

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD OF DIRECTORS MEETING

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

September 8, 2016
9:00 a.m.

MEMBERS:

J. PAUL OXER, Chair
JUAN MUÑOZ, Vice-Chair
LESLIE BINGHAM ESCAREÑO, Member (Absent)
T. TOLBERT CHISUM, Member
TOM H. GANN, Member
J.B. GOODWIN, Member

TIMOTHY K. IRVINE, Executive Director

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ROLL CALL	
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EXECUTIVE	
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TEXAS HOMEOWNERSHIP PROGRAM	
b) Presentation, Discussion, and Possible Action on the Single Family Mortgage Loan and Mortgage Credit Certificate ("MCC") Programs Participating Lender Lists	
MULTIFAMILY FINANCE	
c) Presentation, Discussion, and Possible Action on Determination Notice for Housing Tax Credits with another Issuer 16418 Pathways at Georgian Manor Austin 16419 Pathways at Manchaca Village Austin 16420 Pathways at North Loop Austin 16421 Pathways at Northgate Austin 16422 Pathways at Shadowbend Ridge Austin 16423 Plano Artist's Lofts Plano	
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e) Presentation, Discussion, and Possible Action on Inducement Resolution No. 17-002 for Multifamily Housing Revenue Bonds Regarding Authorization for Filing Applications for Private Activity Bond Authority on the 2016 Waiting List for Sunrise Orchard Apts	
f) Presentation, Discussion, and	

Possible Action on Reinstatement of
 Determination Notice for Housing Tax
 Credits with another Issuer
 15416 Woodland Christian Towers Houston

811 PROGRAM

- g) Presentation, Discussion, and
 Possible Action on Program Guidelines
 for Existing Developments participating
 in the Section 811 Project Rental
 Assistance Program

ASSET MANAGEMENT

- h) Presentation, Discussion and
 Possible Action regarding Material
 Amendment to the Housing Tax Credit
 Land Use Restriction Agreement (LURA)
 95039 Dayton Park Apartments Houston
 99151 Trey more at Eastfield Dallas

COMMUNITY AFFAIRS

- i) Presentation, Discussion, and
 Possible Action on Reallocation of
 Unexpended 2015 Comprehensive Energy
 Assistance Program ("CEAP") funds

CONSENT AGENDA REPORT ITEMS

ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS:

- a) TDHCA Outreach Activities, August
 2016
- b) Report Regarding a Request for
 Proposal ("RFP") for a Master Servicer
 for the Department's Single Family
 Mortgage Purchase Program, including
 the Texas First Time Homebuyer Program,
 the My First Texas Home Program, and
 other homebuyer programs implemented
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ACTION ITEMS

ITEM 3: REPORTS

Report, Discussion, and Possible Action on the
 Underwriting Analysis and Recommendations for
 Application #16057, Silverleaf at Mason, Mason

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ITEM 4: BOND FINANCE

- a) Presentation, Discussion, and
 Possible Action on Resolution
 No. 17-003 Approving a Servicing
 Agreement, Escrow Agreement, Amended
 Program Guidelines, Master Mortgage
 Origination Agreement, Master Loan

Participation Agreement and Amendment to Master Trade Confirmation in Connection with the Department's Single Family Mortgage Purchase Program; Authorizing the Execution of Documents and Instruments Relating to the Foregoing, Making Certain Findings and Determinations in Connection Therewith, and Containing Other Provisions Relating to the Subject

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b) Presentation, Discussion, and Possible Action on Resolution No. 17-004 Approving an Advances Agreement and Escrow Agreement; Authorizing the Execution of Documents and Instruments Relating Thereto; Making Certain Findings and Determinations in Connection Therewith; and Containing Other Provisions Relating to the Subject

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P R O C E E D I N G S

1
2 MR. OXER: Okay. All right. Good morning
3 everybody. I would like to welcome you to the September
4 8th meeting of the Texas Department of Housing and
5 Community Affairs Governing Board. We, of course, begin
6 with roll call. Ms. Bingham is not with us today.

7 Mr. Chisum?

8 MR. CHISUM: Present.

9 MR. OXER: Mr. Gann.

10 MR. GANN: Present.

11 MR. OXER: I understand Mr. Goodwin is on the
12 way. We will record him when he arrives. Dr. Muñoz?

13 DR. MUÑOZ: Present.

14 MR. OXER: And I am here. That gives us a
15 quorum to start. So we are in business.

16 Tim, lead us in the pledges.

17 (Whereupon, the Pledge of Allegiance was
18 recited.)

19 (Whereupon, the Pledge of Allegiance to the
20 Texas flag was recited.)

21 MR. OXER: Okay. Let's see. Bobby. Bobby is
22 here today from the Governor's Office. Thanks for coming.

23 Always appreciate the interest. Anybody else from our --
24 I don't see any more guests out there. I can't -- that is
25 okay.

1 MR. IRVINE: There's a roomful of luminaries.

2 MR. OXER: A roomful. That is right. That is
3 who we are here to serve. All right. We'd like to pass
4 on our regards to Captain Tweety, who is in the hospital
5 recovering from being stabbed in the heart. Actually, he
6 had a -- we proved he has one.

7 He had a cardiac ablation, which is one of
8 those things you need to deal with, right atrial
9 fibrillation. So our best goes out to Michael. Anything
10 else to recognize here, before we get started?

11 (No response.)

12 MR. OXER: Okay. All right. Let's get to
13 work. On the consent agenda, Marni.

14 MS. HOLLOWAY: Good morning, Chairman Oxer,
15 members of the Board. Marni Holloway, Director of the
16 Multifamily Finance Division.

17 We are pulling Item 1(c) entirely from the
18 consent agenda today. We plan to bring these applications
19 back to you at a future meeting.

20 MR. OXER: Okay. So all of C is --

21 MS. HOLLOWAY: All of 1(c).

22 MR. OXER: Okay. All right. Any member of the
23 Board wish to pull any item on the consent agenda?

24 (No response.)

25 MR. OXER: I hear none. Do I have a motion to

1 consider?

2 DR. MUÑOZ: So moved.

3 MR. OXER: Okay. Motion by Dr. Muñoz. Turn
4 your microphone on. Do I hear a second?

5 MR. GANN: Second.

6 MR. OXER: Second from Mr. Gann. No requests
7 for public comment. Motion by Dr. Muñoz, second by Mr.
8 Gann to approve the consent agenda. Those in favor?

9 (A chorus of ayes.)

10 MR. OXER: It is unanimous. All right. We
11 have an unusual circumstance today, because of some legal
12 developments that many of you may be aware of. So
13 immediately before the rest of the action items, we are
14 going to take a break and go to an Executive Session.

15 Counselor, would you care to pass me the
16 Executive Session script? Because we need some advice
17 from our Counsel here, to give us some insight into how we
18 will take up a couple of things.

19 This will give you time to get some coffee, so
20 don't worry. All right. The Governing Board of the Texas
21 Department of Housing and Community Affairs will go into
22 closed or Executive Session at this time.

23 The Board may go into Executive Session
24 pursuant to Texas Government Code 551.074, for the
25 purposes of discussing personnel matters, pursuant to

1 Texas Government Code 551.071, to seek and receive the
2 legal advice of its attorney pursuant to the Texas
3 Government Code 551.072, to deliberate the possible
4 purchase, sale, exchange or lease of real estate, and or
5 pursuant to Texas Government Code 2306.039(c) to discuss
6 issues related to fraud, waste or abuse with the
7 Department's Internal Auditor, fraud prevention
8 coordinator, or ethics advisor.

9 This closed session will be held in the
10 anteroom of this room, the John H. Reagan Building, number
11 140, which is right here. The date is September 8. The
12 time is 9:06. All right. This is an unusual
13 circumstance. We are going to be at least an hour, and
14 perhaps as much as an hour and -- all right.

15 MR. IRVINE: Guessing closer to half an hour.

16 MR. OXER: Well, I will tell you what we will
17 do. We will make this -- it is 9:06 now. We will be back
18 in our chairs at 9:45, which gives us essentially 39
19 minutes. So be back here at a quarter to 10:00.

20 (Whereupon, the Board recessed into Executive
21 Session at 9:06 a.m.)

22 MR. OXER: Okay. The Board is now reconvened
23 in open session at 9:59. During Executive Session, the
24 Board did not adopt any policy, position or resolution,
25 rule or regulation, or take any formal action, or vote on

1 any item.

2 We heard counsel from our General Counsel. All
3 right. We are at the beginning of the action agenda. So
4 Brent or who ever is first here, on Item 3.

5 MR. STEWART: Good morning. Brent Stewart --

6 MR. OXER: Hold your fire, Monica. We will
7 have you up here. Don't worry about it. You will get
8 your shot. Go ahead Brent. Sorry.

9 MR. STEWART: Brent Stewart, real estate
10 analysis. So this item is a report discussion and
11 possible action on the underwriting analysis and
12 recommendations for the Silverleaf at Mason transaction,
13 which is application 16057.

14 Before we go into it, I will just get to the
15 end and say, after our further review of the market, of
16 working with the applicant and the market analyst, our
17 recommendation is to produce an addendum to the
18 underwriting report that recommends the tax credit
19 allocation subject to some conditions that will be due at
20 carryover, that relate to the equity partner and the
21 lender doing some pretty in depth analysis and research
22 independently of the market study. And basically
23 providing us with additional comfort that they intend to
24 move forward with financing the transaction based on their
25 review of that market.

1 This is similar to some other types of
2 conditions that we have done on some other transactions.
3 When we get to a place where there seems to be some
4 ancillary information, a host of information that kind of
5 comes together that says, you know, let's basically give
6 them a shot to go get it financed.

7 And that is kind of where we are at, here. As
8 you recall, from last month, we brought this item to you
9 and discussed it. This is a -- an applicant filed an
10 application for tax credits, Silverleaf at Mason.

11 We published an underwriting report back on
12 July 6, not recommending the transaction, because of the
13 gross capture rate that we had calculated exceeded the 10
14 percent maximum rate. The market analysts felt that there
15 was a gross capture rate that was much smaller and fell
16 within the rule. The reason they differed again, was
17 because of the different primary market areas that the
18 market analyst was using, versus what we were using.

19 Our PMA was small. And then that created less
20 demand, which then produced a higher capture rate. Part
21 of the issue that came up through the process was, the
22 rules contain a provision where the market analyst has to
23 provide to us not in numerical kind of, or a quantitative
24 look at the market, but also a qualitative look at the
25 market.

1 One of the aspects of that market, of that
2 property and tenant population, the other things that are
3 going on in that market area that would lead you or a
4 reader of that report to conclude that people would in
5 fact find that property as an alternative place to live.
6 One of the conclusions that we had about the market study
7 was that while they had a couple of paragraphs in there
8 regarding that, it wasn't sufficient enough to tell that
9 story.

10 It wasn't sufficient enough to tell how they
11 came to the conclusions that they came to. We discussed
12 last month about some of the newer information that had
13 come in prior to the last month's Board meeting was that
14 they had done drive-time analysis and that that drive-time
15 analysis extended into some census tracts in the
16 neighboring counties. And that is why.

17 Because our rules requires that you use the
18 definition of a primary market area, based on entire
19 census tracts. And census tracts are very large. That
20 produced a primary market area that looked extremely big,
21 and didn't make a lot of sense in terms of the drive-times
22 it set forth.

23 So the concerns were that the market area was
24 too large. The capture rates got over the rule, when you
25 reduced the size of the PMA. There were some other kind

1 of risky aspects to it, with respect to the break-evens
2 that we talked about.

3 The break-even rents were kind of hovering
4 around a \$46 range. So there was kind of this confluence
5 of other issues that occurred. So you will see as it
6 relates to the market study and the provision, providing
7 the qualitative kind of discussion about the market.

8 There are some -- there's real changes that
9 you will see later on, that are attempting to kind of
10 facilitate and address that. So the market analysts we
11 went through, the drive-time analysis that they stated
12 that they had used when coming up with their conclusions.

13 You know, we, at that point in time, we didn't
14 have all the information. Particularly the population and
15 census data. Because we are only a -- we only have the
16 capability of looking at that data on a census tract
17 level.

18 There's other methods out there to determine
19 the data based on census plots and other kind of smaller
20 geographic areas, which are required to be able to look at
21 drive-time analysis. So they provided us information.

22 They provided us with a drive-time analysis.
23 That basically, we ran through the numbers and confirmed
24 that the math is right. We cannot confirm that the
25 population data is right because we don't have access to

1 that type of data. So we got to a place when the capture
2 rates.

3 We are comfortable with the drive item primary
4 market area. We are comfortable that the math works on
5 the drive-time area. We believe we are comfortable with
6 the data that is inside the primary market area.

7 The drive-time analysis extends into the two
8 additional counties, other than Mason. It does not
9 include anywhere close to Brady. And it only extends a
10 little bit out into the county, to the west, towards
11 Menard -- but not including Menard.

12 The drive-time analysis does not extend into
13 Kimball or Gillespie counties, where the market analyst
14 had originally defined as secondary market area. So the
15 math works. Keeping to within Mason County, plus those
16 areas that extend into McCollough and North, not including
17 Brady, but towards Brady.

18 Having said all that, you know, being able to
19 get to a capture rate number, the capture rates are
20 still --you know, the capture rate number is still just
21 below ten. So there still is the confluence of concerns
22 with respect to that other kinds of operational break-
23 evens and some of the other data.

24 We have been provided with some updated
25 information with respect to the financing of the

1 transaction. We are not able to use that information in
2 our analysis. We did run the numbers on it, which
3 improved the break-evens quite a bit.

4 They provided new equity terms that increased
5 the credit pricing and then which allows then because of
6 the additional equity, allows them to drive the debt down
7 a little bit, which helps those break-evens. So you know,
8 we still believe there's some risk here.

9 We are recommending approval of the
10 transaction. We are recommending that we produce an
11 underwriting report that approves the \$500,000 annual
12 allocation subject to receiving these written statements
13 from the lender in equity, indicating they performed an
14 independent market analysis.

15 And based on that analysis, they intend to move
16 forward with processing their applications. Statements
17 must include statement of due diligence that they have
18 performed in general, including review of plans, or other
19 typical due diligence item.

20 They must include a statement of their approval
21 process and time lines, was well as their anticipated
22 closing time line if approved. Market review must be
23 independent of the applicant's market study. They cannot
24 just review the applicant's market study.

25 They have got to do their own due diligence.

1 And they have to address capture rates, rental rate
2 projections, you know, the standard types of feasibility
3 due diligence that they need to do to get them selves
4 comfortable with the finance-ability of the transaction.

5 And we do have a carryover, because that allows
6 us to you know, get the credits back, and reallocate to
7 another application if they can't deliver on that
8 condition. That is kind of where staff is at. And happy
9 to answer questions.

10 MR. OXER: Any questions from the Board?

11 MR. CHISUM: Don't we need a motion first?

12 MR. OXER: No. This is a report item.

13 MR. STEWART: That is right.

14 MR. OXER: So what you are doing is making a --
15 is there a possible, with possible action?

16 MR. IRVINE: I think if there's other comment,
17 you could certainly hear the comment. And then if
18 ultimately you decide you wish to form a motion, that is
19 certainly an option.

20 MR. OXER: Right. But at this point, we don't
21 require a motion to be able to hear public comment. And
22 since I think the crew over here to your right there
23 Brent, there's going to be some comment on it.

24 I will say that the whole point about the real
25 estate analysis in your side of the house is to have some

1 regular give and take with the market analyst who are
2 intended to be an independent arbiter of value or assessor
3 of value on these.

4 And the whole point is to make sure that
5 there's at least some independence. So irrespective of
6 whether or not they come down on one side at the end, you
7 have to have a conversation with them and they have got to
8 essentially talk you into the position that they have
9 acquired.

10 At least, make an argument good enough.
11 Essentially you are on the loan review committee for the
12 bank, and they are coming to you with an argument why this
13 should work.

14 MR. STEWART: That is correct.

15 MR. OXER: Okay.

16 MR. STEWART: The market, according to Section
17 42, the market analyst is to be a disinterested party.
18 They are supposed to be disinterested from the applicant,
19 disinterested from us, they are disinterested.

20 They should come to a conclusion that is their
21 own conclusion. Now, our process says that, and Section
22 42 says, paid for by the Applicant.

23 Our process results in a market study that is
24 submitted to us. And obviously, we are not going to see
25 market studies that don't recommend the transaction.

1 Right?

2 I mean, why would that get submitted to us. So
3 it is our job to go through those market studies and make
4 sure that first, they conform to rules, and second, that
5 they just make sense. There is no --

6 MR. OXER: And that the argument is strong.

7 MR. STEWART: Right. There's no bright line
8 you can draw.

9 MR. OXER: Right. This is a judgment call.

10 MR. STEWART: You can take the totality of it,
11 and say this is what makes sense. Part of the problem
12 that has been is that there's a rule in place like we
13 talked about before that says, hey. Tell us why. Tell
14 the story.

15 So the rule change that is coming up is
16 basically to kind of help put a framework around what we
17 mean by tell the story. Here are the things that you need
18 to do.

19 Here's the things you need to look at. Market
20 analysts do these things anyway. It is part of how
21 they -- or should. It is part of how they should come up
22 with the justification for the PMA they are choosing.

23 And then tell that story in the market study,
24 so that any reader that picks up that market study could
25 come to the same conclusions that they are coming to. And

1 so our job is to kind of work to get to a place where that
2 is for sure happening in the market studies that we
3 receive.

4 MR. OXER: So you know, if we cook this down,
5 really, the applicant is paying for somebody to outsource
6 this decision on our behalf to go to do this evaluation.
7 And they have got to convince us that it makes sense.

8 MR. STEWART: That is right. I mean, the
9 reports are addressed to both the applicant and TDHCA.
10 And so because there are no bright lines.

11 You know, because it is a story in total, it is
12 a story, in total it is a story, there has to be that
13 discussion that takes place if there are issues that we
14 identify in the market study.

15 It is not the same thing as an administrative
16 deficiency where oops, I forget to turn something in. Or,
17 you know, there's some error that is in the report or
18 whatnot.

19 Just functionally, just like at a bank, you
20 would have somebody reviewing that appraisal. Somebody
21 that would be reporting to the loan officer, to the loan
22 committee, or whomever it is, that kind of provides that
23 piece of the work.

24 And the bank would expect that information to
25 be independent of what the -- you know, they are not going

1 to take something that the borrower walks in with,
2 without -- well, at a bank, you are not going to do that
3 at all. But without significant review of that third
4 party report.

5 MR. OXER: So essentially, you as the head of
6 this department or head of that division within the
7 Department manage that evaluation process for all of
8 these. And so I want to go back and get back on the
9 record here.

10 You have had a considerable experience before
11 you came to TDHCA. And in the eight years that you have
12 been here with us, I think we determined that you have
13 done getting close to four figures on these.

14 MR. STEWART: That is correct.

15 MR. OXER: 950 or so? Let's say 950. And of
16 those, you had two that were challenged up until now.

17 MR. STEWART: We have had probably 30 percent
18 of them that we have worked with the market analyst to
19 fully understand the market study and the conclusions of
20 the market study. Including --

21 MR. OXER: But that is a natural outcome of the
22 process.

23 MR. STEWART: That is correct.

24 MR. OXER: Okay. If somebody has
25 dissatisfaction about that, they too eventually came to

1 the Board for consideration.

2 MR. STEWART: That is correct.

3 MR. OXER: Okay. And the Board's resolution
4 for those two was?

5 MR. STEWART: They upheld staff's
6 recommendations.

7 MR. OXER: Right. Okay. So now we have a
8 couple of these that we are looking at. You have gone
9 through the process. As they say down in Houston, this
10 ain't your first rodeo.

11 MR. STEWART: Yes, sir.

12 MR. OXER: Okay. Any questions? Dr. Muñoz?

13 DR. MUÑOZ: Brent, I just have one question.
14 The second to the last paragraph, the first sentence. If
15 the equity is increased, as in the third to the last
16 paragraph, and the permanent debt is reduced by the
17 \$233,000, the staff still believes there remains
18 significant risk associated with the capture rate and
19 break-evens.

20 MR. OXER: They are just not as close to the
21 edge as they were. They are still close.

22 MR. STEWART: Yes. I would suggest that
23 there's still risk that is --

24 DR. MUÑOZ: No. It says significant risk.

25 MR. STEWART: Yes. I believe there's still

1 significant risk with those break-evens. I think that --

2 DR. MUÑOZ: Even considering the improvement on
3 the equity and for the credit as well as reduction in the
4 permanent debt by almost a quarter. With those
5 improvements?

6 MR. STEWART: Has the risk gotten a lot lower?

7 Yes, sir. A lot lower. But you are still dealing with a
8 small market in a rural community where you had a market
9 area that while it makes a lot more sense today, you have
10 got larger towns that are still in proximity to that
11 drive-time area. And those towns have additional services
12 and amenities that would be conducive for a senior
13 population.

14 So if you believe that the drive-time area is
15 an appropriate area for Mason, and if you count the people
16 within there, and you say well, we are going to capture
17 this many people that falls under our rules, then the deal
18 works, and the break-evens would be okay. But multifamily
19 in general is a risky thing, right. You never know what
20 the rents are. You can project them, but you never know.

21
22 There's all types of risks associated with
23 these things. And so from a confluence of stuff, I
24 believe, I think we believe there's still significant risk
25 here. But at the end of the day it is the equity and the

1 lender and the applicant from a guarantee stand point,
2 they are the ones taking all that risk.

3 MR. OXER: They will be taking the risk. And
4 we are not ultimately, were that to be a failed project,
5 they would still have to be -- they would be in the front
6 first, and then we would have to figure out something if
7 it completely unwound.

8 MR. STEWART: Yes, sir. If this deal had HOME
9 funds in it, this would be a different discussion.

10 MR. OXER: Right. Okay. Anything else?

11 MR. STEWART: No, sir.

12 MR. OXER: Any other questions, folks?

13 (No response.)

