided the schematic that identified areas that were initially identified as common area that were ultimately built with units in them or that had mechanical and maintenance spaces within them, and that they were trying to indicate that certain area square footages that were included in the application were built into that number so they were possibly double-counted in the number that was included by the architect at application so the 35,000 included corridors as part of the common area that was already accounted for separately. So I think that that's what that's referring to in the drawing.

MR. HARPER: Okay.

MR. VASQUEZ: Are there any other questions on this item?

(No response.)

MR. VASQUEZ: If not, I will entertain a motion on item 4 of the agenda.

MR. THOMAS: Mr. Chairman, I move the Board approve the amendment for Gala at Central Park, as presented in the Board action request on this item.

MR. VASQUEZ: Motion made by Mr. Thomas. Is there a second?

MR. MARCHANT: Second.

MR. VASQUEZ: Seconded by Mr. Marchant. All those in favor say aye.

(A chorus of ayes.)

MR. VASQUEZ: Any opposed?

(No response.)

MR. VASQUEZ: Hearing none, motion carries.

Thanks, Rosalio. Are you still up?

MR. BANUELOS: Yes, I'm still up.

MR. VASQUEZ: Item 5, Presentation, discussion, and possible action on an order adopting the amended 10 TAC Chapter 10, Subchapter E, Post Award and Asset Management Requirements, and directing its publication for adoption in the *Texas Register*.

MR. BANUELOS: In the meeting as of October 13, 2022, the Board ap0proved for publication and public comment in the *Texas Register* the proposed amendments in 10 TAC Chapter 10, Subchapter E concerning Post Award and Asset Management Requirements.

The proposed amendments were published in the October 28, 2022 issue of the *Texas Register* for public comment between October 28, 2022 and November 18, 2022. Public comment was received from two commenters, and staff has prepared a reasoned response to the comments and incorporated a further revision in response to a comment into the final rule for adoption.

The Board book includes a black-line version of the amended 10 TAC Subchapter E that reflects the change proposed by the Department after consideration of public comment.

Written comments regarding the amended rule were received from Sally Gaskin, president of SGI Ventures, and from Roger Arriaga, executive director of the Texas Affiliation of Affordable Housing Providers, or TAAHP. Comments were received regarding the section for the 10 percent test and regarding the section for construction status reports.

Both commenters recommended that the fair housing training requirement and the section for the 10 percent test which specifies that the training certificates cannot be older than two year from the date of submission of the 10 percent test documentation be changed to every five years unless there is a change to the Fair Housing Rule.

Ms. Gaskin stated that the two-year requirement is extremely repetitive and burdensome. Mr. Arriaga stated that there have been no changes to the Fair Housing Act, and therefore, they proposed that the certification be no older than five years from submission of the 10 percent test documentation to eliminate the administrative burden.

Staff determined that the change cannot be made to the rule because, one, it would create a conflict with another section of the QAP that deals with post bond closing documentation that requires the training certificates to be within two years as well, and in addition, staff consulted with the Fair Housing Division of the Department and confirmed that no change is recommended to the section because certified fair housing training providers must include the most up-to-date guidance from HUD in their trainings. And if the requirement is changed from two years to five years, it is possible that new guidance could be missed during that period of time.

For the section for construction status reports, Mr. Arriaga suggested inserting language clarifying that the construction start date should only be required to be identified as part of the initial submission only to avoid requiring this information to be identified on subsequent third party inspection reports that are submitted quarterly.

Staff agrees with the commenter and has made the change in the enclosed rules. That is the only change to the rule from what was proposed for public comment.

Staff recommends that the amended rule be approved for adoption, and I am available to answer any questions.

MR. VASQUEZ: Thank you.

Do any Board members have questions on this item?

(No response.)

MR. VASQUEZ: Do any members of the public wish to speak on this item?

(No response.)

MR. VASQUEZ: I guess he doesn't want to; he already submitted his comments in writing.

Thank you for joining us, Mr. Arriaga. I saw you sneak in.

I will entertain a motion on item 5(a) of the agenda.

MR. THOMAS: Mr. Chairman, I move the Board approve and adopt the amended 10 TAC Chapter 10, Subchapter E, Post Award and Asset Management Requirements in the form presented in this meeting, to be published in the *Texas Register* for final adoption, all subject to the conditions expressed in the Board action request on this item.

MR. VASQUEZ: Thank you.

Motion made by Mr. Thomas. Is there a second?

MR. HARPER: Second.

MR. VASQUEZ: Seconded by Mr. Harper. All those in favor say aye.

(A chorus of ayes.)

MR. VASQUEZ: Any opposed?

(No response.)

MR. VASQUEZ: Hearing none, the motion carries.

I'm glad Mr. Thomas is here, we would never get a motion done.

Thank you, Rosalio.

It's my understanding item 5(b) has been pulled from the agenda today?

MR. WILKINSON: Right.

MR. VASQUEZ: Okay. Moving on to item 6, Presentation, discussion, and possible action regarding an award to Burnet Place Apartments, application number 227222 from the special purpose HOME American Rescue Plan National Housing Trust Fund set-aside.

Ms. Cantu.

MS. CANTU: Good morning. My name is Naomi Cantu. I'm the HOME American Rescue Plan, or HOME ARP director. I won't repeat that agenda item, as Chairman Vasquez already said it so beautifully.

I'm recommending a HOME ARP award for Burnet Place Apartments in the amount $6,318,646. Burnet Place Apartments is a new construction rental development of 61 supportive housing units on Burnet and Anderson Lane in Austin, Texas. Thirty-one units will be restricted to HOME ARP qualified populations, or QPs, which include persons experiencing homelessness and other vulnerable populations.

Project Transitions, the owner of the Burnet Place Apartments, was invited to apply for the HOME ARP National Housing Trust Fund set-aside. This set-aside is in the HOME ARP allocation plan, as approved by the Board in April 2022, to preserve existing Department investments in National Housing Trust Fund projects awarded funds in

2020 and 2021 that might not be financially feasible.

In 2022, Project Transitions received a $3 million National Housing Trust Fund award and committed 34 units for National Housing Trust Fund. However, the project stalled, and if the project did not move forward, there was a risk that National Housing Trust Fund monies would need to be returned to TDHCA and then returned to HUD.

In the summer of 2022, Project Transitions submitted an application for HOME ARP funds to assist in filling cost increases, with the largest increase in total development cost of about $7.9 million since originally underwritten.

The Department's HOME ARP award would fill most of the funding gap from increased costs. The remaining $1.3 million will be filled from funds from other sources, including the Federal Home Loan Banks of Dallas and Atlanta, City of Austin Brownfields grants, and there's an additional award pending from the City of Austin from their housing bond.

All of the 61 units are anticipated to receive Housing Opportunities for Persons with HIV or AIDS, called HOPWA, assistance through the Department of Austin Public Health. This means all units will have a preference for persons living with HIV or AIDS and offer deeply affordable housing paired with intensive wraparound services.

The HOME ARP proposed award comes with two conditions prior to contract. The first is confirmation that the final funding source of $300,000 through the City of Austin has been secured, announcement of which is expected in March of this year.

The second is the submission of a tenant selection process for Department review and approval. This second condition is due to the multiple funding sources -- as you can see in the pro forma -- preferences and limitations at the property.

Staff recommends approval of the HOME ARP award of $6,318,646, subject to final underwriting, as set forth in the real estate analysis report, to be a zero percent interest, deferred forgivable loan in second lien position with a 40-year term.

And with that, I will accept any questions.

MR. VASQUEZ: Thank you, Naomi.

I know it's here in the book, but can you repeat out loud what was the original cost estimate on this project and what is the revised cost estimate?

