

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOVERNING BOARD MEETING

Dewitt C. Greer State Highway Building  
Ric Williamson Hearing Room  
125 E. 11th Street  
Austin, Texas

March 21, 2019  
8:00 a.m.

MEMBERS:

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

DAVID CERVANTES, Acting Director

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
CALL TO ORDER	5
ROLL CALL	
CERTIFICATION OF QUORUM	
Resolution Recognizing April as Fair Housing Month	6
CONSENT AGENDA	
ITEM 1: APPROVAL OF THE FOLLOWING ITEMS PRESENTED IN THE BOARD MATERIALS:	9
LEGAL	
a) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order of debarment for Fifth Ward Community Redevelopment Corporation, along with its board members Bridgette Steele, Wiley Henry, Harvey Clemons Jr, and Anthony Wilcots, relating to Lyons Village Townhomes (HTC 96171 / CMTS 1630)	
b) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning West Gate Apartments (HOME 535259 / CMTS 2702)	
c) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Holland House Apartments (HTC 07180 / CMTS 4471)	
d) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Cottonwood and Westway Apartments (HTC 70111 / CMTS 2298)	
COMMUNITY AFFAIRS	
e) Presentation, discussion, and possible action on awards for 2019 Community Services Block Grant Discretionary Direct Client Assistance and Network Operational Investments	18
MULTIFAMILY FINANCE	
f) Presentation, discussion, and possible	

action on a Determination Notice for  
 Housing Tax Credits with another Issuer  
 19416 Alsbury Apartments San Antonio  
 18459 Manchaca Commons Austin ETJ  
 19401 Stallion Ridge Fort Worth  
 19402 Culebra Creek Apartments San Antonio  
 19413 Wurzbach Manor San Antonio

- g) Presentation, discussion, and possible action on an Amendment to the 2019-2 Multifamily Special Purpose Notice of Funding Availability
- h) Presentation, discussion and possible action on disclosure under 10 TAC '11.101(a)(3) related to Neighborhood Risk Factors for #19146 New Hope Housing Avenue J

#### OCI/HTF/NSP DIVISION

- I) Presentation, discussion, and possible action to authorize the programming of Neighborhood Stabilization Program One Program Income to support continued land bank program activity 24

#### ASSET MANAGEMENT

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

99142 Commonwealth Phase I Nacogdoches

#### RULES

- k) Presentation, discussion, and possible action on an order adopting the amendment of 10 TAC §8.7 Program Regulations and Requirements, and directing publication for adoption in the Texas Register 29

#### CONSENT AGENDA REPORT ITEMS

ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS: 9

TDHCA Outreach Activities, (February-March)

#### ACTION ITEMS

ITEM 3:	MULTIFAMILY FINANCE	10
	Presentation, discussion and possible action regarding an Award of Direct Loan funds from the 2018-1 Multifamily Direct Loan Notice of Funding Availability	
	18505 Mistletoe Station Fort Worth	
ITEM 4:	INTERNAL AUDIT	
	a) Review and possible acceptance of the State Auditor's Office audit of the TDHCA Financial Statements	14
	b) Report on the meeting of the Internal Audit and Finance Committee	17
ITEM 5:	BOND FINANCE	32
	Presentation, discussion, and possible action on Resolution No. 19-029 approving an increase in the maximum amount of outstanding advances under the Advances and Security Agreement with Federal Home Loan Bank of Dallas, authorizing use of available funds to repay advances, 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	
ITEM 6:	COMMUNITY AFFAIRS	38
	Presentation, discussion, and possible action regarding the possible absorption of the Bay City Housing Authority's Section 8 Housing Choice Voucher Program (HCVP) (PULLED)	
ITEM 7:	PROGRAMS	38
	Presentation, discussion, and possible action authorizing the release of the Draft Analysis of Impediments to Fair Housing Choice for public comment	
	PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS	none
	EXECUTIVE SESSION	none
	OPEN SESSION	--
	ADJOURN	45

P R O C E E D I N G S

1  
2 MR. GOODWIN: I call to order the March 21,  
3 2019 Board meeting of the Texas Department of Housing and  
4 Community Affairs.

5 It's time for roll call.

6 Ms. Bingham?

7 MS. BINGHAM ESCAREÑO: Here.

8 MR. GOODWIN: Mr. Braden?

9 MR. BRADEN: Here.

10 MR. GOODWIN: Ms. Reséndiz?

11 MS. RESÉNDIZ: Present.

12 MR. GOODWIN: Ms. Thomason?

13 MS. THOMASON: Here.

14 MR. GOODWIN: Mr. Vasquez?

15 MR. VASQUEZ: Here.

16 MR. GOODWIN: We have a quorum.

17 Okay. Thank you. Could y'all hear me back  
18 there? We took roll. Those of you have ever been in the  
19 first grade I'm sure have experienced that once or twice.

20 We will start, if you wouldn't mind, please  
21 stand as David leads us in the pledge of both the U.S.  
22 flag and the State of Texas flag.

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

25 MR. GOODWIN: We're going to start the morning

1 off by reading a resolution recognizing April as Fair  
2 Housing Month, and Amy is going to read that into the  
3 record.

4 MS. KINCHELOE: Thank you, Mr. Chairman.

5 Given that the Board's next meeting will not be  
6 until late April and Fair Housing Month begins at the  
7 start of April, staff wanted to ensure that the Board  
8 would be able to consider this resolution a little early.

9 The resolution reads as follows:

10 "Whereas, April 2019 is Fair Housing Month, and  
11 marks 51 years since the passage of the federal Fair  
12 Housing Act (Title VIII of the Civil Rights Act of 1968),  
13 signed by U.S. President Lyndon Baines Johnson on April  
14 11, 1968;

15 "Whereas, the Fair Housing Act provides that no  
16 person shall be subjected to discrimination because of  
17 race, color, national origin, religion, sex, disability,  
18 or familial status in the sale, rental, financing, or  
19 advertising of housing and charges the Secretary of the  
20 U.S. Department of Housing and Urban Development (HUD)  
21 with administering HUD programs in a manner that meets the  
22 requirements of the law and purposes of the Fair Housing  
23 Act;

24 "WHEREAS, the Texas Department of Housing and  
25 Community Affairs (the Department) administers HUD and

1 other housing programs that promote the development and  
2 supply of safe, decent, affordable housing for qualifying  
3 Texans;