14 MR. OXER: All right. We are not going to have
15 a motion to consider here. We will invite public comment.
16 Hold your fire, Neal. In the event that we come up with
17 something, or if there needs, needs to be something, we
18 retain the option to move on behalf of the Board.

19 Neal, do you want to speak on this?

20 MR. RACKLEFF: Yes, sir. Good morning, Mr.
21 Chair and Board members. I am Neal Rackleff with the law
22 firm of Locke, Lord; not too long ago as the director of
23 the Housing Department for the City of Houston. So I have
24 switched hats.

25 MR. OXER: So you understood the rodeo thing.

1 MR. RACKLEFF: I was right there with you.
2 That is right, sir. We did have the greatest -- well --
3 Houston does have the greatest rodeo in the world, I would
4 add.

5 MR. OXER: No question about that.

6 MR. RACKLEFF: That is right. I just wanted to
7 take a moment to do a couple of things.

8 One is to thank staff for the exhaustive
9 analysis that they have put into this project. And I will
10 tell you too, I think what all of us have been laboring
11 with here is a rule that requires you to determine the
12 primary market area based on census tracts which, when you
13 get out into rural areas is problematic, because the
14 census tracts are gigantic.

15 So I want to state for the market analyst who
16 has been, I think, at the last two or three Board meetings
17 where this has been a possibility of comment being taken,
18 but wasn't able to be at this one. She actually, I think,
19 has a new job at a new firm. But she felt extremely
20 confident in the market demand from day one.

21 The reason we had a big large funky PMA was
22 just because of the census tracts. And part of what we
23 are all grappling with is a rural-based issue. Now,
24 underwriting and financial analysis and risk analysis is
25 always subjective. Right.

1 And -- but I think it is important to point out
2 that the rules provide capture rates that provide bright
3 line levels of acceptable risk in terms of market demand.

4 And our market analyst felt that, and the original
5 conclusions and analysis that was submitted to staff and
6 to the Board showed that there was sufficient demand.

7 And we also have a very experienced developer
8 who has experience in this kind of rural submarket, who is
9 completely comfortable with taking enormous risk and
10 moving it forward. So I think when you look at all of
11 that. And I will also just comment on the legal nature,
12 that path that we have gone through to get here.

13 One thing that everybody has agreed on, even
14 those who sent in letters criticizing the process, is that
15 Section 10.303(c)(2) of the rules requires that each
16 market analysis be reviewed, and if there are problems,
17 that there's an opportunity for timely correction. In
18 this situation, the initial underwriting report didn't
19 provide that.

20 We pointed it out to staff. They said, you are
21 right. Let's work together. Let's follow the rules. And
22 let's have the kind of back and forth that you would --
23 that any bank or any financial institution would have in
24 the underwriting process.

25 So that is where we went back and forth. And

1 we got to a point where we are very comfortable with the
2 analysis. And as I mentioned earlier, we have been from
3 the very beginning of the process.

4 So we don't want you to have the impression
5 that the developer is just going to go in willy nilly into
6 some high risk situation. He has tremendous confidence
7 that this deal will work. The fact that -- if I can wrap
8 up, por favor.

9 The fact that the credit prices increased, that
10 our equities increased, that our debt has decreased does
11 make a very material difference in terms of the financial
12 integrity of the deal. And it also shows the confidence
13 of our equity and lender in this project.

14 So we followed all the rules. We believe we
15 have from the get-go. We still have made it there.
16 Taking a somewhat tortured path. Rule-based, and
17 following everything we are supposed to. And we feel very
18 confident in this project, and hope that you will too.

19 We have our representatives from our lender and
20 our equity provider that could speak briefly about their
21 feeling regarding the financial viability of the project.

22 That is all I have, unless you have got any questions.

23 MR. OXER: Okay. Any questions?

24 MR. CHISUM: I have a question, Mr. Chairman.

25 Thank you for your presentation. You mentioned, if I

1 understood what you said correctly, that the developer was
2 comfortable with taking enormous risk.

3 MR. RACKLEFF: Well, if I said that, I was
4 wrong.

5 MR. CHISUM: I think you did.

6 MR. RACKLEFF: I often am. So I apologize for
7 that. No, I didn't mean to say that he is comfortable
8 with taking enormous risk. He is comfortable with the
9 risk that exists in this particular project.

10 We don't -- the developer has said over and
11 over, look. I am not in the business of throwing away
12 money and taking crazy risks. He really believes that
13 this market will work. He has got experience in this type
14 of a rural area --

15 MR. CHISUM: I accept that. I accept that.

16

17 MR. RACKLEFF: Okay. Thank you for pointing
18 out my error. Appreciate it.

19 MR. OXER: Thanks, Neal.

20 MR. RACKLEFF: Thank you.

21 MR. OXER: Robin?

22 VOICE: I am just here to answer questions.

23 MR. OXER: Answer questions. All right. Any
24 other questions?

25 (No response.)

1 MR. OXER: All right. So Brent. So this is
2 basically, this thing is moving down the track. Okay. We
3 said, they have said, the market analyst has convinced you
4 that they have got good sense. They convinced you of the
5 argument.

6 MR. STEWART: We now understand the story.

7 MR. OXER: Okay.

8 MR. STEWART: And we believe that it is -- that
9 the story is reasonable. We still believe there's
10 significant risk here. We are willing to step out and
11 say, like we have on other transactions, let's step out
12 and give them the shot to get the deal financed.

13 MR. IRVINE: Could I just chime in? I think
14 what the market analyst has established is that they have
15 performed market analysis that complies with the technical
16 requirements of our rule. Our rule is designed in a
17 largely a mechanistic fashion. It is very hard to
18 incorporate the more subjective aspects of market analysis
19 in rule-based approaches. And that is why we are looking
20 very much to the investor lender world to ensure that they
21 are comfortable on those more subjective aspects.

22 MR. OXER: Essentially, any applicant is going
23 to have a market assessment or a market analysis that is
24 going to support their position.

25 MR. IRVINE: Absolutely.

1 MR. OXER: Yes. Anything that they come in,
2 you have to assume that that is the case. So what we are
3 looking for is the outside, independent market analyst who
4 represents an objective position to assess them at their
5 costs, on our behalf.

6 MR. IRVINE: That is correct.

7 MR. OXER: Dr. Muñoz.

8 DR. MUÑOZ: Brent, I just want to be clear.
9 Originally, based on what was provided, you weren't
10 comfortable recommending the project.

11 MR. STEWART: That is right.

12 DR. MUÑOZ: Based on what is statutorily
13 permissible in terms of interacting with the independent
14 market analysis in your office, you now feel differently.

15 MR. STEWART: Yes, sir.

16 MR. OXER: But that is not -- your feeling
17 different is not different from the 20 or 30 percent that
18 you looked at in the last eight years.

19 MR. STEWART: That is correct.

20 MR. OXER: It is just the consequence of the
21 process.

22 DR. MUÑOZ: In the process, hearing the story,
23 understanding the story, had you been provided what you
24 eventually were provided, which is permissible and
25 allowable et cetera originally, you would have provided a

1 different recommendation?

2 MR. STEWART: I believe if this story had been
3 told in the original market study, we still would have had
4 some back and forth, and some work on this transaction. I
5 believe that we would likely be in the same spot we are in
6 today with this recommendation.

7 MR. OXER: So you recommend that it go forth,
8 but with the observation that it does represent a
9 significant risk.

10 MR. STEWART: Correct. And because of the
11 timing issues with the tax credit program, we want to be
12 able to get those credits back if the deal, at the end of
13 the day, is not finance-able. And we don't want that
14 process dragged out until you know, much later.

15 MR. OXER: Okay. All right. Let's hear from
16 the bank.

17 MR. ROMERO: And Brent, you are going to
18 require that statement? The statement must include of the
19 due diligence before carry --

20 MR. STEWART: The due diligence, including all
21 of that, needs to come in with carryover.

22 MR. OXER: Okay. Would you folks like to
23 comment?

24 MS. ALBERS: Good morning. I am Lisa Albers
25 with BOK Financial.

1 MR. OXER: The spot is pretty small over there.
2 Just make sure that you are on the spot here, okay.

3 MS. ALBERS: This spot, the star?

4 MR. OXER: That is the spot. That is the spot.

5 MS. ALBERS: Okay. So in regards to this, you
6 know, I have completed our initial underwriting based on
7 the applicants' numbers and the market study that they
8 have. You know, assuming the reduced loan amount which we
9 put together, it works right now.

10 You know, of course. We are going to do all of
11 our own due diligence, an appraisal, and planning cost
12 review, and all of that. But at this point, we are
13 prepared to continue with full due diligence and
14 underwriting.

15 MR. OXER: Okay. Any questions? Mr. Chisum,
16 were you comfortable with that?

17 MR. CHISUM: Yes. Which bank?

18 MS. ALBERS: BOK Financial. So we operate as
19 Bank of Texas in Texas. We are a \$32 billion company,
20 headquartered in Tulsa, Oklahoma. We operate in seven
21 states.

22 MR. CHISUM: Have you done business with this
23 developer before?

24 MS. ALBERS: Yes, sir.

25 MR. CHISUM: Okay. And he would be -- he would

1 be on the note?

2 MS. ALBERS: Mr. Sugrue?

3 MR. CHISUM: Yes.

4 MS. ALBERS: Yes, sir.

5 MR. CHISUM: Alone?

6 MS. ALBERS: His wife would guarantee, as well.

7 Is that what you mean?

8 MR. CHISUM: Okay. Yes, ma'am.

9 MR. OXER: I know he will make it. Trust me on
10 that one.

11 MR. CHISUM: Yes.

12 MS. ALBERS: Right.

13 MR. CHISUM: You read my mail. Okay. That
14 answered my questions.

15 MR. OXER: Okay.

16 DR. MUÑOZ: So you heard this phrase earlier,
17 staff believes there remains significant risk; you don't.
18 Not significant risk.

19 MS. ALBERS: I don't think significant risk.

20 DR. MUÑOZ: Typical risk.

21 MS. ALBERS: Yes. I think typical risk.

22 DR. MUÑOZ: Ordinary risk.

23 MS. ALBERS: I mean, find me a real estate
24 transaction that doesn't have risk involved and we
25 probably couldn't charge interest if that were the case.

1 So I think there's risk in the deal. I think there's risk
2 in all real estate transactions.

3 Am I ready to close this moment? No. I need
4 an appraisal, you know. Legally, I need an appraisal. I
5 can't proceed without that -- which will be engaged by us,
6 completely independent of the applicant, even myself.

7 And, you know, we will evaluate that on the rents, and
8 then you know, go from there.

9 MR. OXER: The things that most of us get to
10 evaluate at some point in what we have been doing is a
11 business plan for somebody going forward. You know, and
12 the prospects going forward.

13 It is never quite as good as it looks. But it
14 is also never quite as bad as it looks, either. And most
15 of the -- most business plans out there, and these
16 projects represent business plans, on how they can capture
17 and generate revenue to cover all these sort of things.

18 MS. ALBERS: Right.

19 MR. OXER: Those business plans represent a --
20 what I have in the past on some of the stuff I have done
21 for some merchant bankers. They represent a disciplined
22 fantasy in how they believe they can change the future to
23 reflect what they have in a business model. And so what
24 is in a business model or a plan is essentially irrelevant
25 unless there's good management in place.

1 And if there is good management in place, most
2 of the hurdles or obstacles that they'll encounter are not
3 relevant. So if you are confident in the management
4 capability and the location structure and risk that this
5 represents, then --

6 MS. ALBERS: I am confident in the sponsor,
7 certainly, and the management company that they will
8 engage to third-party manage it, as well, yes.

9 MR. OXER: So my good luck.

10 MS. ALBERS: Okay.

11 MR. OXER: Anything else?

12 (No response.)

13 MR. OXER: Okay. In that case, this is a
14 report item. Unless there is -- say again?

15 MR. IRVINE: Can we hear from the investors?

16 MR. OXER: Sure. Let's hear it.

17 MR. IRVINE: As the representative is coming up
18 to testify, I think it is important to understand that in
19 a tax-credit development there are a lot of different
20 parties who serve different roles. And they each have
21 varying degrees of ability to influence and manage the
22 risks that are presented.

23 Obviously, a bank has, as was mentioned,
24 guarantees and loan-to-value, those types of tools. But I
25 really think that ultimately it is the equity investor who

1 is --

2 MR. OXER: You are putting your resources on
3 the line. So let us hear what you think.

4 MR. ALDRIDGE: Sure. Jason Aldridge, National
5 Equity Fund. Members of the Board and TDHCA staff, I just
6 want to reiterate kind of what has been said before. NEF
7 has issued a term sheet on this project.

8 We were very confident, mainly because of the
9 experience of the sponsor successfully developing similar
10 projects in similar towns of these populations with this
11 unit size. We have underwritten a deal in a way that we
12 think makes it very similar to other transactions of this
13 sort. It carries this very similar risk profile.

14 We have increased the equity pricing, which has
15 reduced the perm loan, which has enabled us to reduce some
16 of the rent levels, as well as increase the operating
17 expenses. And with that, and the reserves that we have
18 got in the deal, we are comfortable going forward.

19 MR. OXER: If DFCR goes up, you have got
20 everything working in your favor.

21 MR. ALDRIDGE: Right. We have got a 120 debt
22 service coverage in the deal, despite all the conservative
23 underwriting that we have put on. A lot of times, these
24 deals are at 115.

25 We have got a full six-month operating

1 reserves. We have got excess developer fee to reduce the
2 perm debt. So we have taken our time to underwrite it.

3 Obviously, we will also have to get a market
4 study that will independently verify the market and get
5 comfortable with all of that. But at this time, we don't
6 think that this carries any more risk than a standard deal
7 that we would underwrite at this time.

8 MR. OXER: In engineering business, called free
9 board and safety factor. Free board is the difference
10 between where the water level is and the dam that is
11 there.

12 MR. ALDRIDGE: Right.

13 MR. OXER: That is how much you have got before
14 it starts going over and failing, so --

15 MR. ALDRIDGE: Yes. We feel comfortable that
16 we have got levers that we can pull to help mitigate the
17 risk, that is in the market.

18 MR. OXER: Good. Mr. Chisum?

19 MR. CHISUM: Yes. Did you complete an
20 appraisal?

21 MR. ALDRIDGE: We do a market study. The bank
22 will actually do an appraisal. But the equity provider
23 does the market study.

24 MR. CHISUM: Okay.

25 MR. ALDRIDGE: Yes.

1 MR. OXER: Thanks, Jason.

2 MR. ALDRIDGE: Sure.

3 MR. OXER: Now I would remind everybody to make
4 sure that you sign in while you are up here. In case you
5 haven't, Jason.

6 MR. ALDRIDGE: I signed.

7 MR. OXER: Okay. You can do at a break, in a
8 while, if you need to, but make sure that you sign in that
9 your time up. Brent, is there anything else? Let's come
10 up and close this one out here.

11 Given that it is moving in a direction that
12 continues the process, equities invested, finances able,
13 we see the process moving forward. It's still got to get
14 through the whole process of financing it before their
15 credits are issued.

16 That way, if we keep moving now, if it fails at
17 any of those, the credits come back in time for us to
18 reissue them. Is that correct?

19 MR. STEWART: That is right.

20 MR. OXER: Okay. So is there any other --

21 MR. STEWART: I would say, you know, just a
22 couple of comments. Just real brief.

23 I think the rule that is proposed with respect
24 to the market study that we'll talk about here in a bit,
25 will go a long way to help staff get that story told in

1 the original market study, which ought to cut out some of
2 the back and forth and the time associated with this.
3 That's number one. Number two, we see every rural tax
4 credit deal in the state.

5 And so our risk assessment comes from a
6 background of a fairly sizeable pool of rural deals in the
7 state. It is very true that the equity is the one that
8 is -- you know, we rely in the -- that is the public-
9 private partnership here is that the equity is the one
10 with the biggest skin in the game.

11 And while we have seen equity do some things
12 that at the surface level seem, you know, pretty
13 pioneering, I have no doubt that when you have a developer
14 like Mr. Sugrue who has done these transactions in
15 different markets and been successful at it, and in -- I
16 don't know the specific experience with Mr. Sugrue and the
17 bank and the equity. That is the reason for the
18 condition, right. Go show that you can do it.

19 MR. OXER: Okay. I am satisfied if the Board
20 is. Come forward. Thanks, folks. Monica. Take your
21 time. We always want to keep the paperwork caught up.
22 Trust me. Good morning.

23 MS. GALUSKI: Good morning all. I am Monica
24 Galuski, Director of Bond Finance. I wasn't sure of the
25 most appropriate time. So since I am going to be up here

1 for a little while, I thought before we delve into the
2 three Board items, I would like to take a moment to do a
3 couple of thank-yous: thank you to the Texas
4 Homeownership Group, Cathy Gutierrez and her staff, for
5 all they have done, and all that they are going to have to
6 do with respect to these items that are before the Board
7 today.

8 MR. OXER: Raise your hand back there. Can't
9 see you. Hey, there you are. Don't make us hunt for you.
10 It is bad enough up here, the lights get to us.

11 MS. GALUSKI: And I would really like to thank
12 Bond Finance staff. We've got a relatively small staff.
13 We tend to do a lot with a little.

14 MR. OXER: Outmanned, but not outgunned, right?

15 MS. GALUSKI: Exactly. And while we are
16 usually pretty busy, these last several months with these
17 items on top of our normal duties, it has been a little
18 bit insane. And so --

19 MR. OXER: We're getting back in the bond
20 business, right?

21 MS. GALUSKI: This has all been nuts.

22 MR. OXER: Yee ha, hang on.

23 MS. GALUSKI: So I would like to thank Bond
24 Finance staff, Heather Hodnett, Ed Morris, Grace Timmons
25 and John Tomme who are all here.

1 MR. OXER: Stand up back there. Let's see it.

2 Come on.

3 MS. GALUSKI: For all of their --

4 (Applause.)

5 MS. GALUSKI: For all of their hard work, their
6 dedication, and their commitment to excellence. They
7 demonstrate it on a daily basis. You guys find a way to
8 always get it done.

9 And they always have a positive attitude, and
10 the best interests of the Department in mind. So they're
11 very much appreciated. And I thought we should take this
12 opportunity before these items.

13 MR. OXER: Just for the record, we appreciate
14 what you do, too. You do the hard work; we just get to
15 take credit for it, okay. Well, but it is true, anyway.

16 VOICE: It is true.

17 MR. OXER: It is true.

18 MS. GALUSKI: All right. With that, I will
19 move to --

20 MR. IRVINE: Monica is pretty self effacing.
21 She also deserves a shoutout. She's --

22 MR. OXER: Yes.

23 (Applause.)

24 MR. OXER: You run a pretty good crew down
25 there in the engine room, okay.

1 MS. GALUSKI: So we'll take up, we'll move on
2 to Item 4(a) here, which is presentation, discussion and
3 possible action on resolution 17003, approving a servicing
4 agreement, escrow agreement and under program guidelines,
5 master mortgage origination agreement, master loan
6 participation agreement and amendment to master trade
7 confirmation in connection with the Department's single
8 family mortgage purchase program.

9 MR. OXER: Is there anything we are not
10 changing on this?

11 MS. GALUSKI: Not much.

12 MR. OXER: Okay.

13 MS. GALUSKI: The consent agenda report Item
14 2(b) was an update to the Board regarding the selection of
15 Idaho Housing and Finance Association to serve as the
16 Department's master servicer, effective October 1st of
17 2016. This item 4(a), and the next item 4(b), are related
18 to that selection.

19 First, a little bit of background on Idaho HFA.
20 They are headquartered in Boise. The Idaho HFA has been
21 servicing their own loan since 1990. They are a Ginnie
22 Mae issuer servicer, a Fannie Mae, Freddie Mac approved
23 seller servicer, an FHA approved mortgagee, and a VA and
24 RHS approved lender.

25 They service loans originated for bond programs

1 and for the TBA market. They service first lien and
2 second lien mortgage loans. As most of us know, in recent
3 years, active master servicers for affordable housing have
4 been scarce. And U.S. Bank has been the dominant
5 provider.

6 They have been our current master servicer for
7 this point for the last several years. There are a few
8 HFAs in the country, including Idaho HFA, that provide the
9 service to other HFA issuers.

10 In additional to servicing its own portfolio,
11 Idaho HFA provides these services for the New Mexico
12 Mortgage Finance Authority, Iowa Finance Authority, South
13 Dakota Housing Development Authority, and Connecticut
14 Housing Finance Authority. They have brought these
15 clients on respectively in March of 2013, January 2014,
16 November 2014, and January 2015.

17 They take a very measured approach to adding in
18 any new business and we are, I guess, fortunate that we
19 were able to get on their dance card. There's a lot of
20 demand for master servicers these days.

21 Cathy Gutierrez and I called each of these
22 agencies to discuss their experience with the Idaho HFA.
23 And the feedback was overwhelmingly, in fact, 100 percent
24 positive in support of the experience these HFAs and their
25 lenders have had with Idaho. The selection of Idaho HFA

1 as master servicer was made with careful and considerable
2 deliberation and analysis.

3 Having said that, staff, bond finance and
4 homeownership alike are very excited about this change and
5 the opportunities that it presents for the Department's
6 homeownership programs. Some of the benefits will be
7 improved economics, that should provide low and moderate
8 income home buyers with more favorable terms than the
9 department currently offers.

10 Less programmatic overlays by the master
11 servicer, that will give the Department more control over
12 structuring its program and its target borrowers. And
13 improved processing time that should greatly reduce
14 extension fees paid by lenders and results -- should
15 result in loans moving from closing into an MBS much more
16 quickly.