MS. CANTU: Yes. So the total development cost went from about $10.4 million to $18.3 million.

MR. VASQUEZ: So they missed by 75 percent?

MS. CANTU: There was a 75 percent increase in total development cost; that's correct.

MR. VASQUEZ: We understand that developers are encountering cost increases and everything over the last several years, but 75 percent miss, does that not raise some red flags for staff?

MS. CANTU: We did review them. The project did go through underwriting, and underwriting does have cost estimate sources -- I'm sorry -- cost estimate comparisons.

I will say that that the REA report, the real estate analysis report, said that the costs are consistent with increases seen in the industry due to COVID-19 cost increases, supply chain issues, and labor shortages.

MR. VASQUEZ: Okay. So it was just an enormous miss which sounds more like twice as much as most of the other misses have been, just in general.

Another question. So these proposed funds, we already offered $3 million in funds, and those aren't a loan; that's a grant, the first $3 million.

MS. CANTU: I believe that is a loan.

MR. VASQUEZ: Well, it's a forgivable loan. Right?

MS. CANTU: It's forgivable.

MR. VASQUEZ: Okay. With no payment stream or anything like that, so it's a gift.

Now they're asking for another $6.3 million

gift -- I mean, non-repaying, non-amortizing, non-anything?
MS. CANTU: It would be deferred forgivable because it is a supportive housing development, and so those are the terms we offer for supportive housing.
MR. WILKINSON: I think just to quickly add, the purpose of this $10 million piece was to add on to National Housing Trust Fund applicants that experienced a huge gap, and so that was the way it was programmed, and this was out of HOME ARP that is bigger. One thirty-two total?
MS. CANTU: One thirty-two.
MR. WILKINSON: And so this first 10- was to save deals that we had already committed to.
The owner representative is here.
MR. VASQUEZ: Hang on. We'll get to questions.
This developer, what kind of experience, track record have they shown to show that they can do this?
MS. CANTU: Sure. Project Transitions does have other developments through the Department. I couldn't tell you their names off the bat; I can get those.
MR. VASQUEZ: Just the total number of units that they have.
MS. CANTU: The total number of units.
MR. VASQUEZ: And I'm sure I'll be able to get that answer. You can defer that question. My understanding it's around 40. So this is going to be

another 150 percent of that amount.

MS. CANTU: Sixty-one units, that's correct.

MR. VASQUEZ: I mean, there isn't an extensive track record of this kind of development.

MR. WILKINSON: They're small and local.

MR. VASQUEZ: So again, we're being asked and staff is recommending that we put a total of $9.3 million into this project for just 61 units?

MS. CANTU: So it's $3 million that was awarded before, right, and so yes, it is a total of $9.3 million, approximately, in Department resources. The 6.3- would fill most of the gap. There are other funding sources that fill the rest of the gap.

But we went through the review process, and it meets the requirements to serve this very vulnerable population which has a lot of requirements and needs.

MR. MARCHANT: How much is that a key, Mr. Chairman?

MR. VASQUEZ: $304,000 a door.

MR. MARCHANT: Including the $9 million, all of the money.

MR. VASQUEZ: The total development of $18.4 million cost.

MR. MARCHANT: For 60 units?

MR. VASQUEZ: Sixty-one units. $304,000.

MR. MARCHANT: Can I ask?

MR. VASQUEZ: We'll have some owner representatives, I'm sure.

MR. MARCHANT: Of the supplemental money that we're giving, are those costs overruns or is part of that amount of money will go to a developer fee, profit to the developers?

MS. CANTU: The developer fee did not increase, and the deferred developer fee did not decrease. I don't have the exact developer fee cost with me.

MR. MARCHANT: But with all these add-on costs, the developer fee did not go up with it.

MS. CANTU: That's correct. That was a requirement of applying for it.

MR. VASQUEZ: Would a Board member care to make a motion on what we affectionately call the Eccles Rule to entertain public comment today.

MR. MARCHANT: I make a motion we open public hearing.

MR. VASQUEZ: So motion made by Mr. Marchant to entertain public comment on this item and further items today?

MR. MARCHANT: Yes.

MR. VASQUEZ: Motion made by Mr. Marchant.

MR. HARPER: Second.

MR. VASQUEZ: Seconded by Mr. Harper. All those in favor say aye.

(A chorus of ayes.)

MR. VASQUEZ: Any opposed, none.

Would a representative of the developer -- and for everyone, just remember when you come up, please introduce yourself, the organization you're with, sign in on the form to your left, and we generally have a three-minute timer that will go off, and let's try to keep everything direct and concise, please.

MS. HICKS: Great. Jennifer Hicks with True Casa Consulting. I'm the consultant to Project Transitions on this application.

First of all, I want to point out that all the costs submitted were justified by contractors so they were all bids provided by contractors at the time of application. This project in particular is supportive housing, it has some very -- because it's supportive housing, the common area spaces, there's more expensive common area spaces that are built, a commercial kitchen, for example, so it has the full commercial permitting required with it, and that's because Project Transitions provides a hot meal for breakfast and lunch to their residents.

This is an extremely vulnerable population.

They would be on the streets without this housing. Housing a person on the streets, you know, costs $100,000 per year. Sixty-one people that are now off the streets, these dollars are going extremely far and being leveraged.

I just want to also point out this project, as Naomi mentioned, 100 percent of the units are covered with an operating subsidy from HUD. That operating subsidy does not pay debt service, does not cover debt service, this project absolutely cannot carry debt.

Unlike some supportive housing that you've seen come through the Tax Credit Program, those can carry debt, but in this instance they cannot carry debt. If they were to carry debt, they would have to do private fund-raising to cover that debt service, which isn't feasible.

This is the second project that Project Transitions has completed. Roosevelt Gardens, similar project --

MR. VASQUEZ: I'm sorry. They haven't completed this -- they haven't started this. Right?

MS. HICKS: They haven't started this.

MR. VASQUEZ: Okay. But you're saying they completed. They haven't started.

MS. HICKS: I'm sorry. This is the second project for Project Transitions. The first project -- they've been in the Austin community since the heat of the

AIDS crisis and have been providing housing all that time.

At that time I think they had about 40 units total. Roosevelt Gardens, which was funded by TDHCA, a $3 million National Housing Trust Fund award, completed construction in July, it's fully leased up and operating.

So you know, this project just hit some bumps. It hit bumps due to cost increases. The City of Austin put in $6 million, as Naomi mentioned, raised all the funding we could get from Federal Home Loan Banks, we got two awards from Federal Home Loan Banks.

This nonprofit is putting in about $800,000, 750- to $800,000 of their own private fund-raising capital campaign into the project. The project is ready to start. This is the last layer of funding.

HOME ARP, you know, I do want to just quickly commend the staff. This has been -- sorry, I'll wrap up quickly.

MR. VASQUEZ: Continue, go ahead.

MS. HICKS: The three new programs, TCAP, National Housing Trust Fund and now this HOME ARP, I just want to commend staff. This is not a very straightforward program, and they have been communicative and just really kind of thought through this process.

This program really is designed, HOME ARP, to fund projects like this. There is an open NOFA right now, and those are the projects you're going to see come in are supportive housing, a lot of them that cannot support debt.

So it is a lot of money but the HOME ARP, this new NOFA that's opened, the Department is looking for large applications.

MR. VASQUEZ: Yes. We are looking for large applications -- unit-wise large, number of units.

MS. HICKS: And 61 units was the right mix and the right fit on this site. You know, the site is in a fantastic location on bus service, right on Burnet Road, across the street from a Super Walmart, just it's an excellent location, and I have no doubt, you know, once approved will be a great project.

But I'll entertain any further questions, and I appreciate all the questions.

MR. VASQUEZ: Mr. Wilkinson.