4 "WHEREAS, it is the policy of the Department to  
5 support equal housing opportunity in the administration of  
6 all of its programs and services, including encouraging  
7 equitable lending practices for its homebuyer programs and  
8 ensuring compliance with Fair Housing rules and guidelines  
9 for its multifamily developments;

10 "WHEREAS, the Department, through its programs,  
11 workshops, trainings, and materials seeks to educate  
12 property managers, consultants, program administrators,  
13 architects, contractors, developers, engineers, lenders,  
14 real estate professionals, and others about the importance  
15 of their adherence to the requirements of the Fair Housing  
16 Act;

17 "WHEREAS, the Department encourages the  
18 development of educational fair housing programs in local  
19 communities throughout the State and is seeking to build  
20 new opportunities for fair housing education and training;  
21 and

22 "WHEREAS, the Department and the State of Texas  
23 support equal housing opportunity and housing choice in  
24 accordance with the Fair Housing Act not only during Fair  
25 Housing Month in April, but throughout the entire year;

1                   "NOW, THEREFORE, it is hereby RESOLVED, that  
2 the Texas Department of Housing and Community Affairs C  
3 (1) recognizes the significance of Fair Housing Month as  
4 an important time to acknowledge, better understand, and  
5 support equal housing opportunity, and encourages the  
6 continued commitment to fair housing in the State of  
7 Texas; and  
8 (2) recognizes that in the pursuit of the goal and  
9 responsibility of providing affordable housing and equal  
10 housing opportunities for all, the Governing Board of the  
11 Texas Department of Housing and Community Affairs does  
12 hereby celebrate April 2019 as Fair Housing Month in  
13 Texas and encourages all Texas individuals and  
14 organizations, public and private, to join and work  
15 together in this observance of the impact and importance  
16 of affordable housing and equal housing opportunity to the  
17 success of all Texans.

18                   "Signed this twenty-first day of March 2019."

19                   MR. GOODWIN: Do I hear a motion to approve  
20 this resolution?

21                   MS. RESÉNDIZ: So moved to approve the  
22 resolution.

23                   MR. GOODWIN: It's been moved. A second?

24                   MS. RESÉNDIZ: Second.

25                   MR. GOODWIN: Any discussion?

1 (No response.)

2 MR. GOODWIN: All those in favor say aye.

3 (A chorus of ayes.)

4 MR. GOODWIN: Opposed?

5 (No response.)

6 MR. GOODWIN: Okay. The motion has been  
7 approved.

8 Moving to the consent agenda, we've had a  
9 request by Board Member Vasquez to pull items 1(e), 1(i)  
10 and 1(k) so that the Board can hear a little more  
11 description about those presentations.

12 Are there any other items that any other Board  
13 member or anyone in the public would like to see pulled  
14 for discussion?

15 (No response.)

16 MR. GOODWIN: If not, I'll entertain a motion  
17 to approve the consent agenda as amended.

18 MS. BINGHAM ESCAREÑO: Move to approve the  
19 consent agenda as amended.

20 MR. GOODWIN: A second?

21 MR. BRADEN: Second.

22 MR. GOODWIN: Any discussion?

23 (No response.)

24 MR. GOODWIN: All those in favor say aye.

25 (A chorus of ayes.)

1 MR. GOODWIN: Opposed?

2 (No response.)

3 MR. GOODWIN: Okay.

4 Moving them to the action items, we are going  
5 to take this just a little out of order. We'll come back  
6 and hit those three items, but first, because Marni needs  
7 to be over at the State Capitol testifying in a House  
8 committee, we're going to move to item 3.

9 MS. HOLLOWAY: Good morning, Chairman Goodwin,  
10 members of the Board. I'm Marni Holloway. I'm the  
11 director of the Multifamily Finance Division.

12 Item 3 is Presentation, discussion and possible  
13 action regarding an award of direct loan funds from the  
14 20181 Multifamily Direct Loan Notice of Funding  
15 Availability. This is application 18505 for Mistletoe  
16 Station in Fort Worth. Mistletoe Station was awarded 9  
17 percent credits in 2017. This is a new construction  
18 project of 110 one, two and three bedroom units for a  
19 general population in Fort Worth.

20 After award, the applicant encountered  
21 circumstances beyond their control that could not have  
22 been prevented or foreseen. Equity pricing dropped from  
23 95 cents -- this is a correction to the bar, the bar says  
24 91.5 but it was actually 95 cents -- at original  
25 application to 86 cents which results in approximately

1 \$1.3 million less of equity for the transaction.

2           The City of Fort Worth increased the required  
3 storm water infrastructure improvements during the  
4 permitting process which resulted in over \$2 million in  
5 increased cost. Other factors that contributed to  
6 increased infrastructure costs include inaccurate city  
7 utility drawings, the city requiring improved sanitary  
8 lines, and increased inspection and testing fees by the  
9 city as a result of the increased infrastructure work.

10           This application originally requested \$1.5  
11 million in direct loan funds. The direct loan rule  
12 describes costs that have been allocated to or paid by  
13 another fund source and deferred developer fee as  
14 ineligible for reimbursement with direct loan funds.  
15 Further, the NOFA states: "Awards to refinance or  
16 supplemental financing will not exceed an amount necessary  
17 to replace lost funding or maintain original anticipated  
18 levels of feasibility."

19           During the underwriting review, staff has found  
20 that \$911,087 in direct loan funds is the amount necessary  
21 to maintain original levels of feasibility and to ensure  
22 that direct loan funds do not pay for costs allocated to  
23 another fund source, such as the deferred developer fee.

24           A TCAP RF loan of \$911,087 at one percent  
25 interest rate with a 30 year amortization and a 15-1/2

1 year term will be used to fund increased hard, soft and  
2 financing costs. Despite total loan proceeds for the  
3 application increasing over all of the loan funds going  
4 into the transaction, the deferred developer fee will  
5 remain the same as the last time staff evaluated this  
6 transaction, which was with an amendment request in July  
7 of 2018. The loan will be subordinate to the Hunt  
8 Mortgage loan and will maintain second lien position  
9 during the permanent period. As a result of the increased  
10 loan proceeds and lower effective interest rate on all  
11 permanent debt, deferred fee is now expected to be repaid  
12 in year nine rather than year eleven.

