

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

QUALIFIED ALLOCATION PLAN AND RULES

COMMITTEE MEETING

John H. Reagan Building  
JHR 140  
1400 Congress Avenue  
Austin, Texas 78701

July 7, 2022  
12:00 p.m.

MEMBERS:

BRANDON BATCH, Chair  
LEO VASQUEZ III, Member  
KENNY MARCHANT, Member

*ON THE RECORD REPORTING*  
*(512) 450-0342*

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P R O C E E D I N G S

(12:38 p.m.)

1  
2  
3 MR. BATCH: All right. So it looks like it is  
4 12:38 on July 7, 2022, and we'll go ahead and call to order  
5 the meeting of the QAP and Rules Committee of the Governing  
6 Board of the Texas Department of Housing and Community  
7 Affairs.

8 You know, obviously, I'm sure there's going to  
9 be a significant amount of public comment. And so, you  
10 know, I just ask that if you would like to speak, for those  
11 of you that don't know, just come to the first two rows.  
12 And when you do go to speak at the rostrum, just sign in,  
13 state your name and who you're representing.

14 And if we can, try to -- if you have a comment  
15 that is similar to a previous comment, please just try to  
16 do your best to limit your remarks so we can try to get out  
17 of here at a reasonable time today.

18 So with that said, I will go ahead and take roll  
19 call.

20 Mr. Marchant?

21 MR. MARCHANT: I'm here.

22 MR. BATCH: Mr. Vasquez?

23 MR. VASQUEZ: Here.

24 MR. BATCH: And myself, here. Being that all  
25 three of us are here, two of which is a quorum, we are good

1 to go.

2 So it looks like the only item on the  
3 Committee's agenda this afternoon is a report on the draft  
4 of next year's QAP.

5 Cody, Mr. Campbell, if you'll give us a  
6 presentation on how that draft is coming and highlight any  
7 proposed changes that we see on the horizon?

8 MR. CAMPBELL: Happy to. So again, Cody  
9 Campbell, Director of Multifamily Programs with the  
10 Department. This is a report item on the draft 2023 QAP.

11 Staff has undertaken a more robust development  
12 process than normal for the 2023 QAP. Ordinarily, staff  
13 drafts an updated QAP and presents it to the Board in  
14 September. The Board is required by statute to adopt a  
15 proposed QAP no later than September 30 each year.

16 Once the Board approves this draft, it goes out  
17 for formal public comment. Staff receives and reviews this  
18 public comment, and at the November meeting, presents the  
19 comments' reasoned responses in a QAP with responsive  
20 changes to the Board for final approval. The Board adopts  
21 the QAP, at which point it is transferred to the Governor,  
22 Office of the Governor, who may approve, reject or approve  
23 it with conditions no later than December 1.

24 This year, staff has chosen to do two rounds of  
25 drafting and comment for the QAP. So far throughout the

1 year, we have hosted three roundtables and three virtual  
2 work groups to allow for participation and input from the  
3 development community, advocates, and other concerned  
4 parties. These events were well-attended and staff would  
5 like to give sincere thanks to those who took time out of  
6 their business schedules to show up and participate,  
7 because those events were extremely informative.

8 We have also done a few surveys this year,  
9 including a survey on this proposed QAP development plan,  
10 and we saw great input on those as well. Using this input,  
11 staff has created an informal first draft of the QAP, which  
12 was posted to our website yesterday.

13 We're calling it an informal first draft,  
14 because this part of the process is not required by  
15 statute. And this version of the QAP will not go through  
16 the rulemaking process or the formal public comment  
17 process. This draft will also not be presented to the  
18 Board for formal approval.

19 Staff will accept written input through August  
20 3, and then we'll make any appropriate changes prior to  
21 finalizing the formal draft of the QAP, which will be  
22 presented to the Board for approval in September. At that  
23 point, the normal process for the QAP will commence.

24 This presentation is meant to provide the  
25 Committee with information about these significant changes

1 included in the informal staff draft. The draft includes  
2 changes to a few key scoring items in the QAP.

3 The first of these relates to the proximity to  
4 jobs scoring item. This item awards points to development  
5 sites that are within a certain proximity of a prescribed  
6 number of jobs as determined using data published by the  
7 U.S. Census.

8 The current QAP categorizes development sites by  
9 the population of the place where they are located. For  
10 example, the standard is different for a place that has a  
11 population of 500,000 compared to a place that has 499,000.

12 The Department has received feedback from the  
13 industry that this might not be the most sensible way to do  
14 this. Using the Dallas-Ft. Worth Metroplex as an example,  
15 sites that are geographically very close to one another but  
16 that are located in different municipalities might be  
17 scored using different criteria.

18 Staff proposes that this differentiation instead  
19 be made between urban and rural applications, which would  
20 mean that any application competing against one another in  
21 a given subregion would be scored using the same criteria.

22 Staff also suggests lowering the maximum number  
23 of points for this item to four from six and adding a new  
24 category within this item that would allow applications to  
25 score at least two points for being close to jobs to

1 supplement that score, up to the maximum four points, if  
2 the development is located near readily-accessible public  
3 transportation. The rationale here is that public  
4 transportation can be used by tenants to access jobs beyond  
5 those that are available in the immediate vicinity.

6 Another proposed change relates to the cost per  
7 square foot scoring item. This item is required by statute  
8 and awards points to developments based on their cost per  
9 square foot. Staff has received consistent feedback over  
10 the years that the thresholds in the QAP are  
11 unrealistically low, which has only been exacerbated by  
12 recent economic circumstances.

13 Staff proposes an increase to the thresholds by  
14 approximately 51 percent for the 2023 QAP, and suggests  
15 updating these figures each year following an index of  
16 construction pricing. Staff issued a survey on cost  
17 containment and the responses to that survey were used in  
18 drafting the changes in this section.

19 Required unit sizes are another area of the QAP  
20 that staff has revisited. We have received input that  
21 suggests that our required minimum unit sizes and the unit  
22 sizes available to score additional points may not be in  
23 line with industry standards.

24 Staff has reviewed both portions of the QAP and  
25 has several suggestions. First, that the required square

1     footage of efficiency and one-bedroom units be reduced by  
2     50 square feet for both threshold and scoring purposes.  
3     The current sizes -- for example, 500 square feet as a  
4     minimum for efficiency units or 550 square feet to score  
5     points -- do seem to be larger than what is often produced  
6     at market rate developments.

7             Staff does not agree that the required sizes for  
8     two, three and four bedrooms should be reduced in most  
9     cases. These required sizes are 800, 1,000 and 1,200  
10    square feet, with an option to score points by adding an  
11    additional 50 square feet. These sizes appear to be  
12    consistent with the market.

13            Staff does acknowledge that unit sizes may be  
14    smaller in the urban core of major metropolitan areas, and  
15    suggests allowing an across-the-board reduction of 50  
16    square feet for both threshold and scoring if the  
17    development site meets a narrow definition of being located  
18    within the urban core. Staff is still finalizing the  
19    definition of urban core, but is looking at attributes such  
20    as population density and immediate proximity to downtown  
21    as possible characteristics to factor into this  
22    determination.

23            Under the residents with special housing needs  
24    category, two new items are proposed. First, an item for  
25    assisting families with children, which awards one point if

1 no more than 30 percent of the units are efficiencies or  
2 one-bedrooms.

3 Second, a new item for assisting households with  
4 incomes above housing tax credit limits is added. This  
5 item would award points for applications that commit 10 or  
6 20 percent of the units to households with incomes at  
7 either 100 or 120 percent of area median income.

8 No additional tax credit funding is available  
9 for these units, as they are not federally eligible for the  
10 program. This item is meant to address the missing middle  
11 of housing for households that make too much money to  
12 qualify for housing tax credit units, but which may still  
13 struggle with affordability.

14 The staff draft proposes that the readiness to  
15 proceed scoring item be reinstated. This item was  
16 previously suspended due to the pandemic. Staff proposes  
17 that points be made available for applicants that commit to  
18 having all buildings placed in service no later than 24  
19 months from the date of the award, rather than the  
20 federally-required 24 months from the end of the calendar  
21 year of the award. Applicants that select these points and  
22 fail to deliver the units timely would be penalized in the  
23 following round.

24 Two significant changes are proposed to the  
25 allocation methodology. First, staff proposes that the

1 highest-scoring supportive housing application within any  
2 urban subregion be automatically awarded, presuming that  
3 the application is otherwise eligible. Supportive housing  
4 applications face unique challenges and the intent of this  
5 change is to create a path to award through the best of  
6 these applications that may not otherwise be able to  
7 complete.

8           Likewise, staff proposes a similar addition to  
9 the QAP to automatically award the highest-scoring  
10 application in a subregion that is supported by a HUD  
11 Choice Neighborhood Grant, if such an application exists.  
12 Choice Neighborhood Grants are an extremely lucrative  
13 source of funding for municipalities; however, they come  
14 with strict deadlines for when the money must be expended.

15       This addition is intended to assist cities with expending  
16 these funds timely.

17           Regarding application submission procedures,  
18 staff proposes that pre-applications must include  
19 information used for determining tie-breaking, as well as  
20 supporting documentation if the applicant intends to claim  
21 points regarding underserved areas, proximity to jobs or  
22 opportunity index. This information being submitted with  
23 the pre-applications would allow competing applicants to  
24 make more informed decisions about whether or not to  
25 proceed with a full application. Staff also suggests that

1 any requests for administrative deficiency concerning any  
2 items in the pre-application be due no later than the date  
3 of the full application.

4           Regarding neighborhood risk factors, staff  
5 anticipates that the requirement for mitigation for schools  
6 with ratings below a C will be reinstated. The Texas  
7 Education Agency has indicated that they will not be  
8 publishing school ratings for any schools that score below  
9 a C next year, so any school that is not rated will require  
10 mitigation.

11           Blight has been removed as a neighborhood risk  
12 factor, as it is completely subjective, and staff questions  
13 that it actually solves any problems. Staff also suggests  
14 that existing housing that is proposed to be rehabilitated  
15 be exempted from crime as a neighborhood risk factor. This  
16 will allow applicant to rehabilitate existing housing in  
17 neighborhoods that may otherwise not be eligible for  
18 funding due to crime.

19           Finally, staff suggests removing Subchapter F  
20 related to supplemental housing tax credits. This  
21 subchapter was included in the QAP exclusively for the 2022  
22 competitive round, and absent clear direction from the  
23 Board, staff does not have sufficient grounding to update  
24 it for inclusion in the 2023 QAP.

25           This has been a summary of the larger changes in

1 the first draft of the QAP. This is just a report item, so  
2 no action is required to be taken by the Committee, but I  
3 am happy to answer any questions that you have.

4 MR. BATCH: Thank you so much, Mr. Campbell, for  
5 that, and to you and both the staff -- and I just want to  
6 commend you for the work that you've done, going above and  
7 beyond to incorporate the thoughts and opinions of the  
8 public --

9 MR. CAMPBELL: Thank you.

10 MR. BATCH: -- in this, what has obviously been  
11 a very collaborative process. And so that is much  
12 appreciated. And we look forward to continuing to  
13 obviously work with everyone as we continue to build out  
14 this QAP.

15 MR. CAMPBELL: Sure.

16 MR. BATCH: With that said, does any -- do any  
17 of the Board members have any general comments or thoughts,  
18 questions?

19 MR. MARCHANT: I just have a question. The  
20 4 percent projects in nine -- the 4 percent aren't affected  
21 by this in any way?

22 MR. CAMPBELL: They would be. So they would not  
23 be affected by any of the changes to scoring. But some of  
24 the other issues such as the neighborhood risk factors,  
25 mitigating being required for schools, the removal of

1 blight as a neighborhood risk factor, the removal -- or the  
2 exemption of crime as a neighborhood risk factor for  
3 existing housing, all of those things would affect  
4 4 percent applications.

5 MR. MARCHANT: Uh-huh. And they're given  
6 consideration, 4 percent, but can't block -- if they  
7 don't -- if they violate those, then they can't proceed in  
8 the 4 percent or --

9 MR. CAMPBELL: Correct. So those rules would  
10 apply. So for example, if the schools were found to be,  
11 you know, ineligible under the QAP, that would apply to a  
12 4 percent just as much as a 9 percent, and it would create  
13 a barrier for the applicant.

14 I mean, they still have appeal rights and all of  
15 those things, but --

16 MR. MARCHANT: Thank you, Mr. --

17 MR. VASQUEZ: I have a general question on -- is  
18 there -- are there any parts on this QAP going forward  
19 where we distinguish between rehab projects versus new  
20 projects, in that -- well, in that -- and this occurred in  
21 one of the last couple meetings, where there's a rehab  
22 project for, you know, an old development that really  
23 needed investment. But there were all kinds of  
24 neighborhood risk factors and all of these negatives, that  
25 I think we said that if it was a brand-new project, we

1 probably wouldn't approve it, but since it was a rehab,  
2 it's better to reinvest in the area to do it.

3 So are there any other areas or situations like  
4 that, where we are -- I hate to say -- relaxing the rules,  
5 but accommodating the rules for a rehab versus brand-new?

6 MR. CAMPBELL: Sure. Off the top of my head,  
7 aside from crime, there aren't any other portions of the  
8 QAP that do that. I think staff had some discomfort  
9 completely exempting the schools for rehab developments.