17 Obviously, this change brings with it a whole
18 host, as you pointed out, of new and or modified
19 documentation including the execution of a servicing
20 agreement between the department and Idaho HFA, along with
21 the related documents as outlined in your Board item.
22 While you are probably familiar with most of these
23 documents, based on our past relationships with master
24 servicers, one new addition is the participation agreement
25 under which the Department will purchase a 100 percent

1 participation in its mortgage loans from Idaho HFA,
2 reselling that participation to Idaho HFA concurrent with
3 the pooling of the underlying mortgage loans.

4 To fund this purchase, the Department needs a
5 certain amount of liquidity, preferably liquidity that
6 could be collateralized by these same loans. This
7 liquidity is proposed to be financed by the Federal Home
8 Loan Bank of Dallas, and will be discussed in more detail
9 in the next Board item.

10 Several of the documents undergoing amendment
11 are mortgage origination and lender-related, such as the
12 program guidelines and the master mortgage origination
13 agreement. The process of transferring our lender
14 partners to the new master servicer in order to begin
15 reservations through -- in order to begin taking
16 reservations through Idaho HFA on October 1st will not be
17 an insignificant task.

18 And which is why I kind of thanked the home
19 ownership team in advance because Cathy and her team are
20 going to -- they have already started the transition. And
21 I think they are going to be fairly mired in lender
22 trainings, one-on-one meetings, and all of the associated
23 activities, not just through October 1st, but for a fair
24 amount of time after that. Having said all that, staff
25 recommends approval of resolution 17003.

1 MR. OXER: Any questions from the Board?

2 (No response.)

3 MR. OXER: I have a question.

4 MS. GALUSKI: Yes.

5 MR. OXER: Okay. On liquidities, would -- did
6 I hear you correctly they would be with the facility
7 through the Federal Home Loan Bank board in Dallas?

8 MS. GALUSKI: That is correct.

9 MR. OXER: What's the liquidity cost on that?

10 MS. GALUSKI: It is a -- we actually cover that
11 item next. But it's short-term funding cost, and in
12 today's market, it is approximately 56 to 60 days.

13 MR. OXER: Which is actually not that bad.

14 MS. GALUSKI: Well, and there's a bit of a --
15 we also will be earning the positive spread on the
16 mortgage loans, in contrast. So we are actually going to
17 be coming up significantly ahead of where we are today.

18 MR. OXER: Okay. So this works entirely in our
19 favor at this point?

20 MS. GALUSKI: Absolutely.

21 MR. OXER: Yes. Okay. Well, I knew there was
22 a really good reason that we had you doing what you are
23 doing. I think you just put your finger on it. So any
24 comment, Mr. Chisum?

25 MR. CHISUM: Yes. What precipitated this

1 change?

2 MS. GALUSKI: That is a good question. We
3 have -- actually, I am not sure how much of that I should
4 go into. We have been open to various -- we RFPd this
5 year, and we RFPd the prior year.

6 So we've -- our feeling has been that there
7 might be a master servicer out there perhaps better suited
8 for our programs. The economics of the -- with our former
9 master servicer, what we were being paid for servicing,
10 since I have been at the Department which is only two
11 years, has literally been cut in half.

12 Program overlays have increased. Their ability
13 to process our loans in a timely manner was not as good as
14 it used to be. Our lender partners were paying in the
15 neighborhood of \$100,000 per MBF settlement for extension
16 fees due to processing delays by the master servicer.

17 It wasn't making them all warm and fuzzy about
18 working on our programs. So you know, for a long time,
19 U.S. Bank was really the only game in town. So we just
20 decided, you know, last year to take a shot at putting out
21 an RFP.

22 And we got responses last year from both U.S.
23 Bank and Idaho HFA. But there were aspects of the --
24 there were actually timing-related aspects as to when
25 Idaho would be able to take us on that prevented us from

1 them being selected.

2 They have, in fact, on a scoring basis scored
3 higher on the RFP analysis than U.S. Bank did. But they
4 couldn't take us on in our time line, in the time line
5 that worked for us.

6 MR. OXER: So it was a matter of them having --
7 at least, I am reading this as a matter of them having a
8 conservative assessment of their capacity and not wanting
9 to overload that, even though they wanted us as a client.
10 It is the first thing.

11 The second thing is, we are essentially getting
12 somebody that is a cousin agency, and another as opposed
13 to a sibling agency in this state. A cousin agency in
14 another state that really ought to know exactly all the
15 pressure points that we are subject to.

16 MS. GALUSKI: Absolutely correct on both
17 points.

18 MR. OXER: Okay.

19 MR. CHISUM: Thank you.

20 MR. OXER: Okay.

21 MR. IRVINE: Yes. I would say that when you
22 are dealing with the private sector, one of the ways that
23 you manage risk is by limiting downside, which also limits
24 upside.

25 And when you are dealing with an HFA that

1 really understands this early what a great thing
2 homeownership is and the value, the inherent value
3 proposition of servicing good, hardworking Texans who have
4 got great employment opportunities, and these are going to
5 be fantastic performing loans. You know, I think that
6 servicing value really has two components. One is, are
7 they paying their obligations on time. But the other
8 inherently bigger part of the value proposition, is that
9 servicing that I am paying for going to be there for a
10 long time.

11 Am I buying a long-term income stream. And I
12 think that an HFA is just inherently more likely to buy
13 into that. And really, it just generates more value for
14 Texans.

15 MS. GALUSKI: Absolutely.

16 MR. OXER: Okay.

17 MR. GANN: Mr. Chairman.

18 MR. OXER: Yes, sir?

19 MR. GANN: I would like to make the motion to
20 approve staff recommendation on Resolution 17-003.

21 MR. OXER: Okay. Motion by Mr. Gann to approve
22 staff recommendation on Item 4(a), resolution 17-003. Do
23 I hear a second?

24 MR. CHISUM: Second.

25 MR. OXER: Second by Mr. Chisum. There's no

1 request for public comment. Okay. Motion by Mr. Gann.
2 Second by Mr. Chisum to approve staff recommendation, Item
3 4(a), Resolution 17-003. Those in favor?

4 (A chorus of ayes.)

5 MR. OXER: And opposed?

6 (No response.)

7 MR. OXER: There are none. Okay, 4(b).

8 MS. GALUSKI: Item 4(b), Monica Galuski, Bond
9 Finance. This is a presentation, discussion and possible
10 action on Resolution 17-004. Approving an advances
11 agreement and escrow agreement authorizing the execution
12 of documents and instruments relating thereto, making
13 certain findings and determinations in connection
14 therewith and containing other provisions relating to the
15 subject.

16 As reported in an update to the Board at its
17 July 14th meeting, staff has been working with the Federal
18 Home Loan Bank of Dallas to explore the potential
19 applicability of various loan and investment products to
20 the Department's single family programs. As previously
21 noted under the Idaho HFA Servicing structure, the
22 Department will purchase a 100 percent participation in
23 its program loans, and will resell that participation to
24 Idaho HFA concurrent with the settlement of the related
25 mortgage backed securities.

1 In other words, the Department will provide the
2 liquidity for its own loans after they have been purchased
3 from the lenders and until they are pooled into a mortgage
4 backed security. The combination of the Department's
5 volume and the short term nature of the liquidity made
6 this a perfect fit for the Federal Home Loan Bank.

7 Having been around the block a few times on
8 liquidity, it is safe to say there aren't many parties out
9 there willing to loan against whole loan held-for-sale
10 collateral. To fund these purchases, the Department,
11 under an advances agreement with Federal Home Loan Bank,
12 will borrow at short term rates, using the mortgage loans
13 being financed as collateral.

14 TDHCA can borrow 92 percent of the value of the
15 mortgage loans and will deposit funds in an escrow to
16 securitize the remaining 8 percent of the purchase price.

17 This 8 percent differential is what is known as the
18 haircut on the collateral.

19 And the escrow account that is being set up is
20 expected to be funded in an amount not to exceed \$5
21 million. Again, these are not funds being expended, it is
22 an escrow account being funded to provide the collateral
23 to securitize the liquidity.

24 MR. OXER: It's essentially a reservation fund.

25 MS. GALUSKI: Yes. Exactly.

1 MR. OXER: Okay.

2 MS. GALUSKI: Each advance on the associated
3 interest on that advance. So every time we use Federal
4 Home Loan funds under this, it will be considered an
5 advance. So each advance and the interest on that advance
6 will be repaid with proceeds of the related MBS
7 settlement.

8 While the Department owns the participations,
9 the Department will be earning a positive spread. Under
10 current rates, that spread would be in the neighborhood of
11 3 percent or more, to be earned from the time of purchase
12 until the related MBS settles, estimated to be
13 approximately 15 days or so.

14 The spread that this generates annually is
15 estimated to be in excess of \$250,000 a year. There are
16 additional Federal Home Loan Bank products that may
17 enhance the Department's programs. Staff will continue to
18 analyze these products and may present the Board with
19 future -- with additional options in the future.

20 Staff has worked closely with its financial
21 advisor, George K. Baum, and bond counsel Bracewell to
22 structure and document the agreements necessary and
23 recommends approval of Resolution 17-004. I would be
24 happy to answer any questions.

25 MR. OXER: Okay. Essentially, this is a

1 continuation, or a component of --

2 MS. GALUSKI: It is. Right. It's a carve out
3 of the Federal Home Loan Bank piece of the overall
4 incorporation of Idaho HFA.

5 MR. OXER: Yes. So these all work together.

6 MS. GALUSKI: They do.

7 MR. OXER: Okay. Any other questions?

8 (No response.)

9 MR. OXER: Motion to consider?

10 MR. CHISUM: So moved.

11 MR. OXER: Okay. Motion by Mr. Chisum to
12 approve staff recommendation of Item 4(b). Second?

13 MR. GOODWIN: Second.

14 MR. OXER: Second by Mr. Goodwin. Nobody
15 wishes to make public comment?

16 (No response.)

17 MR. OXER: Motion by Mr. Chisum. Second by Mr.
18 Goodwin to approve staff recommendation on Item 4(b) for
19 Resolution 17-004. Those in favor?

20 (A chorus of ayes.)

21 MR. OXER: Opposed?

22 (No response.)

23 MR. OXER: There are none. It is unanimous.

24 MS. GALUSKI: All right.

25 MR. OXER: We are on a roll.

1 MS. GALUSKI: Monica Galuski, Bond Finance.
2 It's a presentation, discussion and possible action and
3 resolution of 17-005, authorizing the issuance and
4 delivery of Texas Department of Housing and Community
5 Affairs Series 2016 Issuer Note, approving the form and
6 substance of related documents, authorizing the execution
7 of documents and instruments necessary and convenient to
8 carry out the purposes of this resolution.

9 Okay. Annually, the department originates
10 approximately 225 million in first lien mortgage loans and
11 funds about \$10 million in DPA loans. The Department
12 historically used bond premiums as its primary source of
13 funds for DPA loans, but bond premiums haven't been
14 feasible for several reasons and for several years now.

15 As such, the Department continues to seek
16 funding sources for DPA loans. The proposed Series 2016
17 issuer note is a potential funding source for \$10 million
18 or one year of DPA loans and would be issued pursuant to a
19 loan agreement between the Department and Wood Forest
20 National Bank.

21 The proposed note rate is 1 percent. All
22 principal and interest are due at maturity. Payment of
23 interest is deferred to maturity but never compounded. If
24 the full amount of this note was drawn down by the
25 Department day one, and repaid at its ten year maturity,

1 the repayment would be \$11 million on the original loan
2 amount of \$10 million.

3 So there's no compound interest. You know,
4 nothing but a interest deferral to the end. The note can
5 be repaid in full or in part at any time without penalty.

6
7 A little bit of information about Wood Forest
8 National Bank. They are headquartered in the Woodlands.
9 They are a privately held bank. As of August 31 of 2016,
10 they had assets of \$4.7 billion, liabilities of \$4.2
11 billion.

12 The Bank has 743 branches, 199 of which are in
13 the State of Texas. Thirty-five are brick and mortar bank
14 branches, and the majority of the rest are located in
15 Walmart. The Bank is not a direct mortgage lender.

16 They were looking for a Texas partner that
17 would be able to effectively use a community reinvestment
18 loan to facilitate mortgage loan origination to low- and
19 moderate-income home buyers in Texas. In other words, the
20 Bank needed CRA credit. The Department needs funds for
21 DPA. We thought it was a natural fit.

22 MR. OXER: A marriage made in heaven.

23 MS. GALUSKI: That is right.

24 MR. OXER: Or in Austin, anyway.

25 MS. GALUSKI: Exactly. If issued, collateral

1 for the proposed Series 2016 issuer note will be a
2 subordinate lien on the residential mortgage revenue bond
3 or RMRB indenture. The current rating on that indenture
4 is a AAA Moody's, AA Plus Standard & Poor's.

5 It has a parity level of 119 percent assets to
6 liabilities. And we have provided cash flows to the
7 rating agencies and are receiving a rating confirmation
8 that by pledging this lien we are not impacting the rating
9 on the existing indenture or any of the underlying bonds.

10
11 Effectively, the Series 2016 issuer note
12 accomplishes what the Department attempted in late 2012,
13 early 2013. Basically it is a monetization of the
14 outstanding second lien mortgages and a leverage of
15 existing assets and revenue sources.

16 However, instead of doing a standalone
17 indenture, we have left the assets within the RMRB
18 indenture and you add to that a 1 percent note rate. And
19 it is a very compelling source of funds for the
20 Department.

21 MR. OXER: Essentially, we did an end-around on
22 the obstacles we ran into in 2013.

23 MS. GALUSKI: In a sense, yes. But having that
24 1 percent versus, I think, what was going to be a 10
25 percent rate at the time on that makes a big difference.

1 So yes, it is kind of a combination of good things coming
2 together.

3 MR. OXER: Glad we waited.

4 MR. CHISUM: Mr. Chairman.

5 MR. OXER: Yes, sir. Mr. Chisum. Hold on.
6 Just a second. Did you have anything to finish up on,
7 Monica?

8 MS. GALUSKI: Just a couple of things.

9 MR. OXER: Okay. Is that okay, Mr. Chisum?

10 MR. CHISUM: Yes. Sure.

11 MS. GALUSKI: The Department currently funds
12 DPA loans using a combination of RMRB indenture funds and
13 a portion of the proceeds received on mortgage-backed
14 securities that are backed by the related first lien
15 mortgages. The Series 2016 issuer note is a cheaper cost
16 of funds overall, and it should allow the Department to
17 reduce the mortgage rate on its home ownership programs.

18 MR. OXER: So we are essentially using the
19 liquidity available, excess cash flow in the indenture to
20 be able to fund the DPA to continue to expand that
21 mortgage --

22 MS. GALUSKI: Absolutely.

23 MR. OXER: Okay.

24 MS. GALUSKI: And while we are leveraging the
25 indenture assets and using this alternative source of

1 funding, we are at the same time strengthening and adding
2 to the indenture, where we will be putting in the DPA
3 loans that we're originating through this program and
4 other assets, while we are paying down existing bonds and
5 working again towards a sort of a continuous funding
6 source and leveraging our available assets for -- I mean,
7 it just makes sense.

8 MR. OXER: So what is not good about this?

9 MS. GALUSKI: I don't know.

10 MR. CHISUM: That is my question.

11 MS. GALUSKI: That would be, I mean -- the bank
12 is highly motivated. They need the CRA credit. We are
13 the perfect partner. We would like to do this more than
14 once. They are open to the idea. But we will see how the
15 first one goes.

16 MR. OXER: If we do this, we get a \$10 million
17 tranche on this for the ten year period you are talking
18 about. This, we are not limited if in two more years, we
19 want to add another ten to it, or some other increment.

20 MS. GALUSKI: Well, each time, what we have
21 agreed to amongst the two parties, Woodforest Bank and
22 us --

23 MR. OXER: The ten is just essentially limited
24 to the draw --

25 MS. GALUSKI: -- is that we will sort of have

1 first look with each other. So in two years, if we don't
2 need any liquidity, and we have got great sources, we can
3 say, no thank you.

4 In two years, we may look at this, and we may
5 do it the same way. We may look at, maybe leverage
6 different assets. You know, we may piece it together
7 differently. But we will take a look each time to see
8 what makes sense for the Department.

9 MR. OXER: Well, the MBS volume in the
10 indenture could -- because if I recall correctly, the
11 unavailability of the DPA liquidity was one of the things
12 that limited the amount that we could outreach. So with
13 this, we are essentially taking that limitation off. We
14 could actually build that indenture at a significantly
15 sharper clip.

16 MS. GALUSKI: Absolutely. That is the plan.

17 MR. OXER: Which offers more opportunity for
18 single family housing for independent Texans.

19 MS. GALUSKI: Yes, it does.

20 MR. OXER: I am beginning to like this. Mr.
21 Chisum, you had a question.

22 MR. CHISUM: Well, I have just got a couple of
23 questions and observations. First of all, Forest Bank,
24 have we ever done business with them before?

25 MS. GALUSKI: Not to my knowledge at all.

1 MR. CHISUM: Okay. A \$4.7 billion bank is not
2 a very big bank. And so my first question then is, they
3 have got 743 branches, I think you said.

4 MS. GALUSKI: I believe that is correct.

5 MR. CHISUM: Okay. And that being the case,
6 you take 4.7 billion and just do some simple math, divide
7 it by 700 branches, those are small operations.

8 MS. GALUSKI: Uh-huh.

9 MR. OXER: They are in Walmarts.

10 MR. CHISUM: I understand.

11 MR. OXER: Okay.

12 MR. CHISUM: So that being said, this business
13 that we are doing is complex and complicated. And so
14 would the Forest National Bank have the resources,
15 personnel and systems to accommodate?

16 I understand they need a CRA. All banks need
17 those. But I am concerned that they would have the
18 systems and people to accommodate what we are putting on
19 the table. I know they want it.

20 And on the surface, it appears an ideal fit.
21 And I am not saying that it is not. But it does concern
22 me about the resources and the people that deal with the
23 institution or an agency like we are. We have got
24 hundreds of millions of dollars. And we are 20 times
25 their size, at a minimum.

1 So they just -- my banking experience raises
2 red flags when I see opportunities like we have. I
3 support the staff. But I really question that it is going
4 to take a lot of interaction and resources from our side
5 to make this thing work. It sounds like to me we are
6 putting them in this business.

7 MS. GALUSKI: Okay. Maybe, what I might need
8 to do is be more clear about the roles here. All
9 Woodforest is bringing to the table is their loan. We are
10 accessing the funds they are providing.

11 That is all. Nothing operationally, nothing we
12 are doing changes on our end, whatsoever. The obligation
13 on our part will be to give them, you know, some
14 origination data showing these are the census tracts that
15 we have loaned these funds in, so they have something to
16 pay for their CRA.

17 MR. OXER: Their CRA requirements.

18 MS. GALUSKI: Requirement with. But other than
19 that, there really is no ongoing involvement. Every time
20 we go --

21 MR. OXER: They are basically giving us
22 gasoline for the motor.

23 MS. GALUSKI: Yes.

24 MR. CHISUM: Or diesel.

25 MS. GALUSKI: So we are not really looking to

1 them for anything really other than their money.

2 MR. OXER: We are going to drive this beast.
3 So they are basically giving us the fuel to get this
4 working.

5 MR. CHISUM: Right. For clarification, I --

6 MS. GALUSKI: But we are still controlling the
7 process. We are still controlling the loans. This is
8 still -- all this is, is an alternative source of funding
9 for us. And it is the cheapest source of funds we have
10 been able to find.

11 MR. CHISUM: Okay. Thank you.

12 MR. OXER: So they are exercising, they are
13 making some of their liquidity in their equity versus debt
14 that they have, they are making some of that liquidity
15 available to us, to be able to continue to amplify the
16 programs that we have, to bring more mortgage availability
17 to Texas.

18 MS. GALUSKI: That is correct.

19 MR. OXER: Okay. Mr. Chisum, you ask fine
20 questions. And I appreciate your perspective in banking
21 drives you to a conservative position that I think
22 everybody up here should have. So any other questions?

23 DR. MUÑOZ: Just a curiosity. Tolbert
24 mentioned the CRA credit. Have we done this before, this
25 sort of -- any kind of transaction with a bank, for them

1 to receive that kind of credit?

2 MS. GALUSKI: Not to my knowledge. No. I
3 mean, it happens --

4 MR. OXER: Not with them, or with any other
5 bank? Is that what you were asking, Juan?

6 DR. MUÑOZ: I have just not heard it before.

7 MS. GALUSKI: Not with them directly. We have
8 run into it a little bit, like we've been on the bond sale
9 side a lot of times, like we in fact --

10 DR. MUÑOZ: I think that this would be
11 appealing to a lot of banks. Because some struggle to
12 identify appropriate mechanisms to satisfy that statutory
13 FDIC requirement.

14 MS. GALUSKI: Right. No, more often what we
15 see is, you know, we have got to request this. We need to
16 provide census tract data for loans originated at the back
17 of a particular bond issue.

18 Because more often we see it on the bond
19 purchaser side. Where they can get credit, depending on
20 the composition of your underlying borrowers. But this is
21 the first -- now, I know a couple of these have been done
22 in other parts of the country. But it is the first. Even
23 at that, I only became aware of that while we were working
24 on this transaction.

25 MR. OXER: Where were the other ones done?

1 MS. GALUSKI: I want to say Delaware, and I
2 honestly don't remember the others. It was very early on
3 in the discussion.

4 MR. CHISUM: Illinois.

5 MR. OXER: Just, you know, making sure Texas is
6 out there in the lead of the parade here.

7 MR. CHISUM: Is that -- excuse me, Mr.
8 Chairman.

9 MR. OXER: Certainly.

10 MR. CHISUM: So you were talking about spread a
11 while ago. And I was making some notes. Describe that
12 again for me?

13 MS. GALUSKI: The spread?

14 MR. CHISUM: Yes.

15 MS. GALUSKI: All right. So if we are looking
16 at -- anyhow, okay. So say today, our mortgage rate today
17 is 4 percent. Deduct 20 basis points for servicing and
18 guarantee fees.