MR. WILKINSON: What's the timing between the bids on the first and second, more than a year?

MS. HICKS: The first bids we got probably in early 2020.

MR. WILKINSON: Before the runup in prices, really.

MS. HICKS: Yes.

MR. WILKINSON: Yeah. I bought my house at just the right time.

(General laughter.)

MS. HICKS: Right. It was a totally different time, and you know, we've got bids throughout, and it just kept going up and up.

MR. WILKINSON: Up and up. Thank you.

MR. MARCHANT: What's the typical size of a unit?

MS. HICKS: They range, I want to say, from 291 square feet all the way up to maybe just shy of 500 square feet. They're all single-room occupancy, one person, and that's the target population typically, so they're all efficiency units.

MR. MARCHANT: And just as a clarification, Mr. Chairman.

MR. VASQUEZ: Please.

MR. MARCHANT: This particular program is not in with the 9 percent and 4 percent -- this is a specific program other than those we're funding -- or are they competing for the 9 percent?

MR. VASQUEZ: They did not apply for 4 percent or 9 percent.

MR. WILKINSON: No tax credits in this deal.

MR. MARCHANT: Okay. So this is separate, not competing with our other programs. And the money to fund this comes from what source?

MR. WILKINSON: So the American Rescue Plan had some HOME dollars, but they were specific to helping homeless, preventing homelessness, vulnerable populations. We have a program, we're going to spend some of it on non-congregate shelter and some on rental housing.

Some might be layered with tax credits coming up, but this project, this first NOFA, this $10 million was to just add on to the National Housing Trust Fund loans that we'd already made because huge gaps had opened up.

MR. MARCHANT: Okay. Thank you.

MR. VASQUEZ: So as probably has become evident with my line of questioning, I just don't see where we have the confidence that -- the cause and aim of Project Transitions, fantastic, and we're big-time supporters of supportive housing.

But I just have questions, concerns about the ability for Project Transitions to pull off a project like this, I mean, as indicative from such a just enormous, enormous miss, even with all the change in pricing and supply chain increases and everything that everyone has been experiencing.

MS. HICKS: So I just want to acknowledge, you know, we put together a well experienced development team, you know, civil engineer, architect, general contractor has been on board for a while now, Lott Brothers Construction, they're a reputable company here in Austin.

We have an owner's representative, so Texas Capital Project Management, they manage some of the biggest projects in Austin redevelopments, they're the owner's rep, and so they are handling coordination with contractor, architect, GC. So it's a very well experienced development team.

Once funded, again, I have no doubt the project will be built and on time and on budget -- I can't guarantee, but as far as all the developments I've worked on, this team is no less experienced than the other developments I've worked on.

MR. MARCHANT: Mr. Chairman, the problem is the economy of scale is not there, so they're driving a finish nail with a sledge hammer on cost. All of these professionals that she's talked about, their time can go out and review a 1,000-unit complex pretty much in the same time. So units this small are just going to get eaten up with professional costs and not as much construction cost but just the pure engineer, site plan, survey, lawyers, accountants, whatever.

MS. HICKS: And believe me, doing development in Austin, you want to cram as many units as you can on that, but that's also a financial calculation, and we knew this project couldn't carry debt. We knew that they weren't the right developer to go in for tax credits, and so this was kind of the perfect capital stack and project for this organization.

MR. VASQUEZ: So let me ask again, the City of Austin's things that they've committed, is that a repayable loan?

MS. HICKS: All deferred forgivable.

MR. VASQUEZ: All deferred forgivable.

MR. VASQUEZ: And have they increased their --

MS. HICKS: They initially put in $6 million, and we just went back to them for just kind of the last layer of funding, which was $300,000.

MR. VASQUEZ: So we're asking them for, what's that, 5 percent more?

MS. HICKS: It was after that cost increase hit after application was submitted for HOME ARP to cover the shift. I first submitted the application back in August, I want to say, and then I had to resubmit, so there's been some time that's passed even since submission, my first submission.

MR. VASQUEZ: But the City of Austin isn't substantially putting in any more money compared to what the original was?

MS. HICKS: No. This was before the GO bonds were approved locally. They have no other funds to give to the project.

MR. VASQUEZ: Are those bonds that have been approved a source that could be tapped to increase on this?

MS. HICKS: They won't be available until April. This project actually already has its building permit, site permit and has locked in subs right now ready to start construction.

MR. VASQUEZ: Okay. So in April.

MS. HICKS: The subs would walk and the project would unfold and it would be dead.

MR. VASQUEZ: So if we don't approve this right now, you're saying the project --

MS. HICKS: That's right.

MR. VASQUEZ: -- subs would walk and you have to rebid everything.

MS. HICKS: I mean, I will be very honest. If y'all don't approve this, the project, I don't see a path forward for it, I don't. I don't want to put that burden on the Board; I'm just being very honest.

There's only such much funding you can go out and get. It was actually amazing that this HOME ARP funding -- I was watching it very closely. I watched it coming to TDHCA, following it for this project, it fit perfectly within the program, so I do think it's a really great fit for the HOME ARP program.

It's a lot to layer on HOME ARP on a project, very specific target populations, leasing criteria, it's going to make it very hard to get this money out the door for other projects that aren't serving supportive housing populations.

MR. VASQUEZ: And I mean, just the project prices increased 75 percent. You're asking us to increase our give 210 percent.

MR. MARCHANT: And we're looking at 61 units with an average square footage per unit around, generously, 300 square feet and basically $1,000 a foot door key, which is usually a Four Seasons Hotel room.

MR. VASQUEZ: Mr. Harper.

MR. HARPER: I'm looking at 24,000 square feet of your total construction. Is that correct? Yes. So going back to Mr. Marchant's deal with $627 a square foot, excluding land costs?

MS. ANDRE: That's not totally accurate. This being a public hearing and a public speaking session, my name is Sarah Andre.

I'm with Structure Development, I am a longtime affordable housing advocate and in the industry. I have absolutely nothing to do with this deal, but I'm seeing some misinterpretation of the numbers and the policy intent, and so I feel compelled to speak out.

You can't go by a 300 square foot unit size and multiply that and then say that you're at $600 a square foot, or whatever it is. Did you hear Jen say she has a commercial kitchen? That is in lieu of a kitchen inside a unit, so it's not an apples-to-apples comparison. You need to take all of the square footage.

Second, the amount you would be putting in is about 15 percent of what it would cost taxpayers to care for these same people if they were living under a bridge, because regardless of where they're housed or not housed, these taxpayer dollars that either pays for an emergency room or pays for a roof over these people's heads.

There have been tons of national studies. This is not Austin policy, this is national policy that when people have to go to the emergency room over and over and over and the police have to intervene over and over and over, it costs upwards of $100,000 a year.

So you've got 61 people, so what is that, $6.1 million a year if they're not housed. So let's say this deal only lasts 15 years, let's say it falls apart after 15 years and has to be recapitalize, 60-, $75 million you've saved.

MR. VASQUEZ: That sounds like a big incentive for the City of Austin to jump in.

MS. ANDRE: The City of Austin money, I will say she's too nice; she's saying it's available in April. That's not what I heard. I just have the number-one project in their latest round, along with this one, and there's no money to fund it.

It is another shovel-ready project that is probably going to die as a big bond deal because they may get their money in April from the new bond round, but they may not, and so the earliest you would even be able to apply for that is mid-April; it's a four-month process.

So you've heard what has happened to costs as time has gone by. This isn't a LifeWorks -- who's doing this project?

MR. VASQUEZ: Project Transitions.

MS. ANDRE: It's not a Project Transitions problem. I know huge developers nationally, people that are one and two in the nation, they're having this exact same issue, and it may be 40 percent because that's 200 units, but it's 75 percent increase because it's this tiny project.

