

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOVERNING BOARD MEETING

Capitol Extension
Hearing Room E2.030
1100 Congress Avenue
Austin, Texas 78701

September 1, 2022
10:00 a.m.

MEMBERS:

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

BOBBY WILKINSON, Executive Director

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awarded in the 2021 competitive 9% tax credit round

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CONSENT AGENDA REPORT ITEMS

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

The Board may go into Executive Session Pursuant to Tex. Gov't Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee;

Pursuant to Tex. Gov't Code §551.071(1) to seek the advice of its attorney about pending or contemplated litigation or a settlement offer;

Pursuant to Tex. Gov't Code §551.071(2) for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Tex. Gov't Code Chapter 551; including seeking legal advice in connection with a posted agenda item;

Pursuant to Tex. Gov't Code §551.072 to deliberate the possible purchase, sale, exchange, or lease of real estate because it would have a material detrimental effect on the Department's ability to negotiate with a third person; and/or

Pursuant to Tex. Gov't Code §2306.039(c) the Department's internal auditor, fraud prevention coordinator or ethics advisor may meet in an executive session of the Board to discuss issues related to fraud, waste or abuse.

OPEN SESSION

ADJOURN

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P R O C E E D I N G S

(10:05 a.m.)

1
2
3 MR. VASQUEZ: Good morning, everyone, and
4 welcome to the meeting of the Governing Board of the Texas
5 Department of Housing and Community Affairs. It is 10:05
6 a.m. on September 1, 2022, and the meeting is called to
7 order.

8 We will start out with the roll call. Mr. Batch
9 has asked for an excused absence today.

10 Ms. Farias.

11 MS. FARIAS: Here.

12 MR. VASQUEZ: Mr. Marchant.

13 MR. MARCHANT: Here.

14 MR. VASQUEZ: Mr. Thomas.

15 MR. THOMAS: Here.

16 MR. VASQUEZ: And myself are here. We do have a
17 quorum.

18 And we'll start out, as usual, asking Mr.
19 Wilkinson to lead us in the pledges.

20 (Whereupon, the Pledge of Allegiance was
21 recited.)

22 (Whereupon, a pledge to the Texas flag was
23 recited.)

24 MR. VASQUEZ: Bobby is going to get those
25 straight one of these days. Y'all didn't hear it, but I

1 did.

2 MR. WILKINSON: Almost tripped me up.

3 MR. VASQUEZ: Mr. Lyttle, is there any
4 resolution that we would like to enter into the record this
5 month?

6 MR. LYTTLE: Yes, sir. There is. It reads as
7 follows.

8 Whereas, the U.S. Department of Energy has
9 designated October 2022 as National Energy Awareness Month.

10 Whereas, the Weatherization Assistance Program, the
11 nation's largest residential energy efficiency program, was
12 established by the U.S. Department of Energy in 1976 to
13 make homes more energy efficient, safer, and healthier for
14 those with low and moderate incomes.

15 Whereas, the Texas Department of Housing and
16 Community Affairs administers a Weatherization Assistance
17 Program funded with both U.S. Department of Energy funds,
18 and Low Income Home Energy Assistance Program funds, which
19 is operated by a network of private non-profits and local
20 government entities. Whereas, the Texas Weatherization
21 Assistance Program has introduced millions of dollars into
22 communities to improve thousands of homes, thereby helping
23 Texans, including elderly, disabled, or families with young
24 children conserve energy and reduce utility costs.

25 Whereas, the program conducts computerized

1 energy audits and uses advanced diagnostic technology,
2 investing as much as \$11,000 in a home and providing an
3 array of improvements that include weather stripping of
4 doors and windows, patching cracks and holes, insulating
5 walls, floors and attics, replacing doors, windows,
6 refrigerators and water heaters, and repairing heating and
7 cooling systems. And whereas weatherization efforts
8 contribute to the state's economic, social, and
9 environmental progress by creating jobs, prompting the
10 purchase of goods and services, improving housing,
11 stabilizing neighborhoods, reducing emissions, and
12 decreasing the risk of fires.

13 Now, therefore, it is hereby resolved that the
14 Governing Board of the Texas Department of Housing and
15 Community Affairs does hereby celebrate October 2022 as
16 Energy Awareness Month in Texas. Signed, this first day of
17 September, 2022.

18 MR. VASQUEZ: Thank you, Mr. Lyttle.

19 Moving right along to the consent agenda. Are
20 there any items on the consent agenda as posted that a
21 Board member would like to move to action items, or a
22 member of the audience?

23 (No response.)

24 MR. VASQUEZ: Hearing none, I will entertain a
25 motion to accept the consent agenda as posted.

1 MR. MARCHANT: So moved, Mr. Chairman.

2 MS. FARIAS: Second.

3 MR. VASQUEZ: Motion made by Mr. Marchand.

4 Seconded by Ms. Farias. All in favor, say aye.

5 (A chorus of ayes.)

6 MR. VASQUEZ: Any opposed?

7 (No response.)

8 MR. VASQUEZ: Hearing none, the motion carries.

9 This should bring us to our Executive Director
10 report, if I am right. Mr. Wilkinson.

11 MR. WILKINSON: So yesterday, I spoke before a
12 joint budget hearing. And this is like a dry run. It is
13 not members, it is staff.

14 So the Legislative Budget Board staff, Governor,
15 Lite Gov, Speaker, House Appropriations, Senate Finance can
16 all show up, and I assume all those offices were
17 represented. No hard questions. You know, I just ran
18 through that we are not really asking for exceptional items
19 as defined as asking for more GR.

20 Our GR ask is flat. But as most of y'all are
21 aware, we are asking for a capital budget authority for
22 some, you know, software upgrades, and asking for some more
23 FTEs. But not more money.

24 So, not more GR, but more just from federal
25 funding that we have and appropriated receipts. So, we pay

1 for ourselves that way.

2 It looks like September 13th, Senator
3 Bettencourt is going to have an interim hearing for Senate
4 Local Government, which he chairs. We are going to be
5 asked to testify. I am not sure if it is going to be here,
6 or maybe Houston -- probably here. I doubt he would do a
7 road show to like El Paso or Dallas, or something.

8 This will be my first time speaking before
9 Senate Local Government since its formation. You know, the
10 predecessor was IGR. And then the Local Government is the
11 new committee.

12 And he was more focused on some tax issues and
13 some MUDs and other stuff last session. But then we hired
14 away one of his staff. And so then he realized that we
15 existed.

16 And so -- and also he has an affordable housing
17 interim charge. Of course, we have always been in contact
18 with the staff and such.

19 The Homeowner Assistance Fund, you know, that is
20 still the big new thing, as rent relief sort of winds down.

21 As of yesterday -- I didn't check this morning, to see if
22 the dashboard updated. But as of yesterday, we have
23 approved funding for about 14,000 applicants. \$98-1/2
24 million expended, another \$16 million in progress. Our
25 average assistance amount is \$8,125 per applicant.

1 The top three counties are Hidalgo, Bexar, and
2 Harris. Harris, you would think that would be obvious.
3 Hidalgo, it is because we ran a pilot program there and
4 they just got a big head start. I imagine they will be
5 surpassed by the larger counties pretty soon.

6 And then Bexar has been outperforming. Their
7 tax-assessor collector has been really involved in pushing
8 the program and even put staff on it, as far as helping
9 people apply and such. 69 percent of the applicants
10 assisted so far have income of 50 percent or below area
11 median income, which is good; we are helping those most in
12 need.

13 We just announced a significant program change.
14 We are transitioning those that are seeking loan
15 modifications to a monthly payment assistance program that
16 brings applicants current on their mortgage and offers to
17 pay three months of mortgage. The cap is still \$65,000 per
18 household.

19 This is for a number of reasons. The loan
20 modifications were taking too long. Some servicers weren't
21 that interested. And the rising rate environment, it is
22 hard to eke out any savings on the loan. Plus, we were
23 having to extend the term; borrowers didn't like that.

24 And so it will be a lot cleaner to be like, all
25 right. We will get you reinstated. Your debt to income

1 looks a little high, and you are having trouble affording
2 your mortgage right now. We are going to get you on a
3 glide path, three months.

4 Right now, we are at 4 percent unemployment.
5 You know, it should be enough to help most people. And of
6 course, home prices are still fairly strong, so if nothing
7 else, you could not be underwater when you sell your home.

8 Just a few weeks ago, rent relief received an
9 additional \$100 million or so from Treasury. We are going
10 to process existing applications. We still have over
11 50,000 in queue.

12 And as we have been reaching out to these folks,
13 there is a high percentage that are still eligible and
14 interested. And we kind of made this promise to them, like
15 get in line and we will serve you in the order received.

16 That being said, I think with this amount, we
17 will probably burn through most of those. And then, there
18 is more rounds coming: one in the fall, two in the spring.

19 We have been passed over at least once on a reallocation
20 round, where they focused on reallocating to locals. So
21 that might happen again.

22 We might not receive funding all three times,
23 but we definitely will get more. I don't know how much. I
24 don't know exactly when it is going to hit the bank.

25 And then we will look at opening the portal

1 again. And so this temporary program that we think is
2 almost done, you know, we are blowing up again. And this
3 will be the really, really last time, next spring.

4 MR. VASQUEZ: Sure.

5 MR. WILKINSON: Yes.

6 MR. VASQUEZ: Okay.

7 MR. WILKINSON: Once again, federal relief, we
8 have put out over \$2 billion in rental assistance and
9 utility assistance to more than 310,000 households -- the
10 highest number of households served by any single emergency
11 rental assistance program, nationwide. I think that is
12 because in California, rent is \$10,000 a month for
13 everybody.

14 One final note on rent relief. Yesterday, the
15 Texas Supreme Court issued another emergency order
16 extending the Texas eviction diversion program through
17 November 1, 2022. I believe they are going to keep doing
18 this as long as there is funds available, and there are, at
19 the local level.

20 As you all know, we were in competition with 38
21 or so local programs. This is the way Congress set it up,
22 not us. And there is still about \$800 million at least --
23 you know, that is probably a little stale -- available at
24 the local level. In some spots, not others, right.

25 Our compliance monitoring section is rolling out

1 brand new virtual training on September 13 on monitoring
2 reviews, start to finish. The training covers what happens
3 before, during, and after monitoring review. So we are
4 encouraging industry folks to sign up for that important
5 training.

6 MR. VASQUEZ: You said rolling out, not ruling
7 out, right?

8 MR. WILKINSON: Yes. Rolling out. Yes. I need
9 to work on my diction here. Okay.

10 The last meeting, we heard from Texas Housers
11 and you asked for the Compliance Division -- for a report
12 on Copper Tree Village. We also did another inspection of
13 the facility. This is a multi-family development in
14 Houston.

15 And the report is delayed. We will have it for
16 you at next month's meeting. It is actually finished.

17 It just didn't get put on the agenda. And so,
18 it will be here next month. And I can brief any of the
19 members on it privately as well.

20 As a result of some staff changes, I wanted to
21 mention Lisa Johnson will be serving as our Interim
22 Director of Home Ownership Programs. Lisa, do you want to
23 give a wave? Yes. There we go.

24 Joe Guevara will be our Interim Director of
25 Administration. Joe. And Rosalio Banuelos will be an

1 Interim Deputy Executive Director.

2 It's -- the end of the fiscal year, it was
3 yesterday, which means there is always a wave of
4 retirements. Two of the big ones, my direct reports, David
5 Cervantes and Homer Cabello, a long time coming. They have
6 served this Agency many, many years, probably the longest-
7 serving TDHCA staffers we have.

8 And we know what a great job they do, day in and
9 day out. But we are going to miss them. But I think we
10 are going to see them again pretty soon, actually.

11 So, as we, you know, grow and transition and add
12 staff, we really kind of need some of this expertise. So
13 we will be bringing them back in 90 days, it looks like.
14 Just so everyone knows.

15 Also, we had like someone -- some other
16 important staffers. Krissy Vavra in Budget is retired.
17 She is going to come back on just a temporary basis to help
18 with transition.

19 A long time attorney that helps with our
20 multifamily direct loan, Monita Henley retired. She is
21 also going to come back as a temp, part-time, to help train
22 up new staff. Beau is adding some muscle to the Legal
23 Division to try to help with all the volume of contracting,
24 et cetera, that we have had, all these increases with our
25 existing programs, plus all the new programs, etc.

1 So that is it for my prepared remarks. But I am
2 prepared to answer any questions.

3 MS. FARIAS: Ana Farias.

4 MR. WILKINSON: Yes, ma'am.

5 MS. FARIAS: Mr. Chairman, yes. It was when I
6 came in --

7 MR. VASQUEZ: Is your microphone on?

8 MS. FARIAS: Mr. Scott on the Audit Committee --
9 yesterday, when I came in to meet with Mr. Scott on the
10 Audit Committee, he did show me around. And as I was
11 meeting some of the staffers, saying hi, and shaking hands,
12 I found out yesterday was their last day.

13 It is -- you know, I worked with the Feds. I am
14 a federal retiree. So we know that January is when most
15 people will retire after 35, 40 years -- for here, it was
16 August.

17 And it is imperative that those that were the
18 absolute experts -- I have known Mr. Cabello for 30
19 years -- that they come and train the new ones. It is just
20 absolutely imperative. And it is not because they want to
21 come and make more money. They really would love to be
22 retired.

23 But with COVID, where people were usually home
24 for almost two years -- I mean, I was very pleased
25 yesterday when I actually saw employees in offices.

1 Because in my last year at HUD, I mean, it was like a three
2 blocks of a building, and sometimes there would be only two
3 of us on the fifth floor. And it gets to be very lonely.
4 It is like the Twilight Zone.

5 But yesterday, everybody got a little buggy
6 because it was their last day. So, I am very glad to know
7 that they are coming back, and absolutely training people.