13 This application layers direct loan rent  
14 restrictions on nine of the 110 units which cannot be the  
15 same units restricted by the City of Fort Worth's HOME  
16 funds. At the time of the previous participation review,  
17 the applicant was a medium portfolio Category 1; EARAC  
18 recommends approval without conditions.

19 The direct loan rule requires that applications  
20 for developments previously awarded funds by the  
21 Department be found eligible by the Board. Staff is  
22 recommending that the Board find this application eligible  
23 due to increased project costs as a result of the City of  
24 Fort Worth's increased and required infrastructure  
25 improvements and the decreased equity proceeds as a result

1 of a substantial drop in equity pricing post-award.

2 Staff is recommending that an award of \$911,087  
3 in Tax Credit Assistance Program repayment funds from the  
4 2018-1 NOFA for Mistletoe Station be approved.

5 I'd be happy to take any questions, and our  
6 applicant is here also.

7 MR. GOODWIN: Okay. Any questions?

8 MR. VASQUEZ: Just a question regarding the  
9 inaccurate city utility drawings. Was that inaccurate  
10 delivered from the city, or is that --

11 MS. HOLLOWAY: Why don't we let Lisa answer  
12 that question.

13 MS. STEVENS: Good morning. Lisa Stevens with  
14 Sagebrook Development.

15 Yes. The answer to the question is the city  
16 drawings that were provided to us, as well as the city's  
17 storm water study that was provided to us at the time of  
18 application ended up not being accurate. What was in the  
19 ground was not what the city drawings depicted, and the  
20 amount of storm water, this is a site that is an area  
21 relatively built out, and so our site is kind of the last  
22 vacant piece and it turned out that there was 600 cfs more  
23 storm water flowing through our site or to our site than  
24 was depicted in the original storm water study by the  
25 city.

1 MR. VASQUEZ: Okay.

2 MR. GOODWIN: Other questions?

3 (No response.)

4 MR. GOODWIN: If not, we'll entertain a motion  
5 to accept staff's recommendation.

6 MS. THOMASON: I make a motion to accept  
7 staff's recommendation.

8 MR. GOODWIN: Okay. Do we have a second?

9 MR. BRADEN: Second.

10 MR. GOODWIN: It's been moved and seconded.  
11 Any further discussion?

12 (No response.)

13 MR. GOODWIN: All those in favor say aye.

14 (A chorus of ayes.)

15 MR. GOODWIN: Opposed?

16 (No response.)

17 MR. GOODWIN: Thank you, Marni.

18 MS. HOLLOWAY: Thank you.

19 MR. GOODWIN: Good luck today at the Capitol.

20 Being sensitive, Sarah, that you're here to  
21 give us a State Auditor's report, we'll move next to item  
22 4(a), the Internal Audit.

23 MS. PUERTO: Good morning, members. My name is  
24 Sarah Puerto with the State Auditor's Office, and I was  
25 the project manager for the audit of the Department of

1 Housing and Community Affairs fiscal year 2018 financial  
2 statements. I'm here to present the reports that were  
3 issued as part of this audit.

4 On December 20, 2018, we expressed unmodified  
5 opinions on the Department's fiscal year 2018 basic  
6 financial statements, Revenue Bond Program Enterprise Fund  
7 financial statements, and the computation unencumbered  
8 fund balances of the Housing Finance Division. We also  
9 issued a report on compliance with the Public Funds  
10 Investment Act. The results of our tests disclosed no  
11 issues of noncompliance or other matters that are required  
12 to be reported under Government Auditing Standards. We  
13 also issued a report on internal control over financial  
14 reporting and on compliance and other matters as required  
15 by auditing standards.

16 We did not identify any material weaknesses in  
17 internal control over financial reporting or any  
18 noncompliance with laws or regulations that materially  
19 affected the financial statements.

20 We also previously issued two reports earlier  
21 in the audit. On September 12, 2018, we issued a report  
22 that concluded that the financial data schedule prepared  
23 by the Department was fairly stated in all material  
24 respects in relation to the fiscal year 2017 basic  
25 financial statements taken as a whole. On September 27,

1 2018, we issued a report that concluded that the  
2 Department's electronically submitted financial data  
3 schedule to the U.S. Department of Housing and Urban  
4 Development Real Estate Assessment Center agreed with  
5 related hard copy documents.

6 And finally, on December 20, 2018, we emailed  
7 to you a document entitled "Required Communication with  
8 Those Charged with Governance." That includes several  
9 items we are required to communicate to the Board.

10 And that concludes my prepared presentation,  
11 and I would be happy to answer any questions you may have.

12 MR. GOODWIN: Any questions?

13 (No response.)

14 MR. GOODWIN: I missed the sentence that said  
15 this was the best financially run agency in the State of  
16 Texas. Did you leave that out by accident?

17 MS. PUERTO: It was an accident.

18 MR. GOODWIN: Oversight. We can get that in  
19 the next report.

20 (General laughter.)

21 MR. GOODWIN: Motion to accept Sarah's report?

22 MS. BINGHAM ESCAREÑO: Move to approve.

23 MR. GOODWIN: Move to approve. Second?

24 MS. THOMASON: Second.

25 MR. GOODWIN: No discussion. All in favor say

1 aye.

2 (A chorus of ayes.)

3 MR. GOODWIN: Next we have a report from Ms.  
4 Thomason regarding the Audit and Finance Committee.

5 MS. THOMASON: Yes. We met this morning at  
6 7:30. The State Auditor's Office presented their report,  
7 which we did recommend for approval to the full Board, and  
8 we have done that.

9 Other items presented were Internal Audit  
10 items. Mark is here to answer any questions that anyone  
11 may have. We spoke about the public information request  
12 audit, or the PIR function. A new standard operating  
13 procedure has been developed for that function. And he  
14 also presented the audit for the migrant labor housing  
15 activities which included site visits, testing of the  
16 inspection records and discussion of outreach. There as  
17 some really good discussion this morning related to that.

18 So if anyone has any questions, Mr. Scott is here to  
19 answer those.

20 MR. GOODWIN: Any questions? Any comments?

21 (No response.)

22 MR. GOODWIN: If not, we move approval of the  
23 Audit and Finance Committee report.

24 MS. BINGHAM ESCAREÑO: Move to approve.

25 MR. GOODWIN: Moved to approve. Second?

1 MS. THOMASON: Second.

2 MR. GOODWIN: Moved and seconded. All those in  
3 favor say aye.

4 (A chorus of ayes.)