10 I think that the expectation there would still  
11 be that if the developer wanted to move forward, assuming  
12 that they weren't totally ineligible, that we would still  
13 want to see some type of mitigation --

14 MR. VASQUEZ: Mitigation?

15 MR. CAMPBELL: -- some type of pre-kindergarten  
16 or something like that to help address those --

17 MR. VASQUEZ: Whether that --

18 MR. CAMPBELL: -- schools.

19 MR. VASQUEZ: -- you know, crime or proximity to  
20 jobs or -- yeah, I mean, just basically any criteria. It  
21 would be nice -- I kind of -- I say any. I'm sure there's  
22 something I'm not thinking about that absolutely you  
23 shouldn't do, but --

24 MR. CAMPBELL: Sure.

25 MR. VASQUEZ: -- I would just like to be able to

1 see some way that we could distinguish between -- where we  
2 could allow reinvestment into a neighborhood that needs it,  
3 rather than just saying, oh, it's so bad; we're not going  
4 to put -- we're not going to help you at all --

5 MR. CAMPBELL: Sure. Sure.

6 MR. VASQUEZ: -- which, yeah. It was just a  
7 general comment. Yeah.

8 MR. BATCH: Okay. And as Mr. Vasquez says, you  
9 know, I think, at that last Board meeting, when we were --  
10 fast-forwarding to now, we were happy to see that the  
11 (coughing) surrounding the existing -- or the  
12 rehabilitation of existing --

13 MR. CAMPBELL: Sure, sure.

14 MR. BATCH: -- developments was addressed.

15 MR. CAMPBELL: And that change did result from  
16 that conversation, so --

17 MR. BATCH: Perfect.

18 MR. CAMPBELL: Yeah.

19 MR. BATCH: Any other comments, questions?

20 MR. MARCHANT: I do have one.

21 MR. BATCH: Yes, sir.

22 MR. MARCHANT: From a general philosophy, in the  
23 4 percent category now are we generally or generally not  
24 netting new units out of that program?

25 MR. CAMPBELL: The 4 percent program does see a

1 lot of rehabilitation development. I believe Teresa  
2 Morales is here.

3 Do you see new construction pretty frequently?  
4 Teresa is our Director of Bond Finance, which intersects  
5 with our 4 percent program pretty perfectly, so that I  
6 think she would be more qualified to --

7 MR. MARCHANT: Yeah.

8 MR. CAMPBELL: -- answer that question. So --

9 MR. MARCHANT: Okay.

10 MR. WILKINSON: Did you bring your sign? Your  
11 16,000?

12 MS. MORALES: No, it's at the office.

13 MR. WILKINSON: Okay.

14 MS. MORALES: I was unprepared. Teresa Morales,  
15 Director of Multifamily Bonds. That was actually something  
16 that I was going to go through and get finite numbers on,  
17 because the 4 Percent Program does see a lot of re-  
18 syndicated properties that are better suited, I guess, for  
19 the 4 percent, as opposed to not scoring so well under  
20 nines.

21 So it would be interesting. Just from what I  
22 see, there are a lot of rehabs and a lot of preservation,  
23 but it is an interesting point as to whether we are in fact  
24 yielding new units in certain areas.

25 MR. MARCHANT: So if you take a unit that's

1 currently financed and it's under some restriction, but by  
2 going with a 4 percent refinance, that restriction will fit  
3 inside of that 4 percent?

4 MS. MORALES: Correct. It will maintain the  
5 restrictions on -- that currently exist on the property  
6 until those expire.

7 MR. MARCHANT: Yeah.

8 MS. MORALES: But in addition, the new award  
9 that's placed on the project will kind of restart the  
10 clock, and it will run for another 30 years. So what we're  
11 currently seeing is, properties that are about year 15,  
12 16 coming out of the initial compliance --

13 MR. MARCHANT: They were fours or nines?

14 MS. MORALES: They were both. I see a lot of  
15 projects that were previously 9 percent deals, and  
16 some that were previously 4 percent where the bonds have  
17 since been paid off, but it's post-year 15, and so those  
18 projects are coming back through. That LURA still remains  
19 on that project for the affordability period.

20 MR. MARCHANT: But they've taken full advantage  
21 of the nine -- of the tax credits. In every instance --

22 MS. MORALES: In this instance, which they  
23 have been claimed. Yes.

24 MR. MARCHANT: -- they've taken full credit of  
25 the original tax credits.

1 MS. MORALES: Correct.

2 MR. MARCHANT: They get past that. Do those  
3 units -- and this is just -- this is not specifically  
4 trying to create a rule, but do these -- if we said, our  
5 goal is to produce net new units for people to rent, they  
6 can afford them. I mean, just that simple.

7 Does the 4 Percent Program yield that?

8 MS. MORALES: Not having official data, that's a  
9 difficult question --

10 MR. MARCHANT: Well, I mean --

11 MS. MORALES: -- to answer.

12 MR. MARCHANT: -- absolutely yes here by saying  
13 you would have that sign ready. Right?

14 MS. MORALES: Correct.

15 MR. MARCHANT: So it's --

16 MR. WILKINSON: So the volume has increased,  
17 right, for 4 percent?

18 MS. MORALES: That's right.

19 MR. WILKINSON: Your volume has increased on --

20 MS. MORALES: The volume has increased. But  
21 again, I still believe, based on what I see, that there are  
22 a number of projects coming through that already have  
23 restrictions. So they're already affordable.

24 And so all we're doing is just putting some  
25 extra work into it, which that's another policy question,

1 as to whether -- what we have in the QAP currently at  
2 20,000 per unit, is that sufficient? Or is it even  
3 necessary?

4 Is a 15-year-old property in that condition such  
5 that you need --

6 MR. MARCHANT: Sure. Sure.

7 MS. MORALES: -- to put more funds into it?

8 MR. MARCHANT: Yeah, and the question I've got  
9 is, if you put the 20,000 more a unit in it, is there  
10 just -- does the -- is the rent -- can the rent go up to  
11 adjust by that new development?

12 MS. MORALES: So the rent would always increase  
13 based upon whatever --

14 MR. MARCHANT: It would always go back to the  
15 original restriction?

16 MS. MORALES: The original restriction in terms  
17 of the household served. So for example, if it was  
18 originally a 9 percent deal, and it has a LURA that runs  
19 for 30 years that required 30 percent households or 50  
20 percent households, they have to adhere to that until that  
21 original LURA --

22 MR. MARCHANT: Yeah.

23 MS. MORALES: -- expires. So the current  
24 4 percent app would show when the LURA goes into effect, I  
25 want to do 100 percent at 60.

1           So on the program side, we're very clear that  
2           the new award and the new LURA could very well be 100  
3           percent at 60, but the 30 percent households or the 50  
4           percent households that you're still required to serve,  
5           those have to be in place for the term of that LURA. And  
6           we underwrite, assuming that it's still going to be  
7           feasible, knowing that they still have to fulfill that  
8           responsibility.

9           MR. MARCHANT: What about units that have  
10          drifted -- by condition and marketability have drifted,  
11          where their rents are actually below the statutory rents  
12          that they can -- and they're simply rehabbing to get those  
13          back up to that level?

14          MS. MORALES: Sure.

15          MR. CAMPBELL: So without getting too into the  
16          weeds about income limits, I handled them for the  
17          Department for --

18          MR. MARCHANT: Yeah.

19          MR. CAMPBELL: -- a good number of years, and  
20          somewhat counter-intuitively, it's actually not uncommon,  
21          if you rehabilitate a development, to end up with lower  
22          income and rent limits. And the reason for that goes back  
23          to the Housing and Economic Recovery Act of 2008, where  
24          certainly older properties were locked in with a higher --

25          MR. MARCHANT: So that our -- if our goal as an

1 agency is to make sure that people can find affordable  
2 housing, that these rehabs actually fulfill the goal of the  
3 agency?

4 MR. CAMPBELL: Yes, sir. So it extends the  
5 affordability in most cases and you know, again, it  
6 sometimes results actually in lower limits. Even if it was  
7 a 60 percent unit --

8 MR. MARCHANT: As opposed to a new 4 percent  
9 that might be next door?

10 MR. CAMPBELL: Correct.

11 MR. MARCHANT: Yeah.

12 MR. CAMPBELL: Well, so those two would be using  
13 the same limits, but those limits might actually be lower  
14 than a 15-year-old property down the street, just because  
15 of some things that happened in 2008. Yeah.

16 MR. MARCHANT: Thank you very much.

17 MR. CAMPBELL: Certainly.

18 MR. VASQUEZ: Yeah. Well, I'd just like to say,  
19 I mean, I believe on the 4 percents, the rehabilitation not  
20 only extends -- you know, restarts the clock, extends some  
21 of the affordability, but then also brings the units up to  
22 more modern specs. So --

23 MR. MARCHANT: Yeah. My fear, frankly --

24 MR. VASQUEZ: -- it improves them as well.

25 MR. MARCHANT: -- my fear was that if we brought

1 that extra money up, that it was pricing a lot of people in  
2 that unit --

3 MR. VASQUEZ: Yeah.

4 MR. MARCHANT: -- out. And so you're providing  
5 affordable housing for people, but different people, and so  
6 if there would be people being freezed out, you're saying,  
7 that doesn't happen. In fact, this --

8 MR. CAMPBELL: Sure. So I mean, I can't say  
9 that it's never happened anywhere, but I've not ever seen  
10 that happen. It's far more common for the limits actually  
11 to dip just a little bit after a rehab.

12 MR. MARCHANT: Yeah.

13 MR. VASQUEZ: And I'm sorry. And there are  
14 still some rehabs -- I'm trying to think -- I want to say,  
15 it was in Brownsville that there was like an office  
16 building downtown that was rehabbed into --

17 MR. WILKINSON: El Paso --

18 MR. VASQUEZ: El Paso? Okay. All right. I  
19 don't know if that was a 4 percent or 9 percent, but I  
20 think it was a 4 percent, because it was a rehab, as an  
21 example of new units. So they were clearly not used as --

22 MR. WILKINSON: Yeah.

23 MR. VASQUEZ: -- living units, and they  
24 became -- so there are some that aren't actual new units  
25 that come out of the 4 percent deals.

1 MR. MARCHANT: Thanks.

2 MR. BATCH: Okay. Any other comments or  
3 questions?

4 MR. VASQUEZ: I have -- I mean, I look forward  
5 to hearing some input and feedback from all of our industry  
6 participants. But I hesitate to -- and I'm sure all the  
7 staff is going to start cringing on this, but the concept  
8 of being able to correct or amend or fill in missing data  
9 from an application.

10 And I know there's a fine line that's difficult  
11 to put into writing to cover every imaginable, you know,  
12 situation, because we see it. You know, I mean, every  
13 year, you know, we keep seeing these new things that we  
14 hadn't thought about.

15 But is there any way that we could put in  
16 something, build it into the system, where you've got to  
17 get in your application by -- what -- January 8? Or I  
18 don't know if that's -- is that fixed every year or --

19 MR. CAMPBELL: That's the pre-application --

20 MR. VASQUEZ: Okay. Well, the --

21 MR. CAMPBELL: The pre-application is in March.

22 Yes, sir.

23 MR. VASQUEZ: Okay. Well, let's use either the  
24 pre-app or the final application, that if something is  
25 missing, if -- I mean, that we can notify that this is

1 missing, and still give the applicant whatever, you know,  
2 seven days, five days, three days. I mean just -- but give  
3 an opportunity to fill in that missing data.

4 I mean, without it -- and it's a slippery slope.  
5 I understand that. I just think there's got to be a  
6 way --

7 MR. WILKINSON: Some of it's in the statute.  
8 All right.

9 MR. ECCLES: Well, I believe that the  
10 administrative deficiency -- there's, like, a line in the  
11 deficiency process -- will allow for, you know, submission  
12 of non-material missing information. But the problem is,  
13 then, where's the line --

14 MR. VASQUEZ: There's materiality.

15 MR. ECCLES: -- on materiality. Generally,  
16 it's -- when it's set out in the rules as -- this is what  
17 is required. Submit this by this date. That is going to  
18 be material.

19 And then I understand that there's some vagary  
20 out there, and there is some judgment, and that's why there  
21 are appeals. But that is the line on missing information  
22 is whether or not it is material to the application or if  
23 it's non-material. And then it needs to be something that  
24 could have been submitted. There's an understandably --

25 MR. VASQUEZ: Okay.

1 MR. ECCLES: -- we've heard a lot of appeals  
2 on -- it was a mistake. There's no intent that goes with  
3 it. It's material.

4 MR. VASQUEZ: And wasn't -- did I remember,  
5 Bobby, we were going to hire some sort of programmers or  
6 something to -- I don't know it was for this, but is there  
7 a way that on final application that unless every single  
8 box is checked, including saying we are not submitting, you  
9 know, or this does not apply, that you can't hit send until  
10 everything is filled in?

11 I mean, there's so many things. We're filling  
12 out things online and --

13 MR. WILKINSON: Sure.

14 MR. VASQUEZ: -- it doesn't accept -- you know,  
15 what am I missing? And --

16 MR. WILKINSON: Sure.

17 MR. VASQUEZ: -- I mean, is there some way to  
18 force that as an alternative so if someone knows, oh, I  
19 forgot my map. I mean, you know, it's just whether --

20 MR. CAMPBELL: So myself, and I believe, Jeanna  
21 Adams is also with us today, who deserves a tremendous  
22 amount of credit on this project, have spent a pretty good  
23 amount of time this year with the support of IS and  
24 executive and everybody else that we need, sort of,  
25 exploring our options of how we can modernize our

1 application, maybe move to something that is web-based that  
2 would have those kinds of checks built into it.

3 We're optimistic that something may come of  
4 this. There are a lot of steps in between where we are  
5 right now and getting there, but we're certainly working on  
6 that.

7 I don't know that I can say that something like  
8 that could happen within the next couple of rounds, but  
9 internally, we are certainly looking for something like  
10 that, because --

11 MR. WILKINSON: We -- it's probably going to be  
12 part of our legislative appropriations request for the  
13 Capital Budget Authority to do a pretty big IT project in  
14 Multifamily --

15 MR. VASQUEZ: So all these people need to talk  
16 to their legislators, and say, add this --

17 MR. WILKINSON: Right, right.

18 MR. VASQUEZ: -- to the TDHCA budget.

19 MR. WILKINSON: Right. But --

20 MR. VASQUEZ: Got that?

21 MR. WILKINSON: -- it's not allowed. I mean,  
22 because we can't --

23 MR. VASQUEZ: No. Well, not us, them.

24 MR. WILKINSON: Okay.

25 MR. VASQUEZ: Okay. Again, it just kills me,

1 year after year, seeing these types of situations where --  
2 whether it's an honest mistake or just sloppy, you know,  
3 it's just that one thing that -- and again, it feels like,  
4 we got you. You didn't cross this T or dot that I.