8 Because this is an extremely important
9 department. It takes a lot of money. Everybody wants the
10 money. And they need to be trained on how to properly
11 administer it.

12 Thank you.

13 MR. WILKINSON: There were times during COVID
14 where I was probably just Beau and I, and the security
15 guard downstairs.

16 MS. FARIAS: I know the feeling.

17 MR. VASQUEZ: Well, any more questions for Mr.
18 Wilkinson?

19 (No response.)

20 MR. VASQUEZ: If not, thank you for your report.

21 And the Chair will entertain a motion for a six-month
22 moratorium on retirements.

23 (No response.)

24 MR. VASQUEZ: Okay. Maybe not.

25 Moving on to Item 3(b) of the agenda,

1 Presentation, discussion and possible approval on the use
2 of Emergency Rental Assistance Funds. Ms. Boston.

3 MS. BOSTON: Thank you. Chairman, Board
4 members, I am Brooke Boston, Deputy Executive Director for
5 programs, and I am presenting Item 3(b).

6 As you know, TDHCA has received two large
7 allocations of Emergency Rental Assistance -- I will call
8 this ERA. The first was for \$1.3 billion in January, 2021.
9 The second allocation, in May 2021, was for roughly
10 another billion. More than two billion of that has been
11 disbursed to Texans in need.

12 The funds under both pots of ERA are allowed to
13 be used for rental assistance and utility assistance. And
14 up to 10 percent of the funds can be used for housing
15 stabilization services, which we do through contracting
16 with subrecipients.

17 Unlike Texas, some states and local recipients
18 of the ERA funds across the country are not expending their
19 ERA-1, and or their ERA-2. And Treasury has been taking
20 actions to redirect those funds to grantees who are
21 successful like Texas. Therefore, TDHCA has been and will
22 continue to be a recipient of funds from Treasury under
23 ERA-1 and ERA-2, which Bobby mentioned in his report.

24 Today, the Department has received \$96 million
25 in reallocated ERA-1, and those have been used for their

1 original authorized purpose of ongoing rental and utility
2 assistance, and housing stability services. Any other
3 reallocated ERA-1 funds will continue to be used in that
4 way.

5 For ERA-2, to date, the Department has received
6 \$88.3 million in reallocated funds, and those have not yet
7 been used. The reason they have not yet been used is
8 because we wanted to confirm the programming of that with
9 you, the Board.

10 Recent guidance from Treasury provided that any
11 of the grantee's ERA-2 funds that are unobligated as of
12 October 1st coming up 2022 can be used for other affordable
13 rental and eviction prevention purposes, so long as the
14 grantee had obligated at least 75 percent of the ERA-2
15 funds to eligible uses, which we have done.

16 So, TDHCA is in a position, if we want to, to
17 use some of our funds for this other purpose. Eligible
18 purposes for that includes construction rehab or
19 preservation of affordable rental housing projects serving
20 very low income families.

21 If we use funds this way, they would have to
22 serve households that are at least at 50 percent of AMI or
23 below. The property would have to have a LURA put on it,
24 preserving the affordability for 20 years federally, and an
25 additional ten for the State.

1 Because of this new allowable use, and the
2 Department having that \$88.3 million in unused reallocated
3 funds, we wanted to seek Board guidance on how to reprogram
4 the reallocated ERA-2 funds -- both ones we have so far, as
5 well as any that we will receive in the future, which are
6 those allocations later in the fall and the spring that
7 Bobby mentioned.

8 So staff is recommending three uses for these
9 funds. First, we would like to recommend that up to \$11.5
10 million be used for other affordable rental housing, which
11 will be specifically directed to the Multifamily Division,
12 to be made available as loans for gap financing. And up to
13 15 percent of that could be used for admin.

14 Second, we recommend that 10 percent of the
15 reallocated funds can be directed for housing stability
16 services, including eviction prevention and legal services.

17 And again, up to 15 percent of that can be used for admin.
18

19 And last but not least, all the remainder of the
20 funds would be used to continue to address the acute need
21 for rental and utility assistance with 15 percent going
22 back.

23 And with that, I am happy to answer any
24 questions you might have.

25 MR. VASQUEZ: Thank you. Any Board members have

1 questions for Ms. Boston on this item?

2 (No response.)

3 MR. VASQUEZ: Okay. Good to see us moving these
4 funds to maximize the use of them. I will entertain a
5 motion on Item 3(b) of the agenda.

6 MR. THOMAS: Mr. Chairman, I move the Board
7 grant the Executive Director and his designees the
8 authority to effectuate the use of ERA-2 funds as fully
9 described in the Board action request on this item.

10 MR. VASQUEZ: Is there a second?

11 MS. FARIAS: Second.

12 MR. VASQUEZ: Motion made by Mr. Thomas.
13 Seconded by Ms. Farias. All those in favor, say aye.

14 (A chorus of ayes.)

15 MR. VASQUEZ: Any opposed?

16 (No response.)

17 MR. VASQUEZ: Hearing none, the motion carries.

18 Moving right along to Item 4, internal report of
19 the meeting of the Internal Audit and Finance Committee,
20 which was held this morning. And Mr. Thomas, do you have a
21 report for us?

22 MR. THOMAS: Good morning, Mr. Chairman, members
23 of the Board, ladies and gentlemen. The Audit and Finance
24 Committee met this morning at 9:30 a.m. In that meeting,
25 Mr. Scott, Director of Internal Audit, presented three

1 report items.

2 The first was an internal audit of Information
3 Technology of application controls. The second report was
4 a follow-up internal audit of migrant labor housing
5 facilities inspection processes. And the third report was
6 on the internal and external audit activities.

7 The State Auditor's Office is conducting their
8 annual audit of the TDHCA financial statements as part of
9 the statewide audit, and also conducting their annual audit
10 of TDHCA's revenue bond program in accordance with the
11 Public Funds Investment Act. CliftonLarsonAllen is
12 conducting the federal compliance portion of the statewide
13 audit.

14 Also, we welcomed a new member to the Committee,
15 fellow member Ms. Ana Maria Farias. And the Committee did
16 not take recommended -- or recommend any actions in today's
17 meeting. All items were presented as simply report items.

18
19 Mr. Scott is here and available to answer any
20 questions that Board members may have.

21 MR. VASQUEZ: Good. Thank you, Mr. Thomas. And
22 again, we do have a Committee meeting just prior to this
23 one where we had a more detailed report.

24 Do any Board members have questions of Mr.
25 Thomas?

1 (No response.)

2 MR. VASQUEZ: Hearing none, while this is just a
3 report item only, I will still entertain a motion to accept
4 the report of the Audit and Finance Committee.

5 MS. FARIAS: Mr. Chairman, I move that we accept
6 the report of the Audit Committee.

7 MR. VASQUEZ: Thank you. Motion made by Ms.
8 Farias.

9 MR. MARCHANT: Second.

10 MR. VASQUEZ: Second by Mr. Marchant.

11 MR. MARCHANT: Yes, sir.

12 MR. VASQUEZ: All those in favor, say aye.

13 (A chorus of ayes.)

14 MR. VASQUEZ: Any opposed.

15 (No response.)

16 MR. VASQUEZ: Hearing none, the motion carries.
17 Thank you, Mr. Thomas.

18 MR. THOMAS: Thank you, Mr. Chairman.

19 MR. VASQUEZ: Moving right along to Item 5,
20 Presentation, discussion, and possible action regarding a
21 material amendment to the Housing Tax Credit Application
22 project 21413. Mr. Banuelos.

23 MR. BANUELOS: Good morning. Rosalio Banuelos,
24 Director of Asset Management, and temporarily Interim
25 Deputy Director of Program Controls and Oversight.

1 MR. THOMAS: Big job.

2 MR. BANUELOS: It is. Absolutely. One day into
3 it. So, as Mr. Vasquez indicated, item 5 is the
4 presentation and discussion of two amendments.

5 The first one is Summit at Renaissance Park,
6 housing tax credit 21413, which received a 4 percent
7 housing tax credit award in 2021 for the new construction
8 of 325 units in Houston.

9 The development owner has requested approval for
10 a material amendment to the application to do significant
11 redesign of the development, which includes removing the
12 proposed nine-story parking garage, and other changes to
13 the design of the residential buildings. The owner stated
14 that due to the market conditions and volatility on the
15 costs for materials and labor, it was necessary to remove
16 the parking garage and use the existing surface parking, in
17 addition to two adjacent tracts of land, totaling 7.408
18 acres, which are owned by an affiliate of the owner.

19 The additional land will be used for surface
20 parking and for a detention area. The revised parking
21 structure results in the reduction from 601 parking spaces
22 to 577 surface parking spaces. And this will increase the
23 acreage of the development site from 5.035 acres to 12.443
24 acres.

25 The unit mix and net rental area of the

1 development are not changing from what was identified at
2 application, but there will be significant changes to the
3 design of the buildings, including a change in the number
4 of stories, a change in the number of allocation of units
5 between the two buildings, and a reduction in the number of
6 elevators.

7 In addition, there will be a slight reduction in
8 the common area of 1.28 percent, 1,433 square feet. The
9 development was re-underwritten based on the proposed
10 amendment, and the analysis indicates that the development
11 is still feasible with the changes to the costs and the
12 financing structure.

13 It should be pointed out that the estimated
14 total development costs are approximately \$12 million, or
15 16 percent greater than the estimate at application. And
16 this increase in cost supports that increase to the housing
17 tax credit amount to \$3,716,241, which is 13 percent
18 greater than the amount in the determination notice. These
19 are all estimates, of course, and the final housing tax
20 credit amount and costs will be confirmed at final
21 certification, once the development has been completed.

22 Staff recommends approval of the requested
23 amendment to the design of the development, and further
24 recommends to have the authority to administratively
25 approve at cost certification an increase to the housing

1 tax credit amount of up to 20 percent from the amount of
2 credits estimated in the underwriting analysis for this
3 amendment, subject to the review from staff of the cost
4 certification and the payment of any applicable fees at
5 that time.

6 That concludes my presentation for this
7 amendment, and I am available to answer any questions.

8 MR. VASQUEZ: Any Board members have questions
9 on this item? That is a long one, isn't it?

10 MR. MARCHANT: I just have a process question.
11 When we award additional credits, what pot does that come
12 out of?

13 MR. BANUELOS: So these are 4 percent housing
14 tax credits. So, really a development that qualifies for
15 tax exempt bonds has access to these credits. And in a
16 way, they are unlimited, so it is not taking away from a
17 pot, or turning them back in.

18 They come in with the lower credit amount. That
19 amount doesn't result in any development being awarded. It
20 is just less credits to this particular development.

21 MR. MARCHANT: Okay. Thank you.

22 MR. VASQUEZ: And let me ask. So this site, or
23 this particular change seemed to be, how shall we say, more
24 material than most of these times, when they come before
25 us, asking for something that is technically a material

1 change.

2 MR. BANUELOS: Yes. That is correct. The fact
3 that it changed the density by more than 5 percent alone
4 triggered the material component to it, but the change
5 itself is pretty drastic. It is adding seven acres of land
6 to the development, removing a parking garage, changing the
7 design of the residential building. So it is basically
8 redoing the deal.

9 MR. VASQUEZ: That is a good segue to my next
10 question. So, is there any thought that this -- is it the
11 deal we approved?

12 MR. BANUELOS: It is essentially a different
13 development. It is up to the Board to approve, or not, the
14 change. Yes, to answer your question, it is a different
15 deal.

16 MR. VASQUEZ: In spirit the same deal though.

17 MR. BANUELOS: In spirit the same deal, of
18 course. Yes. It is a different configuration, same units.

19

20 MR. VASQUEZ: And staff feels that this is, I
21 mean, it is still a --

22 MR. WILKINSON: I mean, it is a cost-cutting
23 measure. I am sure they would have preferred to have the
24 nine-story parking garage and not use the extra land for
25 sprawling parking. But cost increases.

1 We have asked developers to be making changes so
2 they are not so dependent on extra resources from us, and
3 this would be an example of that.

4 MR. VASQUEZ: Okay. So, we are looking at it as
5 more of a -- how can we make this deal work --

6 MR. WILKINSON: Sure.

7 MR. VASQUEZ: -- rather than just purely asking
8 for more help. Okay. Well, if staff is good with it, I
9 think I am good as well.

10 Anyone else have questions on this Item 5, the
11 first item in 5?

12 (No response.)

13 MR. VASQUEZ: Okay. Hearing none, I will
14 entertain a motion on the project, the material amendment
15 to project 21413, Summit at Renaissance Park.

16 MR. MARCHANT: Chairman, I move the Board
17 approve the requested amendments for Summit at Renaissance
18 Park, subject to the conditions and limitations
19 specifically outlined in the Board action request and
20 resolutions on this item.

21 MR. VASQUEZ: For those of you who cannot hear
22 Mr. Marchant's motion, he made a motion to approve the item
23 as presented. Is there a second to that?

24 MR. THOMAS: I second, Mr. Chairman.

25 MR. VASQUEZ: Second. Motion made by Mr.

1 Thomas -- I am sorry, Marchant. Second by Mr. Thomas.
2 Does anyone have any public comment on this item, before we
3 actually vote?

4 (No response.)

5 MR. VASQUEZ: Hearing none, all those in favor,
6 say aye.

7 (A chorus of ayes.)

8 MR. VASQUEZ: Any opposed?

9 (No response.)

10 MR. VASQUEZ: Hearing none, the motion carries.

11 Moving on to another material amendment, and
12 this one on project -- I have two numbers. Let's go with
13 20447, Franklin Park in Austin. Mr. Banuelos.

14 MR. BANUELOS: Yes. Thank you. The other
15 amendment is for the development that used to be known as
16 Rosemont at Williamson Creek, which is now known as
17 Franklin Park.