So anyway, I have nothing to do with this. Hopefully this is not hurting her, but I just want to clarify that I hear what you're saying, and I hear how the wheels go, and I understand why they sound that way, but it's much more nuanced than just taking the square footage and dividing it. There's a lot that goes into this.

Thank you for listening.

MR. VASQUEZ: Thank you, Sarah.

And again, I do think that we're looking at it from many different directions and different angles; that's just one component of it.

MR. MARCHANT: Mr. Chairman, that was a great speak, I get it. Is the charge of this committee to answer and solve those problems, or is that the charge of the County of Travis, the City of Austin? I mean, whose charge is it to solve all the problems that this project solves? I mean, I get that it's one and it falls inside of our goals and falls inside of our charge, I think fine.

MR. VASQUEZ: I do believe it does fall within our purview, within our charge. Just the question in my mind is are we the sole organization effectively that they can rely on, and just given that there's not really a development track record -- all due respect to the 40 units that are in place -- and the size of the organization, that we're committing a whole bunch of money into this thing, and that's just my concern, and I haven't heard something to alleviate those concerns for me.

MS. HICKS: I just want to respectfully say that this HOME ARP NOFA that's open, you're going to see a lot more organizations coming in with this same amount of units under their belt that are applying for these funds to do more supportive housing around the state.

They're not going to be organizations that have thousands of units under their belt. These HOME ARP funds come with capacity-building purposely to build the capacity of these organizations to do supportive housing, because the problem is we don't have enough developers doing supportive housing in Texas, and that's why we have a housing issue.

So I just wanted to clarify that. I see what you're saying if this project was coming in competing for tax credits. This money is for this population, for organizations like this one.

MR. WILKINSON: I was going to say something similar. It's special money for special populations, lots of strings attached. If it's not Jennifer, it will be another organization that looks the same that will be getting the next award. We only have the two big supportive housing groups, and so sometimes it's nice to see others pop up.

MR. MARCHANT: Can I ask one more question?

MR. VASQUEZ: Please, Mr. Marchant.

MR. MARCHANT: If you don't get the $300,000 from Austin, does the project not start?

MS. HICKS: So that is a more manageable number. We already have that as a back of the pocket if something were to happen. So Sarah is right, they don't have any funding; they have to wait for the GO bonds to be put into their --

MR. MARCHANT: But are we wasting our time?

MS. HICKS: No.

MR. THOMAS: No. It's conditional.

MR. VASQUEZ: Actually, that's exactly the one wrap-up question I wanted to get from staff. So if all of these other pieces don't fall into place outside of the Department, even if were to approve this radical increase of the gift of funds, it wouldn't happen if all these other parts fall through.

MS. CANTU: So it's a condition of the contract, not of the award, so we would have to revisit if they don't get the $300,000, but again, it's subject to the underwriting.

So it's subject to approval based on such a final underwriting for the real estate analysis report, so there might be some wiggle room in that, possibly. I'm looking at the underwriting representative in the corner.

MR. THOMAS: Mr. Chairman, we've spent a lot of time on this agenda item, but I just want one clarification point in question.

So, Jennifer, from your comments it seems like if we don't approve this today, right, the project doesn't happen. Is there like some deadline certain that you have to have this, or why can't this wait to start in April or May?

I mean, I understand the seriousness of the people that need it and the timeline to build, but why can't we wait a few months? And the reason -- I'll give you context for that comment -- in the material it says the last time this was bid out, if I read it correctly, was in November of last year for the readjustment so that you could come and ask for the increase in funds. Right?

Today the Fed announced that in their estimation the data they received for the CPI -- which is an inflation index -- indicated that supply chain issues are improving, costs are coming down for material items, everything but for like food, which is critically important, but that aside, all these other core things are starting to improve. Right? So there is a lag time based on what the Fed has been doing and so we're starting to see those cost measures come down.

So is it better to wait and rebid this so that you're not 75 percent? It seems like all the increase in costs, as you indicated, in the materials was related to these very issues that's happening. Do you get a better project, a more affordable project and get more in line with what was originally done, maybe not the full 75 percent but say it's 30 percent less if we wait a few months to do this? Is that not more prudent than rushing today to get a commitment where we have to increase all this and do it this way?

MS. HICKS: Sure, and I hear what you're saying. We do have specific funding sources that will time out, so our Federal Home Loan Bank grants, they would time out as far as drawing down the funds, so we would need to handle that. You know, the National Housing Trust Fund dollars, we would need to figure that out as well.

We have, just for clarification, a signed schedule of values construction contract so that's locked in. The contractor, you know, has held back, and the expectation was to start construction late January, first of February. You know, that might happen, right, costs might come down and that would be great, but then I can think of a host of things that might also pop up that could stall or derail the project.

So right now it's one of those things, my experience, with all the different issues going on with projects right now, is if you have a green light you need to go.

And I'm not saying I have a green light, because it's not green, but if this funding were to be committed, the City of Austin is scraping together the 300- right now, I'm supposed to get an update on it today, this project will move forward. If we stall and wait a couple of months, I can't estimate what might happen, what other things might pop up or timing delays.

MR. THOMAS: Sure, I appreciate that.

One just quick comment or question. So if the City of Austin, based on the comments heard, does not come through with the $300,000, what is your backup plan?

MS. HICKS: The organization is trying to look for private donations, so their major donors to come up with the money. The organization itself is trying to see if they have any private fund-raising dedicated to services that they could also call together to come up with the $300,000. Right now the city has about $85,000 they could give me today; we're just trying to get up to the $300,000 amount.

MR. THOMAS: Okay. Thank you.

MR. MARCHANT: May I ask just one more clarifying question from Bobby?

Are you saying, or did I misinterpret, all of the projects that come through on this channel are going to be this type of project?

MR. WILKINSON: One of them, and then even if it is layered with tax credits, the HOME ARP units come with strings. I think it's limited to 30 percent of income, not

30 percent AMI, so you could underwrite them at zero because the income could be zero. It has to be that vulnerable population, so it's all about serving that vulnerable population.

MR. MARCHANT: So every application we get is going to go down this track; we're going to have these kind of problems.

MR. WILKINSON: Some will be bigger and maybe only some of their units will be HOME ARP, but it does come with those strings. And then a big chunk of HOME ARP is going to be for non-congregate shelter which is different than everything we usually do.

MR. MARCHANT: Okay. Thank you.

MR. VASQUEZ: And I think later on in this agenda there's another similar project, similar in size, but it does have tax credits layered in, so it changes the whole dynamics of it.

MR. WILKINSON: And it's a similar per unit cost. And sometimes with tax credits and loan, we're big parts of the funding stack, and this one we're a big part just with the loans.

MR. VASQUEZ: Well, the loans.

MR. WILKINSON: Yeah, yeah.

MR. VASQUEZ: I think we've sort of talked ourselves through this enough. Does any Board member care to make a motion on this item 6 of the agenda, keeping in mind that the staff's recommendation is to grant the HOME ARP funds for the project? I'm open to any motion.

MR. MARCHANT: Mr. Chairman, I move the Board approve the award of HOME ARP funds from the special purpose HOME ARP NHTF set-aside for Burnet Place Apartments as presented, all subject to the conditions as expressed in the Board action request on this item.

MR. VASQUEZ: Motion made by Mr. Marchant to approve staff's recommendation to award the HOME ARP funds. Is there a second to the motion?

MR. THOMAS: I'll second, Mr. Chairman.

MR. VASQUEZ: Seconded by Mr. Thomas. All those in favor say aye.

MR. MARCHANT: Aye.

MR. THOMAS: Aye.