19 MR. CHISUM: Right.

20 MS. GALUSKI: So that takes you to 380. Deduct
21 conservatively the 60 basis points that we might be paying
22 on the Federal Home Loan Bank advance.

23 MR. CHISUM: Okay.

24 MS. GALUSKI: The rest of it is ours.

25 MR. CHISUM: That is 320.

1 MS. GALUSKI: Right. So of 320, 320 against
2 our loan volume of 225 million per year --

3 MR. CHISUM: Yes.

4 MS. GALUSKI: -- invested for an average of 15
5 days, so.

6 MR. CHISUM: Agreeing with the doctor, this
7 could be an opportunity for making ourselves available
8 after we -- I think we should run through this one, Mr.
9 Chairman, and get our feet wet, and get comfortable. But
10 that could really generate some additional income for us.

11 MR. OXER: It could generate some additional
12 income. It also, at least, I think more importantly would
13 be to generate additional opportunity for those folks that
14 need houses out there, where --

15 MS. GALUSKI: Right. Any increased
16 efficiencies on our side in funding can directly translate
17 to reduced mortgage rates to borrowers.

18 MR. CHISUM: Yes.

19 MR. OXER: Reduced mortgage rates and even more
20 DPA liquidity to be able to leverage this program.

21 MR. CHISUM: Yes.

22 MS. GALUSKI: Right. Exactly.

23 MR. OXER: I like what you are doing, Monica.

24 MS. GALUSKI: Thank you.

25 MR. OXER: All right. Any questions?

1 MR. CHISUM: Thank you.

2 MR. OXER: I need a motion to consider.

3 MR. CHISUM: So moved.

4 MR. OXER: Okay. Motion by Mr. Chisum to
5 approve staff recommendation on Item 4(c) with regard to
6 Resolution 17-005. Do I hear a second?

7 MR. GOODWIN: Second.

8 MR. OXER: Okay. Second by Mr. Goodwin. He
9 was first out of the box. All right. Motion by Mr.
10 Chisum. Second by Mr. Goodwin to approve staff
11 recommendation of Item 4(b) with respect to Resolution 17-
12 005. Those in favor?

13 (A chorus of ayes.)

14 MR. OXER: Any opposed?

15 (No response.)

16 MR. OXER: There are none. It is unanimous.

17 MS. GALUSKI: Thank you.

18 MR. OXER: Thanks, Monica.

19 MR. IRVINE: Well done.

20 MR. OXER: Okay. Marni, are we going to have a
21 marathon here? Do you want to take a couple before we
22 knock this out? Come up.

23 MS. HOLLOWAY: Okay. All right. Good morning,
24 Chairman Oxer, members of the Board. My name is Marni
25 Holloway. I am the Director of the Multifamily Finance

1 Division.

2 Item 5(a) is presentation, discussion and
3 possible action on proposed repeals of 10 TAC Chapter 10,
4 Subchapter A concerning general information and
5 definitions, Subchapter B, concerning site and development
6 requirements and restrictions, Subchapter C, concerning
7 application submission requirements, ineligibility
8 criteria, Board decisions and waiver of rules for
9 applications, and Subchapter G concerning the Fee
10 Schedule, Appeals and other provisions.

11 And a proposed new 10 TAC Chapter 10 Subchapter
12 A, concerning general information and definitions,
13 Subchapter B, concerning site and development requirements
14 and restrictions, Subchapter C, concerning application
15 submission requirements, ineligibility criteria, Board
16 decisions, and waiver of rules for applications, and
17 Subchapter G, concerning fee schedules, appeals and other
18 provisions, and directing their publication for public
19 comment in the Texas Register.

20 So this is Chapter 10. These are the general
21 rules under which we operate our multifamily programs.
22 The proposed 2017 Uniform multifamily rule reflects staff
23 recommendations for the Board's consideration. This rule
24 establishes the general requirements associated with
25 making an award of multifamily development funding and/or

1 assistance.

2 As part of the rulemaking process, we have held
3 monthly discussions on the Wednesday afternoon before each
4 Board meeting. Generally, there were 50 or more people at
5 each meeting.

6 And we generally discussed a different topic
7 each month, although many discussions centered on the
8 opportunity index and educational excellence part of the
9 QAP. We have had a meeting that was centered on the
10 undesirable site features, and undesirable neighborhood
11 characteristics that are part of this Chapter 10.

12 We have participated in discussions at the
13 TAAHP Conference in July. And we have posted an online
14 discussion forum with chunks of proposed rule changes to
15 provide stakeholders an opportunity to engage with the
16 Department and one another and provide feedback on
17 possible changes.

18 We have evaluated all of the information
19 received in these discussions in drafting the proposed
20 rules we are presenting today. It is worth noting that
21 staff considered many alternative concepts which were
22 discussed and/or published for consideration on the forum,
23 that several of these ideas were ultimately withdrawn for
24 further refinement and further consideration based on
25 input from stakeholders.

1 Also worth noting is that next month, we plan
2 to bring you a new Chapter 13, which is a multifamily
3 direct loan program rule, which will encompass specific
4 HOME, TCAP repayment and National Housing Trust Fund
5 requirements.

6 We plan to post a direct loan rule -- start
7 posting the direct loan rule to the forum shortly, and
8 will hold a roundtable regarding that new rule on
9 September 22nd. Upon Board approval of the current
10 proposed draft, it will be posted to the Department's
11 website and published in the Texas Register.

12 Public comment will be accepted between
13 September 23rd and October 14th. There will also be a
14 consolidated public hearing during that time to garner
15 additional public comment. The uniform multifamily rules
16 will be brought before the Board in November for final
17 approval and subsequently published in the Texas Register.

18 So of the Chapters that we are discussing,
19 Subchapter A is general information regarding our
20 multifamily funding and includes all of our definitions.
21 Subchapter B outlines the site and development
22 requirements and restrictions.

23 Subchapter C is procedural requirements for
24 applications. It also includes information on how
25 applicants or applications are determined to be

1 ineligible, how they are prioritized for review,
2 information regarding Board decisions and the waiver
3 process.

4 Subchapter C contains information regarding
5 Department fees and other general requirements, including
6 the appeals process, obligations, and the alternative
7 dispute resolution policy. Your Board book contains a
8 summary. The Board item contains a summary of all of the
9 changes that were made.

10 Of note, we are proposing in Subchapter B,
11 under site and development requirements and restrictions,
12 to remove the proximity to mandatory community assets.
13 There are a couple of reasons for this. One is that many
14 of those items are now appearing in the opportunity index
15 menu, which we will discuss later.

16 Also, that over the years, a Walmart store
17 could encompass all of those features. So it is becoming
18 of less value. It is something that we may consider in
19 the future as we are looking, as the rules evolve.

20 Undesirable site features, we originally had
21 posted some changes to the undesirable site features that
22 created that very spirited meeting that Mr. Oxer attended.

23 We have made some changes on those, pulled back on some
24 of those.

25 That is something that we are going to continue

1 to look at, and make sure that we are putting the right
2 information in there. We have also added language to
3 reflect that those distances apply only in instances where
4 there's no local ordinance that regulates that proximity.

5 We have made a number of changes to undesirable
6 neighborhood characteristics over the past year. We have
7 brought to you a number of sites that we have worked
8 through the process with the applicant regarding
9 undesirable neighborhood stuff. We have provided further
10 information and definition and structure around mitigation
11 of undesirable neighborhood characteristics.

12 We have removed the undesirable characteristic
13 associated with environmental site assessments. When we
14 receive an ESA, it already has the mitigation in there.
15 That is not something that we need to be double-checking.

16 We have also modified the criteria under which the Board
17 could find a site eligible slightly despite the existence
18 of the undesirable characteristics, so that both new
19 construction and preservation must have a factual
20 determination that the characteristics are not of a nature
21 or severity that should render a site ineligible.

22 I would also point out that for sites with
23 three or more of the undesirable characteristics, the
24 sites must be located in an area with a concerted plan of
25 revitalization already in place, in order for it to be

1 considered eligible. We have increased the minimum
2 rehabilitation costs by just a bit.

3 We have made some modifications in both the
4 common amenities and unit development --

5 DR. MUÑOZ: Hey, Marni. Can I interrupt you
6 for a second?

7 MS. HOLLOWAY: Yes.

8 DR. MUÑOZ: You know, what you said about the
9 revitalization plan already in place.

10 MS. HOLLOWAY: Yes.

11 DR. MUÑOZ: And exactly in those terms, like
12 revitalization plan, you know, because sometimes, sort of
13 things are presented. Well, there's this reinvestment
14 activity, or there's this development that essentially is
15 the same. It creates this revitalization.

16 MR. CHISUM: Right.

17 MS. HOLLOWAY: Right.

18 DR. MUÑOZ: It is just not called
19 revitalization plan, but it most certainly revitalized the
20 neighborhood. Like -- that is what it says? Somebody in
21 some official capacity has to codify that there's some --

22 MS. HOLLOWAY: That there is in fact a
23 revitalization plan in place.

24 DR. MUÑOZ: Called a revitalization plan?

25 MS. HOLLOWAY: I don't know that it has to be

1 called a revitalization plan. I think that what we are
2 looking for is if a site is impacted by a higher poverty
3 rate, by blight, by a higher crime rate, that there's in
4 fact a plan in place by that city, that locality to
5 improve all of those things. That is --

6 MR. CHISUM: In writing.

7 MS. HOLLOWAY: Yes. That is what we are going
8 to be looking for on that item.

9 DR. MUÑOZ: Okay.

10 MR. OXER: It doesn't necessarily have to say
11 revitalization on it. It could be something -- community
12 investment program.

13 MS. HOLLOWAY: I think that what the plan is
14 called is not nearly as important as what the plan does.

15 MR. OXER: Right.

16 MR. IRVINE: I think it is a series of things.
17 I think it is a public process where issues in an area
18 are identified. A plan is put together to address those
19 issues, and a budget is dedicated to getting it done.

20 DR. MUÑOZ: It is called a plan, or can it be
21 called a strategy? Or can it be called an intent. You
22 know, sometimes we are up here. You know, it is sort of a
23 battle of, you know, adjectives.

24 MS. HOLLOWAY: Right.

25 DR. MUÑOZ: And I mean, I get it. Right. I

1 get it. And so I just want to make sure that sort of what
2 we say we want is what they provide us. And later on, we
3 don't say, well, this didn't quite fit our vague,
4 ambiguous, fluid and evolving definition.

5 And then they come up here to try to sort of
6 persuade us that in fact they did. I am just --

7 MR. OXER: The operative differentiator is,
8 already in place.

9 MR. CHISUM: Yes.

10 MS. HOLLOWAY: Yes. And we'll discuss in the
11 next item, regarding the QAP, some of the conversations
12 that we have been having with the community regarding
13 concerted revitalization plans and how they work in the
14 state of Texas. But that is really more of a QAP
15 conversation than it is for this one.

16 DR. MUÑOZ: Yes. I appreciate it. But see,
17 typically, those are in sort of distraught areas.

18 MS. HOLLOWAY: Uh-huh.

19 DR. MUÑOZ: I want to make sure that we provide
20 abilities for sort of how that is being mitigated in those
21 kinds of communities, to make them competitive is clear.

22 MS. HOLLOWAY: Okay. And the other thing I
23 would say is, that if our stakeholders, if the development
24 community has a concern that we have not clearly defined
25 what we are looking for, that that is part of what the

1 public comment process is about. So that we can address
2 those concerns.

3 DR. MUÑOZ: Marni, I am going to take advantage
4 of your point, to just to repeat what you said, that, you
5 know, if there's concerns, or if we haven't been as clear,
6 our definition's not as helpful, that that is what those
7 activities are for -- to inform the development of that
8 particular document.

9 MS. HOLLOWAY: Right. Okay. Still on
10 Subchapter B, on common amenities and unit development
11 features, some of these items have been modified to
12 provide some clarification based on our monitoring
13 expectations and some new options have been added. The
14 list of tenant-supportive services has some modifications.

15 And we have also included a new tenant service
16 that involves a partnership with local law enforcement to
17 provide onsite interaction with the tenants. So the
18 police athletic league coming in, and things like that,
19 which we are really excited about that.

20 There are some modifications in Subchapter C,
21 regarding the documentation for application submission.
22 And also a clarification of the prioritization of 4
23 percent applications during our peak 9 percent cycle.
24 Subchapter G, on fee schedule, modifies to some extent the
25 extension and amendment fees, includes an extension fee

1 relating to construction status reports.

2 And that would be the changes. There is
3 actually a very long list of changes that is in your book.
4 That is the highlights.

5 Staff is recommending that the Board approve
6 the proposed repeal of 10 TAC Chapter 10, Subchapters A,
7 B, C and G, and the proposed new 10 TAC Chapter 10,
8 Subchapters A, B, C and G for approval in the Texas
9 Register to start the public comment period. Of course,
10 with the ability to make non-substantive technical
11 corrections as may have been pointed out over the last few
12 days.

13 MR. OXER: So what you are essentially saying
14 is, this is the culmination of an extended term that we
15 began, essentially last year, or at least early this year,
16 to continue to evolve the QAP, evolve the rule process,
17 and make this smoother, sharper, stronger, swifter,
18 sleeker, so it works better. Trying to clarify these
19 things, buff off these rough edges, make sure it is more
20 clear what we are looking for in terms of each of these
21 programs. So I guess there has been plenty of opportunity
22 for public comment. We will of course, have public
23 comment. We invite that.

24 MS. HOLLOWAY: Absolutely.

25 MR. OXER: But what you are essentially saying

1 is, you have taken all of this time. We have had input in
2 public forum to be able to contribute to this rule
3 development.

4 Rule development process involves advertising
5 this in addition to the point up to now, but advertising
6 it, listening, public comment, additional public comment
7 and then it comes back to us. And then we quantify,
8 clarify, refine, revise and redevelop, as necessary. And
9 then that is the rule.

10 MS. HOLLOWAY: And then that is the rule.

11 MR. OXER: So nobody today should think that
12 this is the rule.

13 MS. HOLLOWAY: And that is the big long
14 reasoned response that we'll discuss at the November
15 meeting.

16 MR. OXER: Right. So basically, what we are
17 saying is, we are giving you a shot at publishing what you
18 come up with, of the modifications that have been the
19 result of this, in what in most states would be considered
20 an extraordinary public outreach.

21 MS. HOLLOWAY: Yes.

22 MR. IRVINE: One thing that I think really
23 needs to be underscored, though, is that public comment
24 doesn't stop just because we have finished this process.
25 As late as 6:00 last night, I heard a brand new idea that

1 had a specific bearing on the concept of revitalization
2 plans. And based on the discussion with the people
3 involved, it seemed like a pretty darn good idea.

4 But the reality is, it wasn't a completely
5 fleshed out idea, and we are very shy about putting out
6 for public comment ideas that are not fully developed,
7 well thought out. We don't want to be making radical
8 changes only to regret them later.

9 This specific idea actually had to do with the
10 concept of revitalization plans and acknowledging the fact
11 that different city governments operate in different ways.

12 And, you know, I think that we will absolutely continue
13 that dialogue.

14 And I would fully anticipate that whatever we
15 recommend next year when we aren't under the tight
16 statutory time frame of the Administrative Procedures Act
17 and rule adoption and finalization of the QAP, I would
18 imagine that we will have that, as they say, saucered and
19 blowed for next years QAP. And that it will look
20 different and be more accommodating to cities that don't
21 do the planning process the way that the conventional
22 approach to CRP is addressed.

23 MR. OXER: Any questions?

24 (No response.)

25 MR. OXER: Well, we will need a motion to

1 consider. What I was going to suggest is, since we are --
2 it is 11:22 now. We have some -- there will be some
3 comment on this. I think we ought to take a -- since we
4 have been in our seats here, for an hour and a half, let's
5 take a brief ten minute break. So 11:22 now, let's be
6 back in our chairs at 11:32, 11:35. Make it 11:35, and
7 then we'll take this back up and go through the motions.

8 (Whereupon, a short recess was taken.)

9 MR. OXER: All right. Let's come to order.
10 Let's go into -- we have heard comment or staff
11 presentation on Item 5(a). Marni, you are back up. Are
12 there any questions from the Board.

13 (No response.)

14 MR. OXER: So essentially, to recap, we are
15 just basically -- we've gone through a whole bunch of
16 things, had a lot of public comment, made some
17 modifications; not unlike we do each year, a continuous
18 evolution on the QAP. This is the same.

19 MS. HOLLOWAY: This is Chapter 10. This is not
20 the QAP.

21 MR. OXER: I'm sorry, Chapter 10.

22 MS. HOLLOWAY: There's an important
23 distinction.

24 MR. OXER: Right. So we continue to evolve the
25 rules, based on what we need to -- what we are addressing

1 in the future. This is a request to post these in the
2 Register.

3 MS. HOLLOWAY: Yes. To post them in --

4 MR. OXER: And there will be continued public
5 comment.

6 MS. HOLLOWAY: To open the public comment
7 period. Yes.

8 MR. OXER: Okay. Any questions from the Board?
9 (No response.)

10 MR. OXER: Then we'll have a motion to
11 consider, please.

12 MR. GOODWIN: So moved.

13 MR. OXER: Motion by Mr. Goodwin.

14 MR. GANN: Second.

15 MR. OXER: And a second by Mr. Gann. Okay.
16 Good morning.

17 MS. McGUIRE: Good morning.

18 MR. OXER: So far.

19 MS. McGUIRE: Good morning. Ginger McGuire. I
20 am speaking on behalf of the Rural Rental Housing
21 Association of Texas.

22 I would like to make two comments. One is in
23 the rules, the applicants that have existing 515
24 properties need to get a letter from USDA at application
25 stating that they have submitted a full transfer

1 application to USDA.

2 Some of these folks will not know whether they
3 are going to be competitive at that time. What we would
4 like to ask is that we made a change, saying that a letter
5 from USDA confirming that a complete application has been
6 filed within 60 days of the tax credit award. Our members
7 will note -- the USDA set-aside applicants will know that
8 about June, whether or not they are competitive, and they
9 can begin the process at that time.

10 And that gives them reasonable time to get an
11 application in and get it completed. We understand and
12 appreciate the desire to be ready to proceed, and we think
13 that this will accomplish that as well.

14 MR. OXER: So what you are saying is, rather
15 than putting it in at the point of application, they want
16 to have some indication of whether or not they are going
17 to be competitive before they go to the expense of making
18 that application to the USDA?

19 MS. McGUIRE: That is correct.

20 MR. OXER: Okay.

21 MS. McGUIRE: And then secondly, I would like
22 to ask that on the undesirable site and neighborhood
23 characteristics, this really affects new construction more
24 than it does existing, but it does affect existing. We
25 won't always know what the undesirable site

1 characteristics are at preapplication. We ask that that
2 be moved instead to full application.

3 MR. OXER: I'm sure Marni is taking note of
4 your comments. And so --

5 MS. McGUIRE: That's it. I will be back.

6 MR. OXER: Great.

7 MS. McGUIRE: Thank you.

8 MR. OXER: Thanks, Ginger. Joy?

9 MS. HORAK-BROWN: Good morning. Joy Horak-
10 Brown, president and CEO, New Hope Housing. I would like
11 to comment on the undesirable neighborhood
12 characteristics.

13 For purposes of clarification in past few
14 moments, I have visited with staff and am being assured
15 that it is broader than I had read and interpreted it, as
16 I read what is out on the web. I would say as two cases
17 in point, both Harrisburg and Reed, which thank you very
18 much, you approved for bond -- 4 percent bond transactions
19 just in the last few months.

20 If you were to read this in the tightest way
21 possible, neither of those developments would be under
22 construction today. That would be sad for the people who
23 will have the pleasure and the benefit of living in them
24 in the inner city, where it has been increasingly
25 difficult to develop anything in the city of Houston,

1 using either the 4 or the 9 percent program.

2 So particularly when it applies to a bond
3 transaction, it is an underused resource. It is a vital
4 resource for building in the core of our great cities.
5 And we had three areas that needed mitigating, both at
6 Harrisburg and at Reed.

7 Reed was harder than Harrisburg. But
8 irrespective of how easy or difficult they were, there
9 were three. And there is not a concerted revitalization
10 plan, a formal one, in either of those neighborhoods.
11 They are neighborhoods that are gentrifying, and that is
12 clear, and we were able to show that to the Department.
13 So the purpose of my being here is to be certain we are
14 all clear and moving in the same direction, that this
15 should be something that is broadly written and
16 interpreted.

17 MR. OXER: Okay. Thanks for your comments,
18 Joy. I think it is fair to say that, if I take a layman's
19 perspective on this, say that we are trying to look at
20 opportunities, ways, rules, encouragement to do high-
21 opportunity areas, revitalization, you know, specific
22 revitalization, urban core. None of the -- we are not
23 trying to restrict now particularly anything.

24 And I think the -- certainly, it is my opinion
25 and the rest of the members of the Board are welcome to

1 express theirs. It is my opinion that the State is better
2 served when we have a broader disbursement of all the
3 assets that we are trying to provide financing for.

4 MS. HORAK-BROWN: I agree with that. And thank
5 you.

6 MR. OXER: Good. Any comments? Any questions?
7 (No response.)

8 MR. OXER: Okay. Jean.

9 MS. LATSHA: Good morning. Jean Latsha,
10 stakeholder in the program and not representing any
11 applicant or application. Just a couple of quick
12 thoughts.

13 Especially when we are talking about Subchapter
14 B and C, to make sure that when we are looking at this, we
15 are looking at this from the perspective of the
16 development community that does 4 percent bond deals,
17 things like the removal of the mandatory community assets,
18 I think is great.

19 I think that there -- I am sure there have been
20 a number of really great pieces of real estate that have
21 been passed up because they were just shy of that rule,
22 and so I think that is a really great change.

23 One thing that has come up that we have seen --
24 I have seen in some municipalities some zoning changes are
25 happening where you have got a lot of cities that are

1 requiring things like 25 percent garages and 50 percent
2 carports and things like that. And I think it might be
3 time to revisit the part of Subchapter B that talks about
4 parking requirements.