18 This property received a 9 percent housing tax
19 credit award in 2002 -- so that is the file number 02073 --
20 to, at the time, construct 163 units in Austin. And then,
21 in 2020, it was later awarded a housing tax credit award of
22 4 percent credits, which is application 20447, for the
23 acquisition and rehabilitation of the development.

24 The owner has now submitted a request for a
25 material amendment to the applications, both the 2002 and

1 2020, to release undeveloped land from the development
2 site. Initially, the request was to decrease the site
3 acreage from approximately 26-1/2 acres.

4 I will point out there is a slight difference in
5 the acreage in each of the two LURAs. That is due to
6 survey discrepancies. So, that is the 26-1/2 acres,
7 approximately.

8 And they are going now to -- proposing initially
9 to 21.6078, but they have now done a revised survey which
10 identifies the acreage as 20.9424. So it is a reduction of
11 5.45 acres to what was initially approved in the
12 applications. The reason for this request is that the
13 owner intends to assign the 5.45 acres to an affiliate and
14 combine that land with an additional tract of land that is
15 adjacent, and use that for a new affordable development.

16 At this time, there is not an application in
17 house for that new award, but the owner anticipates
18 submitting a 4 percent tax credit application to use that
19 land. The 2020 housing tax credit allocation was under it
20 with the land acquisition cost of \$2.3 million for the full
21 26-1/2 acres. And the owner has confirmed that with this
22 change, the acreage will be -- the cost will be prorated
23 for the actual acreage that is used.

24 Based on the initial underwriting analysis that
25 was done at application for the 2020 award, that would have

1 resulted in an adjustment to the credit amount. But as
2 this is a 4 percent award, we will confirm the credits at
3 cost certification and adjust the amount as necessary at
4 that time.

5 Staff recommends approval of the requested
6 amendments to the applications, which will result in
7 amendments to the tax credit LURAs. And I am available for
8 any questions.

9 MR. VASQUEZ: Thank you. Any Board members have
10 questions on this item?

11 MR. WILKINSON: I would just note, when you make
12 your motion, as amended by staff. Because the reduction is
13 5.4 acres, not the 4 point whatever.

14 MR. BANUELOS: Correct.

15 MR. VASQUEZ: And again, to clarify, it is in
16 here. But I think you said it very quickly. This land is
17 going to be used for another project?

18 MR. BANUELOS: That is the plan, yes. The
19 developer wanted to release this land from this development
20 and eventually submit an application to use this land,
21 along with additional land, for a 4 percent housing tax
22 credit development.

23 MR. VASQUEZ: Okay. So, when it is all said and
24 done, we should be increasing the amount, assuming that
25 everything gets approved.

1 MR. BANUELOS: Yes.

2 MR. VASQUEZ: Okay. Good. All right.

3 Then is there any public comment on this item?

4 (No response.)

5 MR. VASQUEZ: Hearing none, I will entertain a
6 motion on project 20447 in Item 5 of the agenda.

7 MR. THOMAS: Mr. Chairman, I move the Board
8 approve the requested material amendment to the
9 applications for Franklin Park, as amended by staff, in
10 this presentation as fully described in the Board action
11 request.

12 MR. VASQUEZ: Thank you. Motion made by Mr.
13 Thomas. Is there a second?

14 MR. MARCHANT: Second.

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

17 (A chorus of ayes.)

18 MR. VASQUEZ: Any opposed?

19 (No response.)

20 MR. VASQUEZ: Hearing none, the motion carries.
21 Thank you.

22 Moving right along to Item 6, Presentation,
23 discussion, and possible action on an order proposing the
24 repeal of 10 TAC Chapter 12, concerning the Multifamily
25 Housing Revenue Bond rules, and an order proposing new 10

1 TAC Chapter 12 concerning the same, and directing their
2 publication for public comment in the *Texas Register*. Ms.
3 Morales.

4 MS. MORALES: Good morning. Teresa Morales,
5 Director of Multifamily Bonds. The multifamily housing
6 revenue bond rule governs applications where the Department
7 is serving as the bond issuer.

8 The rule speaks to the general process of the
9 bond issuance, with an emphasis on the pre-application
10 component that requires scoring, in addition to threshold
11 and some eligibility. The proposed changes primarily
12 include modifications to existing scoring items and
13 proposes to introduce one new scoring item.

14 Although these proposed changes would not affect
15 the prioritization of the 2023 lottery applicants, as the
16 lottery is held in November, it would be applicable to
17 those applying in 2024, should we still be in a competitive
18 bond environment. As for the specific changes, one was to
19 reduce the points associated with the preservation
20 initiative scoring item.

21 It has been at ten points, and the proposal is
22 to reduce it to three points. The change would reduce the
23 significant point discrepancy between existing developments
24 and those proposing new construction.

25 The waiting list scoring item has also been

1 modified to introduce a tiered approach to points claimed.

2 It would allow those pre-applications that have been on
3 the waiting list for a longer period of time to achieve a
4 higher number of points.

5 The waiting list scoring item was actually new
6 for 2022. And what we were seeing is applicants who had
7 just submitted a pre-application in July were treated
8 equally to those who had been sitting on the waiting list
9 for as long as eight months or even longer.

10 The new scoring item relates to assisting
11 households with children. A pre-application can now be
12 eligible for points if at least 15 percent of the units in
13 the development contain three or more bedrooms. And since
14 the majority of 4 percent bond deals are generally in the
15 major metropolitan areas, I don't know that I would expect
16 an issue with applications being able to claim points under
17 this particular scoring item.

18 Staff recommends that the Board approve the
19 proposed repeal, and proposed new Chapter 12 Multifamily
20 Housing Revenue Bond rules for publication in the Texas
21 Register for public comment. I am available for any
22 questions.

23 MR. VASQUEZ: Thank you, Teresa. I assume there
24 has been communication of these changes with industry
25 participants?

1 MS. MORALES: We typically do not have the
2 roundtable conversations with the Bond rule as we do with
3 the QAP, but instead allow for the public comment process
4 for folks to provide comments.

5 MR. VASQUEZ: Okay. Do any Board members have
6 questions on this item?

7 (No response.)

8 MR. VASQUEZ: Do any members of the public want
9 to speak now on this item, or use the public comment
10 period?

11 (No response.)

12 MR. VASQUEZ: I guess we are using the public
13 comment period. Okay. Great.

14 On this, I will entertain a motion on Item 6 of
15 the agenda.

16 MS. FARIAS: Mr. Chairman, I move the Board
17 approve the proposed repeal and proposed new 10 TAC Chapter
18 12 rules for publication in the *Texas Register* for public
19 comment as presented and conditioned in the Board action
20 request on this item.

21 MR. VASQUEZ: Great. Thank you. Motion made by
22 Ms. Farias. Is there a second?

23 MR. THOMAS: Second, Mr. Chairman.

24 MR. VASQUEZ: Second by Mr. Thomas. All those
25 in favor, say aye.

1 (A chorus of ayes.)

2 MR. VASQUEZ: Any opposed?

3 (No response.)

4 MR. VASQUEZ: Hearing none, the motion carries.

5 Thank you, Teresa.

6 Moving right along to Item 7. Presentation,
7 discussion, and possible action on the 2023 Regional
8 Allocation Formula Methodology. Ms. Yevich.

9 MS. YEVICH: Correct. Good morning, Chairman,
10 Board. I am Elizabeth Yevich. And I am here for exactly
11 that item, which is the Regional Allocation Formula
12 methodology.

13 This is commonly known as the RAF. It was
14 created a while ago, in 1999, through the passage of Senate
15 Bill 112, or 1112. The bill directed TDHCA to create a
16 formula to use in distributing housing tax credit awards,
17 home investment partnership funds, and what we know as the
18 Texas Housing Trust Fund to all the uniform state regions
19 across the state.

20 Since its creation, now over 20 years ago, the
21 RAF has striven to objectively measure the affordable
22 housing need and available resources in the state's 13
23 regions and the 26 sub-regions of these three programs:
24 Housing Tax Credit, HOME, and the Texas Housing Trust Fund.

25

1 So the 2023 RAF methodology provided today bases
2 its formula on data that measures the need for housing
3 assistance, the availability of housing resources, other
4 factors relevant to the equitable distribution of the
5 housing funds in both the urban and the rural areas of this
6 state. It adheres to the statutory requirements detailed
7 in Section 2306 of the Texas Government Code.

8 Now the HOME single family, HOME multifamily,
9 housing tax credit, and the Texas Housing Trust Fund
10 programs, they each use slightly different formulas because
11 the programs have different eligible activities,
12 households, geographical service areas. The Board today is
13 approving the methodology only, not the actual allocation
14 numbers, because those numbers actually aren't known yet.

15 So there was a public comment held this summer.

16 Absolutely no public comment was received, so there was no
17 changes in the formula.

18 And I would like to say, there has been no
19 changes in the past few years. Happy to say that it is
20 running very smoothly. Therefore, staff recommends
21 approval.

22 I would be happy to answer any questions. Thank
23 you.

24 MR. VASQUEZ: Okay. Great. So you all just sit
25 in a dark room in the back of the office and decide, well,

1 we like --

2 MS. YEVICH: We have a window, so not a dark
3 room.

4 MR. VASQUEZ: Transparency. That is what we are
5 all about, transparency.

6 MS. YEVICH: There we go. There we go.

7 MR. VASQUEZ: I think that in all seriousness,
8 there is a detailed formula that, again, is as objective as
9 we can make it. And ensuring we have urban and rural and
10 such.

11 MS. YEVICH: I use a quote that was given to me
12 on my first week here about 13 years ago. The RAF is a
13 thing of beauty, and it is very detailed and very exact.
14 Yes. That is correct.

15 MR. VASQUEZ: Okay. Great. Do any Board
16 members have questions for Ms. Yevich?

17 MS. FARIAS: The only question I have, a
18 comment. I am surprised that you didn't have any comments.

19 You know, I think Mr. Marchant will agree with me.

20 The feds, with CDBG, oh my goodness. That is
21 incredible. Every Congressman and Senator must get 100
22 phone calls about the formula, because that determines how
23 much Dallas gets, Houston, little towns.

24 MR. VASQUEZ: Well, this methodology has been,
25 as she said --

1 MS. FARIAS: Around forever.

2 MR. VASQUEZ: It has been working. It has been
3 tweaked for a long time.

4 MS. FARIAS: Which is great. I mean, it speaks
5 very highly then, of the office, if you didn't have any.
6 Because CDBG is just the opposite. Nobody wants to return
7 phone calls because you have a hundred requests.

8 But anyway, thank you very much for this, Ms.
9 Yevich.

10 MS. YEVICH: Well, and hats off to my staff who
11 do that.

12 MS. FARIAS: Yes. Absolutely.

13 MS. YEVICH: Kevin Reardon who is here today,
14 who ran it this year. Yes.

15 MR. VASQUEZ: Great. Do any members of the
16 public wish to make a comment on this agenda item?

17 (No response.)

18 MR. VASQUEZ: Seeing none, I will entertain a
19 motion on Item 7 of the agenda.

20 MS. FARIAS: Mr. Chairman, I move the Board
21 approve the 2023 Regional Allocation Formula methodology as
22 presented in the Board action request on this item.

23 MR. VASQUEZ: Great. Thank you. Motion made by
24 Ms. Farias. Is there a second?

25 MR. MARCHANT: There is a second.

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

3 (A chorus of ayes.)

4 MR. VASQUEZ: Any opposed?

5 (No response.)

6 MR. VASQUEZ: Hearing none, the motion carries.
7 Thank you, Elizabeth.

8 MS. YEVICH: Lovely.

9 MR. VASQUEZ: Okay. Well, let's say we break
10 until about 1:00. Or we can continue.

11 MR. CAMPBELL: Good morning.

12 MR. VASQUEZ: Mr. Campbell. Good to see you.

13 MR. CAMPBELL: Likewise.

14 MR. VASQUEZ: I assume you are here for Item
15 8(a) of the agenda.

16 MR. CAMPBELL: Yes, sir, I am.

17 MR. VASQUEZ: Presentation, discussion, and
18 possible action on the proposed repeal of 10 TAC Chapter 11
19 concerning the Housing Tax Credit program Qualified
20 Allocation Plan, otherwise known as the QAP. And proposed
21 new 10 TAC Chapter 11 concerning the same, and regarding
22 their publication for public comment in the *Texas Register*.

23

24 So I assume you last night just decided to make
25 some edits?

1 MR. CAMPBELL: Just a couple. Yes, sir.

2 MR. VASQUEZ: Okay.

3 MR. CAMPBELL: I just got a Sharpie and went --

4 MR. VASQUEZ: Share them with us in the
5 organization.

6 MR. CAMPBELL: Sure. So, thank you, Mr.
7 Vasquez. Like you just said, the next item on your agenda
8 presents to you the draft 2023 Qualified Allocation Plan.

9 The draft rules will be published in the *Texas*
10 *Register* for public comment from September 16th through
11 October 7th, after which the rule will be returned to the
12 Board for final adoption at the meeting to be held in
13 November.

14 Just as a brief reminder, Department staff
15 undertook a much more robust process in drafting the QAP
16 this year. We held a total of seven workgroups and
17 roundtables with stakeholders throughout the year to
18 solicit input and to facilitate discussion about possible
19 changes.

20 Using the information gathered at these events,
21 staff drafted an earlier informal draft, posted it to our
22 website in early July, and accepted comments on it through
23 August 3rd. The comments we received are not considered
24 formal public comments in connection with the rule-making
25 process. And as a result, detailed analysis and reasoned

1 response is not provided today. However, staff reviewed it
2 and made appropriate updates before finalizing the formal
3 draft of the QAP.

4 In addition, a Rules Committee meeting was held
5 on July 7th, and the discussion from that meeting was also
6 taken into consideration when finalizing the draft. This
7 presentation covers the significant changes between the
8 2022 and proposed 2023 QAP.