MR. HARPER: Nay.

MR. VASQUEZ: What happens if there's a tie?

MR. ECCLES: The motion fails.

MR. VASQUEZ: Reluctantly I will say aye, and therefore, the motion passes three to one, although I agree with Mr. Harper's vote.

Thank you, Ms. Cantu, and keep us appraised if all the other pieces fall into place on this one.

MS. CANTU: Yes, I will.

MR. VASQUEZ: Item 7 of the agenda, Report on the closing of the Department's Single Family Mortgage Revenue Bonds Series 2022B.

Mr. Fletcher.

MR. FLETCHER: Good morning, Chairman Vasquez, Board. I'm Scott Fletcher, director of Bond Finance for TDHCA.

On December 1 of '22 the Department priced $190 million the fixed rate bond deal out of the single family indenture Series 2022B. The deal did close on December 21. The book running manager was Barclays, it was our standard team, co-seniors RBC and Jefferies, with Morgan Stanley, Piper and Ramirez as co-managers on the issuance.

The bonds were sold at a premium in excess of $11.8 million, generating proceeds at just under $202 million, making available $190 million for new loan origination and providing 3 and 4 points of down payment assistance and closing costs for borrowers.

On this issue we also included an unassisted or a zero DPA loan, which enabled us to provide a lower rate, which we felt could be beneficial in a higher rate that we've had this year. The all-in rate on the deal was 4.46 which enabled us to reduce our rates on our loans, while also maintaining our 1-1/8 point spread.

Funded loans currently we've got 5-3/8 on zero percent DPA, 5-3/4 on 3 point DPA, and 6-1/4 on 4 point down payment assistance loans. Eligible loan types are government loans, FHA, VA, USDA-RD, and the funds are currently about 85 percent reserved.

A detailed summary of the pricing was prepared by Barclays and provided in your Board materials. It's fairly extensive there, if you care to review.

We worked this deal in a bit of a compressed timeline really due to the demand that we've had on the previous deal and coming into the holidays with Thanksgiving, and you try and get deals done before two weeks into December and your pricing gets pretty bad.

So we were able to compress the timeline on this deal. Fortunately, that worked out in our favor. I think there were several factors involved. Number one, we had favorable market, we timed out pretty well, which hasn't happened for TDHCA in a while. And demand has been incredibly strong for our loans, so we thought it was really important that we have funds available for Texas families and not push this into '23.

Roadshow done by Barclays was very helpful. We basically had two days to market the deal, but again, the market went in our favor, and pricing went exceptionally well. I think it speaks highly of Barclays' leadership of the underwriting team, the underwriting team that we've assembled and we've worked with for the last couple of years.

MMD, which is an indicative yield curve used by the municipal market, municipal bond market rallied quite a bit that day. Half that rally came after our initial pricing but we were able to tighten spreads five to eight basis points on our serial bonds, four to ten basis points on our term bonds, and about seven basis points on our PAC bonds.

Really strong retail interest on the deal, both from Texas buyers and nationally. The transaction generated almost a billion dollars in orders. It was about 4.8 times oversubscribed. And the $89 million PAC bond in 2053 was about six times oversubscribed.

You know, you can look at that one of two ways: You can say we didn't price right, we were too cheap, everyone wanted the bonds. That really wasn't the case. You can look at the comps that we had, and West Virginia, which is a triple-A credit, priced and have similar -- we priced with similar spreads to the West Virginia deal.

And you know, overall we had $786 million in institutional orders, $129 million in retail orders. $28 million of the retail orders came from Texas investors, and based on our allocations, every Texas retail investor that's first priority, and 30 distinct institutional investors participated in the deal. And I think the short version is we continue to see really strong demand for our bond loans.

You know, because of the interest rate environment, the affordability factor, what we are doing here makes a big difference for lower income borrowers in Texas, and so I thank the Board for the support, and I'll leave it with that and answer any questions that anyone has related to this agenda item.

MR. VASQUEZ: Well, Scott, other than you comparing us on par with West Virginia, I appreciate your report, and actually this is part of why I wanted to make sure this was on the action agenda. So how are we performing relative to other big states, I mean, California, New York, Florida.

MR. FLETCHER: That's a great question, Chairman. What we've seen over the last several years -- and you know, I've been in this role since July, but I've been in the financial markets and municipal bond market for about 30 years -- a lot of the larger states have biased their funding and their volume cap towards multifamily development, with the motivation being you get more roofs, right, you impact more people. And all of those, the larger, the Californias, the Massachusetts -- New York is a little bit different -- the emphasis has always been on the multifamily product and they have managed their single family support and their programs for single family mortgages through the TBA market -- to be announced is the mortgage term for it. Basically, you're buying and selling on a curve market. That works great when you're in a historically low interest rate environment for a very long time. Right?

And what we're seeing now is a lot of those states, the bigger states are kind of shifting more to the bond, reopening their bond programs to manage some single family and to provide some additional single family, because the TBA market has really, with the increase in rates, impacted the affordability for a lot of people.

And so the comparison, you know, how do we compare, if you want to talk how we're doing on bond deals, we're seeing a pretty consistent pricing. So the market kind of knows what to expect and is comfortable with it and it will kind of price on the same spreads. We haven't seen any widening of spreads or major tightening of spreads, we've kind of been running at the same spreads.

But yeah, I think the program compares very favorable. I think we went with a short timeline and a short marketing period and the market looked at our credit and said, “we're comfortable with these guys,” they come to market frequently, they know what they're doing, and it's a good program. The ratios are good, the parity ratios.

And so we're very well received in the marketplace, both with the institutional investors, which retail has been a much larger player lately, but those institutional investors are always going to be key in making sure that you can access funds in an affordable way to manage programs.

MR. VASQUEZ: And do you see the outlook for Texas bonds to still be good in 2023?

MR. FLETCHER: Yeah. I think, as Ajay, Mr. Thomas indicated, we've got some indication that things are not going to be as bad as we thought. You know, hopefully we can come out of this without aggressive recessionary situation.

There's nothing on the horizon that gives me pause for the muni market as a whole or for the housing market in terms of what we are doing. Certainly some concerns in terms of, you know, potential impact of inflation recession on housing and delinquencies and what that does to pricing, but it all feels very manageable right now.

You know, I know we came -- this is going way longer than I meant, sorry -- when I came originally to the Board with our previous deal, we talked about trying to stay nimble through 2023.

We've experienced a lot of interest rate volatility, especially through the fall we had significantly increasing rates. That kind of calmed down a little bit, we're feeling a little bit more stable. I think our approach is going to be the same, we're not going to try and hit a homerun here -- I wish we would have gone for another 50- or $60 million on this deal

But I think we've got to stay nimble and I think you stay nimble by coming into the market with reasonable amounts. We're seeing our funding and our demand take us out so we basically are locking that spread, we're not sitting on big balances, so it's about managing the asset and liability side of the equation and that's what we're really going to be trying to do.

And if we find that we've got to slow down, if we find that things don't look as good as we anticipate now, we have the ability to pull back the reins a little bit, and we'll manage that through our deal size and how we approach it based on the demand we see for the follow-ons.

MR. VASQUEZ: Okay. Thanks.

Any other Board member have questions for Mr. Fletcher on his report?

(No response.)

MR. VASQUEZ: Thank you for your report.

MR. FLETCHER: Sorry, I took longer than I meant.

MR. VASQUEZ: No, no, that's great, that's great.

Moving on to item 8 of the agenda, Presentation, discussion, and possible action regarding the issuance of a determination notice for 4 percent housing tax credits for Coppertree Village in Houston.

Ms. Morales.

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

Coppertree Village is a 4 percent Housing Tax Credit application that is requesting the issuance of a determination notice.