5 MR. CAMPBELL: Yes, sir. And I can say, truly,  
6 it brings staff no pleasure to --

7 MR. VASQUEZ: No, I'm sure. And then you guys  
8 get stuck, because the rule says this so --

9 MR. CAMPBELL: Yeah.

10 MR. VASQUEZ: -- I have to -- we have to deny it  
11 or terminate it. You have to deny or terminate. And then  
12 we're like, well, that's the way the rule is, and we have  
13 to have rules. I mean, it's --

14 MR. BATCH: And you know, in fairness to other  
15 applicants, as well, given that there isn't a different  
16 process at this moment. This is a very competitive process  
17 in and of itself, and so we have to also make sure that  
18 we're not, you know --

19 MR. VASQUEZ: Yeah. Penalizing the -- I mean,  
20 for each group that said, oh, we're going to lose out if we  
21 get these points -- or don't get these points, well,  
22 someone else is going to lose out if you do, you know.  
23 It's -- you know -- anyway, I just think there's got to be  
24 some way that either we can build in some more flexibility  
25 or opportunity to cure in the process, or just update, you

1 know -- modernize the process where you can't make the --  
2 you literally cannot make a mistake by omitting something  
3 that -- because you didn't -- if everything isn't filled  
4 out, that you can't submit it.

5 MR. CAMPBELL: Sure, sure.

6 MR. MARCHANT: Can I ask, is the January date a  
7 statutory date?

8 MR. CAMPBELL: For the pre-application  
9 submission, that is the earliest date that we can start.  
10 The way the statute defines an application round is that it  
11 ends no later than the end of the calendar year in which it  
12 starts.

13 So if we start accepting pre-applications, let's  
14 say, in December, statutorily our round ends December 31.  
15 So we can't really move that under our existing statute any  
16 earlier than where it is right now.

17 MR. MARCHANT: Yeah. I guess, can you  
18 artificially move the application deadline back and then  
19 give the staff a period of time to say, here's a way to  
20 correct your application before it is final? So that when  
21 it is final, they've had a reasonable opportunity to  
22 correct those items that was not beyond statutory -- I  
23 mean, it did not file a statutory?

24 And that would be kind of an internal -- or  
25 would they violate the statute?

1 MR. WILKINSON: So the March 1 full update is in  
2 statute.

3 MR. MARCHANT: Okay, okay.

4 MR. VASQUEZ: So could we say if you submit  
5 yours by February 15 or February 1, you know, whatever that  
6 date is, your full app, and we notify -- we will commit to  
7 notifying you before February 25 --

8 MR. CAMPBELL: It's the 25th heart attack.

9 MR. VASQUEZ: Yeah. So that's why I said -- I  
10 knew --

11 MR. CAMPBELL: So where my head goes --

12 MR. VASQUEZ: -- I mean, so that you -- you  
13 know, that gives them that one last time to --

14 MR. CAMPBELL: Where my head goes with that is,  
15 if my staff is missing something --

16 MR. VASQUEZ: Yeah.

17 MR. CAMPBELL: -- by that deadline, then we're  
18 right back where we started where, you know, they said that  
19 they would tell it was missing. They didn't, and so it's  
20 their fault.

21 MR. VASQUEZ: Yeah. I -- it's --

22 MR. MARCHANT: But again, they have appeal. I  
23 mean, it's -- the appeal is in the statute.

24 MR. CAMPBELL: Right.

25 MR. MARCHANT: That's --

1 MR. CAMPBELL: Right.

2 MR. MARCHANT: -- we just don't -- do we have a  
3 period of time where they can correct?

4 MR. CAMPBELL: So that is the administrative  
5 deficiency process. So if it is an item that we identify  
6 in the application that is not material, we do give them  
7 the opportunity to correct those things. So they--

8 MR. MARCHANT: Right. They don't find out about  
9 their material violations until after it's past the  
10 statutory. And the only way they can remedy that is to  
11 appeal.

12 MR. CAMPBELL: That is correct. Yes, sir.  
13 Yeah.

14 MR. MARCHANT: But it just seems to me like we  
15 should carve out a period of time in there that would cut  
16 down on the number of appeals needed by giving you -- not  
17 going beyond the statutory dates, but giving you a period  
18 of time in there to very concretely say you've got to  
19 correct this, because we're never going to recommend --  
20 that if you fail to correct this, you -- or you don't  
21 correct it properly, we can just tell you, you will fail to  
22 get a recommendation from staff for, you know, an exemption  
23 or continuance or whatever.

24 And they don't have that remedy period now? Or  
25 do they?

1 MR. CAMPBELL: For an item that is beyond the  
2 scope of an administrative deficiency, no, they do not.

3 MR. MARCHANT: Yeah. I --

4 MR. ECCLES: Now, there is the pre-determination  
5 process that could be used for a specific issue, but what  
6 it seems like you're talking about is making up for  
7 mistakes. And I don't believe that the process is really  
8 geared toward making up for mistakes, except for those  
9 mistakes that are material versus curable through an  
10 administrative deficiency.

11 MR. BATCH: I mean, it seems to me that the  
12 process is set up to award the people who make less  
13 mistakes, and not put the onus on the staff to then have to  
14 go back and say, well, you made a mistake, going to X, Y,  
15 Z; go fix it.

16 MR. MARCHANT: You know, I'll argue just that a  
17 community group trying to put together a project to really  
18 help their community, that maybe hasn't hired the right  
19 person that's -- I mean, I think, that's really battling  
20 this thing. You've got this group.

21 I mean, then you -- we've kind of -- the rules  
22 are driven and written by those people that are -- I call  
23 them, jot-and-tittle-ists.

24 MR. BATCH: Cody, how simple would it be -- just  
25 a quick question. How simple would it be to create an

1 automatic email that goes out on the same time every year  
2 to all applicants with a checklist? Just remind them this  
3 is what we need, this is what we expect, and leave it at  
4 that.

5 MR. CAMPBELL: We can certainly send out an  
6 email. The administrator in me has, you know -- my shield  
7 goes up a little bit about that, because if we miss  
8 something on the checklist, then, you know, that's a pretty  
9 big issue.

10 We could certainly look at getting something  
11 that together, though. That is not an impossible ask.

12 MR. BATCH: Or just continue conversation with  
13 the, you know --

14 MR. CAMPBELL: Sure.

15 MR. BATCH: -- public as to how we maybe can,  
16 you know, create a process that helps maybe address some of  
17 the issues raised by Mr. Vasquez and Mr. Marchant.

18 MR. CAMPBELL: Sure. Sure.

19 MR. CABELLO: I just wanted to just point out,  
20 Cody has been very nice. You know, the Multifamily staff  
21 is --

22 MR. ECCLES: Homer, introduce yourself.

23 MR. CABELLO: Homer. Homer Cabello, Deputy  
24 Director.

25 The Multifamily is already stretched to the max.

1       It's not just the 9 percent. We've got the 4 percent. So  
2 now we've got the Multifamily direct loans.                    So  
3 you know, the full apps were submitted in March. We were  
4 still getting scoring notices out as of last week. So here  
5 we are, three months out.

6               So if you try to just push it back to February 1  
7 or 15, with the current staff we have now -- in the LAR,  
8 we're going to be requesting additional staff, because the  
9 workload has doubled, tripled, quadrupled, with the MFDL,  
10 with the 4 percent. So we're always looking for ways to  
11 streamline, become more efficient, but I just wanted to  
12 point that out.

13               MR. BATCH: Understood.

14               MR. WILKINSON: I think maybe another way of  
15 what we're getting at is -- y'all would like a way to make  
16 the deficiency process more lenient, but not run afoul of  
17 statute, because that's the process to fix stuff, and --

18               MR. MARCHANT: But the result of that is coming  
19 back in July, and now looking at a list of 10 or 12  
20 exceptions. I mean, we've got to have some net result out  
21 of that leniency in that accommodation.

22               MR. VASQUEZ: Well, an opportunity to cure. I  
23 mean, that --

24               MR. MARCHANT: Yeah.

25               MR. VASQUEZ: -- whatever that deficiency is.

1 MR. MARCHANT: Right.

2 MR. VASQUEZ: Not necessarily any more lenient,  
3 but they still have to get the information filled out  
4 correctly.

5 MR. WILKINSON: Easier to cure, something like  
6 that, right?

7 MR. VASQUEZ: That's the concept that I think  
8 we're looking at.

9 MR. BATCH: My only concern would be not taking  
10 away the onus on the applicant to make sure that they're  
11 doing everything that they need to do to make sure they're  
12 doing it right the first time, and then putting all the  
13 onus on staff. I mean, you're talking a lot of money here.

14  
15 You know, you would hope that, while to your  
16 point, you know, if you make an error on a drop-down menu  
17 item, and you click the wrong thing, you know, I think  
18 that's one thing. But when there's very material changes  
19 in an application that, you know, shouldn't maybe properly  
20 disqualify it, I mean, there is an appeal process and --

21 MR. VASQUEZ: So y'all work on it.

22 MR. BATCH: Any --

23 MR. VASQUEZ: May I bring up one more just  
24 completely different topic that I just want to throw out  
25 there and hear some feedback and discussion, if you would

1 allow? The concepts -- and again, I don't know how to work  
2 this into -- and I'm sure the pure for-profit developers  
3 will start screaming at this.

4 But I've been a big proponent on supportive  
5 housing and how we can create more, so we're not just  
6 putting up four walls and roof, which is important. I  
7 mean, you know, we have to do that, obviously. We're never  
8 going to build enough affordable housing in Texas or  
9 anywhere in the country.

10 But have some sort of incentives built into the  
11 QAP or the program overall where supportive housing is  
12 encouraged or given higher scores, just to make it where  
13 this investment that we're making is more than just four  
14 walls and a roof. It's all those other wrap-around  
15 services that can hopefully help propel the residents into  
16 a better situation where they can graduate up into  
17 workforce housing or just regular marketing housing and  
18 such. I just -- for years, I haven't seen enough of that  
19 built in.

20 I don't know if we can. I don't know if it's  
21 more --

22 MR. WILKINSON: Chairman, this -- in the adult  
23 supportive services section, there is things on career  
24 training, culinary programs, vocational counseling  
25 services. And what you could do is, you could beef that

1 up, or -- I'm on page 91 and 92.

2 MR. VASQUEZ: Okay.

3 MR. WILKINSON: So then that stuff that's  
4 already in there, you could, you know, play with the  
5 wording, of course, and then add weight to it.

6 MR. VASQUEZ: Oh, and I'm interested in hearing  
7 kind of what the industry thinks about how can we do that.  
8 Again, I don't want to penalize just the for-profit  
9 developers, but I'd like to encourage, and you know, the  
10 supportive services.

11 MR. CAMPBELL: We're very hopeful that the  
12 automatic award of the highest-scoring supportive housing  
13 application in a region will encourage more supportive  
14 housing development throughout the state. Because right  
15 now, we do generally have at least one or two each round,  
16 but they tend to be concentrated in two of our cities. And  
17 we're hoping that this pushes out of Austin and Houston --  
18 is where they typically are.

19 MR. VASQUEZ: Okay. Well, again, I want to add  
20 that to the main topics of discussion here.

21 MR. BATCH: All right. Any other comments?

22 (No response.)

23 MR. BATCH: All right. Thank you, Cody. We  
24 clearly recognize, this is a --

25 MR. VASQUEZ: Don't go far.

1 MR. BATCH: Yeah. Okay. So I guess at this  
2 time, if there's a motion to maybe open this up to public  
3 comment?

4 MR. VASQUEZ: So moved.

5 MR. MARCHANT: Second. Move.

6 MR. BATCH: All right. And just as a reminder,  
7 if there's anybody that hasn't done this before, if you do  
8 want to make comments, just move up to the first two rows,  
9 try to keep them at three minutes or below, and with that,  
10 we'll open it up.

11 And please make sure to state your name and who  
12 you're representing, please.

13 MS. ANDERSON: Good afternoon. My name is Sarah  
14 Anderson, and I am representing myself. I moved up here,  
15 and I think probably most of us moved up here specifically  
16 when we were talking about leeway and rules and where we  
17 draw the line when it comes to deficiencies and  
18 terminations.

19 And I think that this is something that we  
20 struggle with every year. And I've been doing this almost  
21 25 years. And there is a pendulum effect of getting more  
22 strict and less strict.

23 And I will tell you that on this side of the  
24 podium, whether you're more strict or less strict, the most  
25 important thing is consistency on our side, that as long as

1 everybody is getting turned down, we're happy. Or as long  
2 as everybody is getting approved, we're happy.

3 What we don't like is when we think some things  
4 are getting through and other things aren't. What I would  
5 personally like to see is that there be a decision on your  
6 part of what absolutely, positively cannot be changed, that  
7 these are the five items that, no matter what you do, if  
8 you forget to put them in, there's nothing you can do about  
9 it.

10 And that would be something that we would know  
11 that was a hard line, and that everything else is fixable.

12 And I think that there is a line in there somewhere. We  
13 know -- when I am doing the applications, I literally have  
14 a sheet of paper that is this long with check boxes for the  
15 things that I -- or just my part of the application. And  
16 that's probably only for 25 percent of the application than  
17 what's being done.

18 You're talking thousands of decision points and  
19 pieces of information per application. It is impossible to  
20 have them be perfect. So what we need is the line of what  
21 is a reasonable expectation of what -- there will be some  
22 inconsistencies, but what are deal-killers and what aren't?

23 And we need you to tell us that from the  
24 beginning so that we aren't here doing what we've been  
25 doing, which is trying to parse the line between -- well,

1 maybe the Board's going to have a different interpretation.

2 So I think that would be the most important  
3 thing, is for staff to come up with a -- this is it, and  
4 you cannot mess this up, and everything else is fixable.  
5 That would be my initial recommendation for that.

6 I am going to come up for other items, but I  
7 think that that was something -- I felt like everybody came  
8 running up at the same time, that perhaps you might want to  
9 finish discussion on this particular item before we move  
10 on.

11 So your pleasure.

12 MR. BATCH: Thank you. Thank you very much.

13 Yes.

14 MR. KROCHTENGEL: Zach Krochtengel. I was just  
15 talking to Cody. The last few times that this has been  
16 done, we've kind of gone major topic by major topic. So I  
17 don't know if that was what was kind of happening now?

18 MR. BATCH: I think that would probably be best.

19 MR. KROCHTENGEL: Okay.

20 MR. BATCH: Yeah.

21 MR. KROCHTENGEL: So I'm in agreement then. We  
22 just need the definition of what an administrative  
23 deficiency is, and you know, things like if your entire  
24 deal needs to be re-underwritten, that's probably not an  
25 administrative deficiency.