9 The first of these concerns the definition of
10 administrative deficiency. State statute prohibits
11 applicants from changing or supplementing an application
12 after the filing deadline, except at the request of the
13 Department to provide clarifying information or correct
14 administrative deficiencies in the application.

15 Because of that, this is a definition of
16 significance in our programs, as it directly affects which
17 corrections can be made to an application after it is
18 submitted. In drafting this definition, staff has
19 attempted to create a logical, common-sense-based framework
20 to follow when reviewing applications.

21 Because this definition is so important, and
22 will almost certainly impact which items come before the
23 Board in 2023, I would like to spend just a few minutes
24 going over it. This isn't a comprehensive explanation of
25 the definition, but does convey the big picture. As

1 written, the definition allows for the following items to
2 be cured through the deficiency process.

3 First, a minor quantity of missing signatures,
4 documents, or other similar clerical matters, presuming
5 that the submission of these items will not create change
6 within the application. The rule does give more specifics
7 and does include a few exceptions. But the general idea is
8 to allow simple clerical or administrative errors to be
9 corrected.

10 Second, the clarification of inconsistencies
11 that exist between facts presented in the application
12 and/or its supporting documentation. Very importantly,
13 this section clarifies that an inconsistency between the
14 number of points requested and the number of points for
15 which an application qualifies does not constitute an
16 administrative deficiency that is curable through this
17 process.

18 Third is a broad statement that is necessary
19 about any other information that is necessary at the
20 Department's sole discretion to assist in reviewing the
21 application. The definition clarifies two categories that
22 are specifically not curable through the administrative
23 deficiency process.

24 First is any matter that will materially change
25 the application, unless it is absolutely necessary in order

1 to resolve an inconsistency. In which case, staff will
2 direct the applicant to cure the matter in the manner that
3 creates the last change within the application. The
4 second, and this one is critical, is any change that is
5 necessary only to qualify an application for points.

6 So if someone requests ten points but submits an
7 application that only qualifies for eight, there is no
8 opportunity to change the application to qualify for ten.
9 Moving on, the QAP now requires the automatic award -- I
10 am sorry.

11 Mr. Vasquez.

12 MR. VASQUEZ: I was going to say, shall we jump
13 in here and ask as a rule. So, if they only qualified for
14 eight, but they asked for ten --

15 MR. CAMPBELL: Yes, sir.

16 MR. VASQUEZ: They can still get the eight.
17 They just can't do some other change to get up to ten.

18 MR. CAMPBELL: That is correct. Now, if what is
19 missing is just, you know, they forgot a piece of paper,
20 the previous section that we discussed that allows for the
21 submission of missing documents might be triggered in that
22 case.

23 Obviously, every situation is individual. We
24 are hoping that this is a more lenient definition that will
25 allow staff a little bit more flexibility, while allowing

1 some of the simpler things that come up in applications to
2 be fixed without completely opening the floodgates, and
3 allowing folks to you know, run rampant and change their
4 applications after the filing deadline.

5 MR. VASQUEZ: Right. Okay. Great. Just wanted
6 to clarify. Thanks.

7 MR. CAMPBELL: Great. Certainly. Certainly.

8 Moving on, the QAP now requires the automatic
9 award to the highest scoring application in a subregion
10 that is benefitting from a HUD choice neighborhood grant.
11 This requirement only applies to subregions with a county
12 that has a population of at least 950,000.

13 And the reasoning behind this is that in some of
14 those smaller subregions, you will often only see one
15 award. And having a provision like this in a subregion
16 like that is going to decide what the only award
17 potentially could be in that subregion, and we didn't want
18 to do that. These HUD choice funds are extremely
19 lucrative, but also extremely time sensitive. So this
20 provision is needed to assist cities in fully utilizing
21 those grants.

22 As you are all aware, development costs have
23 increased rapidly over the past few years. One of staff's
24 principal concerns when updating the QAP was to identify
25 adjustments that could be made that would minimize the

1 impact that these rising costs would have on the number of
2 units that are produced with this funding.

3 And I would like to discuss just a few changes
4 that are made to the QAP that relate to this issue. First,
5 the allowable cost of development per square foot has
6 increased by approximately 51 percent. And this item now
7 includes a requirement that the Department adjust the
8 allowable costs annually, based on a construction price
9 index.

10 The figures that we settled on were based on
11 significant industry input. And the feedback that we have
12 received thus far is that the new numbers are far more
13 realistic.

14 To help offset these higher costs, the required
15 minimum square footages for efficiency and one bedroom
16 units have been lowered by 50 square feet for both
17 threshold and scoring purposes. The existing requirements
18 for two, three, and four bedroom units appear to be in line
19 with market standards, so no change was made for those.
20 Similarly, the required number of common amenities that
21 must be provided has been lowered slightly.

22 Staff has also revised two scoring items with
23 the intention of making more potential development sites
24 competitive for the program. During discussions we
25 received significant feedback that this would be an

1 effective way to help manage costs and to produce as many
2 units as possible.

3 The first of these is the proximity to jobs
4 scoring item, which is one of the scoring items that has
5 significant influence on which sites are selected to
6 compete in the program. Previously, to score the maximum
7 points, a development site would have needed to be within
8 two miles of 16,500 jobs. This has been lowered to 10,000,
9 and the other tiers within the scoring item have been
10 similarly lowered.

11 While this is a significant decrease, it will
12 still put future tenants in close proximity to many jobs.
13 One commenter suggested that 10,000 is still generally
14 about the top 25 percent of development sites and will
15 allow developments outside of the most dense urban and
16 expensive areas to compete and score well in the program.

17 The second scoring item revised with costs in
18 mind is the underserved areas point category which
19 incentivizes developments in areas that are historically
20 underserved by tax credit developments. One potential way
21 to score points under this category requires applying in a
22 census tract that has not had a tax credit development
23 within a certain period of time.

24 Several of these thresholds have been lowered.
25 For example, from 20 years to 15 years. And from 15 to

1 ten, with the intention of allowing more census tracts to
2 score well.

3 Wrapping up on the scoring items, the readiness
4 to proceed point item has been reinstated under the QAP,
5 having previously been suspended due to the pandemic. This
6 item awards points to applications who certify that funding
7 will be closed and that the construction contract will be
8 signed by the end of November in the year that the award is
9 made. This item also requires that all appropriate zoning
10 be in place at the time of the award, and allows the Board
11 to penalize any applicant that certifies to meet these
12 deadlines and then fails to do so.

13 Moving on to neighborhood risk factors. School
14 ratings have been reinstated as a potential risk in an
15 application for this year. The Texas Education Agency has
16 now released their 2022 school ratings, and the QAP has
17 been updated to reflect the current scoring system that
18 they use, which includes letter grades A, B, and C, and
19 several different types of Not Rated.

20 The QAP now specifically identifies that schools
21 that receive a score of Not Rated due to Senate Bill 1365,
22 meaning that the school was not rated because it would have
23 scored below a C, are required to provide appropriate
24 mitigation.

25 In terms of site eligibility, a new item has

1 been added that makes any application ineligible if it
2 proposes more than 30 percent of the units as efficiencies
3 and/or one bedrooms. Elderly supportive housing and
4 rehabilitation deals are excluded from this requirement.

5 During the Rule Committee meeting, a speaker
6 requested that staff review the current experience
7 requirements to determine if it would be appropriate to
8 allow additional folks to compete in our programs. The
9 current QAP requires that a member of the applicant group
10 with control of the development to have previously placed
11 in service a minimum of 150 units in order to meet
12 experience requirements.

13 Staff has now added a second option which would
14 allow any person who is included on either the owner or
15 developer organizational chart for at least ten successful
16 applications in Texas to be an eligible applicant. Staff
17 acknowledges that this is a high bar, but feels that a high
18 bar is appropriate, given the level of responsibility that
19 comes with receiving an award of funding.

20 Lastly, in the summary, supplemental housing tax
21 credits have been added back into the QAP with a few edits
22 from 2022. Primarily, rather than having a flat cap on how
23 much is available in supplemental credits, the QAP proposes
24 that applications from the 2021 round and only from the
25 2021 round would be able to request a percentage of their

1 original award as a supplemental allocation.

2 The draft does not specify what this percentage
3 is, but rather establishes that it will be no more than 15
4 percent with a final amount to be announced by the
5 Department no later than December 1st. While this is a bit
6 unusual, the addition of supplemental credits into the 2023
7 QAP occurred late into the drafting process. And rather
8 than taking a shot in the dark as to where that limit
9 should be set, staff is relying on the public comment
10 process to assist in creating a more informed policy.

11 Similarly, the elevated value of supplemental
12 credits which will count towards each developer's annual \$3
13 million cap on tax credits will be announced on the same
14 day, and will not exceed \$2 for every \$1 of supplemental
15 credits received.

16 That initially was the end of my presentation,
17 but it occurred to me this morning while I was driving to
18 work that those of you who attended the Rules Committee
19 meeting might need to be briefed on some of the changes
20 that have occurred between that initial staff draft and the
21 current final draft of the QAP. So, just really quickly,
22 to go over those.

23 In the Rules Committee meeting, we had discussed
24 the concept of an urban core and including that in the QAP.
25 The purpose of the urban core would have been to identify

1 dense urban areas, further reduce the unit sizes -- excuse
2 me -- further reduce the required unit sizes for
3 developments in that urban core, and also possibly to lower
4 the amenity thresholds for those developments.

5 Staff has drafted a definition of urban core
6 that didn't really align with where we wanted to see these
7 developments in the State of Texas. We didn't really get
8 any public comments that gave us a better definition to
9 work with. And so, rather than proceeding with what really
10 might have been a bad policy, we have just removed it from
11 the QAP.

12 We still have the overall reduction in unit
13 sizes for zero and one bedrooms and for required common
14 amenities. So, we are still getting to some of the same
15 place that we would have gotten with that definition of
16 urban core.

17 At the same Rules Committee meeting, we
18 discussed the possibility of requiring the automatic award
19 to any supportive housing development in a subregion, the
20 highest scoring supportive housing deal in a subregion.
21 Public comment on that was not great.

22 People were not fond of that idea, both within
23 the supportive housing community and outside of it. Staff
24 heard those concerns and has decided to remove that from
25 the draft QAP for this year.

1 We also discussed two new point categories under
2 the residents with special housing needs scoring category.

3 One of those was for assisting families with
4 children, where an application would have qualified for
5 points for committing to have no more than 30 percent of
6 the units be zero or one bedrooms.

7 There were some procedural issues with having
8 that as a scoring item. So rather than have that as a
9 scoring item, we have moved it to the threshold item which
10 I mentioned earlier.

11 We also discussed an item for assisting families
12 with incomes above the housing tax credit income limits.
13 Public comment on that was, I will say, monolithic and
14 negative.

15 There was a lot of pushback within the industry,
16 most of which revolved around the fact that it wasn't
17 really TDHCA's mission to help middle income people. We
18 are statutorily directed to help low income people. And I
19 think staff found that quite persuasive, so it was removed
20 from the QAP.

21 And then finally, those of you who were there
22 may remember there was a lively discussion about HUBs, and
23 whether an applicant should be able to participate on an
24 application as their own HUB. We had originally drafted
25 language in that first draft that disallowed that. Public

1 comment on that was, again, robust and oppositional. So,
2 we have removed that from the final draft of the 2023 QAP.

3 And so with that, my presentation is concluded.

4 Staff does recommend that the Board approve this item.

5 And I am happy to answer any questions that you have.

6 MR. VASQUEZ: Okay. Great. Thank you for that.

7 And thank you for staff and all the industry participants
8 for getting us this far, to this point.

9 I assume there might be a few comments on this.

10 So, just remember, we try to have you come up to these
11 first two rows here so I know you are in the queue to
12 speak.

13 And we will try to -- if at all possible, when
14 we have a speaker come up, I will try to see if anyone else
15 has comments on that same general topic area. So we will
16 try and get those together. We will work our way through
17 there. We will start with the Board questions.

18 MR. MARCHANT: Define census tract. What size
19 is it? How do you get there?

20 MR. CAMPBELL: Sure. So, census tracts are
21 determined by the U.S. Census Bureau during the census,
22 every three years.

23 MR. MARCHANT: And the redistricting. So, is it
24 this same tracts that they use for redistricting?

25 MR. CAMPBELL: That actually, I wish I knew the

1 answer to that question, but I don't. I do know that we
2 got new census tracts in 2020, so the QAP, to the extent
3 that it is possible, does try to implement --

4 MR. MARCHANT: What is the approximate size of
5 the census tract?

6 MR. CAMPBELL: It depends on the population.
7 So, somewhere like where I grew up in Andrews, Texas --

8 MR. MARCHANT: So, it is a geographical.

9 MR. CAMPBELL: Yes, sir.

10 MR. MARCHANT: Not a population.

11 MR. CAMPBELL: It is a geographical
12 distribution. Yes, sir. And many of the boundaries for
13 census tracts will follow things like main roads, county
14 lines, or things like that.

15 MR. MARCHANT: Yes. I guess is it 100,000
16 people, is it 10,000 people?

17 MR. CAMPBELL: I definitely don't think it is
18 100,000 people. It is quite a bit smaller than that.

19 MR. MARCHANT: Yes. I am just trying to get my
20 brain around --

21 MR. WILKINSON: Julie, do you know how many
22 people are in a census tract?

23 MR. VASQUEZ: We are here, to the right.

24 MR. WILKINSON: Jeanna.

25 MR. VASQUEZ: Come on down.

1 MR. MARCHANT: This may qualify here as a dumb
2 question rule.

3 MS. ADAMS: Jeanna Adams, Director of Real
4 Estate Analysis. Census tracts are all different sizes,
5 geography wise, and also population wise. Some of them are
6 very, very tiny; out in West Texas, the census tracts are
7 humongous, and there might be like, this is light, like 15
8 people.