5 MR. GOODWIN: Opposed?

6 (No response.)

7 MR. GOODWIN: Now we will move back to item  
8 1(e). Michael. Good morning.

9 MR. DeYOUNG: Good morning, Chairman and  
10 members of the Board. My name is Michael DeYoung. I'm  
11 the division director for the Community Affairs Division.

12 Item 1(e) is recommending awards for the 2019  
13 CSBG discretionary grant for direct client assistance and  
14 network operational improvements.

15 To give you a little background on this item,  
16 the Community Services Block Grant is about \$33 million  
17 annually to the State of Texas. We file a two-year plan,  
18 and you'll see that draft plan actually next month, that  
19 will be the next two-year cycle. But this item relates to  
20 a small percentage of that award. We get about 90 percent  
21 of that \$33 million goes to eligible entities. We have 40  
22 nonprofits in the state that we work with; they serve all  
23 254 counties. Five percent of that award remains for  
24 state administration. The last 5 percent the state is  
25 given pretty wide discretionary authority to work with

1 those funds, so we have throughout the years used those  
2 funds to do direct client assistance with these  
3 nonprofits, we've also done some network operational  
4 improvements, we've done migrant seasonal farm worker  
5 projects, we've also done some support for our Section 8  
6 program to administer vouchers in smaller communities, and  
7 this year we're doing all of those activities. I'll also  
8 throw in, we've done disaster relief. Every year we set  
9 aside a small part of the money just in case we have a  
10 disaster and we need to provide vouchers or client  
11 assistance to areas affected by a disaster.

12 So this item specifically relates to a portion  
13 of that 5 percent that we have discretion on and this  
14 award is for direct client assistance to 16 entities in  
15 the amount of \$290,184, and then we also have some network  
16 operational improvements, so this would be going into that  
17 community action agency and helping them with either maybe  
18 some upgrades to their financial systems, working with  
19 them to acquire better client tracking software, improve  
20 their staff training so that they can do a better job of  
21 case management at the local level.

22 So the entire recommendation before you is  
23 \$446,174, it goes to 19 eligible entities. These 19  
24 entities all applied. We did an RFA that you had  
25 authorized back in the original Board item when we asked

1 for the authority to make the discretionary awards. I  
2 will tell you we received 25 applications for these funds.  
3 Eight of those applications were determined to be  
4 ineligible and that was due to an expenditure clause that  
5 we had put in the RFA. We wanted them to be at 80 percent  
6 by the time we had taken the applications essentially, and  
7 eight of them had violated that clause. Each of those  
8 eight were given an opportunity to appeal. Six appealed  
9 to the interim executive director. We actually upheld two  
10 of those appeals and four were rejected. And so before  
11 you is the award of \$446,174 to the 19 eligible entities  
12 for these discretionary awards.

13 And I'd be glad to answer any questions.

14 MR. GOODWIN: Questions?

15 MS. RESÉNDIZ: Mr. Chairman, I have a question.

16 Hi, Michael. What is our direct role regarding  
17 the Section 8 housing vouchers?

18 MR. DeYOUNG: Our role. So we administer  
19 vouchers in about 37 counties in the State of Texas and  
20 we're kind of a unique entity because essentially we can  
21 go anywhere in the state and service Section 8 vouchers.  
22 From time to time we have fluctuated in our role as  
23 administering the Section 8 vouchers. At one point we  
24 were probably up at 1,500 vouchers, now we're closer to  
25 900 vouchers, and from time to time we have an opportunity

1 to either add to that voucher count or either step in and  
2 serve a small community.

3 We have historically provided financial support  
4 to the Section 8 program. Section 8 is HUD funding, it's  
5 fairly rigorous in its need for constant oversight. You  
6 get a monthly allocation and you have to make sure that  
7 you're drawing it down at the right time, you're not  
8 holding onto it too long. So that portion of the  
9 discretionary award provides for an administrative person  
10 on my staff to actually help track all those vouchers, all  
11 the transactions, make sure the payments are correct. If  
12 a client moves out, we have to have a reconciliation of  
13 how long did they stay in the unit, how much do we owe the  
14 landlord, how much does the landlord owe us if we  
15 overpaid. That's where the support goes.

16 I will tell you historically we've set aside  
17 \$150,000; we have never used anywhere close to that  
18 amount, usually it's in the area of \$15- to \$20- to  
19 \$30,000 a year in order to make sure that we stay  
20 reconciled with all of the various landlords in the 37  
21 counties that we provide services to.

22 MS. RESÉNDIZ: Thank you.

23 MR. DeYOUNG: Sure.

24 Other questions?

25 MR. VASQUEZ: I just wanted to say this is

1 something I think the Department needs to highlight that  
2 it's extra services that we offer in our Community Affairs  
3 program, that while no one award is huge, I mean,  
4 everything is under \$25,000 each, but I'm sure it makes a  
5 great help, assistance to these small programs. I mean,  
6 can you comment anything on how it really impacts some of  
7 these smaller organizations?

8 MR. DeYOUNG: Actually, I do enjoy this part of  
9 the Community Services Block Grant because the agencies  
10 apply to us. We ask them what would help you transition  
11 people out of poverty, and in many instances these dollars  
12 are going to be spent on direct client assistance. So  
13 what you'll see is somebody who comes to the community  
14 action agency, they're six hours away from having a  
15 degree, maybe it's a nursing degree or it may be their CDL  
16 license, but they can't afford to go to school or they  
17 don't have the opportunity to get to school, and the  
18 community action agency a lot of times is pinched for  
19 funds to say we can help you.

20 When we make these awards, hopefully these  
21 dollars are put to use on those cases where they can do  
22 the most good to get that person transitioned out of  
23 poverty. In many instances it's just a matter of getting  
24 them to the class or helping them with their books so that  
25 they can finish that class, get the degree, and hopefully

1 have a successful transition out of poverty. When that  
2 occurs, that hopefully is a person who will no longer rely  
3 on these programs in the future years.

4 Each agency is allowed to design what they want  
5 to do with their funds, so what is needed out in, say, the  
6 Midland-Odessa area is probably CDL license for drivers.  
7 Well, they can help. But if you go over to East Texas, it  
8 could be a totally different solution. And so the  
9 agencies tell us what they need, we review their  
10 application, and then we fund their application if it's  
11 successful. So it is a neat part of community action that  
12 we have the opportunity to use these funds in this  
13 discretionary manner.