1 I'm still in agreement with -- if the entire  
2 supportive documentation of a scoring item is missing,  
3 that's not an administrative deficiency as well.  
4 Everything else, I'm kind of in the same boat of -- if it's  
5 defined, it's defined.

6 Thank you.

7 MR. BATCH: Thank you.

8 MS. MYRICK: Oh, I guess we have to sign in.  
9 Might as well do it now. Hello. Lora Myrick. I am with  
10 BETCO Consulting.

11 I would agree with the other two commenters. I  
12 think understanding what is material and what isn't  
13 material has been something that's been very difficult for  
14 us year after year. And, you know, when you deal with  
15 different staff or deal with different, you know, people  
16 coming in and out and their roles, it makes it a little  
17 more difficult. It would be a lot easier if we understood,  
18 from your perspective, what is material.

19 You know, I think about something that we saw,  
20 and we've seen before, something like a PMA map. That is  
21 one piece of paper in hundreds, maybe even over a thousand  
22 pieces of paper that make up an application. But you don't  
23 really do a whole lot with that, because a month later, you  
24 get the full market study.

25 So is it really material? Did it really change

1 the scope of that application? You know, that -- and  
2 that's a heartbreaker. Right? You missed one piece of  
3 paper.

4 So those are the types of things that, you know,  
5 if that's not material to you all, as I don't think it  
6 should be, then we need to know what is material, what  
7 isn't, so that we can move forward in this process, and as  
8 Sarah said, all get denied for the same thing and all get  
9 approved for the same thing.

10 MR. BATCH: Sure.

11 MS. MYRICK: So that's my comment on that.

12 MR. BATCH: I've got a quick question for you,  
13 though, I guess, Beau or Cody. Do we have, anywhere -- to  
14 this question of what's material versus non-material, do we  
15 have that clearly defined, even examples of what that looks  
16 like?

17 MR. CAMPBELL: So there are no examples. What  
18 the definition of administrative deficiency says is that if  
19 staff reviews the documentation and determines that it  
20 would require a substantial re-review of the application,  
21 at that point, we would consider it to be material. Even  
22 that's kind of a moving target, but it's the closest thing  
23 that we have in the QAP right now to a definition.

24 MR. ECCLES: And also like the PMA map, that is  
25 something that the rule for that specifically says it will

1 be terminated. So that certainly seems material in the QAP  
2 itself, such that it would inform whether it's an  
3 administrative or a material deficiency.

4 So within statute, within rule, as a specific --  
5 you must have this by this date, makes it material. And  
6 then there is, of course, this gray area to the point of  
7 everyone who's spoken up here, where is that line? No, the  
8 rule doesn't give examples, but perhaps this seems to be  
9 the direction we're going.

10 And if there was a list of what is north of an  
11 administrative deficiency, because the statute specifically  
12 says you cannot supplement your application except for  
13 things that are administrative deficiencies that are  
14 requested by staff for you to correct --

15 MR. BATCH: Yeah.

16 MR. ECCLES: -- but that also begs the next  
17 question. If staff sees it's missing and doesn't request  
18 it -- so I see an area in there for --

19 MR. BATCH: Yeah.

20 MR. ECCLES: -- potential revision.

21 MR. BATCH: Yeah. I mean, it seems like there,  
22 you know, clearly would be some way that, you know, staff  
23 can work with the development community to maybe more  
24 clearly, you know, spell out what will end in an  
25 application being completely terminated, what will end in

1 it -- what will allow for a deficiency review process, what  
2 will trigger that.

3 And that way, this ambiguity that seems to be  
4 consistently coming out, you know, we don't keep running  
5 into this problem. And you know, of course, then the Board  
6 is in a position of where, you know, we're having to choose  
7 and decide really what we think about it, and what's  
8 acceptable and what's not, when maybe that can be something  
9 that staff can work with the community on the front end to,  
10 you know, more clearly define --

11 MR. CAMPBELL: Certainly.

12 MR. BATCH: -- if that --

13 MR. CAMPBELL: Certainly.

14 MR. MARCHANT: So Mr. -- when you say, yeah,  
15 okay, okay. I don't know what that means.

16 MR. CAMPBELL: Well, so we've got the first  
17 staff draft of the QAP. We're certainly taking input  
18 today, and I think that when we update that for the formal  
19 staff draft of the QAP, what we're probably going to do is,  
20 look and see if we can't more narrowly define what is and  
21 isn't an administrative deficiency. I think --

22 MR. MARCHANT: Well, I mean, according to what  
23 Beau has told me, there is a certain group of things that  
24 has to be there statutorily, and you can't -- if it's not  
25 there, it's not there. The application can't go forward or

1 can't be remedied.

2 Is that right? Are those items distinguishable  
3 or are those subjective to what you -- you go back and look  
4 at the statute later and say, yeah, we shouldn't have done  
5 that?

6 MR. ECCLES: Texas Government Code 2306.6708(a):  
7 "Except as provided by Subsection (b), an applicant may  
8 not change or supplement an application in any manner after  
9 the filing deadline. (b) This section does not prohibit an  
10 applicant from: (1) at the request of the department,  
11 clarifying information in the application or correcting  
12 administrative deficiencies in the application;" and the  
13 (b) is --

14 MR. MARCHANT: So the fact that it was not even  
15 put on a piece of paper cannot be -- he can't ask for you  
16 to give further information about the fact that it was not  
17 put down?

18 MR. ECCLES: That seems a little bit north of  
19 the clarification.

20 MR. MARCHANT: Yeah.

21 MR. ECCLES: It sounds like an omission.

22 MR. MARCHANT: Do you feel like that hampers you  
23 in not having the -- able to say to an applicant, look, you  
24 just absolutely screwed up the basic level, and  
25 statutorily, we can't go forward with this?

1           MR. CAMPBELL: I can say pretty confidently that  
2 if we could come up with an objective answer to this  
3 question as to what is correctable and what is not  
4 correctable, that is probably the single policy change that  
5 would make the work of the Multifamily Division -- it would  
6 improve it more than any policy decision that we could  
7 make. I --

8           MR. MARCHANT: And I think you're hearing the  
9 Board say that, and I think you're hearing the audience say  
10 that --

11          MR. CAMPBELL: Sure.

12          MR. MARCHANT: -- same thing. So --

13          MR. WILKINSON: Certainly, administrative  
14 deficiency itself is not defined in 2306.

15          MR. CAMPBELL: No.

16          MR. WILKINSON: And so we could make a more  
17 expansive definition in the QAP of what's an administrative  
18 deficiency, and missing market PMA map thingy could be on  
19 the list.

20          MR. MARCHANT: On reverse of that, I mean, if we  
21 get into a situation where, you know, in May, you've got  
22 somebody standing up and saying, oh, well, so-and-so over  
23 there, you know, we didn't think they should have had this  
24 and we didn't do that and do that -- I mean, if that  
25 doesn't get cut out, what's the purpose of us going through

1 all of this rulemaking and all of this tightening this  
2 thing up, if you're still just going to come -- you know,  
3 come back and try to go around the deal?

4 MR. BATCH: Mr. Marchant, if -- correct me if --  
5 I think what you're saying is, instead of expanding it,  
6 making it more narrow or more clearly defined.

7 MR. MARCHANT: Well, that's -- I'm trying to  
8 remedy what they say they really, really need, what our  
9 group say they really -- that they're handicapped and their  
10 hands are tied on a bunch of things. Can we legally untie  
11 their hands and can we legally give them the clarity they  
12 need so that --

13 MR. WILKINSON: I think we could reduce the  
14 amount of appeals that come to the Board pretty  
15 significantly if we expanded --

16 MR. MARCHANT: I mean, hours, hours and hours,  
17 really, of administrative time. And then to the --  
18 investors being hung out on this also, and the owners and  
19 the property owners. I mean, there's -- it's a whole group  
20 of people that are in suspense over here. If -- in my  
21 opinion, the quicker they get to know if it's going to be a  
22 no, the better. So sorry to take so much time.

23 MR. VASQUEZ: And just to get some clarity or  
24 just some background information to the -- to all of you  
25 all who are not part of the old guard of the Board, five

1 years ago, when I was a newbie on the Board, it seemed like  
2 the way that staff and Board acted is, if there was  
3 anything missing, you were out.

4 I mean, it was just like -- it was -- the  
5 Department was trying to find ways to eliminate  
6 applications rather than what I think we've morphed into  
7 over these years, and to just -- let's get as many  
8 applications qualified, and then, you know, wherever the  
9 points land, that's where they may.

10 But so there's been a big shift, I think, which  
11 was probably easier for the Board than the Department five  
12 years ago when we were saying, you missed it. You're out.  
13 You missed it. You're out. You're out. You're out.

14 I mean, now, we're -- we've already come, you  
15 know, far, I think, on working with the applications.

16 MR. ECCLES: I was saying that I don't remember  
17 who, but someone started using the word "gotcha."

18 MR. VASQUEZ: And that's what they were. They  
19 were gotcha and you were out. I mean, it was just like --  
20 gotcha, jump through hoops. It was jump, gotcha, you're  
21 out. So --

22 MR. MARCHANT: Well, I'm looking for a  
23 (coughing) where you say, you got yourself. I mean --

24 MR. VASQUEZ: Yeah. I mean --

25 MR. MARCHANT: -- you messed up. We're not

1 going to --

2 MR. VASQUEZ: It sounds like --

3 MR. MARCHANT: -- spend hours and hours and  
4 hours trying to fix your problem.

5 MR. VASQUEZ: Yes. And it seems like there's  
6 a -- somewhere in here that we're narrowing down, where the  
7 staff feels comfortable defining better what can qualify as  
8 an administrative deficiency. And perhaps, you know,  
9 industry, y'all can -- when you're giving your feedback on  
10 this process, maybe give a little bit of a list on what  
11 should qualify as a correctable administrative deficiency  
12 versus --

13 MR. BATCH: It may be even for the development  
14 community. Maybe y'all get together and decide what makes  
15 sense for the industry, and you know, do staff the favor of  
16 maybe presenting that to staff from a unified standpoint as  
17 to what maybe they can do to help you out on this side of  
18 things.

19 MR. VASQUEZ: Well, they're going to say  
20 everything can be corrected. Let me --

21 MR. BATCH: I actually think that if they come  
22 before --

23 MR. VASQUEZ: No? All right. Okay.

24 MR. BATCH: Yeah. I mean, I think that when it  
25 comes to doing what we can and doing what staff can to help

1 you, I mean, clearly, I mean, it's -- I mean, y'all are the  
2 ones at risk here. I think that you understand that  
3 getting together and putting forth, you know, a real effort  
4 to explain to them what makes the most sense from your  
5 standpoint, I mean, I -- yeah, I would encourage maybe that  
6 to be the approach.

7 MR. CAMPBELL: And we're totally open to hearing  
8 it. So --

9 MR. BATCH: Okay. Perfect.

10 MR. CAMPBELL: -- I think it's a great  
11 suggestion.

12 MR. BATCH: Were there any other comments on  
13 this issue? Or is everybody kind of on the same page? Is  
14 there anything new that maybe we --

15 MR. MYRICK: Hi. Ty Myrick, BETCO. I just  
16 wanted to say that if you want, you know, a list of things,  
17 a threshold, if you want to make that smaller, you can, and  
18 that gives the Department more leeway over what can be  
19 cured.

20 But you're the court of last resort. You're  
21 always going to have people coming up here saying, please,  
22 please, please fix my deal, you know.

23 MR. WILKINSON: They have a statutory right to  
24 appeal.

25 MR. MYRICK: Right. I mean, you're just --

1 you're never going to get away from that. We could  
2 certainly have fewer things in our threshold, and that  
3 would be helpful on our end. But just to say, well, we  
4 don't want to spend a lot of time up here at the Board  
5 dealing with these appeals, it doesn't matter. You're  
6 going to get them.

7 MR. BATCH: Yeah.

8 MR. WILKINSON: I don't know that that's what  
9 we're saying here, but --

10 MR. VASQUEZ: But there's more leeway built in  
11 that allows the staff an ability to allow the curing, or  
12 allows the appeal to Bobby to get resolved before it has to  
13 come to us.

14 MR. MYRICK: Right.

15 MR. VASQUEZ: You know --

16 MR. MYRICK: And there will still those that  
17 are --

18 MR. VASQUEZ: Well, there's still --

19 MR. MYRICK: -- you know, still failed.

20 MR. BATCH: I don't think anybody is trying to  
21 take away the right for, you know, you all to have an  
22 appeal.

23 MS. MARTIN: Hey, there. Audrey Martin. This  
24 has been a lot of good discussion. I actually wanted to  
25 comment on one other thing you all mentioned, which was the

1 idea of an online application. I think that I would not be  
2 in favor of that.

3 I would just say that these applications are  
4 incredibly complex to put together, and those of us that  
5 work on them have our internal working versions. I think  
6 we do a lot of behind-the-scenes work before there's  
7 anything that gets presented to you guys.

8 And my fear with an online submission is that  
9 we'd kind of lose the opportunity to have our working  
10 versions or work through all the staff. And I understand  
11 the idea of kind of having a failsafe, like you can't  
12 upload until you check this box or whatever, but we're big  
13 girls and boys, you know.

14 I'd rather have a working version of something  
15 that I can play with than have an online version that's  
16 designed to be fail-proof, because there's no such thing.  
17 Like, there's always going to be some mistakes. But  
18 anyway, thanks.

19 MR. SMITH: Tim Smith of Hoke Development  
20 Services. I just wanted to echo that, that anytime you  
21 have something complex, it's really bad to automate from --  
22 there's a lot of sausage-making that goes into making these  
23 applications, but a good example is, the pre-application is  
24 online.

25 That's an online submission. That's a very

1 simple form. It is just checks and boxes. Put some  
2 information in.

3 There's no formulas. There's no financial,  
4 complex information. There's -- it's just -- that's an  
5 easy thing to do online.

6 But I think a full application -- we've had  
7 experience in other states. They're just disastrous, and a  
8 lot of states go back away from them.

9 MR. BATCH: Well, I think this might solve this  
10 issue, and I mean, this is of course not considered a vote,  
11 but from the -- for the development community, raise your  
12 hand if you think that an online application is probably  
13 maybe not the right approach.