9 It just really depends. There is no
10 geographical or population size that is steady.

11 MR. MARCHANT: Okay. So, when you define --
12 thank you. When you define it down to the census tract, is
13 that very defining for you? Or how did you arrive at doing
14 it per census tract?

15 MR. CAMPBELL: So there is a provision in state
16 statute that requires that TDHCA incentivize development in
17 census tracts that are underserved by tax credits. And so
18 we have this statutory requirement to kind of approach this
19 from the census tract level.

20 MR. WILKINSON: We'd probably approach it
21 differently if statute didn't require us to go by census
22 tract.

23 MR. CAMPBELL: Yes. I agree. I agree.

24 MR. MARCHANT: Because they are kind of done
25 [inaudible] --

1 MR. CAMPBELL: Yes, sir. Yes. That is a great
2 way to put it.

3 MR. VASQUEZ: Okay. I have some questions,
4 starting from the end, the supplemental credits. So the
5 way this is being edited, the supplemental credits, or the
6 possibility of supplemental credits under these rules, will
7 only be for the 2021 cycle?

8 MR. CAMPBELL: Yes, sir. Yes.

9 MR. VASQUEZ: Because prior to that, we have
10 already pretty much given out supplemental credits and the
11 2022 projects that we just awarded should have all these
12 prices and costs baked in.

13 MR. CAMPBELL: I would imagine. Yes, sir. Yes.
14 So it is just applications that received a competitive
15 award during the 2021 round.

16 MR. VASQUEZ: Okay. So we will never have to do
17 this again.

18 MR. CAMPBELL: I think that is up to a lot of
19 people besides me.

20 MR. VASQUEZ: Okay. All right. And then, just
21 another tweak to the way things are written in here,
22 compared to last year.

23 MR. CAMPBELL: Yes, sir.

24 MR. VASQUEZ: We are allowing kind of up to
25 limits. We are not setting in stone the actual amount,

1 like say, 15 percent supplemental. It could be 5 percent,
2 7-1/2 percent, 10 to 15?

3 MR. CAMPBELL: Yes, sir.

4 MR. VASQUEZ: We will decide by December 1st.

5 MR. CAMPBELL: Yes, sir.

6 MR. VASQUEZ: And so, we will publish that to
7 everyone. Just so everyone understands.

8 MR. CAMPBELL: Yes.

9 MR. VASQUEZ: And this also allows for a -- the
10 penalty for taking credits this year, or supplemental
11 credits --

12 MR. CAMPBELL: Yes, sir.

13 MR. VASQUEZ: Counts against an Applicant's
14 future --

15 MR. CAMPBELL: Yes, sir.

16 MR. VASQUEZ: -- up to two to one.

17 MR. CAMPBELL: Yes, sir.

18 MR. VASQUEZ: But that again, will be set and
19 defined by the Board, and published by December 1st.

20 MR. CAMPBELL: Yes, sir.

21 MR. VASQUEZ: Okay. Just to clarify.

22 MR. CAMPBELL: Sure.

23 MR. MARCHANT: One more.

24 MR. VASQUEZ: Please.

25 MR. MARCHANT: When you say that something is

1 administratively approved, does that mean by an individual
2 member of the administrative staff? Or is that something
3 that, Bobby, you have to sign off on as well? Or is there
4 an automatic -- where is the authority? As a Board, do we
5 know that you have --

6 MR. WILKINSON: Right. I think it depends on
7 the issue. So what is the context here? It would be what
8 we would lay out was --

9 MR. CAMPBELL: Are we talking about the
10 administrative approval of the final allowable credit
11 amount?

12 MR. MARCHANT: Yes.

13 MR. CAMPBELL: Okay.

14 MR. MARCHANT: Yes. Any action that you would
15 have administrative final approval of. Does that mean at
16 the -- at what level is that approval?

17 MR. CAMPBELL: So, for the QAP itself, staff
18 actually does not have the authority to approve the QAP.
19 So we will bring it back to the Board in November.

20 MR. MARCHANT: Okay.

21 MR. CAMPBELL: Once you folks approve it, we
22 will transmit it to the Governor's Office. And then the
23 Office of the Government has final approval of the QAP.

24 MR. MARCHANT: Thank you.

25 MR. CAMPBELL: Yes, sir.

1 MR. VASQUEZ: Okay. Since you went through that
2 really quickly, which we appreciate, can you talk a little
3 bit more, generally speaking, about the opportunities to
4 create administrative deficiencies? And you kind of talked
5 about, like, sort of threshold of what constitutes an
6 administrative deficiency that can be corrected.

7 MR. CAMPBELL: Sure.

8 MR. VASQUEZ: And again, I am hoping that the
9 sense from staff and from industry is that, again, we are
10 getting rid of the -- as many of the joint, or the issues
11 as possible, the technicalities that kick out people.

12 MR. CAMPBELL: Sure.

13 MR. VASQUEZ: Some people call those gotchas.
14 Have we taken steps to minimize those, in your opinion?

15 MR. CAMPBELL: Yes, sir. I really believe that
16 we have. I do sincerely believe that the definition that
17 we have right now gives staff more leeway in allowing folks
18 to correct minor clerical things; you forgot to submit one
19 sheet of paper, but your application is otherwise complete.

20

21 Presuming -- I mean, there are certain sheets of
22 paper. If you forgot to send out your notifications of
23 your application, there is no opportunity to fix that. But
24 assuming that is just something minor like that, the
25 definition as written allows staff to just fix those things

1 with the applicant, presuming that they aren't trying to
2 actually change their application.

3 MR. VASQUEZ: Right. And I think that is
4 probably a really good key definition.

5 MR. CAMPBELL: Sure.

6 MR. VASQUEZ: Is it changing the application,
7 versus providing that clarifying information or missing.

8 MR. CAMPBELL: Right.

9 MR. VASQUEZ: Especially in instances where
10 somebody has an applicant that has numbers that have to
11 have come from a spreadsheet. And they put in all the
12 numbers in the slots, but they didn't submit the actual
13 spreadsheet. That doesn't change it.

14 MR. CAMPBELL: Sure.

15 MR. VASQUEZ: It just supplements.

16 MR. CAMPBELL: Sure. We are really hoping that
17 this definition will prevent what may be good applications
18 from being caught up in a technicality -- is what we are
19 hoping for.

20 MR. VASQUEZ: Great.

21 MR. MARCHANT: Does it create more or less
22 appeal opportunities?

23 MR. CAMPBELL: I sincerely hope for fewer.
24 Because I think that we will have more flexibility to just
25 allow applicants to correct things without having to

1 elevate to the Board.

2 MR. MARCHANT: Okay.

3 MR. VASQUEZ: I think the way that things have
4 been, historically, the staff's hands are tied, to where an
5 Applicant has to appeal and go through staff, and through
6 Bobby --

7 MR. CAMPBELL: Right.

8 MR. VASQUEZ: And you, and then ultimately to
9 the Board. Because it was so stiff and rigid that it
10 didn't allow them just to take care of it, common sense.

11 MR. WILKINSON: It should reduce it. And the
12 hope is so. But the right to appeal still exists. If it
13 is even a blatant, you know, violation, they can come back.

14

15 MR. MARCHANT: It doesn't limit their ability to
16 appeal.

17 MR. VASQUEZ: Correct. Okay.

18 Let's entertain some public comment here. And
19 we will start on this side. Okay. All right. One down.
20 Okay. Hang on, keep your shirt on.

21 Again, when you come up to the podium, please be
22 sure to sign in, identify yourself and what organization
23 that you belong to. And very clearly, if you can identify
24 the top -- the section heading, or section numbers that you
25 are addressing, let us know.

1 Do we have a staff member that is kind of
2 scribing these things, and figuring out who is going to --
3 because some things, they might affect, impact what we are
4 approving here right now.

5 MR. WILKINSON: See, he's smiling --
6 (General laughter.)

7 MR. VASQUEZ: All right. So, I will entertain
8 a -- under the Eccles rule, I will entertain a motion to
9 have public comment. Mr. Marchant. Yes.

10 MR. MARCHANT: I'll make a motion to receive
11 limited -- unlimited public comment.

12 MR. VASQUEZ: That reminds me that you will have
13 three minutes, and a buzzer will come up. And I'll try
14 to -- please wrap up your -- you don't have to use the
15 whole three minutes, okay.

16 Is there a second to Mr. Marchant's motion to
17 accept public comment?

18 MS. FARIAS: Second.

19 MR. THOMAS: Mr. Chairman.

20 MR. VASQUEZ: Second by Mr. Thomas. All in
21 favor, say aye.

22 (A chorus of ayes.)

23 MR. VASQUEZ: Any opposed?

24 (No response.)

25 MR. VASQUEZ: None. Okay. The motion carries.

1 MR. GORMLEY: Chairman Vasquez. Members of the
2 Board. Director Wilkinson. Thank you for having me today.
3 I really appreciate the opportunity to comment on this
4 plan.

5 One of the things that is really important --

6 MR. VASQUEZ: Excuse me. Name. Who are you,
7 and who do you represent?

8 MR. GORMLEY: Yes. Quinn Gormley with the
9 Housing Trust Group, but I am up here as a representative
10 of TAPS Qualified Allocation Plan Committee.

11 MR. VASQUEZ: Great. Thanks.

12 MR. GORMLEY: I am a lurker, as you can kind of
13 see, so just kind of lurking in the back room here.

14 One of the things I have to say is, and I think
15 Brooke and Colin have done a really good job. You really
16 don't get to see it from our side as much, but you know,
17 Colin has done a great job of being collaborative, and kind
18 of working with the development and the outside teams to
19 kind of get in a good policy, and work on a good QAP this
20 year. The tax credit program, as you guys know, is one of
21 the best examples of the private/public partnership that we
22 have out there in seeking to relieve the housing
23 affordability crisis that we currently see.

24 I am going to quickly kind of just glaze over
25 some of the items that we have seen on the recent release

1 of the allocation plan. I know that there is a crew behind
2 me of folks. They have plenty of stuff they probably want
3 to get into, so I am going to breeze over many of the good
4 and bad kind of things that we are seeing.

5 Thank you for including supplemental credits.
6 You know, as all of us are aware, there is a large amount
7 of 2021 projects -- I think it is 80 percent or less now --
8 that are still waiting to close their 2021 projects. This
9 is largely due to the increasing construction costs, rising
10 interest rates.

11 Insurance costs have significantly gone up,
12 which is impacting us pretty dramatically, on closing those
13 transactions. You know, the construction costs, we have
14 seen 20 to 30 percent increases across the board.

15 15 percent, if it passes, is very helpful. We
16 could always use more. But obviously, that gives a
17 benchmark to roll through.

18 One of the things I'd like to add to that is
19 expediting that process is going to be key, because we have
20 gone so far as pushing those deals forward. So being able
21 to get those deals out of the ground as quickly as possible
22 is going to be key to production. Increasing the cost per
23 square foot limitation to 51 percent is also a good way at
24 looking at projects going forward.

25 A lot of the problems that we have had with the

1 projects seen in 2021 is because the deficiency, or the
2 delta between where we have seen costs, and where costs
3 have increased, and where we were in the prior years with
4 costs per square foot. So there is a big jump there. And
5 Colin hit that pretty good.

6 Also, you know, the really good stuff is the
7 jobs that were pointed out, the job numbers that were
8 pointed out. I think that is going to get down into some
9 smaller outlying suburb communities that we are seeing that
10 really have a need for those workforce housing type
11 developments and unit sizes.

12 Now, you know, nothing is always perfect. You
13 know, perfect is the enemy of the good.

14 The proximity jobs, we need to work with staff
15 on the language there to kind of make that a little bit
16 better. So we are committed to kind of doing that at TAP,
17 to kind of give our feedback through the public process.

18 Readiness to proceed, the mechanics that are
19 described are very complicated. You know -- it is very
20 challenging. Two more minutes? One minute?

21 MR. VASQUEZ: Go ahead.

22 MR. GORMLEY: The mechanics are very
23 challenging. So, again, we would like to work with staff
24 on kind of how that is. It is going to make it tough for
25 some of the ARPA funds to be utilized, because they are

1 limiting choice leaning actions when you use those dollars.

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And then, last but not least, the ineligible developments, the unit mix percentages. We recommended, and you mentioned this earlier, Chairman Vasquez, it creates some rigid basis, 30 percent, you know, maybe 50 percent. We would like to see maybe that kind of worked on.

9

10

With that, I will come to a close. Thank you so much.

11

12

13

MR. VASQUEZ: Okay. Great. Thank you. Did you sign in? Was there a sign in sheet up there? Okay. All right.

14

15

Next, please. Come identify yourself and your organization.

16

17

18

19

20

MR. MARTIN: Thank you. My name is Ben Martin. I am the Research Director at Texas Housers. We work to ensure that low income Texans are able to access safe, decent, and affordable housing in a neighborhood of their choice.

21

22

23

24

25

Texas Housers believes that it is critical that the needs of tenants are at the forefront in the industry-focused engagement for the QAP. The housing tax credit program must strive to provide the most possible decent homes for the lowest income residents in our state. These

1 are the Texans for whom there is the greatest shortage of
2 affordable and available housing.

3 The Board and staff should and must strive to
4 ensure that the projects incentivized by the QAP align so
5 that the process produces the most possible deeply
6 affordable units, and that those units are in high
7 opportunity areas, with access to good jobs, good schools,
8 and other opportunities.

9 In the current QAP draft, TDHCA has proposed to
10 raise the eligible building costs per square foot. Staff
11 has already identified that this could create cost
12 containment issues, and released a document in the spring
13 identifying possible approaches to maximizing the low
14 income units that the program produces. These direct cost
15 containment measures do not appear to be present in the
16 current draft.