14 MR. VASQUEZ: And does it just work out that we  
15 go from -- I see one line item in El Paso Community, then  
16 the next line item is Greater East Texas Community. Does  
17 it just work out that we sort of spread it all around the  
18 state?

19 MR. DeYOUNG: Each of the agencies technically  
20 could have applied for these funds. It varies from year  
21 to year, depending on how their budgets are going, whether  
22 they need additional funds. You'll see some agencies tend  
23 to not apply, they may have larger budgets, they have more  
24 flexibility within their budget, but especially some of  
25 these smaller agencies that you'll see here that they

1     serve one or two counties, they get an opportunity. They  
2     may only get \$150- or \$200,000 in CSBG funds from the  
3     formula and yet they have an opportunity to get may be  
4     10-15 percent more money to go to direct client assistance  
5     or actually improve their operational capability. So this  
6     is a fun award, this is good stuff.

7             MR. VASQUEZ: Great.

8             MR. GOODWIN: Any other questions?

9             (No response.)

10            MR. GOODWIN: If not, do I hear a motion to  
11     approve Mr. DeYoung's report?

12            MR. VASQUEZ: Motion to approve.

13            MR. GOODWIN: Okay. Second?

14            MS. RESÉNDIZ: Second.

15            MR. GOODWIN: Any further discussion?

16            (No response.)

17            MR. GOODWIN: All those in favor say aye.

18            (A chorus of ayes.)

19            MR. GOODWIN: Opposed?

20            (No response.)

21            MR. GOODWIN: Thank you, Michael.

22            MR. DeYOUNG: Thank you. Have a great day.

23            MR. GOODWIN: Thanks.

24            Next we have item 1(i). Raul.

25            MR. GONZALES: Good morning, Chairman Goodwin

1 and Board members. My name is Raul Gonzales and I'm the  
2 director of the Office of Colonia Initiatives, Housing  
3 Trust Fund, and Neighborhood Stabilization Program.

4 Item 1(i) is a request to authorize the  
5 programming of Neighborhood Stabilization Program One  
6 program income to support continued land bank program  
7 activity.

8 Land banks are governmental or non-governmental  
9 nonprofit entity established, at least in part, to  
10 temporarily manage and dispose of vacant land for the  
11 purpose of stabilizing neighborhoods and encouraging reuse  
12 or redevelopment of urban property. For NSP a land bank  
13 operates in a specific defined geographic area. These  
14 subrecipients purchased properties from 2010 to 2013 that  
15 had been abandoned or foreclosed upon or were vacant in-  
16 fill lots and signed a 10-year agreement to facilitate  
17 redevelopment and dispose of land bank properties.

18 On November 27, 2012, HUD issued a closeout  
19 notice, along with subsequent guidance and clarified the  
20 ability to continue certain activities after August 16,  
21 2013, the extended expenditure deadline. HUD also  
22 clarified the ability to continue certain activities after  
23 the expenditure deadline. HUD stated in the notice that  
24 occupancy of all property is not a requirement for  
25 expenditure and that disposition is an activity that they

1 expect to continue until properties reach their final  
2 eligible use.

3 For the NSP One program, funds are available  
4 for purchase, rehabilitation, or new construction of  
5 single family homes were expended by that deadline, but  
6 not all properties have reached their final eligible use.

7 A continuous source of funds is necessary to pay third  
8 party costs required. Subrecipients have been working to  
9 complete the redevelopment of these land bank properties  
10 and have incurred expenses for costs to operate the land  
11 bank. Some of the eligible costs are generally taxes,  
12 insurance and mowing and similar maintenance charges.

13 We are proposing the funds required to close  
14 homebuyer transactions and fund land bank eligible costs  
15 be budgeted from NSP One program income and made available  
16 to current subrecipients in good standing through a  
17 reservation system participation agreement. The amount  
18 budgeted to each subrecipient will be based on records of  
19 expenses submitted to the Department by the subrecipient  
20 and may be limited as described in this action by time,  
21 the type of activity or the availability of funds.

22 Staff is recommending that available  
23 Neighborhood Stabilization Program One program income  
24 funds be budgeted for land bank eligible costs, homebuyer  
25 down payment and closing cost expenses. The amount

1 budgeted will be based on the availability of NSP One  
2 program income but will not exceed \$500,000 without  
3 further Board action. Approximately 200 land bank  
4 properties remain that have not been placed into final  
5 eligible use.

6 And with that, close and answer any questions.

7 MR. GOODWIN: Any questions?

8 MR. VASQUEZ: Mr. Chairman.

9 So when is the end date for all these  
10 properties?

11 MR. GONZALES: The end date is coming up on the  
12 agreements. The end date is the end of August of this  
13 current year, 2019, and we're in discussion of what our  
14 next step is going to be of extending these contracts and  
15 working with the current administrators or subrecipients  
16 that have these properties.

17 MR. VASQUEZ: I mean, is there any incentive  
18 that can be provided to get these properties developed?

19 MR. GONZALES: There may be, and one of the  
20 discussions we've had is to provide some kind of incentive  
21 based on the number of loans and how quickly they close  
22 out these properties, so we have had some discussions and  
23 it's something that we'll have to look into to make sure  
24 that it's an expense that's eligible under the program.

25 MR. VASQUEZ: Okay. And I guess just finally,

1 I imagine it's conceivable that there's a percentage of  
2 these properties that just aren't suitable to get  
3 developed and we're just going to be paying for lawn  
4 mowing in perpetuity?

5 MR. GONZALES: Well, we hope not. Some of  
6 these lots that are not eligible or they're not suitable  
7 for building, maybe some side lots that could be worked in  
8 where the individual living next door, if they qualify or  
9 are eligible, that lot could be donated or sold to the  
10 neighbor. So we're hoping that that won't happen, but  
11 eventually we will have to come up with a plan and we're  
12 working with those administrators to devise an action plan  
13 to come to a final eligible use.

14 MR. VASQUEZ: Okay. I just hope we can really  
15 encourage them.

16 MR. GONZALES: And we definitely will continue  
17 to do so and look at alternatives to incentivize them to  
18 speed up the process. Yes, sir.

19 MR. VASQUEZ: Great. Thanks.

20 MR. GOODWIN: Any other questions?

21 (No response.)