14 (Hands raised.)

15 MR. BATCH: Yeah. Well, I think that solves  
16 that --

17 MR. VASQUEZ: Okay. Well, wait a minute. Okay,  
18 now. If you are not a consultant, if you think that it  
19 could be online?

20 MR. BATCH: Okay.

21 MR. VASQUEZ: Okay. There's a lot of --

22 MR. BATCH: I don't know. It seems like it's  
23 pretty unanimous. All right. Moving on, are there any  
24 more comments on this subject, or should we maybe move on  
25 to different aspects of the QAP?

1 Moving on. Okay. What do we have?

2 MS. ANDERSON: Freestyle.

3 MR. BATCH: Freestyle. Okay. Yeah. If anybody  
4 has a general comment.

5 MS. ANDERSON: I'll start. I'll start some  
6 topics. Again, Sarah Anderson. And I was very pleased to  
7 see the addition of something that we talked about at our  
8 last QAP meeting, which was us turning in certain  
9 documents, supporting documentation of the pre-application  
10 period.

11 Specifically, there were three that were  
12 included. I'd like to make the request that actually only  
13 two of those be kept in. The -- specifically, I'd like to  
14 see keeping in the jobs -- proof of jobs points and proof  
15 of underserved areas.

16 Those are two that we saw a lot of challenges  
17 about much later in the process. And I think that what we  
18 were hoping was that people would submit that documentation  
19 at pre-application and people would know for sure whether  
20 or not they qualified for those, which are the most driving  
21 points when it comes to sites right now.

22 I would recommend that the high opportunity not  
23 be included at pre-application. High opportunity points  
24 are not something that we challenge or have issues with. I  
25 don't think that it's necessary at that point, but we do --

1 I love the inclusion and the ability for RFADs to be done  
2 on those site issues early on.

3 One, that means an applicant will know that they  
4 might have messed up and their site is not eligible, and  
5 the rest of us don't spend six months panicking that  
6 they're going to get away with something. So the addition  
7 of those two, but I would remove high opportunity.

8 That's just not something that we're generally  
9 concerned about when it comes to the RFADs and the need to  
10 know. So okay.

11 MR. BATCH: Thank you.

12 MS. ANDERSON: Anybody else have --

13 MR. VASQUEZ: Is there a staff member taking  
14 detailed notes?

15 MS. MEYER: I just have a question on that. It  
16 seems like --

17 MR. BATCH: Just real -- if I may, just real,  
18 real quick. I think there was a question from the Board as  
19 to whether or not -- if there's any staff members taking  
20 detailed notes on -- okay. Perfect.

21 MR. CAMPBELL: We have a great note-taker right  
22 here.

23 MR. BATCH: Okay. Sorry about that.

24 MS. MEYER: Robbye Meyer. One thing I saw on  
25 the pre-app part, it looks like we deleted the disclosure

1 stuff at pre-app, but yet, on the pre-app points, the  
2 disclosure information is still in there. So I just wanted  
3 to see if we're deleting at pre-app or we're still -- what  
4 are we doing?

5 MR. BATCH: Okay. Thank you, Ms. Meyer.  
6 Anybody else like to make general comments on pre-app?

7 MS. STEPHENS: Lisa Stephens. So we're making  
8 general comments, I understand? I'm actually going to talk  
9 about the section that was deleted: Subsection F,  
10 supplemental credits.

11 I know there's been a lot of discussion about  
12 it, but I will say that position that we're in right now  
13 with these 2021 deals is particularly precarious. And  
14 supplemental credits are absolutely necessary for these '21  
15 deals to get out and get on the ground.

16 We are headed into a period that is even more  
17 scary, with what's going on with inflation and interest  
18 rates. And fewer and fewer people are going to be able to  
19 afford a home.

20 These '21 deals are shovel-ready. They're  
21 pulling permits. They have their site control. They have  
22 their plans.

23 We've all been pursuing our deals. They're  
24 ready to go. They are your soonest opportunity to get more  
25 units on the ground, but we have financing gaps that there

1 just are not buckets of money to fill.

2 So I am putting a play out there that  
3 supplemental credits and Section F gets added back into the  
4 QAP.

5 MR. BATCH: Thank you, ma'am. Are there any  
6 comments as it relates to -- just we're, kind of, you know,  
7 doing our best to all be speaking on the same general  
8 topic. I believe we talked about proximity to jobs. Is  
9 that -- have we not gotten there yet?

10 MR. WILKINSON: Not totally gone there.

11 MR. BATCH: Okay. Yeah. Sorry go ahead.

12 MS. SISAK: I was just going to -- I just hopped  
13 up. This is Janine Sisak from DMA Development Company.

14 I just want to echo Lisa's sentiments about  
15 supplemental credits. Just in 2022 alone, we've  
16 experienced a 20 percent -- I've heard reports -- between a  
17 10 to 25 percent increase in construction costs. That's  
18 above and beyond what we experienced last year.

19 We need 20 -- 2023, we'd like the 2023 QAP to  
20 include supplemental credits for 2021 deals. You know, we  
21 have got a deal. We have got a full set of permitted  
22 plans. We're ready to go, but we just need some additional  
23 funding to close the gap.

24 While I'm here, I'd love to run through some  
25 other things, unless the Chair would like me not to. Okay.

1 Great. I'll come back then with my other comments.

2 Who's in favor of supplemental credits? There  
3 we go.

4 MR. VASQUEZ: Okay. Well, let's -- I think the  
5 Chairman was going to bring up some topic areas.

6 MR. BATCH: Yeah. If maybe we can kind of work  
7 on neighborhood risk factors and work our way down from  
8 there, I think that would be good.

9 MR. CAMPBELL: What I was going to suggest is  
10 exactly that, to help guide the discussion. I can go back  
11 to my presentation, just kind of mention a topic and --

12 MR. BATCH: Yeah.

13 MR. CAMPBELL: -- we take -- would you like to  
14 start with neighborhood risk factors?

15 MR. BATCH: Yeah. That --

16 MR. CAMPBELL: Great.

17 MR. BATCH: Let me just remind everybody. This  
18 is my first time chairing the Rules Committee and dealing  
19 with the QAP. So I'm trying to figure out the best way to  
20 go about receiving all these comments.

21 So Cody, if you want to go ahead and talk about  
22 the neighborhood risk factors --

23 MR. CAMPBELL: Sure, sure.

24 MR. BATCH: -- with respect to that.

25 MR. CAMPBELL: Sure. So for neighborhood risk

1 factors, we anticipate school mitigation coming back for  
2 schools that score below a C, because the Texas Education  
3 Agency is not going to publish school ratings for any  
4 schools that rank below a C. They'll just be not rated.  
5 We anticipate requiring mitigation for those schools.

6 We are proposing to remove crime as a  
7 neighborhood risk factor for rehabilitation developments.  
8 Internally, we also did discuss the possibility of removing  
9 poverty as a neighborhood risk factor for rehabilitation  
10 developments. I don't believe that that made it into the  
11 staff draft, but certainly, it can be added back in.

12 And then blight is entirely removed from the QAP  
13 because it's not something that has historically been  
14 tremendously useful. You know, a house down the street  
15 that's a little rundown with some overgrown grass ends up  
16 being something that we have to, like, process internally.

17 And to what end?

18 So those are the major changes for neighborhood  
19 risk factors that are proposed.

20 MR. VASQUEZ: Question, Cody. So on the school  
21 ratings, is this year going to be the first -- they're only  
22 going to give a one-year rating at this point? Because I  
23 know -- I thought it was, like, a two-year --

24 MR. CAMPBELL: Sure.

25 MR. VASQUEZ: -- window we were looking at?

1 MR. CAMPBELL: Right. So it's been a two-year.  
2 They didn't publish updated school ratings the last two  
3 years, I believe.

4 With the ratings that they're publishing again  
5 this year, it is just going to be the one year that they're  
6 publishing. And to allow schools to catch up, they're  
7 declining to publish school ratings for really poorly-  
8 performing schools. So it's only this one year, you've got  
9 an A to a C.

10 MR. VASQUEZ: So if it's unrated, we're going to  
11 require --

12 MR. CAMPBELL: Mitigation.

13 MR. VASQUEZ: -- mitigation?

14 MR. CAMPBELL: Right. Yes, sir. As it's  
15 written now.

16 MR. VASQUEZ: Are we going to try to fix this  
17 for a two-year period when -- what if they get a C this  
18 year, and then unrated the next year?

19 MR. CAMPBELL: I believe that the intention is,  
20 over the years, to get back to where we were, pre-COVID,  
21 where we had robust data available and we used that for  
22 that kind of two-year analysis from TEA.

23 MR. VASQUEZ: Okay. Are we going to put into  
24 the QAP now, saying -- what -- two years, if available, or  
25 something like that?

1 MR. CAMPBELL: We certainly can, yeah.

2 MR. VASQUEZ: Well, I mean, just an idea, so we  
3 won't have to keep changing it.

4 MR. CAMPBELL: Sure.

5 MR. VASQUEZ: Okay.

6 MR. CAMPBELL: Sure, sure.

7 MR. BATCH: Do any other Board members have  
8 comments, questions?

9 (No response.)

10 MR. BATCH: Okay. Then if we want to open it to  
11 public comment on the neighborhood risk factors portion of  
12 the QAP, if there's anybody that would like to speak on  
13 that.

14 MR. ARECHIGA: Hello folks. My name is Jason  
15 Arechiga with the NRP Group. It's -- I actually have a  
16 question, kind of a clarification one. And forgive me.

17 I haven't really researched the intention of  
18 what the draft is going to be. It may be directed towards  
19 you. Will we have the ability -- will applicants have the  
20 ability to mitigate all schools?

21 Because it's just kind of a question. It  
22 addresses schools C and above, but if a school is a D and  
23 an F, will it have the -- will we have the ability to show  
24 mitigation for that?

25 MR. CAMPBELL: There's not going to be a D or an

1 F. They're not publishing --

2 MR. ARECHIGA: So they're not publishing  
3 whatsoever? So if it's not published, will they still --  
4 they'll have the ability to mitigate?

5 MR. CAMPBELL: They'll be required to mitigate.

6 MR. ARECHIGA: They'll be required to mitigate,  
7 but even if, in previous years, it had shown an F or a not  
8 rated or a not met standard, or whatever the case may be?

9 MR. CAMPBELL: Right.

10 MR. ARECHIGA: Okay.

11 MR. BATCH: Okay. Thank you, Mr. Arechiga.

12 MS. RICKENBACKER: Hi. Donna Rickenbacker. I  
13 haven't finished reading this staff draft of the QAP  
14 because it was just published last night. This old lady  
15 couldn't get to it and drive to Austin at the same time.

16 That being said, on the mitigation, if you will,  
17 I'm not quite sure how that plays out. It's -- I  
18 understand that it's -- they're just going to publish A  
19 through C scores, but how do you mitigate what you don't  
20 know how it's rated? I don't know how you go about doing  
21 that. So anything that's not rated --

22 MR. BATCH: If it's not rated, it's a D or an F.

23 MS. RICKENBACKER: It's a D or an F. So how do  
24 you --

25 MR. BATCH: They're just not saying that?

1 MS. RICKENBACKER: How are you -- how do you  
2 mitigate, I guess, a school that isn't really rated?

3 MR. VASQUEZ: The same way we always have. I  
4 mean, just showing that there's a community --

5 MR. WILKINSON: We've actually narrowed what you  
6 can do for mitigation.

7 MR. CAMPBELL: So in this QAP, in the draft  
8 version of the QAP, we've narrowed the available mitigation  
9 options to -- requiring that a pre-kindergarten be provided  
10 to help mitigate those lower scores. So that would be the  
11 only option available if you had a school that's not rated.

12 MR. VASQUEZ: That's the only option?

13 MR. CAMPBELL: The only option, as it's written  
14 right now.

15 MR. WILKINSON: Because previously, it was,  
16 like, some kind of loose plan from the ISD, or like, a  
17 principal would come talk about how it was going to turn it  
18 around, and so this --

19 MR. VASQUEZ: I want to --

20 MR. WILKINSON: -- is something more concrete.

21 MR. ECCLES: Well, do we know what TEA is  
22 requiring of the schools that are not rated, or is --

23 MR. WILKINSON: And that was a big part of the  
24 mitigation plan, to Ms. Rickenbacker's point, is -- we'd be  
25 looking at the TEA plan that they were -- the school was

1 compelled to submit. So --

2 MR. RICKENBACKER: And a comment on the pre-K,  
3 and I'm a strong proponent of pre-K, because that what I  
4 do. But that being said, I don't know how that's being to  
5 mitigate, if you will, an elementary, middle and certainly  
6 a high school that's not performing. And it's not in place  
7 yet.

8 And it would only be, you know -- these schools  
9 are probably pretty small to begin with. Mine are. And so  
10 you're only touching three- and four-year-olds two years  
11 from now.

12 So I just don't -- and I'm a strong proponent of  
13 pre-kindergarten schools, but that being said, I don't view  
14 that as a way to mitigate a poor-performing middle or high  
15 school. Anyway --

16 MR. VASQUEZ: Right. And I'm sorry. I agree  
17 with that completely, Donna. I mean, the -- but in the  
18 past, we've had school boards, school districts, come in  
19 here, and you've got the principal, and you've got the  
20 chief of the school resource officers saying, we're going  
21 to increase security.

22 You've got private groups saying, we're putting  
23 in \$10 million into this school district to add tutoring,  
24 and you know, what have you. I mean, so those are examples  
25 of mitigation.

1 MR. WILKINSON: Sure.

2 MR. VASQUEZ: I don't think we should limit  
3 it --

4 MR. WILKINSON: We can expand the mitigation.

5 MR. VASQUEZ: -- to that, but you know, we've  
6 got to go beyond pre-K, you know, programs. I mean, that's  
7 a part, but there's a checklist of these types of  
8 mitigation we're looking for, but not limited to just those  
9 items. I mean, that's --

10 MS. RICKENBACKER: And before you get started,  
11 real quick, I know that Houston -- I'm not familiar with  
12 all other big cities, but I know Houston does definitely  
13 have, you know, plans that the school district is putting  
14 into place and updates of those plans.