17 We strongly encourage the addition of additional
18 costs containment controls to the QAP that would ensure
19 that the most deeply affordable units are created for the
20 tax credits that Texas receives, and that we don't end up
21 handing out more tax credits and getting the same number of
22 low income units in return. We believe that an appropriate
23 approach would be to add a tiebreaker favoring the project
24 with the most deeply affordable units.

25 The purpose of this program is to provide our

1 lowest income neighbors with a decent home in a decent
2 area. We ask TDHCA to improve cost containment measures in
3 order to help as many people in our communities as possible
4 to access stable housing.

5 We look forward to the opportunity to provide
6 additional written comments. Thank you.

7 MR. VASQUEZ: Before you go, Ben --

8 MR. MARTIN: Yes.

9 MR. VASQUEZ: When you said the most affordable
10 housing units, do you mean having a 250-unit complex is
11 better than a 50-unit complex? Because there is 250? That
12 is the most number of units. Or did you mean --

13 MR. WILKINSON: Or deeper targeting. Right.

14 MR. VASQUEZ: Or deeper targeting? Or all of
15 them being 30 percent units, more favorable?

16 MR. MARTIN: Yes. We will provide more detail
17 in our written comments --

18 MR. VASQUEZ: Okay.

19 MR. MARTIN: -- but we would like to propose a
20 tiebreaker that is prorated, so that the deeper level of
21 affordability gets more points in that tiebreaker
22 calculation.

23 MR. VASQUEZ: So, the more affordability, not
24 the gross number of units.

25 MR. MARTIN: It is like, you would get three

1 points for 30 percent units, two points for 60 percent
2 units, one point for an 80 percent, you know, something
3 like that. So you would essentially score higher if you
4 have a larger number of extremely low income units.

5 MR. VASQUEZ: A larger percentage.

6 MR. MARTIN: Yes.

7 MR. VASQUEZ: A couple of you all can work on
8 that. Okay. It was just a clarification. Because that
9 has been sort of a balancing act that I think we have been
10 trying to address over time, which is difficult to address.

11

12 MR. MARTIN: Thank you.

13 MR. VASQUEZ: Okay. Thanks, Ben.

14 MR. NAUL: Hello. My name is Alan Naul. Our
15 company is called the Javelin Group. So we are a private
16 developer in Dallas. I am also on the board of a large
17 not-for-profit that has about 50 affordable projects across
18 the country.

19 So, my topic is the concerted revitalization
20 plan. And as we looked at it this past year, we were
21 approached by a group in a small rural community, and they
22 are in Region Three, which is the DFW area.

23 And part of the topic I think Mr. Marchant was
24 getting to is, you have to have structure for these things.

25 So, you have to go by, you know, we use quartiles in order

1 to sort out some of the different opportunities.

2 This particular situation, it is very low
3 poverty census tracts. But because it is an outlying area
4 that is distorted by the DFW income levels, every single
5 census tract is a fourth quartile.

6 And if it was in an urban area, you would be
7 able to compensate for that by getting a revitalization
8 acknowledgment by the city. But in rural areas, for some
9 reason, that is not available.

10 And so, my suggestion is, it seems like if we
11 balance that where even in a rural area, if you could get
12 the same number of points by getting a revitalization area,
13 that would allow places to get -- they have to qualify for
14 all the other points as well. And I don't know why there
15 is the difference between urban and rural for this, but it
16 just has some weird demographic effects.

17 And to answer your question, Mr. Marchant, there
18 is a roughly between 5,000 and 6,000 people per census
19 tract on average. So there is a little over 5,000 census
20 tracts, and about 30 million of people -- so this order of
21 magnitude.

22 And so that would be our request, is to just
23 create parity between the ability for rural and urban to do
24 the same thing with the Revitalization Plan. Right now,
25 the only ability to use it, it is bizarre. You have to

1 rebuild a property that has high occupancy in a rural area.

2 And it just seems completely backwards.

3 If you could allow new development, it will
4 create more housing. It won't reduce the housing that is
5 already there. And it will force them to fix it up,
6 because of the new competition. So, that is my request.

7 MR. VASQUEZ: Okay. Thank you.

8 MS. MEYER: Good morning, Chairman, Board. My
9 name is Robbye Meyer. I am representing Rural Rental
10 Housing this morning, as their Vice President of their
11 board, and the Chair of their QAP Committee. We represent
12 660 rural properties consisting of 23,500 units, and more
13 than 33,000 residents of the State of Texas.

14 I am going to speak on two topics this morning.

15 One concerns Section 11.9(c)(4)(B), concerning the
16 resident special needs populations. This scoring item
17 allows points for developments to provide 2 percent of the
18 total units for persons referred from Continuums of Care or
19 local homeless residence services providers that are
20 experiencing homelessness.

21 This item -- when it was added to the QAP in
22 2021, USDA rehab developments were exempt from this point
23 item. However, in 2022 -- of the rules, the exemption was
24 deleted. Rural Rental Housing is requesting that the
25 exemption be added back. These developments are in small

1 rural communities that do not have COC providers or local
2 homelessness service providers, for the most part.

3 And it doesn't make sense to have units being
4 held open for six months when they don't have providers.
5 And I will tell you, if you give a developer a point that
6 they have to have to beat out somebody else, they are going
7 to take it. But it doesn't make sense to have it out there
8 for rural developments on rehab.

9 My second item concerns 11.9(b)(2), sponsor
10 characteristics. Although we appreciate the change that
11 staff did make by eliminating the language for person, the
12 language that is still left in there concerning "officer"
13 is still problematic. "Officer" is not a defined term in
14 the QAP, and so it is unclear as to who is going to be
15 considered an officer under the TDHCA guidelines.

16 Many of the legitimate HUBs that are operating
17 with the expectations of TDHCA could potentially be caught
18 in an unintended consequence with this language change. We
19 respectfully request that the language be taken back to the
20 2022 language, and allow the development community and HUBs
21 to work with staff to specifically address the problem that
22 TDHCA is experiencing with this rule.

23 I appreciate your time.

24 MR. VASQUEZ: Thank you, Robbye.

25 MR. MEYER: Good morning Chair, Board members,

1 staff. My name is Justin Meyer. I am a principal of Arx
2 Advantage. A long time fan, first time caller.

3 I would like to take a moment and thank Cody and
4 the TDHCA staff for their exceptional work, working with
5 the development community this year in the QAP process.
6 Arx Advantage is member of both TAP and the Rural Rental
7 Housing Association of Texas, and we fully support all of
8 their comments.

9 Additionally, on behalf of Arx Advantage, I
10 would like to call out our strong support in the comments
11 made on behalf of Rural Rental Housing regarding
12 sponsorship characteristics, specifically, that the officer
13 language for HUBs should be removed.

14 Thank you.

15 MR. VASQUEZ: Great. Thank you.

16 MR. HOOVER: Good morning. My name is Dennis
17 Hoover. I also represent the Rural Rental Housing
18 Association.

19 And my firm, Hamilton Valley Management were a
20 long time participant in the USDA 515 development community
21 and the tax credits. We were probably the first ones in
22 line for tax credits in 1987.

23 And I want to echo Robbye and Justin's comments.
24 One, about the readiness to proceed. In our case, our
25 units are already on the ground. They are already

1 occupied.

2 Readiness to proceed, we are ready. But in
3 order to close by the end of November with USDA is most of
4 the time impractical. I mean, we received a 2021
5 allocation. We started an application with them in April
6 of 2021. We are going to be lucky to close by November of
7 this year, not November of last year.

8 And so, USDA is historically understaffed,
9 historically slow. COVID hurt them, obviously. But the
10 reorganization where they kind of -- they went from state
11 offices to regional and national offices, that has really,
12 really slowed things down.

13 And I think the other folks in our business
14 would readily agree that it is -- somebody might say yes, I
15 am going to take the points. I am going to get it done.
16 And they might actually get it done in a rare case, I don't
17 know. But from nine times out of ten, it is not going to
18 happen.

19 But like Robbye said, if you don't take the
20 point, you are not going to even get to play the game. And
21 so, everybody is going to check the point. But I would ask
22 that it be -- that we be exempted from that readiness to
23 proceed, for USDA 515s.

24 Also, the sponsor characteristics, I would echo
25 their comments. We have two HUBs in our family business.

1 They have managing members, which are also designated as
2 officers. And they are -- I understand that the problem
3 is -- trying to figure out, is the HUB really a
4 participant?

5 Our HUBs are really participants. They are
6 employed full-time in our business. They make decisions.
7 They are on the ground of those properties.

8 They are employed 40 hours a week in managing
9 and making decisions. But they are also officers. So, it
10 would cause us a problem.

11 Thank you.

12 MR. VASQUEZ: Okay. Thanks. Just a quick
13 question. So is part of the issue or problem here the
14 definition of who is an officer versus a managing partner?

15 MR. HOOVER: In our case, you know, we have
16 several businesses. We have the management company, the
17 development company, the construction company. We own a
18 lumber yard.

19 And the family is scattered out in and amongst.
20 And so somebody that is an officer of this is also an
21 officer of that. A member of the HUB is also an officer
22 over here of the construction. And so it's -- yes.

23 That is our problem. I don't know about anybody
24 else's.

25 MR. VASQUEZ: Okay. All right. Great. Thanks.

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And we recognize that both the USDA issues, I know we have stumbled into that several times.

MR. HOOVER: Yes. Thank you. And thank you to the staff for having met with us and talked. You know, I wish they took everything we said and acted on it. But sometimes they do.

But anyway, they came to our convention and met with us. So we appreciate the reception that we have had to talk about all these things.

MR. VASQUEZ: Great. Thanks, Dennis.

MR. SULLIVAN: Good morning. Chairman, Director, Board members. Counselor. My name is Seth Sullivan. I am an attorney. I am here with the Rural Rental Housing Association, and I also represent USDA developers across the state.

So I am here to talk about the neighborhood risk factors and how it applies to school ratings. And that is on page 85 of 209.

So the USDA or rehabilitations are actually exempt when it comes to crime and poverty, but not when it comes to the school ratings. We think it is important to note that education is important.

I have a four-year-old. He needs education and discipline. He is ornery. We get that.

1 But with the USDA, it is nominally because of
2 who we serve. So, we serve the elderly. There are a lot
3 of widows, vets, they are on limited income.

4 And we just want to perpetuate those properties.
5 And we think that that prevents that. So, that is what I
6 was here to say.

7 MR. VASQUEZ: Okay. Great. Appreciate that. I
8 don't know if we addressed this similar in the past. Okay.
9 We'll talk.

10 There will be a kind of follow-up sort of
11 summary discussion here at the end, but we'll get it.
12 Thanks.

13 MR. SULLIVAN: Thanks, Chairman.

14 MS. FARIAS: Mr. Chairman, may I just make a
15 very quick comment. Sir, I grew up in a small rural
16 community; Crystal City, Texas, Carrizo. Crystal City is
17 the only farmworkers public housing.

18 And so I do understand that a lot of the people
19 that live in small rural communities are the retired with
20 limited income, and veterans. And schooling has nothing to
21 do with them. They are just retiring and want to enjoy.

22 MR. SULLIVAN: Sure.

23 MS. FARIAS: So, yes. Thank you, sir.

24 MR. SULLIVAN: I am from Northeast Texas. I am
25 from Linden.

1 MS. FARIAS: All right.

2 MR. VASQUEZ: Who was next in line?

3 MS. ANDERSON: Good morning, everybody. My name
4 is Sarah Anderson. I am here to speak on a few of the QAP
5 items.

6 The first one I would like to talk about, and I
7 am going to go ahead -- since we were talking about
8 education, I would like to echo what was just said about
9 the USDA deals. I believe in the past, the USDA deals were
10 exempt from some of these issues related to education. And
11 I feel like that might have dropped off last year.

12 But I would agree that education -- as we are
13 looking at it this year, we are not killing any deals
14 because of education. But we are requiring mitigation. I
15 would like to discuss though -- right now, I don't know if
16 anybody has looked at what is going on and what the
17 rankings are happening.

18 So right now, because of COVID, TEA has said, we
19 are going to do A, B, and C, and anybody that doesn't get
20 in that is not rated. Unfortunately, we are treating the
21 not rated as essentially that they are failed. And we are
22 saying that if you are not rated, you are going to have to
23 mitigate.

24 MR. WILKINSON: A subsection of not rated.
25 Those that are not rated due to Senate Bill whatever, that

1 means, they would have gotten a D or F. Yes.

2 MS. ANDERSON: Okay. So what they are trying to
3 do is prevent that from being a black mark on their
4 rankings. And what I think we were hoping we could do is
5 have a look back at the 2019 rankings.

6 And if you were not rated, see what you were
7 rated at 2019. And if you were a C or above, that you
8 would not have to go through the mitigation process.

9 Mitigation that is proposed in the QAP is very
10 substantial. It is expensive. It takes a lot of space on
11 the developments.

12 This is why it could be a problem for USDA.
13 They just don't have a lot of extra space on their property
14 to have after-school programs in that way.

15 So I was just hoping we could have a look back.

16 Because there are some schools that, prior to this
17 ranking, were Bs and Cs, have not had a history of
18 problems. But might look to, because of the current rating
19 system.

20 MR. VASQUEZ: I am sorry, Sarah. Before you go
21 on, just to pause. So you are saying, if they had a no
22 rating now, look at what their rating was in 2019?

23 MS. ANDERSON: Correct.

24 MR. VASQUEZ: Okay. So, you are not saying
25 change our --

1 MS. ANDERSON: No. No. I am just saying, if
2 you were a C or above in 2019 --

3 MR. VASQUEZ: Understood.

4 MS. ANDERSON: You don't have a history of a
5 problem, probably.

6 MR. VASQUEZ: Okay. I just wanted to clarify
7 that. Please proceed.

8 MS. ANDERSON: Thank you.

9 Readiness to proceed is another issue. It
10 continues to give us a lot of heartburn. The way it is
11 written right now, you are looking at a November closing
12 for a deal. But honestly, that doesn't get anything built
13 faster. It is not.