As a bit of a refresher for the Board, a determination notice on 4 percent applications is basically a document signed by the Department that indicates the subject development has met the QAP requirements at application and indicates the annual amount of housing tax credits that the development may be qualified to receive based on the numbers evaluated today. Because these numbers can fluctuate until a property is placed into service, a 4 percent development can receive additional credits at the time of cost certification, as long as those costs are substantiated.

As additional background, the tax-exempt bonds for Coppertree Village will be issued by a local issuer, and as such, approval of the determination notice would not normally require Board consideration, given the streamlined approach that we've taken over the past few years.

However, staff is bringing this application before you given the public comment and reports to which the Board had been made aware over the past several months.

Coppertree Village is an existing 324-unit development in Houston that serves the general population. The development has a current tax credit LURA, or land use restriction agreement, in place until December 31, 2023, that stems from an award of 9 percent credits in 1990.

The development was a rehab at that time, as it was originally built in 1972. In recent months there was testimony before the Board regarding the physical conditions of the property. Subsequent to that testimony, staff provided the Board with a report at the October 13 Board meeting explaining the results of a recent inspection.

In reviewing historical inspection reports, six Department inspections conducted since 2107 yield an average score of 62 out of 100, indicating that conditions at the property have historically been below standard. The report item explained the scores affiliated with each of those inspections and the work currently being done to address the issues raised.

At the time of the report item, the 4 percent application had just been submitted. Staff has spent the past few months evaluating the application, specifically the scope and cost report.

Worth noting is that because this application did not include a request for Department funds in the form of bonds or direct loan. Technically under the rules such detailed report is not required, however, given the circumstances around this particular property, staff requested a full scope and cost report be submitted.

Beginning on page 10 of the underwriting report, or page 346 of your Board book, there is an extensive list of the work planned at the property. Some of these items include the following: remediation and removal of asbestos-containing materials, all mold and mildew, all lead-based paint, and effects of the termite infestation, install new rooftop systems, replace boilers, replace all metal stairs, column posts and precast concrete treads for the stairs, upgrade the mechanical systems, new cabinets and countertops in all of the kitchens and bathrooms, repair the walls and ceilings, replace bedroom and bathroom doors, replace flooring, new appliances and new plumbing fixtures and bathroom accessories.

Program and underwriting staff worked closely with our compliance and inspection staff in reviewing the scope of work against the recent inspection report and claims made through public testimony.

Staff followed up with the applicant on some of these items, which included the condition of the stairs, the electrical system, replacement of the boiler system, and the abatement measures for mold.

Not to say that any of these items are less important than another, a big issue has been reports of mold, and it was important to staff that there be a comprehensive assessment done to determine what's behind the walls and in the ceilings.

The applicant has explained that they did go through 100 percent of the units to determine the best path forward to mitigate this issue, and mentioned replacement of 100 percent of the siding and venting of the bathrooms outward, but the applicant is here and can certainly speak to more detailed measures with respect to that comprehensive assessment.

Considering all of the information that we received, along with subsequent conversations with the applicant, who has been very cooperative and responsive, staff believes that the scope of work addresses the issues that have been identified with this particular property.

The total development costs are $77 million and include permanent financing by Freddie Mac. The rehab cost per unit of $60,000 are twice as much than what the QAP requires for a property that's older than 20 years.

There are conditions that are placed on the award to be evidenced at the time of cost certification, some of which include confirmation of the abatement measures for mold and implementation of a mold and moisture minimization plan, along with documentation relating to the testing of the water lines for potential calcium buildup, along with any necessary descaling.

At the end of the day, staff recommends the issuance of a determination notice for Coppertree Village, subject to the conditions that are noted in the underwriting report, in the amount of $3,114,681 in 4 percent housing tax credits.

MR. VASQUEZ: Great. Thank you, Ms. Morales.

Bobby?

MR. WILKINSON: Who is the issuer of the bonds?

MS. MORALES: Houston Housing Finance Corporation.

MR. WILKINSON: So they'll do the bonds, we'll do the tax credits.

So as a reminder, I mean, she said in her writeup, but this has been a problem property in the news but definitely advocates have been talking about it. And so I think it's good that it shows kind of how extensive of a rehab they're doing; it's not just a paint and carpet job. And it is a new owner. There was an old owner that had the problem property, now we have a new owner that's coming in for tax credits. They've had it for a year?

MS. MORALES: Correct. I believe that they've had it for --

MR. ALAN IZZO: My name is Allan Izzo with Fairstead. My address is 1800 Broadway, Denver, Colorado 80209.

Thank you, Mr. Chair and members of the Board, and obviously staff for working with us over the past few months to get this where it is today.

We purchased it on September 21, 2021, and since then we have been working to address some of the lingering issues at the property. It has been a troubled property; we were aware of that.

We've deployed resources to improve the security at the property so we have a single point of ingress and egress that currently is monitored 24/7, which is making an enormous difference at the property.

And we've also spent resources to lease up units, fix a building that was damaged due to a fire in 2019, and really try and work and remedy some of the deferred maintenance and other issues have been there.

That's just the first step in the evolution of this property, and what we're looking for today is an approval to get the tax credits to really make sure that we can deliver that extensive scope of work.

And we have done a lot of due diligence. I've spent many late nights and early mornings trying to get this thing to where it is, and our bond deadline is February 20, 2023, so we're positioned to go, and we have the opportunity to make a serious difference here, not just only for the short term but for a very long term too. So I'm here to answer any questions as may come up.

MR. VASQUEZ: Appreciate you coming down and being here just in case.

MR. IZZO: Happy to do it.

MR. VASQUEZ: Do any Board members have questions for Mr. Izzo or Ms. Morales?

And just to clarify, a 4 percent determination notice is a routine step for us. I mean, this would normally be under consent agenda; it's just that this is such a high-profile project.

MR. WILKINSON: Yes. Sometimes we handle them administratively if we're not the issuer and there's no controversy or anything.

MR. VASQUEZ: And that's, I guess, more for Mr. Harper's background.

Anyone care to make a motion on this item?

MR. LYTTLE: Excuse me. May I interrupt you for just a moment?

We received an urgent note from DPS. There's an active law enforcement "event" happening about a block away from here, and so they're telling people to stay where you are, and in fact, they were just checking the doors outside here to the room.

So it is supposed to be across the street from the Governor's Mansion at the corner of Colorado and 11th Street, what they're calling an active law enforcement event. So just want to let everybody know here it's one block that way, be careful.

Anyhow, sorry, but thought it might be relevant.

MR. VASQUEZ: It encourages everyone to stay till the end.

(General talking and laughter.)

MR. VASQUEZ: Again, I would entertain a motion on item 8 of the agenda.

MR. THOMAS: Mr. Chairman, I move the Board approve the issuance of a determination notice for Coppertree Village, subject to the conditions as expressed in the Board action request on this item.

MR. VASQUEZ: Thank you.

Motion made by Mr. Thomas. Is there a second?

MR. HARPER: Second.

MR. VASQUEZ: Seconded by Mr. Harper. All those in favor say aye.

(A chorus of ayes.)

MR. VASQUEZ: Any opposed?

(No response.)

MR. VASQUEZ: Hearing none, motion carries.

Good luck.

MR. IZZO: Thank you.

MR. VASQUEZ: Moving on to item 9, Presentation, discussion and possible action regarding nonrenewal of Big Bend Community Action Committee, Inc.'s CEAP and LIHWAP contracts and future funding and authorization of staff to identify permanent providers through release and subsequent award of requests for applications to administer the same programs in Brewster, Culberson, Hudspeth, Jeff Davis, and Presidio counties.

Mr. De Young.