15 I believe that that was in the last year's QAP,  
16 so it would be nice -- if it's not still there. And again,  
17 I haven't read this section of the draft. But if we could  
18 put something like that back in it, to where there's  
19 recognition of at least a plan to improve those schools  
20 that are not rated?

21 MR. BATCH: Cody, in the current QAP, there's no  
22 mention of that? I mean, pre-K is about as far as --

23 MR. CAMPBELL: So in the current QAP, schools as  
24 a risk factor are actually suspended because TEA is not  
25 publishing ratings. There are certain schools that are

1 ineligible but this, you know, mitigation required --  
2 because we don't have current --

3 MR. BATCH: Yeah. Scoring.

4 MR. CAMPBELL: -- right, right. So now that  
5 those scores are coming back, I think that this is  
6 certainly an organic conversation that we're --

7 MR. BATCH: Yeah.

8 MR. CAMPBELL: -- you know, trying to figure out  
9 what to do with the half ratings that we're going to get  
10 out of TEA next year. And we can certainly continue to  
11 make tweaks to this section of the QAP as needed.

12 MR. BATCH: Okay. I think that would be good.

13 MR. CAMPBELL: Great.

14 MR. BATCH: Sorry. You --

15 MS. ANDRÉ: No. It's my bad. It's my bad. I'm  
16 not being very protocol-esque up here.

17 Sarah André, Structure Development. I also take  
18 issue with mitigation. I am in the affordable housing  
19 provision business, and if you want to expand that, I am in  
20 the multifamily business. I am not in the education  
21 business.

22 I have not seen one school ask what they are  
23 doing about the affordable housing problem in America. So  
24 for you all to define the mitigation, I think, is an  
25 excellent tool. One of my frustrations with local

1 government has been to deny locations based on -- well,  
2 those schools aren't very good.

3 And I thought to myself, but you could improve  
4 the school by asking the developer to do something very  
5 specific, which is, I guess, in this case, provide some  
6 pre-K education. I was thinking after-school care.

7 You know, my kids attend public schools, and  
8 what I see is that the entire school is raised up when all  
9 children have access to some help with homework. They have  
10 access to a healthy snack after school and they aren't just  
11 stuck in front of, you know, the TV, the iPad, the phone.

12 Okay. Yeah. I'm old. I'm sounding very old.  
13 But anyway, so I love this idea and I have not read it yet,  
14 but you will see, you know, input from me about, like,  
15 great, let's define what mitigation is to TDHCA and what  
16 you believe would be enough to make an investment in  
17 housing in an area that needs its student population to  
18 receive more support.

19 Thank you.

20 MR. BATCH: So you favor services at the  
21 development, rather than, like, a plan from the ISD, or do  
22 you want both options?

23 MS. ANDRÉ: Oh, every ISD has a plan.

24 MR. BATCH: Right.

25 MS. ANDRÉ: But you know, the minute you're in

1 trouble with TEA, you have a plan. And then when your  
2 superintendent doesn't get along with your board or what  
3 have you, then the superintendent goes to the next  
4 district. And then who knows what happens to your plan?

5 And that's not to disparage school districts.  
6 They have a lot on their plate, right, which is why I'm  
7 like, well, what are they doing about affordable housing?  
8 But we have limited things within our powers, and I don't  
9 know anything about education.

10 Janna Cornier, if you're here today, when my  
11 kids were little, asked me what my educational philosophy  
12 was, and I said, in all honesty, I'm looking for a place  
13 that does not beat my children. I don't know. I don't  
14 have an educational philosophy, but I would love to be  
15 told, okay, these are proven methodologies. This is very  
16 rigid. Put this into place.

17 I think pre-K -- I mean, Foundation Communities  
18 does amazing work with kids after school. And if somebody  
19 could teach me or show me how to do that, I would gladly  
20 provide it.

21 MR. VASQUEZ: Just a reminder to everyone, this  
22 wasn't -- the good schools wasn't something that the  
23 Department came up with on our own. I mean, it's  
24 legislative leaders, all kinds of groups, saying, quit  
25 putting affordable housing where there's failing schools.

1 I mean, so we're responding to the communities.

2 MS. ANDRÉ: I totally understand --

3 MR. VASQUEZ: Yeah.

4 MS. ANDRÉ: -- which is why I applaud more  
5 guidance on how we -- when we do have a situation that's  
6 not in that school district that is most desirable, how do  
7 we help the situation?

8 MR. VASQUEZ: Right. And again, I just want to  
9 reiterate, it shouldn't be here's the absolute, hard and  
10 limited list, because what might work in Harris County  
11 probably isn't necessarily the same thing that will work in  
12 Cherokee County.

13 I mean, it's -- so I think there's got to be a  
14 menu of things that we find acceptable. And it will have  
15 to be up to the Board for discretion.

16 MS. MORALES: Teresa Morales. If I could just  
17 provide a little bit of clarity, kind of, big picture,  
18 where were we, and kind of, where are we now? It used to  
19 be, pre-COVID, that mitigation for a school neighborhood  
20 risk factor did require a letter from an education  
21 professional.

22 It required a campus improvement plan, or if  
23 you're that bad, a turnaround plan and all of these  
24 documents. And then staff evaluated, do we find it  
25 acceptable or not? That was on hold because of COVID.

1           But there's difficulty with the plan in and of  
2 itself, because school districts are required by TEA to put  
3 out a plan but they're not necessarily required to publish  
4 updates to that plan, because that's proprietary, because  
5 that's still undergoing data.

6           And taking in all of that research, it's not  
7 something that they can release. And so that was the  
8 difficulty with -- you can give us a plan, but it's just  
9 going to state what the quarterly objectives are, but  
10 nothing really as to whether they're meeting those  
11 objectives.

12           Where we were trying to go with this year, for  
13 2023, is to say, if your school is rated X -- again, this  
14 is only a neighborhood risk factor issue -- then you have  
15 to do after-school tutoring. You have to do programs after  
16 school that's in the realm of what's already listed under  
17 supportive services, so many hours per week, that would  
18 help augment or facilitate what's happening in the  
19 classroom.

20           And even though that's currently listed as a  
21 supportive service where these schools or these  
22 developments have the option of doing that, in the form of  
23 mitigation, it would instead be a requirement. So you're  
24 required to do 15 points' worth, but instead, you're going  
25 to do this and you still have to do 15 points' worth of

1 choosing other things. And so that was the intent here.

2 I think at the staff level, we have to work  
3 through exactly what are the ratings going to be to where  
4 that's going to be triggered, and then once we've  
5 identified that, solidify it within the QAP. But again, it  
6 wasn't the several-years-bad type of situation where that's  
7 already addressed under the ineligibility item.

8 And so when you have a school that's been rated  
9 F several years in a row or improvement required for the  
10 previous ratings, that was something that was intended more  
11 for your flat-out ineligible. Because we don't know, at  
12 the staff level, to address Sarah's comment, of what could  
13 be done to improve the school's positioning. And those  
14 were the deals that came to the Board.

15 And so what we tried to do in the draft is to  
16 say, what if you implemented this pre-K center? So you're  
17 not automatically ineligible, but if your school is several  
18 years F or D or some combination thereof, then you have to  
19 do this pre-K center or this other thing. And in that  
20 instance, you're not automatically ineligible.

21 So that's, sort of, big picture, what we tried  
22 to accomplish here, recognizing that there's still some  
23 details to work through with the TEA ratings.

24 MR. BATCH: Understood. Thank you, Ms. Morales.

25

1           Okay. Any questions from the Board?

2           (No response.)

3           MR. BATCH: Okay. Moving on, proximity to jobs.

4           Cody, do you want to give a quick update on that?

5           MR. CAMPBELL: Sure. Proximity to jobs. The  
6           big changes here are shifting from a population-based  
7           stratification of the sites to an urban-versus-rural,  
8           reducing the maximum points available from six to four.  
9           And then adding that third category where, if you have at  
10          least two points under the item, you have the opportunity  
11          to supplement those two points to get yourself to the  
12          maximum score, if there is readily available and accessible  
13          transportation to get the tenants to other jobs beyond  
14          those in the immediate geographic vicinity.

15          So those are the changes.

16          MR. BATCH: Okay. Yeah. Perfect. Thank you.

17          Okay.

18          And if anybody from the public would like to  
19          make comments on the specific area of the QAP, proximity to  
20          jobs, feel free to come up to the front and state your name  
21          and who you represent.

22          MS. MARTIN: Audrey Martin with Purple Martin  
23          Real Estate. Just a quick thing. I noticed, Cody, the way  
24          that the rule is written, it says that you can get points  
25          from one of the three categories.

1           So it doesn't read as if public transportation  
2 is an add-on, because it excludes you from participating in  
3 more than one. That's something I noticed.

4           And then we had some conversations, and we  
5 always have a TAAHP membership meeting to get comment from  
6 the community. It was a little tough, because we didn't  
7 have a draft to look at when we had that meeting here  
8 recently. But there was a lot of conversation about the  
9 frequency of transit.

10           And so you probably will get some comments from  
11 TAAHP about that, like, kind of, being unsure whether the  
12 level of frequency in the QAP actually exists in many  
13 jurisdictions. Like, it might be a little restrictive on,  
14 like, how often the bus comes around. Anyway --

15           MR. BATCH: All right. Thank you. Anybody else  
16 like to make comments on -- okay. Yes, sir?

17           MR. KATOPODY: David Katopody with Katopody,  
18 LLC. I wanted to comment on the proximity to jobs, but  
19 also kind of about just the whole confluence of factors  
20 that are really increasing land costs.

21           And a part -- well, a part of this, you know,  
22 not only proximity to jobs, which I think, at this point,  
23 is still -- the numbers are a little low, because --  
24 especially in places like Region 3 and other areas,  
25 especially on the peripheral markets where we're

1 experiencing a lot of growth, it's still only a few sites  
2 that really are -- you know, check all the boxes for  
3 proximity to jobs, that check the boxes for underserved.

4 And so I think a lot of these problems that  
5 we're seeing with supplemental credits are exacerbated by  
6 higher land acquisition costs. And so I think that we, you  
7 know, experiment with going to larger radiuses. And maybe  
8 we should look into that, maybe not necessarily for this  
9 QAP, but you know, the future things to look at.

10 So that's pretty much all I got.

11 MR. BATCH: Thank you, sir.

12 MR. KATOPODY: I just finished signing in.

13 MR. BATCH: All right.

14 MS. MYRICK: I wonder if we should put  
15 checkmarks next to our names. I do have a question on the  
16 access to jobs on the additional points. It says -- Cody,  
17 I guess, this is more to you.

18 With sidewalks for pedestrians -- so it's  
19 located on a route with sidewalks for pedestrians. So if  
20 you're walking along on a sidewalk and you run into a  
21 driveway, is that still considered a sidewalk? Or is that  
22 going to be --

23 MR. CAMPBELL: I don't know if staff is prepared  
24 to answer that question today.

25 MS. MYRICK: Okay.

1 MR. CAMPBELL: I don't know if we had thought  
2 that far into that particular part of that sentence, but  
3 please -- you know, we'll take your comment into  
4 consideration and see if we don't need to reword that to  
5 make it a little bit less vague about that. Thank you so  
6 much.

7 MS. MYRICK: Thank you.

8 MR. BATCH: Okay. Any other comments on this  
9 particular area of the QAP?

10 (No response.)

11 MR. BATCH: All right. Cody, if you want to go  
12 ahead and move on to the next section?

13 MR. CAMPBELL: I believe the next one in here is  
14 the cost per square foot.

15 MR. BATCH: I have readiness to proceed.

16 MR. CAMPBELL: Readiness to proceed.

17 MR. BATCH: Yes, sir.

18 MR. CAMPBELL: So in readiness to proceed, we  
19 are proposing bringing that scoring category back. So it  
20 was removed a couple of years ago. It was suspended as a  
21 result of the pandemic.

22 The intention of readiness to proceed is to try  
23 and get units delivered just a little bit more quickly.  
24 What we are proposing in this draft of the QAP is that the  
25 applicants would need to commit to delivering their units

1 within 24 months of the date of the award. So what is  
2 required right now is 24 months from the end of the  
3 calendar year of the award.

4 So basically, you're cutting down from about two  
5 and a half years to two years. We would award points for  
6 that commitment. If an applicant takes those points and  
7 fails to deliver the units timely, then there would be a  
8 point deduction in the following round for that applicant's  
9 applications.

10 And then there is a part of that section that  
11 awards points if the municipality agrees to accelerate the  
12 zoning and inspection and permitting and all those  
13 processes to assist in getting these units delivered a  
14 little more quickly.

15 This is a pretty big change from what has been  
16 in place in past. I believe that in past years readiness  
17 to proceed had to do with basically having all your  
18 financing and everything in a row and ready to go from the  
19 time that you get your award.

20 Staff has analyzed the results of that, and I'm  
21 not sure that we're convinced that it has been successful  
22 in delivering units more quickly in the past. And so this  
23 new approach is hopefully going to address that and get us  
24 units a little bit more quickly than what we've had  
25 previously.

1 MR. BATCH: Perfect.

2 MR. CAMPBELL: Sure.

3 MR. BATCH: Any questions from the Board?

4 (No response.)

5 MR. BATCH: Okay. So with that, we'll open it  
6 up to public comment, if anybody wants to make comments on  
7 this particular area of the QAP.

8 MS. RICKENBACKER: Donna Rickenbacker.  
9 Readiness to proceed. That is a tough, tough paragraph to  
10 get my arms around.

11 First of all, readiness to proceed -- I've been  
12 making sure my deals get closed and ready to proceed market  
13 area since 2018. So far, I've been very successful in  
14 doing so, but it truly does take a team to get these deals  
15 closed, attorneys, accounts, GC's, everything in between.  
16 Those are -- they're really tough deals to get closed.

17 And so if you open this up and you require  
18 everybody in all regions to, you know, be impacted by this  
19 similar requirement, that's just -- it's going to be  
20 impossible with the lawyers and the accountants and  
21 everybody else that you need in order to make that happen.

22 That, simultaneously with the recognition that it's 24  
23 months from the date of award -- right now, it is taking 24  
24 months because of the construction delays, supply chain  
25 delays, to build these communities.

1           It's truly taking 24 months, right out of the  
2 gate. And from the date of the award, please keep in mind  
3 how staff has already indicated how busy they are. You --  
4 that proves up -- that's what's going on right now.