5 I am not sure exactly how yet. But if there's
6 a way for staff to put a note in there to where as public
7 comment is being taken, that there's some consideration
8 for that rule, that would allow developers to maybe
9 slightly overpark their sites but still charge for
10 carports or garages, since you see so many municipalities
11 out there that are changing those requirements, just to
12 make that rule kind of fit there.

13 As far as Subchapter C goes, I think that
14 requiring Section 811 units in 4 percent bond deals might
15 really hurt the ability for folks to do bond deals. The
16 fact is a lot of those deals already need tax exemptions,
17 maybe up to \$3 million worth of soft money.

18 You add the operating costs of those Section
19 811 units, that is going to make those deals even tighter.

20 And quite frankly, you know, usually with the 4 percent
21 bond deals, you enjoy a little bit less NIMBYism than the
22 others, although that is not always the case, even with
23 the 4 percent deals, but adding that aspect to a 4 percent
24 bond deal makes it very difficult to sell to communities
25 as well.

1 On the 9 percent round, you are already kind of
2 facing that difficulty anyway. So I think it has kind of
3 absorbed in that difficulty, but not so much on a 4
4 percent bond deal.

5 And lastly, Subchapter C had something in there
6 about bond deals not being able to really be underwritten
7 for May, June, or July agendas in the Board books. I
8 appreciate -- I was just chatting with Brent about this.

9 Obviously, I know how difficult it is to get
10 all of that underwriting done. I would encourage us to
11 look back at maybe going to a third-party underwriting or
12 something like that.

13 The fact is if a developer has a 12-month
14 purchase agreement and it's closing in July because they
15 found the dirt in July, then, you know, we do everything
16 around that. So not underwriting those deals during the
17 summer because of the 9 percent round could be really
18 problematic for 4 percent bond developers. And that's it.

19 Thank you.

20 MR. OXER: Good. Any questions?

21 (No response.)

22 MR. OXER: Thanks, Jean.

23 Anybody else?

24 (No response.)

25 MR. OXER: Okay. Marni, want to sum it up?

1 MS. HOLLOWAY: Regarding the comment from the
2 Rural Rental Housing Association regarding the 60 days, i
3 would suggest that that be submitted through the public
4 comment process, but also go to commitment, rather than
5 creating a new deadline, that that could be -- that we
6 have several other measures that are required at
7 commitment, and that's something that we could absolutely
8 make that change.

9 MR. OXER: So just move that piece from that
10 deadline, move it over to the commitment deadline. Right?

11 MS. HOLLOWAY: Right. It is about the same
12 timing.

13 MR. IRVINE: It aligns pretty closely.

14 MS. HOLLOWAY: Yes. It is about the same
15 timing.

16 Regarding the undesirable neighborhood
17 characteristics and, Dr. Muñoz, your concern regarding the
18 revitalization plan, the item as drafted discusses a
19 concerted plan of revitalization already in place, or that
20 private-sector economic forces such as those referred to
21 as gentrification are already underway and indicate a
22 strongly likelihood of reasonably rapid transformation of
23 the area to a more economically vibrant area.

24 It's a little broad, but it is also on purpose,
25 because not everywhere is going to have that concerted

1 plan of revitalization, and we are trying to allow that
2 strategy that intent, whatever, and those forces to be
3 considered when we are looking at undesirable neighborhood
4 characteristics, as we did with the Harrisburg deal and
5 their blight. That's exactly what the mitigation was on
6 that one.

7 MR. OXER: So to the extent that we don't
8 specify what that revitalization specifically means, we
9 add subjectivity to this, which gives more latitude to a
10 developer, but also more responsibility to us collectively
11 as TDHCA to do a close evaluation of that, because what --
12 and my position on this all along has been housing
13 shouldn't be the first money in.

14 TDHCA doesn't want to be the first money in.
15 We don't -- I don't want to hear -- you can speak for
16 yourselves, gentlemen, but I don't want to hear, if you
17 build the housing, the rest of the economic development
18 will follow, because I have yet to see any indication that
19 that is actually the case.

20 So that is why I am looking for making sure
21 that we offer enough latitude on the revitalization aspect
22 of it, but with latitude, but with enough specificity that
23 we don't get ourselves in trouble from making it so wide
24 you can --

25 MS. HOLLOWAY: Right. Well, and part of what

1 we have done with this section is added more specifically
2 what we are looking for for mitigation, and the
3 information that we are looking for from the applicant in
4 order to reach those decisions.

5 MR. OXER: Okay. Any other questions?

6 (No response.)

7 MR. OXER: Okay. With respect to Item 5(a), we
8 had a motion by Mr. Goodwin, second by Mr. Gann to approve
9 staff recommendation on 5(a). We've done public comment.

10 Those in favor?

11 (A chorus of ayes.)

12 MR. OXER: And opposed?

13 (No response.)

14 MR. OXER: There are none. It is unanimous.

15 All right. Go for it.

16 MS. HOLLOWAY: All right. Item 5(b),
17 presentation, discussion and possible action on the
18 proposed repeal of 10 TAC Chapter 11, concerning the
19 Housing Tax Credit program Qualified Allocation Plan and
20 the proposed new 10 TAC Chapter 11, concerning the Housing
21 Tax Credit program Qualified Allocation Plan and directing
22 its publication for public comment in the Texas Register.

23

24 The Department is required by Section 42 of the
25 Internal Revenue Code, and by Texas Government Code

1 2306.67022 to develop the Qualified Allocation Plan to
2 establish the procedures and requirements relating to the
3 allocation of Competitive Housing Tax Credits. The Texas
4 Government Code further requires that the plan be -- that
5 the Board adopt a proposed Qualified Allocation Plan no
6 later than September 30.

7 This is so that we can get through our process
8 and get it to the Governor on time. Upon Board approval,
9 the proposed QAP will be posted to the Department's
10 website and published in the Texas Register. Public
11 comment will be accepted between September 23, 2016, and
12 October 14, 2016.

13 There will also be a consolidated public
14 hearing during this time to garner additional public
15 comment. The QAP will be brought before the Board in
16 November for final approval, followed by the statutorily
17 mandated submission to the Office of the Governor by
18 November 15, 2016. Upon the Governor's approval or
19 approval with modifications, which must occur no later
20 than December 1, 2016, the adopted QAP will be published
21 in the Texas Register.

22 So on -- we discussed earlier the process that
23 we have been going through with the monthly meetings and
24 lots of discussions, and that has led to a number of the
25 changes that we're making or suggesting in the QAP for

1 this year.

2 One change, though, as was statutorily
3 required -- House Bill 3535 required that in an urban
4 subregion that contains a county with a population in
5 excess of 1.7 million people, the highest scoring
6 development shall be awarded, if any, that is part of a
7 concerted revitalization effort where that municipality
8 has a population of 500,000 or more.

9 We have addressed this statutory requirement
10 under the award recommendation methodology as it is a
11 set-aside measure. It is not part of scoring.

12 So some of the changes that we are making: We
13 are of course, updating the program calendar. We are
14 adding a couple of dates that we didn't have in last year,
15 just to provide a little more clarity for everyone about
16 what is going on.

17 In the at-risk set-aside, we are adding the
18 requirement to provide an explanation regarding the
19 disposition of units that will not be relocated so that we
20 know what is happening -- if someone is relocating, what
21 is happening to the -- what they are being relocated from.

22 So we have had a number, like the RAD deals,
23 where they are moving from one location to the other.
24 What happens to the old location. Please explain that to
25 us. Let's see. And then at-risk set-aside subsection --

1 okay.

2 Tiebreaker factors. New measures have been
3 added in tiebreaker factors, using features that exceed
4 the maximum opportunity index or educational quality
5 scores, which we will discuss in just a moment.

6 The average school rating as a measure has been
7 moved ahead of poverty rate to address stakeholder
8 concerns. I would also like to add today, as a staff
9 addition, adding as number-one tiebreaker factor,
10 applications having achieved a score on proximity to the
11 urban core, which is a new scoring measure that we are
12 adding for this year.

13 Preapplication threshold criteria: We are
14 requiring disclosure of undesirable neighborhood
15 characteristics to those requirements. Under rent levels
16 to tenants, we are removing reference to the Houston
17 Supportive Housing Program, as those points have not been
18 requested by applicants in the recent past.

19 On tenant services, we are adding an additional
20 scoring item for applicants who wish to certify that they
21 will make development community space available to local
22 service providers for tenant outreach and education.

23 Under the opportunity index, this section has
24 undergone multiple changes in response to stakeholder
25 input. The threshold poverty rate has been raised to the

1 higher of 20 percent or the median for the region, so that
2 that measure is adjusted for regional conditions and it's
3 a little bit higher than it was last year.

4 A threshold option for census tracts with
5 income in the 3rd quartile was added. And then beyond
6 those threshold items, we have added a menu of factors
7 that can be added up in order to get to that full seven-
8 point opportunity-area score.

9 So it is much less prescriptive than it was in
10 the past and hopefully will allow the development
11 community a little more flexibility in finding those high-
12 opportunity areas.

13 MR. OXER: They can pick and choose of their
14 own characteristics.

15 MS. HOLLOWAY: Right. There's a whole --
16 there's like 15 different items that can -- you know, that
17 a site may select. And then if they have more than they
18 need to get to that seven, those extra ones become
19 tiebreaker.

20 Educational quality: We have renamed
21 educational excellence to educational quality. The TEA
22 scores needed to gain points have been changed to include
23 an option to use the Educational Service Center region as
24 the benchmark in order to regionalize that measurement.
25 As with opportunity index, a menu of options has been

1 added to allow more sites to reach the maximum score.

2 Staff has received a good deal of communication
3 from stakeholders regarding this item changing or removing
4 this item in the past week. It's important to note that
5 scoring values may be changed or scoring items may be
6 removed as a result of public comment.

7 Rather than take action that we have not been
8 able to fully evaluate -- where we have not been able to
9 fully evaluate the impact, staff has opted to leave this
10 item as published in the Board book, so that it can be
11 more fully considered, including the impact on other
12 scoring items as the result of public comment.

13 Staff would anticipate that there would not be
14 a change to the threshold education portion of the
15 undesirable neighborhood characteristics.

16 MR. OXER: So essentially what you are saying
17 on that particular item, irrespective of the fact that you
18 have received comments on it, we're going to keep that in
19 there and see if we get broader comments, because really
20 the public comment period starts after it is advertised.

21 MS. HOLLOWAY: Exactly. We have received a
22 good deal of comment over the last week or so, and it's
23 just -- there just hasn't been time to fully evaluate
24 those requested changes. But that is what the public
25 comment period is there for.

1 MR. OXER: Exactly.

2 MS. HOLLOWAY: Under underserved area, the
3 maximum points for this item have been increased to five.
4 And the measurements have been adjusted to more fully --
5 to more closely mirror statutory language.

6 An additional scoring item has been added for
7 census tracts fully surrounded by census tracts without a
8 tax credit allocation in the past 15 years. We are adding
9 to what was published in the book on this new item, with
10 the census tracts fully surrounded by census tracts.

11 That measure will apply only to cities of
12 500,000 or more, and it will not apply in the at-risk set-
13 aside. So it limits the ability to use that specific
14 underserved area item.

15 Tenant populations with special housing
16 needs -- and Gina mentioned this. The Section 811 project
17 Rental Assistance Demonstration program has been moved to
18 a threshold item after stakeholder input indicated that
19 this would be the preferred method to make use of the
20 program. If we need to be limiting how it is used, then
21 that is something that could be brought forward during the
22 public comment process, and we can take a look at that.

23 We are adding a new item; proximity to the
24 urban core. This new scoring item provides five points
25 for developments within four miles of city hall in the

1 five largest cities in Texas. It seeks to support
2 development in gentrifying areas in close proximity to
3 employment and other benefits.

4 Community support from state representatives:
5 This item has been modified to allow for withdrawal of a
6 letter if the Representative provides a statement that
7 factual representations made to secure their original
8 letter were inaccurate. It has also been modified to
9 allow staff to seek clarification if a letter is unclear.

10
11 Under concerted revitalization plan, an
12 additional scoring item has been added, so that sites that
13 are able to score four points on opportunity index are
14 able to gain an additional point on concerted
15 revitalization, so the potential score on revitalization
16 and opportunity is now equal.

17 The rural subsection has been modified to
18 reflect the lack of published plans in many smaller
19 communities. We are adding for today, in the urban
20 subsection, that the concerted revitalization plan item
21 applies to cities with a population of 100,000 or more.

22 Cost of development per square foot: The
23 maximum costs have been increased by 4 percent to account
24 for increased development costs since the last adjustment.

25 After our August 25 Board meeting, we met with

1 a group, and a new concept regarding cost per square foot
2 and credit allocation was put forward. It is really very
3 interesting, and it is one that we are going to take up
4 during the process for 2018. We did not have an
5 opportunity to fully develop it for this QAP.

6 But we are adding in this item -- and let me
7 read. I will read along, and then I'll tell you where we
8 are adding it.

9 The item says, "An application may qualify to
10 receive up to 12 points based on either the building costs
11 or the hard cost per square foot of the proposed
12 development voluntarily included in eligible basis."
13 That's is eligible hard cost. And then all the way
14 through the balance of that item, turning "hard cost" into
15 "eligible hard cost."

16 Preapplication participation: This section has
17 been modified to clarify the site requirements and added a
18 requirement for disclosure of undesirable neighborhood
19 characteristics in order to gain points. So I mentioned
20 that one earlier. This is where the points come in.

21 Leveraging of private, state and federal
22 resources: The proportions in this item have been
23 adjusted for the types of structures that are currently
24 prevalent.

25 Under historic preservation, we have another

1 change that we are making here at the meeting. Right at
2 the start of the historic preservation item, there are
3 limitations on scoring based on educational quality. We
4 are proposing to strike those items.

5 What we will be taking out is, "except for
6 developments that qualify for one or three points under
7 educational quality, an application that has received a
8 letter from the Texas Historical Commission determining
9 preliminary eligibility for historic/rehabilitation tax
10 credits and is proposing the use of historic
11 rehabilitation tax credits, whether federal or state
12 credits, may qualify to receive five points.

13 "Developments that qualify for one or three
14 points under educational quality that has received a
15 letter from the Texas Historical Commission determining
16 preliminary eligibility for historic rehabilitation tax
17 credits and is proposing the use of historic
18 rehabilitation tax credits, whether federal or state
19 credits, may qualify to receive three points."

20 We are taking all of that out altogether.

21 MR. OXER: Sounds like a good plan on that one.

22 MS. HOLLOWAY: Yes. And it's been confusing,
23 absolutely. But this will remain a five-point item.

24 Point adjustments: We have added an item that
25 provides for a penalty if the applicant fails to meet

1 federal commitment or expenditure requirements on loans
2 out of our direct loan program. The third-party request
3 for administrative deficiency section has been edited to
4 provide clarity around the process, based on the results
5 of the 2016 round.

6 As I mentioned, there was a last-minute flurry
7 of new comments. One of them included bringing back the
8 affordable housing needs score from six years ago. Staff
9 hasn't had an opportunity to fully evaluate that measure
10 or some of the other suggestions, in order to get them
11 into this proposal.

12 Also for 2018, as I said, we will be taking up
13 costs per square foot, absolutely, and taking another look
14 at concerted revitalization just as our starting-out
15 charges for next year.

16 Staff recommends that the Board approve the
17 proposed Qualified Allocation Plan Chapter 11 to be
18 published in the Texas Register for public comment, along
19 with making any nonsubstantive technical corrections as
20 necessary.

21 MR. OXER: So back, just like we did on 5(b)
22 [sic], you had a whole bunch of input. You spent a lot of
23 time on this. A lot -- I had the opportunity to observe
24 some of the give and take.

25 MS. HOLLOWAY: Group therapy.

1 MR. OXER: The community therapy. There's --
2 we have taken that as stakeholder input, developed
3 something that we think is going to -- and now we are
4 going to advertise this and start some really formal.
5 Nothing is baked until it is done -- I hate to say it
6 quite like this. But nothing is done until we say it is
7 done to go to the Governor, and it is not done until he
8 says it is done.

9 MS. HOLLOWAY: Exactly.

10 MR. OXER: Okay. So this is getting it into
11 the public comment to get those formal comments.

12 MS. HOLLOWAY: Yes. And the items that I have
13 mentioned as I read through that we are adding or taking
14 out will be included in the rule as it is published in the
15 Register.

16 MR. OXER: It will be evident what has been
17 taken out and what has --

18 MS. HOLLOWAY: Yes.

19 MR. OXER: Just typical, see the striking out
20 on the parts that have gone out, and the ones that we have
21 added in. Okay. Any questions from the Board?

22 (No response.)

23 MR. OXER: Okay.

24 MR. IRVINE: Comment, if I might.

25 MR. OXER: Always, Mr. ED, you always have the

1 right to comment.

2 MR. IRVINE: First of all, we really do want
3 specific, detailed, thoughtful comment about all of these
4 items. You know, I know it is committing to a horrible
5 burden to go through reasoned response to a lot of
6 comment.

7 To the extent that you can coordinate your
8 comment, you know, great, you're easing our burden. But
9 we want comment on things like distances. We want comment
10 on things like populations. You know, we want comments on
11 all of the different metrics, to get them as good as they
12 can be.

13 We also, as I said earlier, continue to receive
14 ideas. Some of them make a ton of sense. For example, to
15 my uninformed pea brain, the idea of educational quality
16 is something that really does deserve some thoughtful
17 scrutiny. You know, I think it is probably a truism that
18 higher-income areas are going to align more with higher
19 quality schools. So if you add educational quality
20 incentives, are you not just bolstering further the
21 incentive to develop in areas that are already well
22 supported by opportunity menu points.

23 Conversely, would you be diluting your policy
24 objective of supporting things like development in urban
25 cores, which might not have such educational quality

1 opportunities but would still have, you know, schools that
2 meet our threshold criteria. So we want to make sure that
3 we create a balanced QAP that creates dispersion, creates
4 housing choice, and serves all areas of our communities,
5 but specifically something that doesn't just forsake urban
6 cores. I think that is really important, at least to the
7 staff.

8 MR. OXER: Without getting too tilted on one of
9 these corners of this triangle, we have the revitalization
10 aspect of it, the higher opportunity aspect, the urban
11 core aspect. Trying to balance, so that, again, make sure
12 that dispersion, there's opportunity everywhere.

13 We will continue to be, if not bound and
14 constrained -- I am trying to do this right, Megan. If
15 we're not bound and constrained by affirmatively
16 furthering fair housing, we will at least be bound by what
17 I consider good policy and rationale in how we are
18 proposing to do these things.

19 So that balance is hard in any pair of those,
20 not to mention balancing all three of them at one time.
21 So just -- I point that out just to -- that is my
22 perspective on it, because if this was easy, we would have
23 done it several years ago.

24 MR. IRVINE: So if you are commenting on
25 educational quality, and you say, yeah, right on. Say why

1 yeah. If you are opposing it and you are saying remove
2 it, make your case.

3 And if you are saying adjust the points in this
4 manner, make your case. And I think that those are all
5 possibilities under the Administrative Procedures Act at
6 final adoption.

7 MR. OXER: With the active component of that
8 being, make your case. This is not a vote. Any
9 questions?

10 DR. MUÑOZ: Just, I mean, to just underscore
11 what the chairman and the executive director are stating.

12 I mean, I think, I just want to make it clear that this
13 is the procedure and the opportunity to introduce those
14 recommendations and substantiate them with an argument
15 related to educational quality, et cetera, and others.
16 Right?

17 And so as to advance this sort of, I think, the
18 executive director said, this is the disposition of the
19 staff. But this point of distribution and equity and
20 access to affordable housing in various communities, I
21 think it also reflects the disposition of the Board; it
22 certainly does me. And so you know, this is the apparatus
23 for communicating improvements to how we set policy to
24 achieve that dispersion of access to high-quality
25 affordable housing.

1 MS. HOLLOWAY: Just to put a little finer point
2 on it, through the public comment period, we are not going
3 to be able to add anything to the rule. So we can edit
4 what is here, we can take things out; we can't add new
5 things. New stuff will be part of the process for 2018.

6 MR. OXER: We said any modifications. And that
7 is why you request essentially the typical modifications,
8 edits. It is not a major edit so much as it is
9 proofreading or --

10 MS. HOLLOWAY: We have been proofreading.
11 Actually, Sharon has put a whole bunch of time into
12 correcting all of my misnumberings and things like that,
13 which are not -- those are nonsubstantive; they're just
14 technical matters.

15 Public comment, we can change points. We can,
16 you know, tweak language a little bit. We can take things
17 out entirely. We can't put in new ideas.

18 MR. OXER: Well, at this point in the process
19 that has been ongoing for, what, eight months now --

20 MS. HOLLOWAY: Yes.

21 MR. OXER: -- because we started basically in
22 January, trying to get this ready for this year and have
23 made a point to reach out to the stakeholder community to
24 get this done. At this point, that ship's pretty well
25 down the path.

1 And as big a -- as consequential as changes can
2 be -- because we found out before that if you make sudden
3 changes, there are implications, and if you don't take the
4 time to research that and figure out what the implications
5 are longer down the road, then we wind up having to
6 correct something that needs to correct something that
7 needs to correct something.

8 So I would rather spend the time -- so at this
9 point, we are basically coming down with, this is more or
10 less what we have got generally for the structure of the
11 QAP. We want to hear some input on that. If there are
12 any major changes, we'll have those for 2018.

13 MS. HOLLOWAY: Uh-huh.

14 DR. MUÑOZ: Hey, Marni. I mean, I should know
15 the answer. But like I get it. We can't change -- that
16 includes the points? Like, what if something were to say
17 something about you know, not to change this category,
18 this area. But to say, you know, I think eleven is too
19 many, or I think five is too few.