22 MR. GOODWIN: If not, do I hear a motion to  
23 approve the report?

24 MS. RESÉNDIZ: So moved.

25 MR. GOODWIN: It's been moved. Seconded?

1 MS. THOMASON: Second.

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

4 (No response.)

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

7 (A chorus of ayes.)

8 MR. GOODWIN: Opposed?

9 (No response.)

10 MR. GOODWIN: Okay. Thank you, Raul.

11 MR. GONZALES: Thank you.

12 MR. GOODWIN: Next we have item 1(k). You  
13 don't look like Brooke.

14 MR. DURAN: Not Brooke, no. Sorry to  
15 disappoint. My name is Spencer Duran. I'm the manager of  
16 the Section 811 Program.

17 Item 1(k) discusses a proposed rule amendment  
18 that would provide assurances to owners of existing  
19 properties that have elected to participate in the Section  
20 811 Program that TDHCA staff will respond quickly to  
21 notices of vacancy.

22 The way that the process works is an owner of a  
23 participating property, they've made a commitment to set  
24 aside a certain number of units to the Section 811  
25 Program, and TDHCA, with our health and human services

1 partners, we go out in the community and we find qualified  
2 households and we build up waiting lists for those units,  
3 and then the next ten or so vacancies, whatever the  
4 commitment may be, are obligated to the 811 Program  
5 households. So when an owner or a property manager knows  
6 when a vacancy is coming up, they simply send us an email  
7 alerting us that a vacancy is coming up that's eligible to  
8 be filled with an assisted household, we look at our  
9 waiting list spreadsheet, and we can quickly determine  
10 whether or not we have anybody on our waiting list who  
11 would fill that unit.

12 So for example, if a two bedroom unit is  
13 becoming available on the second floor but our household  
14 waiting list only consists of single individuals who need  
15 a first floor unit because of accessibility reasons, we  
16 would tell the property owner we cannot fill that unit at  
17 this time, go ahead and rent it out to your tax credit  
18 applicants.

19 We've added this timeline not because it is a  
20 new practice, our practice is and will always be to  
21 quickly either accept or reject the unit almost  
22 immediately, but we felt that the three day deadline on us  
23 will provide property owners better reassurance that we're  
24 not going to leave them with any vacancies.

25 MR. GOODWIN: Good. Any questions?

1 MR. VASQUEZ: So except for that section saying  
2 we will acknowledge receipt within three days, business  
3 days, that's the only substantive change?

4 MR. DURAN: Yes, absolutely. There were some  
5 minor changes to conform with *Texas Register* standards, so  
6 we capitalized some terms and we spelled out some  
7 acronyms, but yes, the heart of the change, the intention  
8 of the changes is to provide that three day deadline for  
9 us. But yes, you will see that there is blackline other  
10 changes that are simply capitalizing some terms or  
11 spelling some other terms out or referencing other parts  
12 of the Texas Administrative Code and instead of just  
13 referencing 10 TAC whatever, we go ahead and spell out  
14 what that section is.

15 MR. GOODWIN: Any additional questions?

16 (No response.)

17 MR. GOODWIN: So do I hear a motion to approve  
18 the amendment, directing publication and adoption in the  
19 *Texas Register*?

20 MR. VASQUEZ: So moved.

21 MR. GOODWIN: So moved. Second?

22 MR. BRADEN: Second.

23 MR. GOODWIN: Moved and seconded. All in favor  
24 say aye.

25 (A chorus of ayes.)

1 MR. GOODWIN: Opposed?

2 (No response.)

3 MR. GOODWIN: Thank you, Spencer/Brooke.

4 MR. DURAN: Thank you.

5 (General laughter.)

6 MR. GOODWIN: Okay.

7 MR. VASQUEZ: Mr. Chairman, if I could just  
8 make a quick comment?

9 MR. GOODWIN: Sure, absolutely.

10 MR. VASQUEZ: Part of the reason -- and I think  
11 this is more of my leftover habits from prior  
12 departments/agencies I've been involved with -- the reason  
13 I asked for this to come out of the consent agenda is so  
14 that the Board is more aware of when there's substantive  
15 changes in rules that we're publishing that it's just  
16 highlighted to us.

17 MR. GOODWIN: Sure.

18 MR. VASQUEZ: So this one wasn't that  
19 substantive and it really put more onus on us rather than  
20 the public, but that's just the reason why I'd like to see  
21 these when there's substantive changes, make sure it gets  
22 highlighted to us as the Board.

23 MR. GOODWIN: Okay. All right.

24 Item 5, Monica.

25 MS. GALUSKI: Good morning, Mr. Chair, members

1 of the Board. Monica Galuski, director of Bond Finance  
2 and chief investment officer.

3 This is agenda item 5 which is Presentation,  
4 discussion, and possible action on Resolution No. 19-029  
5 approving an increase in the maximum amount of outstanding  
6 advances under the Advances and Security Agreement with  
7 Federal Home Loan Bank of Dallas, authorizing use of  
8 available funds to repay advances, authorizing the  
9 execution of documents and instruments relating thereto,  
10 making certain findings and determinations in connection  
11 therewith, and containing other provisions relating to the  
12 subject.

13 As you can see by the chart on page 2 of this  
14 item, the Department's single family loan volume continues  
15 to increase, and with the recent release of our 2019-A  
16 bond program, we're expecting that to just continue to go  
17 upwards, which we're just now beginning to see those loans  
18 coming trough for purchase. So we're going to need to  
19 make some adjustments to accommodate our increased volume.

20 A little background. The Advances and Security  
21 Agreement with the Federal Home Loan Bank is a short term  
22 collateralized line that the Department uses to fund the  
23 purchase of loans originated through our single family  
24 programs. Current collateral is \$15 million in cash  
25 that's invested in the Federal Home Loan Bank's liquid

1 yield investment, and the other collateral is mortgage  
2 loans that the Department has purchased that are waiting  
3 to be pooled and we get credit for 92 percent of those  
4 loans as collateral.