5           You have maybe a quarter or maybe a little more  
6 than that -- I don't mean to be disrespectful at all --  
7 that have been underwritten at this point. We're already  
8 in July, and so you don't -- you know, the awards -- a good  
9 bit of the folks out there are going to be finding out  
10 whether or not they're even going to be receiving an award.

11          And you've got to move these deals forward, certainly  
12 prior to the award date if you're going to hit that closing  
13 in 24-month period.

14           I just don't see this happening. I appreciate  
15 what you all are trying to achieve, but I don't know how  
16 you make this work and be fair to all.

17           MR. BATCH: Thank you, ma'am.

18           MR. KROCHTENGEL: Zach Krochtengel again. I  
19 think that the biggest issue is we're now basically -- I  
20 don't even know who I would ask in the City of Dallas to  
21 sign off on a letter that said that they were committed to  
22 all of these things. I don't think that you're going to  
23 get any city to sign off, because of liability and things  
24 like that.

25           Obviously, I'm pretty much against this entire

1 section the way it is right now, because right now, cities  
2 hold so many things over our heads. Like they'll say,  
3 yeah, we'll give you a resolution of support, but we don't  
4 want to give you \$500. Yeah, we'll give you a resolution  
5 of support, but we don't want to sign off that we're going  
6 to accelerate the zoning, because we don't even have a  
7 mechanism for doing that.

8 I think that you'd see market rate developers  
9 going ballistic too, if we all of a sudden got pushed ahead  
10 of, you know, them for permitting. There was just an  
11 article today in Dallas that they can't even permit their  
12 own fire station. It's been a year delay in permitting  
13 their own fire station.

14 So you know, I waited over a year for a permit  
15 in Dallas, because they decided to take a 10-foot strip off  
16 of my site because they wanted a wider road. So that was a  
17 real estate transaction that needed an entirely new  
18 appraisal, unforeseeable until we got to the permitting  
19 process. So I want to get units on the ground faster too.

20 I think that there's -- every municipality is  
21 different. Every municipality has a different degree of  
22 cooperation with these things, and this is just giving them  
23 another card to play against us, and another string to pull  
24 and another decision that they can decide, yeah, we'll  
25 cooperate with you up to this extent but not any further.

1 It's just detrimental.

2 And I also think that they're going to look at  
3 it as a liability. And they're going to say, well, if we  
4 don't give you this deal, then you lose another deal  
5 because we didn't cooperate with you. I think it's just a  
6 whole can of worms, so.

7 MR. WILKINSON: What about commitment to place  
8 in service 24 months from the date of award?

9 MR. KROCHTENGEL: I would love to commit to  
10 that. Like I said, I just -- just took me 12 months to get  
11 a permit. And you know, we're getting commitment and  
12 carryover.

13 Nobody is going to close on our deals without  
14 commitment and carryover, and we don't get those, you know,  
15 cleared until the fall either. So you know, it's really  
16 hard. I wish I had a better answer of how to get units on  
17 the ground faster.

18 I had made some suggestions such as conditional  
19 awards in the spring as opposed to waiting till the end of  
20 July, so that we could actually feel comfortable spending a  
21 lot more money a lot sooner and moving ahead faster. But  
22 it really does seem like -- Dallas isn't the only one. Ft.  
23 Worth is having permitting issues.

24 Lots of places are having permitting issues.  
25 People are having zoning issues. We submitted a simple

1 rezoning in Dallas, and we're on -- we submitted it a month  
2 ago, and we're technically on the schedule as if we'd  
3 submitted it in August, because they have such a backlog  
4 that they basically are pushing everybody.

5 Like, you submitted it in June, but you  
6 technically are on the August schedule. So I would love to  
7 commit now, but you know, who knows what the climate is  
8 going to be like, you know, 12 months from now?

9 Thanks.

10 MR. BATCH: All right. Thank you.

11 MS. STEPHENS: Lisa Stephens. So this isn't a  
12 one-size-fits-all solution, because I can go to the City of  
13 Irving, and I can pull my building permits in 90 to 120  
14 days with a set of plans. I can go to the City of Austin,  
15 and 15 or 16 months later, I'm going to get a building  
16 permit.

17 So does that mean a development in Irving is  
18 more desirable than a development in Austin? Because it's  
19 going to get the five points, because I can never guarantee  
20 you 24 months from award in Austin.

21 I also can't get a contractor that will  
22 guarantee to deliver me units under a year, under 15 months  
23 right now. It's just not doable in the market we're in,  
24 with material and supply and labor issues. Contractors are  
25 so hesitant to commit to anything.

1           And to ask us to deliver -- it takes me 12  
2 months to pull a permit, and my contractor won't commit to  
3 12 months to deliver a building, we just can't get there.

4           The other thing that I will tell you is that we  
5 have financial incentives as developers to finish those  
6 buildings as quickly as possible because that's when we get  
7 the bulk of our developer fee. There is nothing you can  
8 put in the QAP that's going to incentivize us faster than  
9 the money that we're going to get when we actually finish  
10 building the units.

11           MR. BATCH: Thank you. So I -- just from the  
12 first three comments, it seems like the general sentiment  
13 is that this is an area that we need to -- okay, okay.  
14 Well, if maybe, you know, staff can continue to work with,  
15 you know, the developers to kind of figure out the best  
16 approach to this, that would be --

17           MR. MARCHANT: Mr. Chairman?

18           MR. BATCH: Yes, sir?

19           MR. MARCHANT: Are you looking for -- certainty  
20 in -- for deliverance? Are you trying to add something  
21 that motivates them to get done faster? Or are you trying  
22 to set a date where they can come to this Board again and  
23 ask for a continuance?

24           MR. WILKINSON: So it's for speed, and it was  
25 actually inserted into the QAP after Harvey bracketed to --

1 Harvey affected to the areas, to try to get -- it was a  
2 different approach, but it was about when they closed, and  
3 that was a point incentive.

4 And it was kept in there for several years, and  
5 then we suspended it during COVID. And there was a desire  
6 for a statewide ratings to proceed. I think we had this  
7 work --

8 MR. CAMPBELL: We discussed it at one of the  
9 roundtables.

10 MR. WILKINSON: One of the roundtables, right.

11 MR. MARCHANT: One suggestion. If you're trying  
12 to look for both, maybe to extend it to December 31 of  
13 the -- of two years from December 31 of the year that's  
14 granted. That gives you a longer period of time. It does  
15 set a --

16 MR. CAMPBELL: That's the current deadline.

17 MR. MARCHANT: Well, I don't know. I mean --  
18 I'm sorry. I guess I -- if we changed it to two years,  
19 they'll come to us for extensions and -- yeah. So, okay.

20 MALE VOICE: -- force majeure. I mean --

21 MR. MARCHANT: Yeah. So that the number of  
22 force majeure will be similar or greater than this year.

23 MR. WILKINSON: I don't know that I'd describe  
24 it that way. But many of them would fail to meet the  
25 24 months they committed to, and thus get a two-point

1 deduction in their next application.

2 MR. MARCHANT: Okay.

3 MR. WILKINSON: The next year --

4 MR. MARCHANT: Okay.

5 MR. WILKINSON: -- prior.

6 MR. MYRICK: Actually, I had a question about  
7 that, exactly. Ty Myrick, BETCO Consulting.

8 If you promise and get your -- to be done in two  
9 months, and then you come to the Board with a force majeure  
10 request for something you didn't have control over and you  
11 get your force majeure, do you still get docked next time  
12 or not? I mean, because that's not in the rule.

13 MR. VASQUEZ: No.

14 MR. MYRICK: So that was just a question.

15 MR. BATCH: Cody, did you want to maybe provide  
16 a little clarification here?

17 MR. CAMPBELL: I think the answer to that  
18 question would really depend on how we wrote the rule. So  
19 we could go either way on that. It's, you know -- again,  
20 it's a living document. We can continue to edit it.

21 MR. VASQUEZ: I mean, if we're waiving the date,  
22 do they announce the --

23 MR. BATCH: There wouldn't be any sort of  
24 penalty if --

25 MR. WILKINSON: You could do both. You could

1 penalize them and give them a force majeure so that they  
2 don't -- they meet their statutory place in the service  
3 deadline, but they do get dinged for not meeting their  
4 readiness to proceed commitment separately --

5 MR. BATCH: But if -- again, it seems that,  
6 like, that is -- this environment that we're in is the  
7 issue here, right? Because if what we're talking about is,  
8 you know, trying to get these, you know, developments built  
9 quicker, but we know we're in the environment that we're  
10 in. And then we don't know when it's going to get better  
11 or if it's going to get worse.

12 I mean, it kind of -- it just seems to me that  
13 there's a little -- it almost seems like then we shouldn't  
14 be penalizing -- I mean, how do you justify penalizing  
15 somebody for a force majeure situation when we know that  
16 we're already in a situation where we're getting force  
17 majeure?

18 MR. VASQUEZ: Yeah. I can't see -- I mean, by  
19 essence, the force majeure, we're saying -- acknowledging  
20 it's out of their hands. So why should we --

21 MR. WILKINSON: Yeah. So you're signaling your  
22 future votes right now, which seems pretty consistent.  
23 Yeah.

24 MR. BATCH: It -- you know, just -- I don't know  
25 that that fully makes sense to me.

1 MR. VASQUEZ: Yeah. I mean, absent a force  
2 majeure situation, yeah. I think --

3 MR. BATCH: Makes perfect sense.

4 MR. VASQUEZ: -- gets, you know, put in there.  
5 But with the force majeure, maybe that's our vote in the  
6 future, is if we're granting a force majeure, we are also  
7 waiving the point --

8 MR. CAMPBELL: Sure, sure. And you know, if  
9 this idea just doesn't work, we had a readiness to proceed  
10 item in the QAP for several years. It was suspended.

11 I think it has -- you know, Bobby, correct me if  
12 I'm wrong. I think the Governor has -- the Governor's  
13 Office has requested that this be put back in the QAP. So  
14 we've got to figure out something.

15 MR. BATCH: Yeah.

16 MR. CAMPBELL: This was not one of them?

17 MR. WILKINSON: I don't know.

18 MR. BATCH: It was suspended, though, because of  
19 the --

20 MR. VASQUEZ: The pandemic stuff.

21 MR. BATCH: -- yeah. I mean, the environment  
22 that we're in --

23 MR. CAMPBELL: Sure.

24 MR. BATCH: -- and the pandemic and --

25 MR. CAMPBELL: Sure, sure, sure.

1 MR. BATCH: Yeah. Maybe we'll take more  
2 comments from the public and try to figure out --

3 MR. SMITH: Tim Smith, Hoke Development  
4 Services. I think this is just a classic case of a  
5 solution looking for a problem to fix. I mean, we already  
6 have a statutory deadline we have to meet.

7 You're trying to just move it back just a few  
8 months. And we have to move heaven and earth just to meet  
9 the statutory deadline already. And as we all realize, our  
10 pay date comes when these developments are placed in  
11 service. So there's no greater incentive than that.

12 I mean, we are all working as fast and as hard  
13 as we can, and we just have to deal with bottlenecks or  
14 supply chain issues that everybody else is facing.

15 MR. BATCH: Yeah. Thank you, Mr. Smith.

16 MS. RICKENBACKER: So I'm going to somewhat take  
17 a different position than him. I think that, to staff's  
18 credit, they're trying to get units on the ground. And  
19 over the last couple of years, that's not what we're seeing  
20 happening, between supplemental credits and force majeure  
21 actions being taken across the board.

22 And I can't imagine anybody hasn't requested a  
23 force majeure treatment in '20 and '21 at this point. But  
24 you don't even have an understanding of when these units  
25 are going to ultimately be put on the ground, plus there's

1       been statutory changes to placed in service deadlines,  
2       10 percent test, and all of those that are continuing to be  
3       pushed out. So when you do a hard-and-fast deadline of  
4       24 months from, you're really conflicting now with movement  
5       in the statutory deadlines and some other things.       A  
6       couple of thoughts along your line -- well, let me back up  
7       for just a second. First of all, when this was put in the  
8       QAP, it was limited to certain regions in the state, Region  
9       6, Houston area, and then they added the Valley, that had  
10      gone through some hurricane and struggle. It wasn't a  
11      statewide thing.

12               And even within those areas, those that tried to  
13      push their deals forward and get them close, it still took  
14      a great team to make those things happen. You want to  
15      expand it across the entire state? I just -- I don't see  
16      it.

17               One thing that we might want to take a look at  
18      is maybe -- certainly knowing which deals are going to be  
19      awarded sooner. And then simultaneously, there is already  
20      some deadlines in our program rules, 10 percent test, some  
21      of those other -- perhaps we can move those up. I'm  
22      feeling people aren't going to like that either.

23               But do something to where we see movement in the  
24      right direction on these developments to get the units on  
25      the ground in a more timely manner. Just my thought.

1 MR. BATCH: Thank you, Mrs. Rickenbacker.

2 MR. VASQUEZ: I'd just like to say for this  
3 particular item, I kind of think the rules we have in place  
4 and the way we've been operating it works. I mean, it's --  
5 we have to keep incentives for -- and I understand,  
6 financially, y'all are incentivized already to get it in  
7 service. But prior to this period, I never heard it as  
8 being a big problem, or it's very rare that something  
9 happens where they needed an extension of time.

10 It was doable, and we're in Texas. You know,  
11 everyone is going to find a way to make it happen and then  
12 get it going again. But if it does stay extended, where  
13 these supply chain problems, et cetera -- it seems to be  
14 working reasonably well, and I think the Board has shown  
15 its willingness to be accommodating on extending --  
16 granting, you know, a force majeure extension.

17 So I don't see a lot of editing needed on this.

18 MR. BATCH: Yeah. I mean, I generally tend to  
19 agree. You know, to me, at least, it seems, even though I  
20 fully understand the need to get -- want to get these  
21 developments moving forward and built, you know, it -- to  
22 create an additional problem in an environment where we  
23 already -- you know, we're having to deal with so many  
24 other problems, I -- you know, I just -- yeah. I don't  
25 know that it's entirely necessary.