14 It is not when you are closing, it is when you
15 are placing in service. What you are looking to do is to
16 have everybody try and meet this November date. We do not
17 have enough attorneys, lenders, to meet that November date.

18
19 And I would say that anybody that takes that, if
20 you can't meet the November date, rather than getting a
21 penalty, you should lose your credits. If you can't meet
22 that deadline, lose your credits, and let somebody else
23 have them.

24 Because the people that are going to take that,
25 90 percent are not going to make it. And they are going to

1 run that bad. But it is okay, because they will take the
2 hit the next year.

3 So I would look at a placed in service date, and
4 not a closing date, personally, on that. I think that
5 makes more sense.

6 And I am out of time. I have a bunch of other
7 things, but we will just write them. Otherwise, thank you.

8 MR. VASQUEZ: Thanks, Sarah. Who is up?

9 MR. SHIPPER: Good morning. My name is Dillon
10 Shipper. And I am representing the development groups
11 Bonner Carrington and Sycamore Strategies.

12 This comment is on the supplemental credits
13 topic. And we believe that 2021 applications, even those
14 that may not need supplemental credits would still benefit
15 from the updated timeline that allows for an extension to
16 both the 10 percent test and placed in service. We would
17 ask that the Board allow the Department/staff to grant
18 requests for force majeure or extensions, as opposed to
19 going to the Board.

20 We are currently closing a 2021 deal and are
21 having to go to the Board for these requests. It is
22 delaying our closing in a time when interest rates are
23 increasing, and construction prices are spiraling. If this
24 was an administrative process, it would allow for -- we
25 think it would allow for faster closings on 2021

1 transactions. We also think it would save an immense
2 amount of staff time, not having to put every one of these
3 requests in a Board book.

4 And then lastly, I wanted to point out too, that
5 labor and supply shortages are a category that gets force
6 majeure. So most likely, most applicants in 2021 would
7 qualify. Thanks.

8 MR. VASQUEZ: Thank you, Mr. Shipper. Haven't
9 we already pretty much made a basic force majeure as
10 administrative as we can?

11 MR. WILKINSON: We have been putting it on the
12 consent lately, because it was all the same: COVID. So we
13 just put them on there. But I guess you are saying, to not
14 even go through that process.

15 MR. VASQUEZ: I think --

16 MR. WILKINSON: I think we are limited in how
17 administratively we can handle force majeure.

18 MR. VASQUEZ: Exactly. I think we are trying to
19 make it as streamlined as possible, but there are some
20 limitations on it. We are required to go through some of
21 those steps, but I would be happy to keep looking at that
22 language.

23 MR. SHIPPER: Thank you.

24 MR. VASQUEZ: Appreciate your comments. Thanks.

25 Uh oh.

1 MS. FINE: Why do I deserve that?

2 MR. VASQUEZ: Just kidding.

3 MS. FINE: Tracey Fine, National Church
4 Residences. I just wanted to echo off of Mr. Dennis
5 Hoover's comments on the USDA, and the readiness to proceed
6 comments. I primarily work in the HUD space, and the HUD
7 preservation space.

8 And I would also like to ask that the entire at-
9 risk pool have an exemption to the readiness to proceed,
10 similar to USDA. HUD is incredibly understaffed, very,
11 very slow. And we can submit our documents. It would have
12 to submit them at the same time I put in my application on
13 March 1st.

14 And I can't even, at that point, necessarily
15 guarantee that they would be ready to close in time. So
16 you are putting me in a position, and all of us that deal
17 with HUD and USDA. But we have to take that point to win.

18 But I guarantee you that everyone that wins an
19 award will be back here requesting some kind of Board
20 action, unless HUD, you know, and USDA doubles their staff,
21 I don't know. Thank you.

22 MR. VASQUEZ: Transfer some of those IRS agents.
23 Thank you, Tracey.

24 MS. SHAW: Good morning. Katherine Shaw with
25 the Brownstone Group. Brownstone is a firm that has been

1 around in Texas for a long time. We build for a lot of tax
2 credit developers. We also do a lot of market rate.

3 We currently have almost 3/4 of a billion
4 dollars' worth of construction happening right now. And we
5 have a really good handle on what things are costing these
6 days.

7 And just since January, we have been seeing
8 increases in costs: forty percent on concrete; earthwork
9 and utilities, 35 percent; windows and glass, 40 percent.
10 I know there has been some talk about lumber having come
11 down recently. That is relatively true, but there are
12 still certain sectors of lumber that are artificially high,
13 because the lumber mills can. Trusses, for example, are
14 200 percent more than they cost last year.

15 So my comment relates to the supplemental
16 credits. And I would like to ask that some language be
17 built in to give the Board flexibility to address
18 conditions on the ground as they change.

19 Because there is a lot of 2022 deals that are
20 going to start bidding out their jobs come first quarter of
21 next year. And they are going to realize that what I
22 budgeted in January is quite a bit different than what
23 conditions on the ground are.

24 I would also think that that flexibility could
25 be applied backwards in certain cases where perhaps a 2019

1 or a 2020 deal didn't apply for various reasons in the last
2 round for supplemental credits, but would benefit from it
3 now.

4 And I can give you a very specific example, if
5 you would like. So, as I think you recall, Richmond Senior
6 Village in Houston was granted force majeure this summer.
7 We were twelve days from closing last September. We had a
8 very healthy construction budget that we were happy with.

9 Twelve days before closing, a tenant in the
10 existing building from the seller that we were buying the
11 property from filed a lawsuit against the seller,
12 foreclosing our options to close on that property. Because
13 none of our investors or lenders would move forward until
14 the lawsuit was resolved.

15 At the time, we didn't apply for supplemental
16 credits, because we knew that we were happy with our
17 construction budget. And if things had progressed in a
18 quick manner -- when you are dealing with court
19 proceedings, that is never a given.

20 So, we didn't apply at that time, because we
21 weren't sure how long the court proceedings would take.
22 Now, we are closing on Tuesday. And our construction costs
23 are \$2 million more than they were a year ago.

24 So there is a very specific example of why I
25 would ask that, you know, some Board discretion be built

1 into the supplemental credit framework.

2 MR. VASQUEZ: Thank you for those comments.
3 Just to clarify, Mr. Eccles. The QAP rules that we are
4 talking, specifically as it relates to supplemental -- if a
5 case like this came back to appeal to us, are we precluded
6 from saying, well, look. This is a 2020 deal. We can't do
7 anything else for you?

8 Or do we have some sort of --

9 MR. WILKINSON: I think if it is currently
10 rated, and it is only 2023 credits, for 2021 awards. And
11 you have built up that flexibility up to 15 percent, up to
12 \$2 penalty.

13 But no. Her deal cannot get helped with
14 additional credits the way it is currently written. You
15 could get a loan, but we don't have it written now to where
16 supplemental credits would be available to '19 or '20
17 deals. Because --

18 MR. VASQUEZ: And again, I guess there is so
19 many different random scenarios that are out there. We
20 double the size of our QAP, if we wrote something for every
21 possible scenario.

22 MR. WILKINSON: I think we could add eligibility
23 for '19 and '20 deals. I mean, she might be alone. That
24 might be the only one that is just now closing upside down
25 for '19 or '20. I don't know.

1 MR. VASQUEZ: Well, again. We have some time to
2 look at that issue. Maybe we do leave it open for --
3 because like you said, there is a very limited universe
4 where that could still apply.

5 Okay. We will take that into account. Well,
6 nothing that we discuss here is going to be absolutely set,
7 yet.

8 MS. RICKENBAKER: Good afternoon. Donna
9 Rickenbaker with Marquis and DWR. We develop, and we
10 consult to developers. I know we have a second bite at the
11 apple, if you will. So I am not going to go into all my
12 comments.

13 But I did want to talk about the timeline for
14 supplemental credit applications. Before I start there, I
15 do want to agree with what Katherine was saying. And I am
16 hoping that we could build in some sort of provision that
17 gives some flexibility, I guess. Or rights to the Board to
18 look at something on a kind of case-by-case basis on '19
19 and '20 deals.

20 That being said, as with respect to the timeline
21 for supplemental credits, I think we need to take another
22 look at that timeline. Because right now, the deadline to
23 request is 1/27/23, and then the Board approval is in
24 March.

25 As it relates to supplemental credits, those are

1 prioritized in our deconcentration provisions. And
2 applicants that are putting in applications in '23 really
3 won't have an idea of where those supplemental credit
4 awardees are located and be in a position to understand the
5 deconcentration provisions. So I hope we can take a closer
6 look at that timeline.

7 And then my other two are somewhat clarification
8 questions. One has to do with the 30-percent boost. The
9 provision -- it has been in there for a while and I have
10 commented on it, for a couple of years -- excludes an
11 elderly development in an area covered by a concerted
12 revitalization plan from receiving the 30-percent boost.

13 I have never understood why an elderly is
14 excluded if they are in a revitalization area. Not a QCT,
15 a revitalization area for receiving that boost. So, I am
16 hoping you all will kind of take a closer look at that.

17 And then another one of my comments had to do
18 with an underwriting provision and the special reserve
19 account. It looks like Underwriting wants to change that
20 special reserve account amount from \$2,500 to \$1,000. I
21 want to better understand why Underwriting wants to make
22 that adjustment, because this is the way it looks like it
23 is going to play out.

24 The purpose of the special reserve fund is to
25 establish a deposit for any amount of oversourcing that is

1 determined by TDHCA at cost certification. And the funds
2 are in the special reserve to be used for the benefit of
3 the residents. By changing that from \$2,500 to \$1,000,
4 this is going to trigger potentially credits on the final
5 8609 being reduced, and taking back credits from the deal.
6 Investors don't like that, needless to say.

7 So I am hoping that we will take a closer look
8 at that and give some understanding as to why Underwriting
9 wanted to make that change, given the potential risk with
10 our investor partners of credits being taken back, and the
11 outcome of that would not be good. So, if you all would
12 not mind taking a closer look at that, I would very much
13 appreciate it.

14 Thank you.

15 MR. VASQUEZ: Great. Thanks, Donna.

16 MR. GILBERT: Good morning. I am Mark Gilbert
17 with DMA Development here in Austin.

18 It was only mentioned once, very briefly, at the
19 start of comment on this item -- the eligibility
20 requirement for general population increasing to 70 percent
21 for multi-bedroom units. This is very high, considering,
22 you know, we had some square footage changes for
23 efficiencies and one bedrooms. That is -- that flexibility
24 will be really beneficial for the developers.

25 We didn't get that on multi bedroom. And then,

1 it is a huge increase. And just like the minimum threshold
2 of multi bedroom needed in the general population.

3 And my understanding -- I mean, we can obviously
4 look into it for a written comment, but my understanding,
5 that doesn't line up with actual demand and need in the
6 general population community. So this would probably be
7 more suited, as mentioned, to be maybe a 50-percent
8 threshold.

9 So, that was my only comment. Thank you.

10 MR. VASQUEZ: Great. Thanks, Mark. Would
11 anyone else care to make an oral comment?

12 (No response.)

13 MR. VASQUEZ: I have a couple notes. I just
14 want to make sure we get staff to clarify or just comment
15 responding on what some people said. And Bobby just now
16 said this -- I think it was Mr. Gormley kind of made a
17 comment about the QAP allowing for 15 percent supplemental
18 credits. And we are -- just to clarify, it is up to 15
19 percent.

20 It may be 5 percent. It may be 10 percent. It
21 may be a different number.

22 But this is just building in some flexibility.
23 So, but it is not -- don't count on 15 percent,
24 necessarily. It might happen, but don't count on it.

25 And this, I think, relates also to what Mark

1 just said -- the 30 percent studio or one bedroom --

2 MR. CAMPBELL: Yes, sir.

3 MR. VASQUEZ: -- that does not apply to
4 supportive housing or some -- there is still -- someone
5 could do a whole development on single room occupancy.

6 MR. CAMPBELL: Right. So, supportive housing,
7 elderly developments, and rehabilitation developments are
8 excluded. Reconstruction, adaptive reuse and new
9 construction is not.

10 MR. VASQUEZ: Okay. All right. Just making
11 sure that is all clarified. I am also interested in seeing
12 if we put in more units being built as a tiebreaker. I
13 thought that was a good concept.

14 Because we are trying to -- I think Mr. Marchant
15 will agree that we are trying to get as many built as
16 possible. I don't know what kind of language can get
17 worked in.

18 MR. CAMPBELL: Sure. So, staff sort of juggled
19 a couple of ideas, and actually had a workgroup
20 specifically to address this topic. The possibility of a
21 tie breaker came up.

22 Another possibility that was floated is the use
23 of a new scoring item that would award points to
24 applications that propose a number of units relative to the
25 average number of units proposed in that subregion in the

1 previous year. So if the average number of units for an
2 awarded application was 100 in the previous year, and you
3 propose 90, you would get one point.

4 If you propose 100, you get two. If you propose
5 110, you would get three. So it is a percentage of what
6 happened last year as a way of hopefully slowly pushing up
7 that average over the years.

8 MR. VASQUEZ: Did we put that in?

9 MR. CAMPBELL: We did not.

10 MR. VASQUEZ: Okay. So, that's --

11 MR. CAMPBELL: Right.

12 MR. VASQUEZ: -- next year.

13 MR. CAMPBELL: It was an idea that was floated.

14 Right. I will say that the comment that we receive on
15 those ideas, whenever they are thrown out -- and I don't
16 necessarily know that I think that they are bad ideas.

17 But we are told very frequently that it will
18 create a race to the bottom where people are building as
19 many cheap units as they can in, you know, the worst place
20 that they can possibly get across the finish line. That is
21 the comment that we got. And upon receiving that comment,
22 that is when we decided to address the cost concerns by
23 opening up more development sites to the jobs proximity and
24 underserved point items.