MR. DE YOUNG: Good morning. Michael De Young, Community Affairs Division director.

Item 9 deals with one of our 36 community action agencies here in the state of Texas. As a refresher for the Board, these CAAs administer multiple TDHCA programs usually and also other state and federal programs, and in this case, we're talking about water and CEAP.

Big Bend Community Action serves five large rural counties, so think Marfa and Alpine, Presidio. These are the five counties just east of El Paso County. Big Bend has not provided audits for 2019, 2020 or 2021 fiscal years, and they are not being recommended for a contract.

When community action agencies such as these receive more than $750,000, they're required to have an audit, and it needs to be on file with the Federal Clearinghouse. Those audits have not been presented to the Federal Clearinghouse.

This Board action begins a formal process of identifying a new provider in that area due to this deficiency. So back on December 23, we notified Big Bend of their deficiency in providing these audits. On January 4, we notified Big Bend that we were going to start the 30-day process for them to request a hearing, and they have until February 3 to request that hearing.

This is all a process that is codified in Section 2105 of the Texas Government Code, so this is a very structured process, and we will follow through with that process over the next couple of weeks.

The action before you requests very specific multiple things to happen, so I'll go through them fairly quickly and then take questions. We're asking for the authority to withhold from Big Bend Community Action any future CEAP and LIHWAP contracts.

The CEAP contracts normally start January 1, so we just started a bunch of CEAP contracts. We also want to remove Big Bend Community Action as a permanent provider of CEAP and WAP, the water program, and to do so, staff would not execute this 2023 CEAP contract. We would ask that we can extend their current 2022 contract.

They have some dollars left, we want to make sure there are still services out in that area while we go through this process. We would give them access -- continue their access to the LIHWAP, the water contract through that same date, March 31, 2023.

During that time we would be actively searching for a new provider. That would involve us releasing an RFA for that new provider, scoring it and then coming back with an actual recommendation to the Board for that new provider.

So I'll stop there and see if there's any questions.

MR. VASQUEZ: Okay. Do you know if there is any member of Big Bend CAC that's here today to present their last three years' audits?

MR. DE YOUNG: I have not seen a board member from Big Bend.

MR. VASQUEZ: Okay. And were you on the Board when we dealt with a similar situation at Galveston County Community Action Center?

MR. MARCHANT: I was.

MR. THOMAS: I was.

MR. VASQUEZ: Okay, y'all were. Holland didn't have that pleasure.

This is unlike the Galveston County situation, where to cut off these contracts we can do it here; we don't have to go through all these hoops and delays with HUD.

MR. DE YOUNG: The process I believe you're remembering for Galveston County was the CSBG process. That is a federally designed process for that block grant.

LIHEAP, which funds CEAP, they leave it more to the state rules and that's why ours is codified in 2105 and that 2105 governs block grants in general, LIHEAP falls under that. Water, because it was just recently funded -- I don't want to get into the legal realm -- it's technically not covered by 2105, I think is the way we figured it out, but we want to follow the same process.

MR. WILKINSON: With Galveston we did take the CEAP first.

MR. DE YOUNG: Earlier, a couple of years earlier.

MR. WILKINSON: And then CSBG later over time.

MR. DE YOUNG: Yes.

MR. WILKINSON: And so our network of subrecipients is important; they do good work, but in Galveston they weren't getting the job done. In this case it's just a pretty glaring lack of audits, so we can't allow three years without audits.

MR. VASQUEZ: Okay. Do any Board members have questions for Mr. De Young?

MR. HARPER: So when you permanently remove them from the system, can they fix themselves later and reapply, or are they off the list forever?

MR. DE YOUNG: In theory, they could reapply, but this is not something that we go out for bids every couple of years, this network of providers is fairly consistent. And when we have openings, if they are in good standing, technically they could reapply.

My history with the Department, Mr. Harper, is I've been involved with these programs for 18 years, we have not had these entities come back in. Most recently for the first time in one of the other funds, CSBG, we did have an agency that actually was removed from the network many, many years ago, 15-20 years ago; they actually have come back and for the first time ever reappeared.

MR. VASQUEZ: So luckily this is not a common occurrence.

MR. DE YOUNG: No. This is not a common occurrence.

MR. VASQUEZ: Okay. If there are no questions or representatives from Big Bend CAC, I'll entertain a motion on item 9 of the agenda.

MR. HARPER: I make a motion that the Department withhold BB CAC from future CEAP and Low Income Housing Water Assistance Program contracts and funding and be removed as a permanent provider of CEAP and LIHWAP assistance, and therefore, staff will not execute Big Bend Community Action's provider -- sorry, this is a lot of acronyms -- 2023 CEAP contract nor enter into a new CEAP contract or LIHWAP contracts to BB CAC.

If authorized, Department staff will also extend BB CAC's 2022 CEAP contract through March 31 of '23 and allow BB CAC to continue using its LIHWAP contract until it expires on March 31, 2023.

MR. VASQUEZ: Is that sufficient?

MR. HARPER: I hope that's sufficient.

MR. VASQUEZ: So motion made by Mr. Harper to approve the Board action request on this item. Is there a second?

MR. THOMAS: Second, Mr. Chairman.

MR. VASQUEZ: Seconded by Mr. Thomas. All those in favor say aye.

(A chorus of ayes.)

MR. VASQUEZ: Any opposed?

(No response.)

MR. VASQUEZ: Hearing none, motion carries. Thank you.

MR. DE YOUNG: Thank you very much. We'll come back with our report.

MR. VASQUEZ: Moving on to item 10 of 10 on the agenda, excluding public comment, Presentation, discussion, and possible action regarding an award from the Multifamily Direct Loan Series 2022-1 NOFA to Fiesta Trails in San Antonio.

Mr. Jones.

MR. JONES: Good morning, Chairman, Board. My name is Connor Jones. I'm the manager of the Multifamily Direct Loan Program.

This item concerns a recommended National Housing Trust Fund loan in the amount of $3.7 million for Fiesta Trails, a multifamily housing development located in San Antonio which applied under the general set-aside of the 2022-1 NOFA. Fiesta Trails received an award of $1.5 million in competitive housing tax credits during the 2021 round.

The development proposes new construction of 60 units that will serve a general population. Unit sizes will include one-, two- and three-bedroom units with rent income levels of 30 to 60 percent of the area median income, or AMI.

Out of the total 60 units, 18 will be National Housing Trust Fund units restricted to the 30 percent AMI. In other words, these 18 units will be deeply affordable for extremely low income persons. The National Housing Trust Fund units will have a 30-year affordability period.

The updated application that was submitted for this additional funding documents approximately $2.4 million in increased total development costs from the initial underwriting.

One source of debt that had been included in the original application is on longer part of this development's financing. The TDHCA loan, as well as the additional loan from Chase Bank and an award of HOME funds from the City of San Antonio, are being used to cover their gap.

The loan will have a 15-year term with a 35-year amortization period and will be in first position. The loan will also have a .5 percent interest rate, which as we currently know beats the current market quite a bit. The loan does have an annual debt payment of $115,265 and is fully amortizing. The total developer fee will not increase from the original application either.

Staff recommends approval of the award, and I'm happy to take any questions that the Board may have.

MR. VASQUEZ: Thank you, Mr. Jones.

Just a couple of clarifications. So Chase Bank is coming with $1.27 million of loans, and that was different from before.

MR. JONES: The initial loan was from the Community Bank of Texas, I believe, and they had a pretty high interest rate spike which I believe caused for a bit of a shift, as well as a bit of a lesser return on some equity.

MR. VASQUEZ: And the City of San Antonio is coming with another $1.35 million.

MR. JONES: Of their HOME funds, yes, sir.