20 MS. HOLLOWAY: Certainly those are things that
21 we can consider through the public comment period,
22 absolutely. My only caution to that would be to be
23 considerate of the statutorily required items.

24 DR. MUÑOZ: Yes.

25 MS. HOLLOWAY: You know, the above-the-line

1 items and the below-the-line items. And we have to make
2 sure that we are continuing to follow the requirements
3 placed on us by the Legislature.

4 DR. MUÑOZ: And the little matrix that you have
5 provides the statutory code reference to sort of look at.

6 MS. HOLLOWAY: Right. And that also will be
7 updated. I think it still includes the historical
8 preservation education linkage that we are taking out.

9 MR. OXER: Questions?

10 (No response.)

11 MR. OXER: Okay. Item 5(b). Correct?

12 MS. HOLLOWAY: Uh-huh.

13 MR. OXER: Okay. With respect to Item 5(b), is
14 there a motion to consider?

15 DR. MUÑOZ: So moved.

16 MR. OXER: Okay. Motion, Dr. Muñoz to approve
17 staff recommendation on Item 5(b).

18 MR. ECCLES: And that includes just to tack on
19 the changes that have been orally announced here.

20 MR. OXER: As presented and modified. Good
21 point there, Counselor.

22 Do I hear a second?

23 MR. GANN: Second.

24 MR. OXER: Second by Mr. Gann.

25 Bobby, you are up.

1 MR. BOWLING: Okay. Good morning, Chair and
2 members of the Board.

3 DR. MUÑOZ: Please state your name for the
4 record, sir.

5 MR. BOWLING: Just about to get to that.

6 DR. MUÑOZ: Get right to it.

7 MR. BOWLING: You have been here for a long
8 time; I know you have.

9 I am Bobby Bowling. I am from El Paso. I am
10 currently serving as the President of TAAHP. I am also
11 commenting to you -- I am providing you comments as
12 president of TAAHP and also as president of my company,
13 Tropicana Building.

14 There may come a time during this process that
15 I wear two hats and I present to you as TAAHP and then
16 later as president of my company. But right now, I am
17 presenting to you comments of both.

18 Is that adequate, Dr. Muñoz?

19 DR. MUÑOZ: Yes. Thank you.

20 MR. BOWLING: We very much appreciate the
21 efforts of staff to take feedback from all interested
22 parties from the beginning of this calendar year, as you
23 mentioned, Mr. Chairman. The roundtables have been great.

24 Every seat has been filled, almost every session,
25 especially lately, towards the end.

1 The industry is seeing a problem with limited
2 sites that score. And we have talked about this ad
3 nauseam throughout the process. The Urban Affairs interim
4 committee, we have talked about that.

5 And the problem is that developers have been
6 chasing -- under last year's QAP and the court order and
7 some of the previous QAPs, we've been chasing the same
8 sites for score.

9 And what that has created is some artificial
10 demand out there and some artificial inflate of land
11 prices, which isn't good for the program, and it's not a
12 good utilization of Texas's limited resources.

13 We do see the high opportunity -- as the
14 executive director stated earlier, the high-opportunity
15 area and educational-excellence points as a sort of
16 double-dipping. He very astutely pointed out the problems
17 with having both of those point items. And for certain
18 sites they generally are going to get both of those
19 points.

20 So that is what has led to some of this site
21 chasing and some of these limited sites around the state
22 that we are all chasing and trying to score max points
23 with. We do see a problem with urban population areas
24 getting squeezed out, and a disproportionate amount of
25 deals getting awarded outside of larger cities and larger

1 population areas.

2 We appreciate staff's efforts to rectify this
3 with this draft QAP. We did discuss and we brought
4 forward the idea of reinserting the housing needs score,
5 but we do understand that it is very late in the game and
6 that probably another round of input and discussion and
7 consideration needs to occur. Maybe we can look at that
8 for 2018.

9 While we also see -- based on my comments about
10 HOA and educational excellence, we are also pushing for
11 the elimination of the educational-excellence points. We
12 think that it does not provide a level playing field for
13 broad dispersion throughout the state with that point item
14 in there.

15 While we see the new urban core points also as
16 a novel idea, that needs some more work and feedback. We
17 will be providing comment and feedback during the public
18 comment period on that.

19 And we also appreciate the idea of underserved
20 area points, but we have a lot of fear about that item and
21 having it lead to some unintended consequences. Texas is
22 a huge state, with vast areas of open land. And some of
23 those open lands are not very populated. So for instance,
24 in that arena, you may get these underserved area points
25 because a deal has never been there, but it may be in a

1 county that's 5,000 square miles with 3,500 people in it.

2 MR. OXER: It sounds like Rhode Island.

3 MR. BOWLING: It is really Connecticut, I
4 think.

5 But that is basically our comments. We look
6 forward to providing a plethora of comment during the
7 public comment period and feedback.

8 Again, we very much appreciate staff's
9 willingness to meet with the entire industry -- and not
10 just our industry; any stakeholder was invited to this --
11 advocates, tenant groups -- and it was a good process.
12 And we appreciate your executive director's and your
13 chairman's leadership on that. He attended a few of the
14 roundtables as well.

15 MR. OXER: Thank you for that, Bobby.

16 We are happy to accept public comment. I would
17 offer up that we are about to issue the QAP for public
18 comment -- issue the draft for public comment.

19 So anything you are going to say today, you are
20 going to have to say again; we would like you say it again
21 for the draft that is coming up, put it into the record.
22 So if there's anything that any of you have to say that is
23 going to be the same as the one that said it before, just
24 say ditto, thanks, we're all over it, and then make your
25 actual written comments on the draft when it's published.

1 Thanks, Bobby. We will always take your comments, but
2 you know, at some point, staff gives us a pretty good
3 rundown on what the public comments are.

4 MR. ECCLES: I will say that from the semantic
5 standpoint, we have been trying to refer to the
6 prepublished proposed rules as public input versus public
7 comment. And we are about to enter the public comment
8 section of the rulemaking process.

9 MR. OXER: Okay.

10 Go, Sarah.

11 MS. ANDERSON: All right. Sarah Anderson, as
12 Anderson Consulting. Ditto, thank you, we're are all over
13 it, I think is what you said we should say, so I agree
14 with that.

15 The only comments I am going to make are
16 because I am not sure whether or not they have to be made
17 now or if they are going to fall under -- they are within
18 an adjustment during public comment period.

19 And the first one had to do with urban core.
20 And right now I think it is an interesting concept. And I
21 would probably -- now it only goes to five cities, and I
22 would probably say that there are other cities that would
23 benefit from that.

24 MR. OXER: You understand we are testing this.

25 MS. ANDERSON: Exactly. I think it is an

1 interesting idea. My one question is, right now --

2 MR. OXER: Yes. And the urban core for
3 Muleshoe is a little different from that of Houston.

4 MS. ANDERSON: Exactly. Well, you know, like
5 in this case, El Paso has a definitive urban core area but
6 wouldn't qualify, as would, I think, Fort Worth. I mean,
7 there are some others that don't fit in.

8 But really my question on that one is, right
9 now, you have the at-risk set-aside that is a statewide
10 competition, and we have this scoring item for urban core
11 which only goes to five cities.

12 And my question is whether or not, if I make
13 the comment now, we would like to see the urban core
14 exempted from a scoring item for at-risk, because it
15 doesn't seem to make a lot of sense to have a statewide
16 competition where only five cities can win. So I don't
17 know if I need to say that now or if it can be added --
18 that exemption can be added later.

19 The other had to do with --

20 MR. OXER: Well, now you have said it.

21 MS. ANDERSON: I've said it, so it's out there.

22 And so you can make the decision as to whether or not it
23 has to be in the draft or not, or if that can be taken
24 later.

25 The other has to do with 811. And again, right

1 now, it's a threshold. And whether or not it would be
2 within a change that could be made, we would prefer to see
3 it as a scoring item rather than threshold.

4 And is that something that has to be in both
5 and one removed, or can it be moved from threshold to
6 scoring within reasonable change for the QAP?

7 And then the third item --

8 MR. OXER: I guess the question is then does
9 that constitute --

10 MS. HOLLOWAY: I'm sorry. I wasn't able to --
11 I'm sorry, sir.

12 MS. ANDERSON: Yes. I don't know if it
13 constitutes more of a change than can happen, which would
14 be changing the 811 from threshold from scoring.

15 MS. HOLLOWAY: That would be a big change.

16 MR. OXER: That is substantive, is it not?

17 MR. IRVINE: It would need to be in there both
18 places if we were going to consider the possibility of
19 it --

20 MS. ANDERSON: Right. And so that would be my
21 request, is that it be in both places.

22 MR. OXER: To give us the option.

23 MS. ANDERSON: To give the option of pulling
24 one or the other, to make the determination of whether or
25 not 811 should be threshold for every single deal,

1 including bond deals, or whether it should be a scoring
2 item. So I would like to request that.

3 MR. OXER: You can adjust that in a minute.

4 MS. HOLLOWAY: Okay.

5 MS. ANDERSON: I would like to request that
6 that be put in both sections so that that discussion can
7 happen.

8 And then just a general thank you to Dr. Muñoz
9 for the discussion on the revitalization. I think that we
10 have seen there's revitalization plans. They exist; it's
11 happening. I do have a little concern that there's been
12 some additional language of -- that we are now saying has
13 to be in these plans. And the more times we say this has
14 to be in a plan -- we change it every year. The plan that
15 worked last year now doesn't have this one line now
16 doesn't work.

17 And I just would like -- I would love us to
18 look at taking away some of the prescribed language and
19 stick more with the theoretical look. And I know it turns
20 it into you know, sort of like is pornography -- we'll
21 know it when we see it. But unfortunately that's what --

22 MR. OXER: You say.

23 MS. ANDERSON: I know. That is kind of what
24 these revitalization plans are.

25 MR. OXER: And we thought of them as

1 pornographic occasionally too. But that is all right.

2 MS. ANDERSON: Oh, bad pun.

3 MR. OXER: Bad pun. Go ahead.

4 MS. ANDERSON: Lastly, for the third-party
5 administrative deficiencies, I appreciate the clarity,
6 that when we go through this, it is not going to come to
7 the Board, that the decision made at staff is the
8 decision.

9 I think that that was very confusing last year.

10 I would say that there has been language added that I
11 would like some clarity on at some point. It seems to
12 imply that if staff makes a mistake in the review of an
13 application, that that is not something that can be
14 brought forward.

15 So staff can -- everyone can make mistakes.
16 Staff can make mistakes. But it seems like we should be
17 able to point out that a staff mistake missed something
18 and should be able to point it out and have it
19 re-reviewed.

20 I am not sure if that is what the change means.

21 But if you read it literally, that is what it says. So
22 just a thought. We would like everything to be on the
23 table to be reviewed in the third-party administrative
24 review. And that's it.

25 MR. OXER: I think that is a fair request.

1 Marni's taking notes.

2 So Robbye.

3 MS. ANDERSON: Okay. Thank you.

4 MS. MEYER: Just two quick comments. One, I
5 kind of ditto sort of what Sarah is saying. One concern
6 is --

7 MR. IRVINE: Who are you?

8 MS. MEYER: Robbye Meyer. Sorry. You all were
9 used to seeing me.

10 MR. OXER: The ones that are listening out
11 there don't know. We know who you are.

12 MS. MEYER: Not that I like being up here. But
13 the concern of putting things in the QAP and then taking
14 them out, or putting them in rules and then taking them
15 out during the public comment period.

16 Some of the things that we have in there and
17 you are considering taking them back out, one in
18 consideration is the educational excellence. That's huge.
19 That's not just a minor thing that you are considering
20 possibly taking out.

21 We wouldn't even be able to consider sites at
22 this point. And until you make an actual decision in
23 November, we're all going to be sitting here waiting to
24 see whether you are going to take that out or not.

25 That opens up the entire state of Texas if you

1 take that out. Not that I am not for it. I'm all for it,
2 if we take it out. But that is something that needs to be
3 in the draft, and we need to know.

4 You can't walk out of this room today not
5 knowing whether that is a really true possibility, because
6 like I said, it opens up the whole state of Texas if that
7 actually comes out. That is a significant change, just to
8 put that on the table.

9 One other thing. We have talked about urban
10 core. We have talked about a lot of things that are
11 happening in the big cities, and I am all for that. We do
12 urban development as well.

13 But we also have 33 million in allocation that
14 go to a lot of other places in the state, so please
15 consider the other places that we do have allocation in
16 the state of Texas. We have a lot of allocation in other
17 places.

18 MR. OXER: Good. Thanks.

19 Tracy.

20 MS. FINE: Tracy Fine, National Church
21 Residences. And I am here to talk about tenant services,
22 and also talk a little bit of education from our
23 perspective.

24 So National Church Residences is the largest
25 nonprofit provider of affordable senior housing in the

1 entire country.

2 Seniors living in affordable housing are more
3 likely to have multiple chronic health conditions due to a
4 lifetime of living in poor economic conditions with less
5 access to health care and healthy living choices.

6 Sixty-eight percent of our seniors living in
7 affordable housing are dual eligible for both Medicaid and
8 Medicare. This is five times more likely than their peer
9 seniors their age.

10 This makes seniors in our tax credit properties
11 a really expensive population to house. Service
12 coordinators in senior affordable housing are now proven
13 to reduce health care spending with reducing
14 hospitalizations by 18 percent, along with moveouts to
15 higher care living, which cost the State of Texas \$150 a
16 day or \$55,000 a year, not to mention the incredible
17 improvement in the quality of life by helping a senior
18 safely age in place.

19 Service coordinators bridge everything from hot
20 meal delivery, home health based services, health
21 education, transportation, insurance and doctor
22 navigation, health care system navigation and social
23 activities. They watch over your loved ones when you
24 cannot be there.

25 I really appreciate TDHCA's effort to have

1 points associated for developments contacting local
2 service providers to deliver services. However, to be
3 effective, these points should be combined with a
4 dedicated service coordinator. Service coordinators
5 understand what residents need, so they can coordinate
6 what providers and tailor the services appropriately to
7 the needs of the residents.

8 In our communities we proactively survey every
9 willing resident to understand their difficulties with
10 everyday living, chronic health conditions, mental health,
11 insurance coverage, just to name a few. We then identify
12 what services are needed on an individual level and a
13 common level of our building. We then work with
14 appropriate service providers based on those specific
15 needs. We are also able to identify and focus on
16 residents that are the most fragile and vulnerable, making
17 sure that we are able to keep them home for life.

18 Prioritizing service coordinators is a national
19 movement due to the mounting evidence that it is linked
20 with substantial health care savings. It's beginning to
21 attract housing capital from nontraditional sources, such
22 as managed health care organizations and insurance
23 companies.

24 I'm asking you to incentivize service
25 coordination under tenant services; reward projects that

1 go beyond bricks and sticks that are truly providing
2 meaningful services.

3 With this small change we can make the tax
4 credit resource more impactful. We can be better tools to
5 keep aging Texas home for life. We can continue to
6 provide evidence that this model reduces health care
7 spending, which further attracts new funding sources from
8 the health care industry.

9 Service coordinators make the greatest impacts
10 on the quality of life and most effectively use the tax
11 credit resource. With Medicaid making up more than a
12 quarter of the Texas budget and seniors eating up most of
13 that, I know the Texas Medicaid budget will also be
14 thankful. I appreciate your time.

15 MR. OXER: Okay. Thanks, Tracy.

16 Ginger.

17 MS. MCGUIRE: Ginger McGuire, speaking on
18 behalf of Rural Rental Housing Association. I have
19 several comments about the QAP.

20 The first one is the tiebreaker. We request
21 that the Department drop number three entirely on the
22 tiebreaker, regarding the achievement of maximum
23 educational quality score and the highest number of points
24 on each educational quality -- on the educational quality
25 menu they were unable to claim because of the cap.

1 We would like to see that dropped and just move
2 the next one up to number three. We feel that the
3 weighting of the three schools would achieve the same
4 thing that the staff is trying to achieve there and would
5 not penalize some of the folks in areas that don't score
6 high in the educational quality.

7 We are still -- and I am speaking on behalf of
8 the preservation folks, so in trying to achieve your
9 balance, that's my platform here.

10 We are still finding that the donut-hole
11 problem exists in this QAP. And that is an area in a
12 rural town where there's an inner city that is a fourth
13 quartile, very liveable, very desirable, charming, but
14 it's the areas around the city that have the first and
15 second quartiles, and that's the ranch areas.

16 This does not deal with the fourth quartile
17 core city of urban areas, and so that still persists, and
18 towns such as Marble Falls and San Saba are examples of
19 that. Very liveable but it is the core.

20 We hope that the staff will remain open during
21 the comment period to changes to the threshold criteria.
22 It is so linked in this QAP that -- and our membership has
23 not had a chance to go out and see if this new threshold
24 works for them. We will do that. We will be commenting.

25 We just hope the staff will remain open to those

1 comments.

2 The additional points in part D of the
3 opportunity index: several comments there. The distances
4 in some instances are more reflective of urban or suburban
5 areas. We'd like to see many of these distances stretched
6 out, particularly where there's the one mile.

7 One mile in a rural area is nothing, really.
8 Rural residents are willing to drive longer distances and
9 it really doesn't affect the livability or the high
10 opportunity quality of the rural areas.

11 Specifically, we'd like to see longer distance
12 of more than a mile on recreational facilities and parks
13 and community service organizations. We believe three
14 miles to be more realistic for rural Texas, and we would
15 like to recommend that as a substitute.

16 Another one: The development site is located
17 within five miles of a retail shopping center with XX
18 square feet of stores. May I continue?

19 MR. OXER: Please.

20 MS. McGUIRE: Okay. XX square feet.

21 MR. OXER: Just wrap it up, okay.

22 MS. McGUIRE: Stores. The number needs to be
23 very small or taken out entirely. It really, again,
24 misses the charm of some of these small Texas towns that
25 have the specialty shops around the plaza. So we ask

1 that.

2 Development site is within two miles of a
3 government-sponsored museum, in a rural area. Can we add
4 privately owned or nonprofit owned to that as well? Some
5 of those are actually the free museums that you can go and
6 visit.

7 The average number of people in rural Texas age
8 25 plus with an associate's degree. The draft is asking
9 that there be 27 percent who have achieved this
10 educational level of an associate's degree.

11 Rural Texas has --

12 MR. OXER: This is pretty detailed comment.
13 Wouldn't it do better -- wouldn't we all be better served
14 for you to put this in some written comment to put into
15 the -- to give to the staff on the --

16 MS. McGUIRE: Okay.

17 MR. OXER: I mean, we appreciate that you have
18 taken the time and gone to the effort to make these
19 comments and put them down, but we all would be better
20 off, I think --

21 MS. McGUIRE: Okay.

22 MR. OXER: -- by quantifying those and putting
23 them on the record -- they're on the record now, of
24 course.

25 MR. IRVINE: Removing things is something that

1 can be handled in comment. But if you have things that
2 you want to add, that's something that has to occur here.

3 MR. OXER: Yes. We need to do that; the add-
4 ons have to occur today. If you want to take something
5 out, that can occur during the full comment period.

6
7 MS. McGUIRE: Okay. The rest of the things
8 that I have are changes like the size of the units being
9 90 percent. We don't -- okay. The rest of them we can
10 add to -- I'll put in written comment, and thank you for
11 listening. I appreciate it.

12 MR. OXER: You know, we want to make sure that
13 you have the opportunity to have those comments
14 specifically made for the QAP. But I am just saying, for
15 purposes of the comment we are asking for now, it makes
16 more sense to get those things that we want to add to it,
17 as opposed to modifying it.

18 MS. McGUIRE: Okay. And I know how hard it
19 is --

20 MR. OXER: Is that right, Counselor?

21 MS. McGUIRE: -- to change the QAP once the
22 draft has been published, and so that is why I was making
23 some of these comments today, hoping that we could get
24 them into the draft that is published.

25 MR. OXER: Okay. These are additions.

1 MS. MCGUIRE: Okay. We have some comments on
2 the revitalization plan. USDA properties, just they are
3 more than likely not going to be demolished and moved.
4 It's very hard -- there need to be waivers,
5 justifications, proof, and time consumption is an issue
6 there. So just in the interest of preservation in the
7 USDA set-aside, we will have more comments there.

8 MR. OXER: Okay. We appreciate those.

9 MS. MCGUIRE: Okay. Thank you.

10 MR. OXER: All right. Thanks.

11 MS. LINDSEY: Chairman and Board members, thank
12 you. Emily Lindsey with Hamilton Valley Management. Also
13 in addition with Ginger to represent kind of the USDA
14 rural rental housing group. Thank you for your time
15 today.

16 I just wanted to speak briefly in regards to
17 the high opportunity and the "donut hole" that Ginger was
18 just previously mentioning. There has been some
19 implication put back into the proposed draft QAP this year
20 to have a threshold of high opportunity that applies to
21 both urban and rural, where you have to meet a poverty
22 rating as well as some quartile ratings.

23 And being one of the largest affordable housing
24 developers in Texas and primarily with USDA properties, we
25 feel like we have spoken at length with other developers

1 about this and just have some feelings that maybe the
2 essence of what was intended with these ranking of the
3 quartiles had kind of a maybe unforeseen adverse effect on
4 rural areas.

5 Inside an urban area, if you look at a quartile
6 map as it is drawn and divided by census tracts and then
7 ranked by one, two, three and four, you can obviously
8 differentiate highly populated areas that some may be more
9 higher income and those that are less. But when you look
10 at a map of an urban area -- I'm sorry -- a rural area, in
11 a rural county, at a census tract map, those census tract
12 lines are drawn pretty much right around the towns.

13 And so what has happened is that these
14 quartiles as they are ranked one, two, three and four, are
15 almost directly correlated to the populations in those
16 counties, so that your highest populated areas are the
17 third and fourth quartiles, and the first and second
18 quartiles are the least populated areas, to where you are
19 literally the difference between a fourth quartile and a
20 first quartile is town and the sticks and the bushes where
21 you have nothing but ranch owners and home owners to drive
22 up the income in those census tracts.