5           So there are a few factors that keep this from  
6 being a straightforward calculation, and one is that we've  
7 always got loans in the line. There are cutoffs for when  
8 we're pooling our mortgages, so even when we settle a pool  
9 of mortgage-backed securities, there's \$25- to \$50 million  
10 worth of loans still in the line that have come in and are  
11 waiting for the next pool. As a result, TDHCA currently  
12 doesn't have enough collateral in the line to purchase all  
13 the loans that are waiting for us to purchase them. In  
14 fact, we're short recently by as much as \$30 million in a  
15 day, and once you're behind on purchases, because with  
16 each purchase of loans, you're converting \$100 of  
17 collateral, you buy loans, the next day you've only got 92  
18 percent of that, it's almost impossible to ever catch up  
19 once you've sort of run behind without injecting  
20 additional cash into the equation.

21           To this point, the Department's master  
22 servicers has accommodated our shortfall and sort of  
23 carried us but they're both under no obligation to do so  
24 and they won't always have the necessary capital to do  
25 that for us. Plus, the Department earns the float on

1 those loans while we own them, and it's a significant  
2 amount of revenues. Even just that \$30 million, if we  
3 daily can't purchase \$30 million, that costs us about a  
4 million dollars a year in revenues. So it's not  
5 insignificant.

6 So with this item, staff is requesting an  
7 increase in the maximum amount of advances that can be  
8 outstanding under that agreement at any one point in time  
9 to \$250 million, and requesting authorization to use up to  
10 \$10 million of available funds to repay outstanding  
11 advances which are borrowings under that agreement.  
12 Available sources include amounts eligible for release  
13 from either and/or both of our single family indentures  
14 and other available single family related funds that we  
15 have on deposit. Any indenture withdrawal has already  
16 been taken into account in the most recent cash flows that  
17 were provided to the rating agencies for rating  
18 confirmation. Staff is still working with the  
19 Department's financial advisor, bond counsel to determine  
20 the best and most efficient sources of funds to apply to  
21 this infusion -- I guess is the best way to put it.

22 With that, I'll close and happy to answer any  
23 questions.

24 MR. VASQUEZ: Mr. Chairman.

25 MR. GOODWIN: Yes, sir.

1 MR. VASQUEZ: So, Monica, would you  
2 characterize this as a good problem to have?

3 MS. GALUSKI: It's an awesome problem to have.

4 MR. VASQUEZ: I agree.

5 MR. GOODWIN: Mr. Bond Counsel, sound good to  
6 you?

7 Any other questions? If not, I'll entertain a  
8 motion.

9 MR. VASQUEZ: I guess there's one more  
10 question. On your chart on that page 2, so do you really  
11 think that the trajectory is going to keep on going up or  
12 will it level out at this higher level?

13 MS. GALUSKI: We seem to see when we do a bond  
14 issue that we spike up and then we kind of hold there,  
15 plateau a little, and then the next bond issue, but we're  
16 not falling back down to prior levels. So we're doing  
17 sort of a jagged climb up but it's still kind of all up.  
18 At some point, you know, we're going to be limited. We  
19 have to fund the down payment assistance and related costs  
20 on that, but for now, we just continue to manage it, we  
21 work closely with our financial advisor, and we're not at  
22 the point yet where we're getting concerned, but it's a  
23 lot of volume.

24 MR. VASQUEZ: And this growth is not being  
25 generated by us lowering standards or anything like that.

1 MS. GALUSKI: Absolutely not.

2 MR. VASQUEZ: It's just demand keeps growing.

3 MS. GALUSKI: It's demand, and we've got,  
4 frankly, an excellent product.

5 MR. VASQUEZ: Great. Thanks.

6 MR. GOODWIN: On the street I hear that the  
7 demands, our requirements have actually increased, our  
8 that our security is actually getting better.

9 MS. GALUSKI: Yes. You are correct.,

10 MR. GOODWIN: Okay.

11 Any other questions?

12 (No response.)

13 MR. GOODWIN: If not, do I hear a motion to  
14 approve staff's request and recommendation?

15 MR. VASQUEZ: Move to approve the  
16 recommendation and request.

17 MR. GOODWIN: Second?

18 MR. BRADEN: Second.

19 MR. GOODWIN: It's been moved and seconded.  
20 Any further discussion?

21 (No response.)

22 MR. GOODWIN: All in favor say aye.

23 (A chorus of ayes.)

24 MR. GOODWIN: Opposed?

25 (No response.)

1 MR. GOODWIN: Thank you, Monica.

2 MS. GALUSKI: Thank you.

3 MR. GOODWIN: Thank you for a job well done.

4 Next we have item 7. I'm sorry, I apologize.

5 Item 6 has been pulled at this stage. It will be on a

6 future agenda. So we're moving to item 7.

7 Good morning.

8 MS. TRACZ: Good morning, Chairman Goodwin and

9 Board members. I'm Cate Tracz, Fair Housing manager.

10 Item 7 requests your approval to release the

11 draft Analysis to Impediments to Fair Housing Choice, or

12 the AI, for public comment.

13 HUD requires that an AI be prepared every five

14 years because the Department operates HUD community

15 planning and development funds, or CPD funded programs,

16 which are the HOME Program, the National Housing Trust

17 Fund Program, and the Emergency Solutions Grants Funds

18 Program. Additionally, there are three other state

19 agencies that are also recipients of these HUD funds and

20 are therefore covered by this AI: the Texas Department of

21 State Health Services, which administers the HOPWA, or

22 Housing Opportunities for Persons with AIDS Program; the

23 Texas Department of Agriculture, who administers the

24 Community Development Block Grant Program; and the General

25 Land Office, who administers the Community Development

1 Block Grant Disaster Recovery Program.

2 On behalf of all of the Texas state agencies  
3 that receive these HUD CPD funds, TDHCA has taken the lead  
4 role in developing the AI. The Texas Workforce Commission  
5 Civil Rights Division has also participated in the AI  
6 development process by providing training, technical  
7 assistance and data on fair housing complaints.  
8 Considerable collaboration with our partner state agencies  
9 and consultation with stakeholder groups and a robust  
10 outreach and engagement with the public has taken place  
11 over the last several months in the development of this  
12 draft AI document.

13 The draft AI both assesses where Texas is as a  
14 state as it relates to fair housing, and then identifies  
15 impediments and possible solutions where applicable and  
16 feasible within HUD regulations. The assessment is  
17 achieved by looking at several topics: a statewide and  
18 regional analysis of demographics and housing  
19 considerations; a review of existing rules and  
20 regulations; a discussion of actions that have been and  
21 are currently being taken to affirmatively further fair  
22 housing by the state; an analysis of TDHCA's assisted  
23 housing portfolio and lending programs; and an overview of  
24 fair housing complaints and cases.