MR. VASQUEZ: And this amount that they're requesting today is, you said, interest-bearing, although token interest-bearing. It is being repaid with a 35-year amortization over 15 years, and then they refi any of that.

MR. JONES: Yes.

MR. VASQUEZ: So this isn't just a gift of money.

MR. JONES: No. This is an actual loan, albeit with a very low interest rate.

MR. VASQUEZ: It gets paid back and it starts getting recirculated.

And this, coincidentally, is a 60-unit development.

MR. JONES: Sixty, oddly close to the other one. Apparently that's the mark.

MR. VASQUEZ: And again, I think this to me is much more of the structure that we're looking to for applicants when they have a miss, have some changes and need to come back to us. So I appreciate if I recapped some of the key items you just said.

Do any Board members have questions for Mr. Jones on this item?

MR. MARCHANT: Mr. Chairman?

MR. VASQUEZ: Go ahead.

MR. MARCHANT: You probably did the math in your head, but what's the total amount?

MR. JONES: The total development cost?

MR. MARCHANT: The total between all the loans.

MR. JONES: The total development cost that we have underwritten is about $20.6 million.

MR. MARCHANT: Okay. And the development loans, all the loans underneath it, 21.6?

MR. JONES: 20.6, yes, sir.

MR. VASQUEZ: Any other questions for Mr. Jones?

(No response.)

MR. VASQUEZ: If not, I would entertain a motion on item 10 of the agenda.

MR. THOMAS: Mr. Chairman, I move the Board approve and authorize the award from the Multifamily Direct Loan 2022-1 NOFA to Fiesta Trails in San Antonio, as described and subject to the conditions as expressed in the Board action request and resolutions on this item.

MR. VASQUEZ: Thank you.

Motion made by Mr. Thomas. Is there a second?

MR. HARPER: Second.

MR. VASQUEZ: Seconded by Mr. Harper. All those in favor say aye.

(A chorus of ayes.)

MR. VASQUEZ: Any opposed?

(No response.)

MR. VASQUEZ: Hearing none, motion carries. Thank you.

So the Board has addressed the posted agenda items. Now is the time of meeting when members of the public can raise issues with the Board on matters of relevance to the Department's business or request that the Board place specific items on future agendas for consideration.

Is there anyone who would like to provide public comment at this time?

Again, please sign in.

MS. SISAK: Okay, will do, I'll sign in.

MR. VASQUEZ: Do we have a manual clock?

Go ahead. I'm sorry.

MS. SISAK: Janine Sisak, senior vice president and general counsel of DMA Development Company.

I'm here to talk about readiness for a second. I have prepared longer remarks, but I'm going to keep it low and brief so we can all go on our way.

I want to talk about readiness to proceed not within the framework of the 9 percent program, which we've talked about a lot. I think everybody in the room agrees that one of our joint goals is to get units on the ground as quickly as possible. But I want to talk about it with regard to the bond allocation process and with specific regard to how carryover works at the end of the program year under the BRB's rules.

And so just very quickly, I have a project that I've been working on since 2014 called the RBJ Development. It's a two-phase project. The first phase has placed in service earlier this year.

I know Michael and Bobby have invitations for our grand opening for that project. It's next Friday, and we specifically asked them to invite you all. I encourage you all to come down to the RBJ Development. It's a stone's throw from here. It's called RBJ; it was named after LBJ's mom, Rebekah Baines Johnson.

Lyndon Baines Johnson, in his last act of his presidency, did decommission the fish hatchery on 17 acres that's located on Town Lake, what was formerly known as Town Lake and we all know today it's known as Lady Bird Lake.

It was deeded over back in the late '60s to a newly formed nonprofit called the Austin Geriatric Center, and some of its initial board members were Frank Erwin and Roy Butler. Back in 2020 the Austin Geriatric Center did a strategic plan to redevelop the 17 acres, and the goal was to double the senior affordable housing at that location.

DMA was selected as their development partner, and again, we built 279 units under a 2019 bond reservation, placed it in service, moved all the people out of the tower into the new so we could renovate the tower.

The tower, which is called the Rebekah, has been shovel ready for more than a year. We have state development permits, we have building permits, and we have all of our financing in place.

What we don't have is a bond reservation. In late 2021 we went into the 2022 lottery. We got a 189, which was the second-worst lottery number, not great. So we returned that, and on January 3, 2022 we got in line for what's called traditional carryforward under Priority 5, which means that the developer has spent more than a million dollars on the deal to get it ready to start construction. To date DMA has spent $1.6 million getting the Phase Two ready.

In early December it was looking really good; there was 300 returned in bond cap. And that would have been enough to fund the Rebekah, but because TDHCA has the ability at the end of the year to come in and prioritize its own projects. That's what happened this year.

And I don't know what date it happened but TDHCA submitted for traditional carryforward for two bond deals in Dallas, and that essentially put me on the bubble, and instead of getting a $45 million carryforward, I got a $22 million carryforward which we need to pass on.

So I'm here today. I mean, what's done is done; you know, we can't undo this. TDHCA was well within its rights to do this. We just want a little more kind of clarity. When I talked about why those projects were so important to get the priority, I'm sure they're great projects, all the projects are great, I don't know anything about those projects, but I do know that my project is ready to go, it's priority 1-A, which means that we're offering a large number of units at 50 and 30 percent AMI. I know our deal is a high opportunity, I think at least one of those other deals is in a high poverty area.

And so let's just work on having a policy like when this happens, why I would like to see some comparisons between the projects that are getting priority and the projects that are getting kicked out, you know, some sort of standards that we feel comfortable as an industry that the projects that are most furthering TDHCA's and the industry's goals are getting priority for bond cap.

That being said, I'm a little rushed, because ten minutes ago I got the $45 million bond reservation that I need to move forward with the project out of the 2023 round, which means I have to do an application to TDHCA in three days, so on that note, I'd better get back to the office.

But you know, these are the things that happen. It's really hard to make business decisions, like that's really the most important thing here. I've been waiting a year for a carryforward, that carryforward would have given me three years to close. I didn't get it.

I'm going to get my deal done, I got my reservation, but now I've got to close it in six months, and so I can do that because it's shovel-ready but, you know, it's got HUD Section 8, and there's just a lot of moving parts and all that.

So those are my comments. Thank you, everyone.

MR. VASQUEZ: Thank you, Janine, and I'm so glad to hear that you got the 2023 reservation; that's great.

Is there anyone else?

MS. LATSHA: Hi. Jean Latsha with Pedcor Investments.

I actually have a deal of mine right behind Janine's. I did not get an email of a reservation today. I'm hoping I still will. But really, I'm just here to echo her comments. I was as shocked as she was to find those Priority 3 applications filed on December 22, and just hoping that we can remedy that and maybe it doesn't happen again in the future.

Thank you.

MR. VASQUEZ: Thanks, Jean.

MR. MARCHANT: Can I ask her?

MR. VASQUEZ: No, you really can't; on the public comment section we can't.

MR. MARCHANT: Okay.

MR. VASQUEZ: Is there any other public comment?

(No response.)

MR. VASQUEZ: Seeing none, we've come to the end of the full meeting. The next scheduled meeting of the Board is Thursday, February 9, 2023, in this same location. Watch the agenda posting for further details. We're likely to start at 10:00 a.m., but just watch for the posting to confirm.

And with that, it is 12:06 p.m. in the afternoon and this meeting is adjourned. Thank you for being here.

(Whereupon, at 12:06 p.m., the meeting was adjourned.)

C E R T I F I C A T E

MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: January 12, 2023

I do hereby certify that the foregoing pages, numbers 1 through 98, 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: January 19, 2023

(Transcriber)

On the Record Reporting
7703 N. Lamar Blvd., #515
Austin, Texas 78752