23 And so what we are seeing is this donut hole
24 issue, to where the most ideal place to place a tax credit
25 development in a rural community is in this town where it

1 is in close proximity to amenities, but at the exact same
2 time, it is in the fourth quartile for that county.

3 And you know, we understand with high
4 opportunity as it pertains now to revitalization, it is
5 tied into revitalization in order to meet the majority of
6 the points for revitalization. You also have to pass a
7 threshold for higher opportunity, which is meeting either
8 the first, second or third quartile, and also the poverty
9 rating, and so it is also being present in the
10 tiebreakers.

11 This has a huge impact on all of the
12 applications, as they score, whether they are in a
13 quartile or a poverty rating, and so our request is that
14 that not be applied to rural areas; that it either be
15 urban or that the opportunity threshold be opened up to
16 include fourth quartiles and the poverty restraint for
17 rural areas also be raised, because the same is true of
18 poverty areas.

19 When these census tracts are divided within a
20 county by poverty rating, your highest populated areas are
21 going to be the highest poverty rating, so just as she
22 was -- Ginger was referencing -- you know, towns like San
23 Saba and Marble Falls, the most ideal place in that county
24 to put that development inadvertently is the highest
25 poverty and the lowest quartile. And so that is just

1 something that we would like for you all to consider.

2 MR. OXER: Okay. Thanks, Emily.

3 Donna.

4 MS. LATSHA: Thank you. My friends are being
5 nice, and letting me go, so I will be really quick. Jean
6 Latsha, stakeholder in the program.

7 So this is an addition that I would like to
8 suggest. It was suggested last year; it actually made it
9 into the draft last year and then got taken out. It
10 reminds me a lot of what happened a couple of years ago
11 with the 811 program, where it got put in the draft,
12 everybody got really excited about it; it got taken out
13 and revisited for a year, and then got put back in.
14 Right?

15 And that is the consideration of the previous
16 participation score of the applicants, whether it be as
17 its own scoring item or as a tiebreaker. I would suggest
18 it should be the first tiebreaker at the very least.

19 The previous-participation rule has still been
20 out there for a year, and as far as I know, nobody has
21 raised huge, huge complaints about it, and so I think it
22 is something that should be revisited again.

23 The compliance record of the applicants, I
24 think, is paramount to this program. That is exactly why
25 you sometimes see guys trying to sell GP interest after a

1 thing has been built for all of a year. It's because that
2 guy was not qualified to be building that and managing
3 that development in the first place.

4 If you ask any lender, the sponsor is as
5 important as the location of the development, probably
6 more so. So I would suggest that it get thrown back into
7 the draft so it can be commented on again and hopefully
8 stay in. Thank you.

9 MR. OXER: All right. Thanks, Jean.

10 Donna -- Janine, do you go first? What is the
11 story between you two? Are you abdicating your position
12 or what?

13 MS. RICKENBACKER: They wanted to go first. I
14 apologize. I was giving them --

15 FEMALE VOICE: She had a meeting.

16 MR. OXER: Okay.

17 MS. RICKENBACKER: Donna Rickenbacker with
18 Marque. I want to echo a couple of comments that were
19 made earlier by Sara with respect to the third-party
20 administrative deficiency process, and incorporating some
21 language in there that allows a third party the
22 opportunity to question the evaluation of another
23 application.

24 MR. OXER: Go ahead, because I think, you know,
25 challenging a third party is --

1 MR. ECCLES: There is a statutory prohibition.

2 MS. RICKENBACKER: No. This is -- I'm sorry.

3 What are you referring to? I am talking about the
4 provision that they have got in a third-party
5 administrative deficiency that they added -- that staff
6 added. Excuse me.

7 MR. ECCLES: Well, and what is it that you are
8 seeking to add to the language?

9 MS. RICKENBACKER: To allow a third party to
10 challenge staff's review of an application.

11 MR. ECCLES: Of someone else's application?

12 MS. RICKENBACKER: Someone else's application.

13 Yes, sir.

14 MR. ECCLES: A competing application.

15 MS. RICKENBACKER: A competing application.

16 Yes. That's been removed from the third-party
17 administrative deficiency process.

18 MR. ECCLES: But doesn't that run perilously
19 close to seeking to appeal somebody -- a competing
20 applicant's application?

21 MS. RICKENBACKER: No. Why would we be
22 appealing it?

23 MR. ECCLES: Okay. We're not seeing eye to eye
24 on that thought.

25 MS. RICKENBACKER: So I am not sure I follow

1 the appeal question.

2 MR. OXER: We're not sure what you are trying
3 to do.

4 MS. RICKENBACKER: So within the third party --

5 MR. OXER: You are looking at this as a
6 challenge.

7 MS. RICKENBACKER: As a challenge to a third-
8 party application, somebody else's application, with
9 respect to staff's evaluation of that application.

10 MR. OXER: Comment.

11 MS. RICKENBACKER: Okay. So that which was
12 made earlier by Sara Anderson. And then also I wanted to
13 suggest that with respect to the proximity of urban core,
14 right now -- and I haven't had an opportunity to digest a
15 lot of the changes that staff is suggesting be made to the
16 staff drafts that were published or that we received on
17 Friday.

18 But right now what I am not seeing is that
19 there are any ways to differentiate and deconcentrate
20 housing in the same year to prevent situations like Alton,
21 Edinburg, Georgetown, Whitehouse, where you have got, in
22 the same year, units -- a lot of units being concentrated
23 into certain areas.

24 Obviously these are happening in counties that
25 are less than a million in population, because right now

1 statutorily there is a restriction of the same-year, two-
2 mile rule that would impact developments that are located
3 in counties of a million or more.

4 So my suggestion is, with respect to proximity
5 of urban core, perhaps we can open that up and allow to be
6 utilized in all urban areas, with perhaps certain
7 population limitations on that, and that those urban core
8 points be only eligible to those -- one deal within each
9 of those urban areas.

10 My suggestion is being made so that we can try
11 to figure out ways to deconcentrate the housing and
12 disperse those units across larger portions of the region.

13 So that is my suggestion. That's it.

14 MR. OXER: Okay. Noted. Thank you.

15 MS. RICKENBACKER: Thank you.

16 MR. OXER: Janine.

17 MS. SISAK: Hi. Good afternoon, or good
18 morning. My name is Janine Sisak. I'm here today in my
19 role as the committee chair of the QAP committee for
20 TAAHP, and I'll be really brief.

21 Thanks to staff for the extra process this
22 year. It was painful at times, but I think if we look at
23 the draft --

24 MR. OXER: At times?

25 MS. SISAK: At times. But if we look at this

1 draft compared to last year's draft, I think we have made
2 a lot of progress in the right direction, and I'm really
3 actually quite pleased with the draft that we are looking
4 at today.

5 You know, as Bobby mentioned, we definitely
6 will look closely at educational excellence as we go
7 through the comment period. We would love to see that
8 reduced significantly or, really quite frankly, be
9 removed. Now is the time to do it, after recent events in
10 the last couple of weeks. So we feel like the discussion
11 there will be fruitful and will result in good policy for
12 the state.

13 I do want to -- because there has been a lot of
14 discussion today about CRP, and there have been certain
15 comments from staff, that it's something that we will look
16 at for next year, I think the draft language as posted
17 provides enough for us to work on it this year.

18 I will be making specific changes to the draft
19 that's out for publication, and I think we can get there
20 this year, in getting away from this plan concept and
21 getting more towards, you know, cities having the ability
22 to say this area -- while we don't have a formal plan,
23 this area is an area that we have targeted for
24 revitalization, and there's already public and private
25 investment there.

1 So I'd really like to work on that going
2 forward. I really don't want it to be a next-year issue.
3 I think that is something that we can solve in part this
4 year.

5 And then finally, you know, more for the rest
6 of the stakeholders in the room, as the TAAHP QAP
7 committee moves forward, we are going to kind of look at
8 the balancing of the score Dr. Muñoz mentioned. You know,
9 do we have the ability to change point categories? And
10 there are some new ones in here, in particular, urban core
11 and that one being the tiebreaker.

12 And, you know, just I think, everybody
13 understands that, you know, if education excellence goes
14 away, there's some recalibration that needs to happen.
15 And I have been really focused on that as the committee
16 chair and have just, you know, a whole bunch of sites that
17 I am constantly testing the QAP on. And I will continue
18 to do that so we have a balanced QAP.

19 I think that is the goal, is not to favor or
20 bend over suburban projects or urban over rural, but to
21 have good dispersion and a good balance in terms of the
22 program.

23 Thank you for your time and your service.

24 MR. OXER: Thank you.

25 DR. MUÑOZ: Hey, Marni.

1 MR. OXER: Sorry, Janine.

2 Do you have a question for Marni?

3 DR. MUÑOZ: Yes. Just, I mean, you probably
4 don't even have to get up; you can answer with a head nod.
5 I mean, I have heard this topic of elimination of the
6 educational equity sort of category of points, like quite
7 a few times now.

8 MS. HOLLOWAY: Uh-huh.

9 DR. MUÑOZ: Has that been floated? I mean,
10 because --

11 MS. HOLLOWAY: It has been within the -- well,
12 throughout the course of the meetings.

13 DR. MUÑOZ: Like here. Here.

14 MS. HOLLOWAY: Here, no.

15 DR. MUÑOZ: Okay.

16 MS. HOLLOWAY: Throughout the course of our
17 meetings, that has been sort of a theme with the
18 stakeholders, that they don't like that scoring item and
19 the double-dipping part of it.

20 DR. MUÑOZ: Yeah. I get the double-dipping
21 part, but the --

22 MS. HOLLOWAY: This recent really amping up --

23 DR. MUÑOZ: Because enough people have
24 mentioned it accidentally to make the point.

25 MS. HOLLOWAY: Yes. This recent -- there has

1 recently been quite a bit of amping up of let's just take
2 it out entirely.

3 DR. MUÑOZ: Yes.

4 MS. HOLLOWAY: I am not prepared as --

5 DR. MUÑOZ: Yes. You don't even have to --
6 yeah. I am asking because it doesn't strike a chord.

7 MS. HOLLOWAY: Yes. It is not something that I
8 have discussed with you, or I have brought back or
9 reported on.

10 DR. MUÑOZ: Maybe it is just a string that is
11 trying to be pulled. Thank you.

12 MR. OXER: We'll eventually get to you. Okay.
13 Let all the ladies go first, but we are going to get to
14 you eventually. Okay.

15 MS. MYRICK: Thank you. Good afternoon.

16 MR. OXER: It is indeed.

17 MS. MYRICK: My name is Lora Myrick. Yes. So
18 I would like to say ditto to Ginger McGuire's comments on
19 rural communities and if possible, would like to see if we
20 can maybe incorporate some of those distances that she was
21 talking about.

22 In the rural community, it is hard to do one
23 and two, so if we could maybe do the three -- if we could
24 change the distances to three in the draft, that would be
25 great. We would greatly appreciate that.

1 MR. OXER: Great.

2 MS. MYRICK: Thank you very much.

3 MR. OXER: Thanks.

4 Joy. The gentlemen are going to be courteous
5 today.

6 MS. HORAK-BROWN: Joy Horak-Brown, president
7 and CEO of New Hope Housing.

8 There's one concept I would encourage us to put
9 in the draft today, so that it is at least open for
10 comment. And as other things begin to move and shake, it
11 is my position that we would be happy that we at least had
12 the opportunity to discuss it.

13 And that would be housing needs score. I
14 believe the last time it was in a QAP was 2011. It came
15 out immediately thereafter. I know that staff thinks, and
16 no doubt they are right, that it would need to be
17 recalibrated; that the way it was calculated which was
18 complex would not work in today's environment.

19 But as things begin to move and we look to have
20 dispersion appropriately across the state, I believe it
21 could be a useful tool. And I am speaking particularly to
22 the experience in Houston this year.

23 There is one, precisely one 9 percent tax
24 credit deal in the fifth largest city in the United
25 States. And I think that is wrong, and I think it was

1 inadvertent. So I am looking to have tools in the QAP
2 that can help us all achieve a better result next year.
3 Thank you.

4 MR. OXER: Okay. Thanks, Joy.

5 MR. IRVINE: May I speak to the concept of the
6 score issue? I do think that a housing needs score is a
7 useful tool, and we will work on developing that concept.

8 The problem is a logistical problem. Under the
9 Administrative Procedures Act, the public has to know what
10 exactly we are proposing to put in place and impose upon
11 you as a legal requirement.

12 And that would mean that we would have to
13 develop between now and when we get this thing submitted
14 to the Register a concept that was not discussed in this
15 meeting, was not discussed by the Board and frankly is not
16 even fully understood by staff. And we simply just can't
17 accomplish it in this time frame, but it is a great
18 objective for the future.

19 MR. OXER: And the point is, to amplify Tim's
20 comment, Joy, that's a good comment. We need to start
21 working on that. We are under some time constraints here.

22 Nice to have that. We will start working, and then it
23 will get into the mix.

24 There's a certain amount of momentum that this
25 process has that I think we are all aware of. But

1 tragically you can't take this battleship and turn it on a
2 dime, here. We have got to make some time for it to come
3 around.

4 So an important point that you make; we will
5 take it into consideration. It will be eventually a part
6 of the -- when we work it all out and see how it fits in
7 the program, it will be in there later.

8 MS. HORAK-BROWN: Thank you.

9 MR. OXER: Yes. Okay. Gentlemen. Coin toss?
10 We have got to take one of you here.

11 MR. SEGES: Good afternoon. I am Richard
12 Seges. I am the Chief Real Estate Officer for the Housing
13 Authority of the City of El Paso. This is my first chance
14 to address you. I will try to make a good impression --

15 MR. OXER: Welcome aboard. The spot is just
16 back of that. So stand right -- you are on the spot.
17 There you go.

18 MR. SEGES: I will try to make a good
19 impression by being very brief the first time up here.

20 We will comment broadly on this. We appreciate
21 the staff's time and all of your efforts on bringing this
22 forward. The urban core issues we think are particularly
23 interesting.

24 For cities that have issues with balancing
25 development across all of their geography and for

1 populations who may benefit from being in core areas by
2 preferences or by services available, we think it has
3 excellent potential for addressing those needs.

4 Of course, having it apply to only five cities,
5 as coming from one that falls out of that group, we would
6 meet the population requirement for the city in El Paso;
7 we don't meet the county requirement.

8 And as a city of the size we are, we have the
9 exact same urban core issues that the larger cities would
10 have, and we think a more broad -- that if this is a good
11 idea, that a more broad application of it would benefit
12 both the city and the populations that we serve.

13 MR. OXER: Good.

14 MR. SEGES: Thank you.

15 MR. OXER: Thanks, Richard. Okay. So just as
16 a quick review here, Marni, the cities that this applies
17 to -- and everybody don't forget to sign in. It's
18 Houston, Dallas, Austin, San Antonio --

19 MS. HOLLOWAY: Fort Worth.

20 MR. OXER: Fort Worth. Okay. DFW, I thought
21 as one. Okay. Fort Worth. Fair enough. Of course, they
22 would smack me for that, for thinking -- Tim. You are
23 back.

24 MR. ALCOTT: You haven't seen me in a while.
25 Two weeks.

1 MR. OXER: Yes. It's been a whole two weeks.

2 MR. ALCOTT: So Tim Alcott, San Antonio Housing
3 Authority. I want to get on the bandwagon to talk about
4 educational excellence.

5 I heard about it, about possibly pulling it. I
6 would be for pulling it too. I wasn't going to make that
7 comment, but I heard all of the other comments. I thought
8 it was a great idea.

9 I also wanted to say -- and I attended every
10 meeting over the last year or I maybe missed one but hit
11 most of them. Staff did a great job.

12 I know a lot about San Antonio but not a lot
13 about the other cities. You all see it from 30,000 foot;
14 I see it at about three feet and how it's impacting on my
15 development.

16 What I did hear was that Houston, Dallas, and
17 Austin, and I can talk about San Antonio, a lot of the
18 inner city developments couldn't score well. And so I
19 applaud the points that go to the urban core. I think
20 that will really help. It will certainly help San
21 Antonio. I didn't get tax credits, for that one
22 additional point.

23 So the urban core idea was a great idea. As
24 far as El Paso, I love El Paso; they should be part of it
25 as well. Thank you.

1 MR. OXER: There you go. All right. Thanks.

2 MR. COLVIN: Good afternoon. I am Clark
3 Colvin, representing the ITEX Group. I was certainly
4 hoping somebody was going to bring up the legislature
5 thing so I could just say ditto.

6 But since nobody has, let me mention that. We
7 are little concerned about allowing a state legislator to
8 pull his letter after he has done that. Typically, Just
9 in meeting with legislators on this, first question they
10 ask you is, what is the city's opinion on this? We tell
11 them. And then they call the city or have their staff do
12 that to confirm that they are indeed going to pass a
13 resolution.

14 Typically it's the cities that we work with
15 consistently over a long period of time. And it is a
16 little hard -- I know you had one here within the last
17 month or two, and you guys handled it very well, but
18 typically it's very hard for a legislator to come in and
19 say, I have been defrauded on this.

20 I mean, that's -- because they have typically
21 checked it out. I have never had one that didn't. I just
22 wanted to offer that to you. I know it was a one-time
23 thing. I know that the ones that passed their budget --

24

25 MR. OXER: We certainly hope it was.

1 MR. COLVIN: -- and also the sunshine laws.
2 But we would appreciate your considering removing that.
3 Thank you.

4 MR. OXER: Thank you, Clark.
5 Bobby, you had a shot. Do you want anything
6 else?

7 MR. BOWLING: Can I have another shot?

8 MR. OXER: Yes. One more minute.

9 MR. BOWLING: Thank you, Mr. Chair. In
10 listening to the comment, I think Sara brought something
11 to light that we hadn't considered but I think bears
12 repeating.

13 The proximity to the urban core in the at-risk
14 deals -- and she asked a question procedurally as to
15 whether that could change. And I am not sure if she got
16 the answer, so I am going to assume that maybe that needs
17 to be corrected at the draft stage, and I want to pitch
18 you on that.

19 I think you are running in danger with this
20 population requirement of superseding the regional
21 allocation formula, because you are having a statewide
22 competition in at-risk, and you are saying basically that
23 five cities can play in that.

24 And I think you need to reconsider that and
25 take that into account, because the regional allocation

1 formula specifically says that you will allocate the funds
2 regionally. And if you are creating an unlevel playing
3 field in those one statewide competition -- you know, I
4 think at-risk is fine to not have to go into a regional
5 allocation, as long as the playing field is level. But if
6 you are tilting it towards the big cities, I think you
7 need to take another look at that.

8 That is just my comment.

9 MR. OXER: Okay. Point noted. Have you a
10 thought on that, Tim?

11 MR. IRVINE: I thought that -- and Marni can
12 certainly correct it -- when you presented the concept of
13 the urban core, did you address how it would or would not
14 apply to at-risk?

15 MS. HOLLOWAY: No, we did not. We addressed
16 the clustered census tract and underserved.

17 MR. IRVINE: Right. Okay. That was the one.
18 Yes.

19 MS. HOLLOWAY: Yeah.

20 MR. OXER: Okay. There's -- we have had
21 comments on this. Did you want to come back? Because all
22 of those -- I saw you taking notes. And we will
23 definitely address these or make modifications in it in
24 terms of what is actually in the Board book. We have
25 that. Unless you -- what?

1 MS. HOLLOWAY: Yeah. I think that staff would
2 like to take a little -- a few minutes to discuss what has
3 been presented and figure out what would need to be put
4 back in at this point.

5 There are a couple of things, though, I think I
6 can address really quickly on the 811 in threshold and
7 scoring. Because this is a repeal and replacement, I
8 believe the comment could be made on the repeal. Stop
9 me -- should we need to talk. If the comment is made on
10 repealing the 811 --

11 MR. OXER: Deep breath.

12 MS. HOLLOWAY: -- repealing the QAP. And then
13 with a new QAP, could the comment be on that repeal and
14 how it changes? Okay. I thought I could fix that one
15 real quick.

16 MR. OXER: It's okay.

17 MS. HOLLOWAY: Yeah.

18 MR. OXER: All right. So you have got notes o
19 these. And I gather that you will want to have some input
20 so that what we have -- you can take these comments, you
21 can make some modifications to that, and we will update
22 what we have in terms of what we consider, and then we
23 will consider the motion to issue or to publish.

24 MS. HOLLOWAY: Uh-huh.

25 MR. OXER: Okay. All right. That being the

1 case, how much time do you want? Ten minutes? About a
2 week and a half would be about enough. Right? So Teresa
3 says a week and a half would be plenty.

4 MS. HOLLOWAY: You know, I would really, really
5 like to get this done today.

6 MR. OXER: I know you would. And we are not --
7 that is --

8 MS. HOLLOWAY: Okay.

9 MR. IRVINE: Can we do it in ten minutes?

10 MS. HOLLOWAY: I believe so.

11 MR. IRVINE: Okay.

12 MS. HOLLOWAY: If we could have counsel's
13 assistance.

14 MR. OXER: Counsel will be available. I assure
15 you counsel will make himself available to help out on
16 this. All right.

17 So what we are going to do, we're going to take
18 a brief time out here, just a recess by the Board.
19 Staff's going to consider these modifications to consider
20 in the draft for the QAP, and we'll be back here -- it is
21 now 1:03. We will be back in our chairs -- you needed ten
22 minutes, I will give you 13, so let's come back at a
23 quarter after.

24 (Whereupon, a short recess was taken.)

25 MR. OXER: All right. Let's get back at it.

1 It's now 1:24. Not too bad.

2 So sum it up, Marni.

3 MS. HOLLOWAY: Staff has one change to
4 recommend for the Qualified Allocation Plan moving
5 forward. This is the only change we are recommending from
6 what was previously presented.