25 All of these topics together, presented chapter

1 by chapter in the draft AI, lay the framework for the  
2 identification of statewide impediments to fair housing  
3 choice. Recommended actions to address those identified  
4 impediments are also provided in the draft AI.

5 I would like to emphasize that the General Land  
6 Office, or GLO, has taken ownership of all facets of the  
7 document that relate to disaster recovery and response.  
8 They drafted a separate chapter, Chapter 9, that provides  
9 a review of specific considerations and actions that have  
10 been taken specifically as it relates to disaster recovery  
11 in response with the HUD CPD funds. To the extent that  
12 comment is received relating to disaster recovery issues,  
13 those are fully the responsibility of the GLO.

14 The AI presented today has been made available  
15 for public review over the last two weeks prior to the  
16 Board meeting. In that time staff has identified several  
17 technical and nonsubstantive corrections and typos that  
18 will be corrected prior to the draft AI being released for  
19 public comment. For example, we inadvertently used the  
20 term Fair Housing Initiative Program, or FHIP, in one  
21 portion of the text, which actually should have been the  
22 term Fair Housing Assistance Program, or FHAP, when  
23 describing an entity that engaged in testing for fair  
24 housing compliance. So those will all be corrected.

25 Upon the Board's approval today of this draft

1 document, the AI will be released for more than 40 days of  
2 public comment between Monday, March 25, and Monday, May  
3 6. During this time, staff will hold 13 public hearings,  
4 one in each of TDHCA's state service regions, and  
5 consistent with our citizen participation plan. Following  
6 the public comment period, staff will review and carefully  
7 consider all public comments received. Staff will then  
8 present the final Analysis of Impediments to Fair Housing  
9 Choice to the Board in the summer of 2019. Once adopted,  
10 at that time this will become a guide for the Fair Housing  
11 team at the Department as we work on implementing the  
12 recommended actions to minimize identified impediments.

13 And finally, before I wrap up, I'd like to  
14 acknowledge several people. About a year and a half ago  
15 we made the decision to produce this document in-house  
16 instead of hiring a third party firm, therefore, this AI  
17 has been a huge undertaking for the Department.

18 Much of the development of this draft AI is due  
19 to the countless hours and hard work of Julie Leung and  
20 Nathan Darius on the Fair Housing and Data Management  
21 Reporting team. They not only performed extensive data  
22 collection, analysis and preparation of draft tables and  
23 maps, but also performed research and performed extensive  
24 amounts of technical writing. It's about a 900-page  
25 document that they did in the term of this job. Brooke

1 Boston, the executive sponsor of this project, is not able  
2 to be here today, but asked that I emphasize how impressed  
3 and pleased we are with Nathan and Julie's contributions.

4 While no longer at TDHCA, we also wanted to  
5 acknowledge the hard work and efforts of Suzanne Hemphill  
6 in getting this project off the ground.

7 Additionally, the Fair Housing team relied on  
8 the critical eyes of the Housing Resource Center staffers,  
9 Sidney Beaty and Kali Adams, who performed extensive  
10 quality control on the document which was immensely  
11 valuable.

12 And lastly, I cannot leave without giving  
13 thanks to those who spent large chunks of their time  
14 reviewing every page of this document with a fine tooth  
15 comb: our federal compliance counsel, Megan Sylvester;  
16 our general counsel, Beau Eccles; our director of External  
17 Affairs, Michael Lyttle; and David Cervantes in his acting  
18 role as executive director.

19 It was all of our efforts together that  
20 resulted in this draft AI and they all did a tremendous  
21 job.

22 So that concludes my overview of this item and  
23 I'm happy to answer any questions.

24 MR. GOODWIN: On behalf of the Board, I would  
25 like to say thank you for your efforts, and to all of the

1 staff members that you mentioned, thank you very much.

2 We're all very much appreciative of this.

3 MS. TRACZ: Thank you.

4 MR. GOODWIN: Questions?

5 MR. VASQUEZ: I'll just comment. Again, when  
6 this was emailed to me, the link, I was just stunned when  
7 I saw the breadth and depth of this report. I mean,  
8 obviously a lot of work has gone into it and I'm looking  
9 forward to hearing what comments we receive from the  
10 public. But if anyone hasn't had a chance to peruse it  
11 yet, it's quite a report.

12 MR. GOODWIN: Very impressive.

13 Any other questions or comments?

14 (No response.)

15 MR. GOODWIN: If not, I'll entertain a motion  
16 to approve staff's recommendation.

17 MS. RESÉNDIZ: So moved.

18 MR. GOODWIN: It's been moved. Second?

19 MR. VASQUEZ: Second.

20 MR. GOODWIN: It's been moved and seconded.

21 Any further discussion?

22 (No response.)

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

25 (A chorus of ayes.)

1 MR. GOODWIN: Opposed?

2 (No response.)

3 MR. GOODWIN: Okay. That brings us to a part  
4 of the agenda where we take public comments for future  
5 agenda items. Does anybody have anything they want to  
6 bring up for future items?

7 (No response.)

8 MR. GOODWIN: If not, I would point you to the  
9 first page of the agenda and remind you that in fiscal  
10 2018 we served 613,399 households and dispensed and  
11 regulated \$3.2 billion of investments. So as a former  
12 chairman of ours used to say, this work is very important,  
13 and congratulations to all of the staff members who have  
14 done such a wonderful job being recognized by the State  
15 Auditor's Office as the best financially run agency in the  
16 State of Texas. That's the way rumors get started, you  
17 say it enough times and it gets started.

18 (General laughter.)

19 MR. GOODWIN: If there's no further comments,  
20 we'll entertain a motion to adjourn.

21 MS. BINGHAM ESCAREÑO: So moved.

22 MR. GOODWIN: Second?

23 MR. BRADEN: Second.

24 MR. GOODWIN: All in favor say aye.

25 (A chorus of ayes.)

1 MR. GOODWIN: See you next month.  
2 (Whereupon, at 8:50 a.m., the meeting was  
3 adjourned.)

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C E R T I F I C A T E

MEETING OF: TDHCA Board

LOCATION: Austin, Texas

DATE: March 21, 2019

I do hereby certify that the foregoing pages, numbers 1 through 46, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Housing and Community Affairs.

DATE: March 27, 2019

\_\_\_\_\_  
(Transcriber)

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