25 MR. VASQUEZ: Okay. The phrase "concerted

1 revitalization plan" came up. I don't think the topic of
2 the discussion was specifically that, but it triggered in
3 my mind, did we broaden the definition of a concerted
4 revitalization plan? Or get rid of that?

5 MR. CAMPBELL: No, sir. Off the top of my head,
6 there is no change to concerted revitalization plan between
7 the 2022 and 2023 QAP. There was a change between 2021 and
8 2022 which removed a few of the requirements.

9 And you may recall, there was an item brought
10 before the Board in early July, I am going to say, that an
11 applicant had claimed points. And staff felt that the
12 application was ineligible for points, and the Board upheld
13 that decision. But there are no changes for the 2023, as
14 of now.

15 MR. VASQUEZ: So we have left it alone, and
16 not -- I just remember there being some issues on you know,
17 it looks like a duck, quacks like a duck. But it is not a
18 duck, because it doesn't say concerted revitalization plan.

19
20 MR. WILKINSON: Yes. We made that adjustment
21 from 2021 to 2022 to make it kind of easier to qualify for
22 CRP. Based on Board action, rolling staff on it.

23 MR. VASQUEZ: Okay. And I know we have
24 discussed this internally before, but we definitely hear
25 the comments about having to work with USDA programs, and

1 their timing. It is almost like a force majeure. It is
2 out of our hands.

3 There is nothing we can do to make them work any
4 faster. I think it is just USDA and HUD, depending on what
5 program they're on.

6 MR. CAMPBELL: Yes.

7 MR. VASQUEZ: It seems like we should build in
8 something acknowledging that the developers can only do so
9 much. I mean, it is out of their hands. Just to alleviate
10 the panic and fear that you know, the odds are, it is not
11 going to get done by the required dates. I mean, how --

12 MR. CAMPBELL: I believe that it was Tracey Fine
13 who suggested that one potential solution would be to
14 exempt the entire at-risk set-aside from the readiness to
15 proceed point category. That is where we see most of the
16 HUD and USDA applications come in.

17 MR. VASQUEZ: Does that cover all the rural
18 USDA?

19 MR. CAMPBELL: So if you are competing in the
20 USDA set-aside, you are necessarily part of the at-risk
21 set-aside. We could exempt all rural subregions from the
22 readiness to proceed.

23 MR. VASQUEZ: No. We have to have some.

24 MR. CAMPBELL: Sure. Sure.

25 MR. WILKINSON: And this is one that we could

1 probably add, when it goes out for formal comment, an
2 exemption to -- right?

3 MR. CAMPBELL: I mean, that is within the
4 bounds.

5 MR. ECCLES: Sure, and this goes for all of the
6 comments made.

7 The best way to make sure that you actually
8 receive the reasoned response, and that all of these
9 comments are considered together, is to submit formal
10 written comment. So, that allows for more deliberation
11 and, you know, decision, than you know, this setting,
12 really.

13 So, absolutely, all of those comments will
14 certainly be taken into consideration. And that way they
15 can be considered together and that reasoned response will
16 also be reflected in the rule.

17 MR. VASQUEZ: Just out of curiosity, do all
18 rural programs use USDA? Or are there some that do not?

19 MR. CAMPBELL: So, you can compete in a rural
20 subregion, and not be a USDA deal. In fact, I would say,
21 the vast majority of them are not. Most of the USDA deals
22 that we see come in through the at-risk set-aside.

23 And the USDA set-aside specifically is 5 percent
24 of our ceiling, annually. So it is a relatively small
25 number relative to the total number of deals that we see

1 coming in rural subregions.

2 MR. WILKINSON: Yes. USDA deals, they are old
3 and small, and a lot of the rural new construction doesn't
4 have anything to do with USDA anymore.

5 MR. VASQUEZ: Okay. All right. Just, in my
6 other notes, Mr. Eccles just stole my thunder about
7 reminding everyone: please, as he said, submit your
8 comments, your requests, and your edits, in writing to
9 staff. Help formalize in making sure we are not missing
10 anything that you all are looking at.

11 Also, remember that when we publish this for
12 comment, that we cannot add any new concepts at this point.

13 We can tweak what is in there, but if you have some
14 wholesale new idea that you want put in, that is going to
15 have to go into the next one.

16 I am sure it pretty much goes without saying.
17 But let's just repeat that so to manage expectations if
18 people are upset.

19 Mr. Marchant.

20 MR. MARCHANT: So could you just recap what in
21 this has enhanced the possibility of having new units,
22 without racing to the bottom?

23 MR. CAMPBELL: Sure.

24 MR. MARCHANT: I don't know anybody that is
25 racing to the bottom. I don't see that when I am driving

1 up and down I-35. I don't see anybody racing to the
2 bottom.

3 MR. CAMPBELL: Sure.

4 MR. MARCHANT: So, in this, what do you feel
5 like you have done that would encourage more units?

6 MR. CAMPBELL: Yes, sir. So the most consistent
7 feedback that we get from developers is that the QAP will
8 specifically drive every developer in this industry to a
9 very small geographic area. Very frequently, it is a very
10 expensive area to build in. And on top of that, they are
11 all competing with one another.

12 So, we got what I would consider to be an
13 unusual number of applications in Denton this year. And I
14 spoke with a few developers as to why that was. And they
15 all said, it is because of the jobs data just happened to
16 shake out in Denton.

17 And I have to imagine it is a little bit like
18 that old game show *Supermarket Sweep*, where every tax
19 credit developer just floods to them and tries to get
20 whatever they can there --

21 MR. MARCHANT: Right.

22 MR. CAMPBELL: -- and that really drives up the
23 prices. And so we have lowered the jobs proximity to
24 qualify for the maximum number of points.

25 MR. MARCHANT: Okay.

1 MR. CAMPBELL: And then, we have also retooled
2 some of the underserved area points to open up more what I
3 do believe are good sites, that maybe under the 2022 QAP
4 wouldn't have been competitive.

5 And hopefully, having more sites available will
6 allow some of those costs to come down. Especially if
7 those sites are outside of the most dense urban areas,
8 where you have these little postage-stamp-sized plots of
9 land that you are trying to build units on.

10 MR. MARCHANT: And that will basically affect
11 the price of the underlying land.

12 MR. CAMPBELL: Yes, sir. That is the intention.

13
14 MR. MARCHANT: Okay. I think those are good
15 things. And is there any other part of the Plan that could
16 be tweaked by virtue of public comment, et cetera, that
17 could further enhance the unit expansion?

18 MR. CAMPBELL: Yes, sir. Well, I think we have
19 gotten some suggestions here. And I think that, depending
20 on the suggestions that we get in public comment, we would
21 have to sit down and determine, as Mr. Vasquez just brought
22 up.

23 There are certain limits at this point at how
24 much we can change in the QAP. But tiebreakers have been
25 brought up. Potential point items have been brought up.

1 MR. MARCHANT: Part of the tiebreakers inside of
2 the comment section, if that is something that could be --

3 MR. CAMPBELL: Commented on. Yes, sir.

4 MR. MARCHANT: Okay. Commented on and done? I
5 mean, is it in the legal context?

6 MR. CAMPBELL: I would have to punt that
7 question to Mr. Eccles.

8 MR. ECCLES: I believe so.

9 MR. MARCHANT: Okay. Thank you.

10 MR. VASQUEZ: Okay. Well, good job, Cody and
11 staff.

12 MR. CAMPBELL: Thank you.

13 MR. VASQUEZ: And we appreciate us getting this
14 far. We are really close to the finish line on this. And
15 thanks to everyone here in the room that has participated.
16 This is, as we all know, a fun time every year, to go
17 through all of this.

18 So I will entertain a motion on Item 8(a) of the
19 agenda.

20 MS. FARIAS: Mr. Chairman. I move the Board
21 approve the proposed repeal and proposed new 10 TAC Chapter
22 11 for publication in the *Texas Register* for public comment
23 as presented and conditioned in the Board action request
24 and resolutions on this item.

25 MR. VASQUEZ: Thank you. Motion made by Ms.

1 Farias. Is there a second?

2 MR. THOMAS: Second.

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

5 (A chorus of ayes.)

6 MR. VASQUEZ: Any opposed?

7 (No response.)

8 MR. VASQUEZ: Hearing none, the motion carries.

9 Continuing on to the final posted item on the
10 agenda. Item 8(b), Presentation, discussion, and possible
11 action regarding awards from the Multifamily Direct Loan
12 2022-1 NOFA. Mr. Campbell.

13 MR. CAMPBELL: Thank you. It is hard to believe
14 there is another item to talk about. But the next item on
15 your agenda, as you just said, is an award of two loans
16 from our 2022 Notice of Funding Availability, or NOFA.

17 This item concerns, like I said, two of them,
18 one in Houston and one in McAllen, both of which are
19 sourced from the NOFA's COVID impact set-aside, which makes
20 funding available to previous awarded developments that
21 have experienced cost increases since the initial award.

22 The first of these is number 22505, Westheimer
23 Garden Villas, which received a \$1.5 million in tax credit
24 funding during 2001. Westheimer proposes the new
25 construction of 85 units that will serve the elderly

1 population of Houston.

2 Unit sizes will include one and two bedroom
3 units with rent and income levels from 30 to 60 percent of
4 the area median income, with three market-rate units. Out
5 of the total 85 units, 50 will be HOME units.

6 And again, we are discussing an award of HOME
7 funding today. So 50 will be HOME units, restricted at
8 either 50 percent or 50 percent AMI, all of which will have
9 a 30-year affordability period. The application documents
10 approximately \$3.2 million in increased building costs from
11 the initial underwriting.

12 And staff is recommending a \$3 million loan of
13 HOME funding. This loan will have a 15-year term with a
14 40-year amortization period and will be in second position.

15 The loan will also have a .5 percent interest rate which,
16 as you know, beats the current market by quite a bit.

17 The loan does have an annual debt payment, and
18 is fully amortizing. So this isn't a grant. It is just a
19 loan. The total developer fee will not increase from the
20 initial application.

21 The second recommendation is very similar. It
22 is for 22510, Uvalde Villas, which also received \$1.5
23 million in tax credits in 2001.

24 This development proposes the new construction
25 of 102 units that will serve the general population of

1 McAllen, with one-, two-, and three-bedroom units, ranging
2 from 30 to 60 percent of area median income. Out of the
3 total 102 units, 21 will be HOME units restricted at either
4 30 percent or 50 percent AMI, also with the 30-year
5 affordability period. This application documents
6 approximately \$1.7 million in increased building costs from
7 the initial underwriting.

8 And staff is recommending a \$1.77 million loan
9 of HOME funding. This loan will have an 18-year term with
10 a 35-year amortization period, and will also be in second
11 position. Again, this loan will have a .5 percent interest
12 rate, will have an annual debt payment, and is fully
13 amortizing. The total developer fee will not increase from
14 the initial application.

15 Again, these loans are pretty straightforward.
16 We are hoping to do quite a few of them in the future. You
17 know, loans are better than grants in staff's opinion. And
18 staff recommends approval of this item.

19 MR. VASQUEZ: Okay, so great. These are
20 examples of applicants using other alternative financing
21 other than relying solely on supplemental credits.

22 MR. CAMPBELL: Yes, sir. Yes, sir.

23 MR. MARCHANT: Are you ready for a motion?

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

1 (No response.)

2 MR. VASQUEZ: Or is there any public comment on
3 this item?

4 (No response.)

5 MR. VASQUEZ: Hearing none, I would love to
6 entertain that motion on the final agenda item.

7 MR. MARCHANT: Thank you, Mr. Chairman. I move
8 the Board approve 2022-1 NOFA applications number 22505
9 Westheimer Garden Villas and 22410 Uvalde Villas, subject
10 to the conditions expressed in the Board action request and
11 resolutions on that site.

12 MR. VASQUEZ: Okay. Motion made by Mr.
13 Marchant. Is there a second?

14 MS. FARIAS: Second.

15 MR. VASQUEZ: Seconded by Ms. Farias. All those
16 in favor, say aye.

17 (A chorus of ayes.)

18 MR. VASQUEZ: Any opposed?

19 (No response.)

20 MR. VASQUEZ: Hearing none, the motion carries.

21 MR. CAMPBELL: Great. Thank you all.

22 MR. VASQUEZ: Thank you, Cody.

23 So the Board has addressed their posted agenda
24 items. Now is that time in the meeting when members of the
25 public can raise issues with the Board on matters of

1 relevance to the Department's business, or request that the
2 Board place specific items on future agendas for
3 consideration.

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

6 (No response.)

7 MR. VASQUEZ: Mr. Arriaga has been lurking in
8 the back. Nothing to say. Okay.

9 All right. So, hearing none, that brings us to
10 the end of business today.

11 The next scheduled meeting of the Board is
12 Thursday, October 13, and you will have to refer to
13 postings for the time and location. Odds are it will be
14 here in this room or a similar room around here.

15 And with that, thank you all for your
16 participation. It is 12:10. The meeting is adjourned.

17 (Whereupon, at 12:10 p.m., the meeting was
18 concluded.)

C E R T I F I C A T E

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3 MEETING OF: TDHCA Governing Board

4 LOCATION: Austin, Texas

5 DATE: September 1, 2022

6 I do hereby certify that the foregoing pages,
7 numbers 1 through 103104, inclusive, are the true,
8 accurate, and complete transcript prepared from the verbal
9 recording made by electronic recording by Elizabeth
10 Stoddard before the Texas Department of Housing and
11 Community Affairs.

12 DATE: September 9, 2022
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16
17
18

19 _____
(Transcriber)

20
21 On the Record Reporting
22 7703 N. Lamar Blvd., #515
23 Austin, Texas 78752
24
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