7 For concerted revitalization plan, under
8 A(i)(I), the concerted revitalization plan must have been
9 adopted by the municipality or county in which the
10 development site is located. The resolution adopting the
11 plan -- and here is the additional language -- "or other
12 acceptable evidence of the plan has been duly adopted" --
13 must be submitted with the application. We are suggesting
14 that change.

15 MR. OXER: So that takes into account
16 everything we have heard today.

17 MS. HOLLOWAY: Yes, it does.

18 MR. OXER: Okay. So with respect to -- and
19 this is Item 5(b) --

20 MS. HOLLOWAY: Yes, it is.

21 MR. OXER: -- on the QAP. All right.

22 So we have had a motion by Dr. Muñoz; second by
23 Mr. Gann to approve staff recommendation as now modified.

24 I assume that, Dr. Muñoz, you will update --
25 upgrade your motion to include modifications by staff.

1 DR. MUÑOZ: Friendly amendment accepted.

2 MR. OXER: And by Mr. Gann.

3 MR. GANN: Yes.

4 MR. OXER: Okay. Is that satisfactory,
5 Counselor?

6 MR. ECCLES: We were side-barring.

7 MR. OXER: That's okay.

8 MR. ECCLES: It is. One of the modifications
9 that was mentioned by Marni was the fact that scoring
10 items may change in their value or be eliminated. I think
11 that that will be essentially reflected in a preamble of
12 this rule, but that was already something that was
13 presented as a modification.

14 MR. OXER: It is not a conceptual change as
15 much as it's a modification in rule, in the valuation for
16 any particular item and the potential for it to be taken
17 out. We just can't put anything else back in.

18 MS. HOLLOWAY: Correct.

19 MR. OXER: Okay. All right. With respect to
20 the motion as modified, motion by Dr. Muñoz, second by Mr.
21 Gann to approve staff recommendation as modified of Item
22 5(b), the QAP of 2017. Those in favor?

23 (A chorus of ayes.)

24 MR. OXER: All opposed?

25 (No response.)

1 MR. OXER: There are none. It is unanimous.

2 MS. HOLLOWAY: Thank you.

3 MR. OXER: All right.

4 Brent, you're up.

5 MR. STEWART: Brent Stewart, real estate
6 analysis. And I will be very brief. This is a
7 continuation of the discussion of the rules, Subchapter D
8 of Chapter 10, which is the rules relating to underwriting
9 and loan policies. This is also a repeal of the existing
10 2016 rules and publication for comment the draft of the
11 2017 underwriting rules.

12 And I won't go into -- there's a number of
13 changes that are outlined in your writeup. In an effort
14 to keep this short, I will just talk about two changes
15 that I think are important to specifically highlight.

16 One is relating to when a transaction has
17 issues that we want to deal with. This was an Internal
18 Audit discussion, where if something like that occurs,
19 that we are to take that to the committee, which is the
20 EARAC committee, before we publish a report or before we
21 take action on it.

22 What this change does is instead of making that
23 a "will" or a "must" take it there, this is a "may." And
24 the reason for that is that there are instances where it
25 is just better to go through the appropriate appeals

1 process or what have you, as opposed to ensuring that it
2 has to go to the committee before hand. So this was just
3 something that came out of Internal Audit that we are
4 trying to fix.

5 And then the big piece is what we have been
6 talking about in terms of market studies. And I will just
7 read real quick to you the change, because I think it will
8 be pretty self-explanatory.

9 The prior language strictly said in terms of
10 the providing -- tell the story, tell why. The prior
11 language said a detailed description of why the subject
12 development is expected to draw a significant number of
13 tenants or homebuyers from the defined PMA or SMA.

14 What we are changing it to are adding kind of
15 specific things. One is how the boundaries of the SMA
16 were determined with respect to census tracts chosen and
17 factors for including or excluding certain census tracts
18 in proximity to the development. In other words, tell
19 that story.

20 Number two, whether a more logical market area
21 within the PMA or SMA exists but is not definable by
22 census tracts and how this subsection of the PMA or SMA
23 supports the rationale for the defined area, and also
24 explains how the PMA or SMA relates in terms of
25 qualitative and quantitative aspects. That's specific for

1 the SMA.

2 So in other words, if you have a PMA and it has
3 to be defined by census tracts, then there it is. Tell us
4 about that drive-time analysis. Tell us where it goes and
5 why, and how that trips into a census tract that you then
6 have to define as part of the PMA or SMA.

7 If part of that doesn't apply, say, Yeah, it's
8 in there, but we are not looking at that area of the
9 census tract to really consider demand to be coming from.

10 Unfortunately we don't have the ability to do anything
11 other than census tracts right now.

12 We have no way of actually doing demand
13 calculations to the level that we need to on anything
14 other than census tracts. And so until we get that
15 ability, this is the only fix that we can come up with to
16 deal with things like drive time or other, you know,
17 aspects of a PMA that make sense, as opposed to just, you
18 know, picking a census tract.

19 Third, what are the specific attributes of the
20 development's location within the area that would draw
21 prospective tenants currently residing in other areas of
22 the market area to relocate to development. New jobs
23 created on this side. People might migrate from this side
24 to that new side. What -- tell the story.

25 What specific attributes of the development

1 itself would draw people? You know, competitively, what
2 are the aspects of that development that would lend itself
3 to pulling people out of other areas of the PMA or SMA.

4 We need to know what the household and
5 employment concentrations are within a PMA or SMA, because
6 that also helps tell the story about the location of that
7 development and proximity to those areas and how that
8 would make sense.

9 Then kind of second to last would be, you know,
10 you have got this large PMA, large SMA. What are actual
11 incomes and so forth more closely to the actual
12 development itself, not for purposes of calculating
13 capture rates, but for understanding -- surveys have shown
14 that in most areas, demand comes from the zip code that
15 the development is locating in, or some of the zip codes
16 right around it.

17 So we need to be able to understand what the
18 income levels are of those people that are more in
19 proximity to the development than somebody who is on the
20 other side of the primary market area.

21 And then it is just kind of a global, you know,
22 what other housing issues that are there that led you to
23 pick this PMA and led you to think that that is where the
24 demand is coming from. We think if those things are
25 included in a market study that help tell that story, it

1 would make our evaluation of the market analysis easier
2 and more effective.

3 MR. OXER: Any questions?

4 (No response.)

5 MR. OXER: With respect to the inability to use
6 anything other than census tracts, is that a consequence
7 of the data access that you have?

8 MR. STEWART: It is. There is some data out
9 there that is based on census blocks. It is not as
10 granular, I guess, as this census tract data is. The data
11 companies are right now working on an ability to do census
12 block data at the same detailed level as the census tract
13 data.

14 The market analysts, some of them, do have the
15 capability to drill down to census blocks, but not at the
16 same detailed level that you can get at the census level.

17 And it's more -- it is kind of like it's kind of prorated
18 data. You know, you take the census tract data and --

19 MR. OXER: Extrapolate it from what they have?

20

21 MR. STEWART: -- extrapolate it into the
22 blocks, as opposed to actually, you know, looking at
23 blocks.

24 They can't produce block groups. They can't
25 produce blocks, because from a privacy standpoint, there

1 are some census blocks where there might only be two or
2 three people living in. And next thing you know, you know
3 everything about them, and so they don't -- the Census
4 won't publish to that level.

5 But we are hopeful within the next year or so
6 we can get there. And then if so, in probably the 2018
7 rules, we would come back and say, okay, let's strike
8 census tracts and let's go to census block groups, which
9 would give us more of an ability to deal with more
10 specialized primary market areas.

11 MR. OXER: Can we address this issue of having
12 census tracts that are the size of Connecticut?

13 MR. STEWART: That is where you just need to
14 tell the story.

15 MR. OXER: Right. Good. Any questions?

16 (No response.)

17 MR. OXER: Motion to consider?

18 DR. MUÑOZ: So moved.

19 MR. OXER: Okay. Motion by Dr. Muñoz to
20 approve staff recommendation on Item 5(c). Is there a
21 second?

22 MR. GOODWIN: Second.

23 MR. OXER: And a second by Mr. Goodwin.

24 MR. JACK: Hi. Darrell Jack with Apartment
25 Marketdata. I want to thank staff for taking the time to

1 go through this, and speaking for myself, I support
2 Brent's efforts in trying to refine, you know, how PMAs
3 and market analysts look at these projects.

4 The only addition that I would like to suggest
5 is that there doesn't seem to be any language in the rules
6 that actually allows staff to reject a market study if
7 they disagree with either the explanation of how the PMA
8 was drawn or if they just disagree with the PMA at all.
9 You know, you've gotten a couple of market studies this
10 year that were very controversial.

11 MR. OXER: All of that comes under the heading
12 of we don't reject the market study; we just deny the
13 application.

14 MR. JACK: Well, then it comes -- then, you
15 know, you spent three board meetings now on one, where if
16 you had language where staff could reject a market study
17 that they disagreed with, then it could follow the appeals
18 process. But it might save you three board meetings on
19 the same topic.

20 But other than that, I support Brent in trying
21 to refine the process and have better reports delivered to
22 the State.

23 MR. OXER: Okay. Thanks, Darrell.

24 MR. JACK: Thank you.

25 MR. OXER: Counselor, did you have a

1 contribution to make?

2 MR. ECCLES: Let me just say that we love Brent
3 and we trust his judgment and think he is awesome. And
4 if --

5 MR. OXER: That goes for us, too.

6 MR. ECCLES: And if we could make a rule that
7 says whatever Brent says, we'll go with, I think that this
8 would be a happier world to live in. The thing is, the
9 statute, 2306.67055, sets out the market analysis and the
10 roles of the market analyst versus the roles of the
11 Department, and I don't think it gives us that kind of
12 latitude to place the trust in Brent that we all would
13 very much like to.

14 It is not to criticize the statute so much as
15 to say that the Legislature has created a system where
16 there's supposed to be a market analysis. And the
17 Department gets to determine what the methodology is on
18 the market but doesn't get to just say nuts to it without
19 trying to get to that sort of reasonable conclusion that
20 they can agree upon.

21 It has happened though, that in that back and
22 forth, and yeah, it may take several Board meetings
23 unfortunately, that they cannot -- the market analyst
24 cannot get Brent to that same conclusion, in which case,
25 then we are in that place I believe that the statute would

1 permit and our rules would suggest is a place where we
2 just can't proceed any further.

3 MR. IRVINE: But in that case, we would be
4 rejecting it, not because we disagreed with it, but
5 because the market analyst did not make the case in
6 accordance with our established methodology.

7 MR. OXER: And I would add to that, that even
8 though it took three meetings and there was considerable
9 effort expended on airing it out, I would rather be right
10 than fast. And so trying to make it something consistent
11 with the rule so that it is transparent how it was arrived
12 at and evident to all that the contributions that were
13 made -- that is just part of what it takes for us to do
14 this up here. So any other thoughts?

15 (No response.)

16 MR. OXER: Okay. Let's see here. Who made the
17 motion? Dr. Muñoz. Okay. Motion by Dr. Muñoz and a
18 second by Mr. Goodwin to approve staff recommendation on
19 5(c). There has been public comment. Those in favor?

20 (A chorus of ayes.)

21 MR. OXER: And opposed?

22 (No response.)

23 MR. OXER: There are none. It is unanimous.
24 Andrew, you have been very patient.

25 MR. SINNOTT: Good morning -- good afternoon,

1 Chairman Oxer, members of the Board.

2 MR. OXER: At least it is not good night yet.

3 MR. SINNOTT: Yeah. I understand what time it
4 is, so I will try and be as succinct as possible.

5 My name is Andrew Sinnott, multifamily loan
6 programs administrator. I am here presenting a couple of
7 items today. First, we have staff recommendation for an
8 award of direct loan funds to Gaston Place Accessible
9 Apartments.

10 Gaston Place is an award of \$1,050,000 from the
11 general set-aside of the direct loan NOFA to Accessible
12 Housing Austin. It is a local nonprofit organization.
13 The \$1,050,000 will be structured as a repayable loan over
14 30 years at 3 percent, anticipated to be with TCAP
15 repayment funds.

16 TDHCA's loan is the only hard repayable debt
17 and represents approximately 35 percent of total
18 development costs. Other sources consist of grants,
19 deferred forgivable loans, and owner equity.

20 The development itself is a proposed new
21 construction development in Northeast Austin, just north
22 of the Mueller development on the Housing Authority of the
23 City of Austin affiliate owned land, adjacent to an
24 existing Housing Authority owned development. Accessible
25 Housing Austin earlier this year entered into a 99-year

1 ground lease with the Housing Authority affiliate.

2 The development is 27 one- and two-bedroom
3 units, all of which will be restricted under the TCAP
4 LURA. All units will be restricted at 50 percent AMI or
5 less, with three at 30 percent AMI. The applicant intends
6 to make all units accessible, exceeding the minimum 5
7 percent of units required by 2010 ADA standards.

8 With this award, just over 7-1/2 million -- or
9 currently \$7-1/2 million available under the general set-
10 aside. So with this award, we will have approximately
11 \$6 million remaining under the general set-aside to award
12 under the 2016 NOFA.

13 So that is it for Gaston Place. If you have
14 any questions, I will be happy to answer them.

15 MR. OXER: Yes. One question I have got is,
16 who did you irritate that you got the tail end of this
17 agenda?

18 MR. SINNOTT: Yeah, it's --

19 MR. OXER: You know, for all of this rule
20 codifying that is going on, surely you could have appealed
21 for an earlier spot in the schedule here.

22 MR. SINNOTT: I am a bit of a rookie here,
23 so --

24 MR. OXER: They took advantage of you. You saw
25 him coming. Is that what he is saying, Tom?

1 All right. Well, welcome to the spot. Any
2 questions?

3 (No response.)

4 MR. OXER: Okay. Motion to consider?

5 MR. GOODWIN: So moved.

6 MR. OXER: Okay. Motion by Mr. Goodwin.

7 MR. CHISUM: Second.

8 MR. OXER: Second by Mr. Chisum to approve
9 staff recommendation on Item 6(a). No request for public
10 comment. Those in favor?

11 (A chorus of ayes.)

12 MR. OXER: Opposed?

13 (No response.)

14 MR. OXER: There are none.

15 MR. SINNOTT: All right. So the second item I
16 have is regarding the Housing Trust Fund and the
17 publication or the submittal or the submission of the
18 allocation plan for the National Housing Trust Fund to
19 HUD.

20 And before I go into it, I just want to
21 acknowledge the Housing Resource Center staff,
22 specifically, Elizabeth Yevich and Cate Tracz. They
23 helped out a lot on this allocation plan and educating
24 Marni and I on the timing and kind of the details of this.

25 So this is the third time that staff has

1 brought an NHTF item to the Board this year. All of these
2 Board items regarding NHTF have been in preparation for
3 this submission of that allocation plan to HUD.

4 I think I have already discussed what this is;
5 I won't go into the details. But a \$4.8 million formula
6 grant from HUD to Texas being administered by TDHCA; it is
7 intended to increase and preserve the supply of affordable
8 housing for extremely low income households at 30 percent
9 AMI or below.

10 And it carries with it a minimum 30-year
11 affordability period. Beyond the income targeting
12 requirement and the minimum affordability period, it is
13 very similar to HOME funds.

14 So most recently at the mid-July Board meeting,
15 staff presented the draft allocation plan for National
16 Housing Trust Fund, which included the amended 2016 one-
17 year action plan and amended 2015 to 2019 consolidated
18 plan. Since that time, we accepted public comment through
19 August 15, and had a public hearing on August 4 here in
20 Austin.

21 We received several comments from several
22 nonprofit organizations. Most comments requested more
23 specificity in the allocation plan, regarding aspects such
24 as population served, the types of organizations that
25 would have access to these funds, or the affordability

1 period.

2 Staff responses to these comments were pretty
3 consistent, in that we stated that we would address many
4 of these comments as we draft the 2017 NOFA and 2017
5 rules; specifically, the 2017 direct loan rule that Marni
6 mentioned earlier today.

7 We plan on holding a direct loan rules
8 roundtable later this month, which would address many of
9 the comments we received. We will potentially have a NOFA
10 roundtable next month with drafts of the direct loan rules
11 and NOFA at Board meetings later this fall, and
12 finalization of both the rules and NOFA by December of
13 this year.

14 The 2017 NOFA under which we hope to begin
15 receiving applications in January will include HOME, TCAP
16 repayment funds, and National Housing Trust Fund.

17 So with the Board's approval of the allocation
18 plan, staff will submit the plan and all other required
19 attachments and amendments to HUD. And then once HUD
20 approves, we will receive our first grant agreement for
21 National Housing Trust Fund.

22 MR. OXER: And that grant agreement would be
23 for the total of the \$4.8 million?

24 MR. SINNOTT: Right. Exactly.

25 MR. OXER: Okay. Any questions?

1 (No response.)

2 MR. OXER: Motion to consider?

3 MR. CHISUM: So moved.

4 MR. OXER: Motion by Mr. Chisum to approve
5 staff recommendation on Item 6(b). Do I hear a second?

6 DR. MUÑOZ: Second.

7 MR. OXER: Dr. Muñoz says he seconds. There
8 has been no request for public comment. Motion by Mr.
9 Chisum, second by Dr. Muñoz to approve staff
10 recommendation on Item 6(b). Those in favor?

11 (A chorus of ayes.)

12 MR. OXER: Opposed?

13 (No response.)

14 MR. OXER: There are none.

15 MR. SINNOTT: Thank you.

16 MR. OXER: Okay. We are at that point in the
17 agenda I see Toni is coming, because she has got something
18 to tell us. We will ask for public comment.

19 MS. JACKSON: And I am here for public
20 comments, and I will make it quick.

21 Good afternoon, gentlemen. My name is Toni
22 Jackson. And I am here on behalf of my client, Parklane
23 Villas, LP in Brenham, Texas, in response to the letter
24 received on August 31, 2016, and a follow-up call held on
25 September 1, 2016, regarding the status of TDHCA

1 application 16040, Parklane Villas.

2 Parklane Villas did not receive a 2016 award of
3 tax credits, despite having a competitive score and
4 tiebreaker factors.

5 Although the Department informed applicant that
6 the application was under consideration on the numerous
7 times the applicant inquired about the application, the
8 applicant never received a final scoring notice, and the
9 Department never caught that there were scoring and
10 deficiency mistakes until the applicant requested a
11 meeting with the Department.

12 The staff has ruled that the applicant has no
13 appeal rights. Pursuant to Section 10.201, procedural
14 requirements for application submission, of the rules, it
15 states that the final determinations regarding the
16 sufficiency of documentation submitted to cure an
17 administrative deficiency, as well as the distinction
18 between material and nonmaterial missing information, are
19 reserved for the director of Multifamily Finance,
20 executive director and the Board.

21 Additionally, under appeals process, it
22 indicates that an applicant or development owner may
23 appeal decisions made by the Department if misplacement of
24 an application or parts of an application, mathematical
25 errors in scoring and application, or procedural errors

1 resulting in unequal consideration of the applicant's
2 proposal, they may be also considered for appeal.

3 Therefore, it is our contention that the
4 applicant's right of appeal has been reserved under both
5 10.201 and 10.902 and is eligible for the executive
6 director's review and decision.

7 I am here to ask for that relief by the
8 executive director and, in the event an administrative
9 decision is not made, that we be placed on the October 13
10 agenda.

11 And we -- actually, I am not going to go on.
12 But I just wanted to come before the Board, because this
13 is a matter that is before the executive director.
14 However, as indicated, the staff has indicated that we do
15 not have an appeal right. We have indicated that we do.
16 And I, again, just want to reserve the right to be on the
17 October 13 Board agenda.

18 MR. OXER: Okay. Your comments are
19 appreciated. We understand we can receive your comments.
20 Toni, we can't act.

21 MS. JACKSON: Right.

22 MR. OXER: Or I can't respond to it.

23 MS. JACKSON: No.

24 MR. OXER: Counselor?

25 MR. ECCLES: Well, just a quick point of

1 clarification: You sent in an actual appeal. Was it this
2 past week?

3 MS. JACKSON: Yes, it was on Tuesday, the 6th.

4 MR. ECCLES: Okay. Thank you.

5 MS. JACKSON: Yes. Thank you.

6 MR. OXER: All right. Thank you.

7 Okay. We are at the end of the formal agenda.
8 We have received public comment. Is there any other
9 public comment?

10 (No response.)

11 MR. OXER: For the purpose of constructing our
12 future agenda for the October 13 meeting and beyond?

13 (No response.)

14 MR. OXER: Anybody on staff or in the audience?
15 It looks like mostly staff out there. Anybody in staff
16 want to say anything?

17 (No response.)

18 MR. OXER: Crank the tractor up. Tom's getting
19 anxious out there. All right. Any member of the Board or
20 executive director or general counsel?

21 (No response.)

22 MR. OXER: All right. One more time I get the
23 last word. It's a good thing we do here, and it's
24 hard sometimes, but it is worth the effort.

25 I would entertain a motion to adjourn.

1 MR. CHISUM: So moved.

2 MR. OXER: Motion by Mr. Chisum to adjourn. Is
3 there a second?

4 MR. GOODWIN: Second.

5 MR. OXER: There's a second by Mr. Goodwin.
6 Those in favor?

7 (A chorus of ayes.)

8 MR. OXER: See you October 13, everybody.

9 (Whereupon, at 1:47 p.m., the meeting was
10 concluded.)

C E R T I F I C A T E

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3 MEETING OF: TDHCA Board
4 LOCATION: Austin, Texas
5 DATE: September 8, 2016

6 I do hereby certify that the foregoing pages,
7 numbers 1 through 167, inclusive, are the true, accurate,
8 and complete transcript prepared from the verbal recording
9 made by electronic recording by Nancy H. King before the
10 Texas Department of Housing and Community Affairs.
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16
17 9/14/2016
(Transcriber) (Date)

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19 On the Record Reporting
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23