1           But to your point, though, Cody, I mean, the  
2 Governor's kind of hinted that -- it was something on this  
3 issue as to what --

4           MR. CAMPBELL: Maybe not. I must have been  
5 misremembering that, so --

6           MR. BATCH: Oh, okay. I apologize then.

7           MR. CAMPBELL: Sure. It was my mistake, so.

8           MR. BATCH: Okay. Any other general comments  
9 on --

10          MR. MICHAELS: Hi. Russ Michaels. I just have  
11 one comment.

12           I think readiness to proceed is kind of going in  
13 the wrong direction. I think the Board -- and just the  
14 trend for what we need is to be more helpful than hurtful,  
15 and I think this one is one of those things that actually  
16 isn't going to help move the needle for us right now.

17           Everybody in this room is readiness to proceed,  
18 but the economy is not, and I don't know if that's going to  
19 change anytime soon. So I'd like this to actually be  
20 removed from the QAP, and I'd also like to see the  
21 supplements come back. That's just one thing I was going  
22 to mention, too.

23           But if they're not already gone -- because I  
24 know I saw them redlined out of the QAP, I think it's  
25 important to be helpful. And those are a way to be

1 helpful, and readiness to proceed is one of those things  
2 that's not helpful.

3 I think we should take it out. Thank you.

4 MR. BATCH: Okay. Are there any comments in  
5 the -- going in the opposite direction on this? Any more  
6 comments in support of -- okay. If that's the case, maybe  
7 we can -- sure.

8 MS. SIVELLS: So Andrea Sivells with BETCO. I  
9 was going to add, the Governor just renewed the disaster  
10 declaration for COVID in April. And so maybe we could  
11 consider keeping the readiness to proceed kind of tabled in  
12 line with what is happening in the Governor's Office.

13 They still see it as an issue. And maybe we  
14 should just -- maybe it doesn't have to come off, but maybe  
15 it's -- continue as we have been, in line with what the  
16 Governor's Office is doing.

17 MR. BATCH: Yeah, yeah. I mean, I think that,  
18 you know, clearly there seems to be a conversation to be  
19 had. I just -- I don't know if right now is the perfect  
20 time to try to -- just my opinion on that.

21 Okay. Moving on, cost per square foot. Cody,  
22 if we can get a --

23 MR. CAMPBELL: So this is the point item that  
24 awards points based on the cost of the development per  
25 square foot. We have heard for years that the numbers that

1 we have in the QAP right now are unrealistically low. So  
2 we did a survey.

3 We came up with kind of the new baseline for  
4 those numbers, and it's about 51 percent higher than what  
5 was in the last QAP, which is a substantial increase, but  
6 it's what we've heard consistently from folks. So not only  
7 are we suggesting that change, but we are also suggesting  
8 that, moving forward, year over year, we adjust those  
9 figures based on some kind of construction price index.

10 I think there's one written into the draft QAP.

11 I don't know if we're completely married to that one.  
12 It's the best one we found so far, but I anticipate that  
13 we're going to get some feedback on whether that index is  
14 the right one to be using or not.

15 As I said, we did a survey on cost containment,  
16 and we used the responses from that survey to help draft  
17 this language. The survey responses were overwhelmingly  
18 positive for us to be making these types of changes. So I  
19 don't know if I anticipate the comment that we got on the  
20 last item or the last topic, but those are the proposed  
21 changes.

22 MR. BATCH: Understood.

23 MR. CAMPBELL: Yeah.

24 MR. BATCH: Okay. Thank you, Cody.

25 Any general comments from the public on this?

1 Everybody is generally supportive? Maybe not.

2 MS. MYRICK: Lora Myrick with BETCO Consulting.  
3 I think I want to just be on the record as saying, thank  
4 you, big thank you. We are incredibly grateful --

5 (Applause.)

6 MS. MYRICK: -- for this big boost.

7 MR. BATCH: Saying thank you --

8 MS. MYRICK: Yeah. That's why I'm turning  
9 around and saying thank you.

10 We will have some comments. TAAHP will have  
11 some comments about differentiating between some different  
12 types of properties, and -- of that nature. But we are  
13 extremely grateful, ecstatic, about the number that we saw  
14 in the QAP.

15 I just want to end on a really good note and say  
16 thank you.

17 MR. BATCH: All right. Thank you. Okay.

18 So with that, moving on, unit sizes?

19 MR. CAMPBELL: Sure. And I just want to add, to  
20 make sure that the credit goes where it belongs, Brooke  
21 Boston really spearheaded a lot of that cost containment  
22 research. And tons of the credit goes to Brooke on that,  
23 and of course, everybody else who's worked on the QAP.  
24 None of this is a one-person operation.

25 So required unit sizes? Is that --

1 MR. BATCH: Yes.

2 MR. CAMPBELL: Okay. So for this, what staff is  
3 recommending is a 50-square-foot reduction in the threshold  
4 and scoring requirements for one-bedroom and efficiencies.

5 I think the ask was for a reduction across the board in  
6 our unit sizes.

7 And I just don't think that staff could get  
8 comfortable with our larger -- our two-, three- and four-  
9 bedroom requirements. 800 square foot is currently the  
10 requirement for a two-bedroom, much smaller than that, and  
11 you really don't have much of a two-bedroom.

12 MR. BATCH: Yeah.

13 MR. CAMPBELL: The exception to that would be in  
14 the urban core, which we're still kind of finalizing the  
15 definition on. I think what's written into the QAP right  
16 now is a neighborhood with a population density of 7,500 or  
17 more per square mile.

18 When we looked into what areas that would cover,  
19 I actually don't think any part of Texas hits that. And  
20 when you do look at the really high-population-density  
21 parts of Texas, they're not really where you expect them to  
22 be.

23 They're not in the urban core of cities.  
24 They're in exurbs, and you know, neighborhoods in, like,  
25 West Houston that do have a high-population density, but

1 probably don't meet urban core. So that definition is sort  
2 of a work in progress.

3 Before we land on what the urban core is, we are  
4 proposing a 50 square foot reduction in the threshold and  
5 scoring requirements across the board for those unit sizes.

6 So the square foot reduction in ones and efficiencies, and  
7 then in the urban core across the board, a 50 square foot  
8 reduction.

9 MR. BATCH: And is this just in response to, of  
10 course, you know, the increases in construction? Or is  
11 this more --

12 MR. CAMPBELL: In a roundabout way, I think so.  
13 What we're seeing in a lot of market-rate developments is  
14 not 500 square foot efficiencies. I mean, we're seeing 500  
15 square foot one-bedrooms. We're actually seeing, like, 400  
16 square foot one-bedrooms in Austin, which I think is a bit  
17 much.

18 So this is more in trying to bring in line what  
19 we require with what the market produces with market-rate  
20 housing, which I would imagine probably is in response to  
21 these increased construction costs, so --

22 MR. BATCH: Okay.

23 MR. CAMPBELL: -- yes, in a very long way, yeah.

24 MR. BATCH: All right. Thank you.

25 MR. VASQUEZ: And remind me. Here, you say

1 something about there's also a -- bonus points for larger  
2 units?

3 MR. CAMPBELL: Sure. So in the QAP, we have the  
4 minimum that you have to build, no matter what. And then  
5 if you go 50 square foot beyond that, there are points  
6 available in the QAP for making those units just a little  
7 bit bigger.

8 MR. VASQUEZ: And this is an average increase in  
9 size, or not?

10 MR. CAMPBELL: It's just 50, 50 for any of them.

11 MR. VASQUEZ: So if I have a 100 units, and one  
12 of them is --

13 MR. CAMPBELL: No, no, no. I'm sorry. All of  
14 the units have to meet that, but all of the -- it's 50  
15 square foot for the efficiency, the one, the two, the three  
16 and the four.

17 MR. VASQUEZ: Okay. But all of them have to  
18 meet that. It can't be average that --

19 MR. CAMPBELL: Right.

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

21 MR. BATCH: You build one 4,000 unit, and then  
22 10 teeny, tiny ones.

23 MR. VASQUEZ: So one of these guys is going to  
24 do that.

25 (General laughter.)

1 MR. VASQUEZ: You know, come on, you know.

2 Okay. All right.

3 MR. CAMPBELL: All right.

4 MR. VASQUEZ: All right. Thanks.

5 MR. BATCH: Any other comments from the Board?

6 (No response.)

7 MR. BATCH: Okay. Comments from the public, if  
8 there are any? Or is this generally something everybody --  
9 all right. Moving on, then, to HUBs.

10 MR. CAMPBELL: So the --

11 MR. BATCH: -- or sorry. I skipped way down.  
12 Supportive housing.

13 MR. CAMPBELL: Supportive housing. So this is  
14 one of the changes, and we might could condense the  
15 conversation about supportive housing with HUD Choice  
16 Neighborhood Grants, because it's a similar change proposed  
17 for both of these things.

18 So what the staff draft proposes is that in any  
19 given subregion, if there is a supportive housing  
20 application or a HUD Choice supported application, that the  
21 highest-scoring of those applications, assuming that  
22 they're not otherwise ineligible, would automatically get  
23 awarded. And this would hopefully create a path for more  
24 of those deals to reach the finish line.

25 MR. VASQUEZ: In what situation would -- well, I

1 guess you're saying that if the highest-scoring supportive  
2 housing or HUD Choice is not in the top five of scores,  
3 wouldn't get it. But this way you're saying, would?

4 Okay. All right.

5 MR. CAMPBELL: Correct.

6 MR. VASQUEZ: I answered my own question.

7 MR. BATCH: Comments from the public.

8 MR. BATCH: Okay. All right. Comments from the  
9 public on -- but -- okay. So before -- I guess, before we  
10 take comments, is there -- I mean, is there general  
11 opposition? Is it opposition on many different areas of  
12 this?

13 MS. ANDRÉ: Mine is probably a little bit more  
14 nuanced than -- but it sounds like a lot of opposition. I  
15 just was going to take this opportunity to let the Board  
16 know that there is a vast difference between permanent  
17 supportive housing and supportive housing.

18 We use, in the QAP, permanent supportive  
19 housing. That is a known type of housing, as defined by  
20 people in the social services industry, by those  
21 organizations, agencies, that try to serve people with  
22 significant disabilities, mental disabilities, co-occurring  
23 disorders, which is a fancy word for substance abuse and a  
24 mental illness at the same time.

25 What the rule in the QAP allows is supportive

1 housing. They are both great things and both worthwhile  
2 things. I would like to see clarity between permanent  
3 supportive housing and supportive housing, and you know,  
4 permanent supportive housing is very tricky.

5 I would not recommend that a for-profit  
6 developer get into that business without a partnership with  
7 a service provider such as -- here in Austin, we have one  
8 called Integral Care. We have numerous service providers  
9 that specialize in this population.

10 I did a bond transaction in 2019. We still do  
11 not have our cost certification, because that development  
12 runs at 125 percent of income and it has vouchers. And it  
13 has vouchers in Austin, and it has vouchers that are at a  
14 very high rate for an efficiency unit.

15 But it runs at that high level because the  
16 people who are living there literally had not been indoors  
17 for many years, and they require a lot of assistance to  
18 live in a development like the ones that we develop under  
19 this program. So totally worthwhile. Should absolutely be  
20 supported.

21 But I would love to see more of a  
22 distinguishment between the two. And if you're going for  
23 permanent supportive housing and getting extra points for  
24 permanent supportive housing, then I would like that to be  
25 a very real permanent supportive housing development,

1 versus a supportive housing development.

2 Thank you.

3 MR. BATCH: Thank you, Mrs. André.

4 MR. VASQUEZ: And just to clarify, I mean, we're  
5 talking about supportive housing in the way it's written  
6 now. We have that menu of however many different things,  
7 815 choices, of what you can provide, and if you check off  
8 six or them or nine of them, whatever it is, then you get  
9 counted as supportive?

10 MR. CAMPBELL: The supportive housing definition  
11 in the QAP is pretty robust. I think that a lot of  
12 development went into that definition, and from memory,  
13 what's written into the staff draft refers back to that  
14 definition.

15 MR. VASQUEZ: And again, the definition is  
16 loose. I mean, as far as -- you've that menu of choices --

17 MR. CAMPBELL: Sure.

18 MR. VASQUEZ: -- and again, someone help me with  
19 however many is -- you take five or them or eight of them  
20 or --

21 MR. CAMPBELL: Sure. I --

22 MR. VASQUEZ: -- 10 of them?

23 MR. CAMPBELL: -- should remember from memory,  
24 but yeah --

25 MR. VASQUEZ: But you could have one developer

1 take the first seven, and then they get called supportive?

2 The next developer could take the last seven, and be  
3 called supportive, even though they're not really providing  
4 the same thing. But I agree that there should be some  
5 distinguishing for that permanent supportive housing --

6 MR. CAMPBELL: Sure.

7 MR. VASQUEZ: -- for a full, wrap-around, you  
8 know, services, supportive housing type thing.

9 MR. CAMPBELL: Sure.

10 MR. VASQUEZ: But again, it is -- supportive  
11 housing is just -- you took -- you say, I'm providing X  
12 number of these items. Then you get the points.

13 MR. WILKINSON: I would say our definition of  
14 supportive housing, we -- is permanent supportive housing,  
15 basically. Right?

16 MR. CAMPBELL: So I think what I would say to  
17 that is up until now, I don't know if we've found ourselves  
18 in a situation where a developer has tried to stretch the  
19 definition of supportive housing to get points for  
20 providing something that is not really in the spirit of  
21 supportive housing.

22 Like I said, we only have a couple of developers  
23 in the state of Texas that really focus on that, and that's  
24 not an issue that we've run into so far. If we do end up  
25 implementing this in the QAP and suddenly there is a really

1 big carrot at the end of the stick for people to chase,  
2 certainly we might need to revisit this to make sure that  
3 that doesn't happen, so.

4 MR. VASQUEZ: Okay. Donna's got a --

5 MS. RICKENBACKER: I agree with what Sarah --  
6 Donna Rickenbacker. I would agree wholeheartedly with what  
7 Sarah was saying. We need to go ahead and make sure that  
8 the definition of supportive housing is pretty much  
9 limited, if you will, to permanent supportive housing.

10 That's a true, wrap-around service type of  
11 development, and there are, you know, two, maybe three in  
12 the state of Texas that really provide that level of  
13 housing in our state. And a couple -- first of all, it was  
14 my recommendation that we prioritize the highest-scoring,  
15 in my mind, permanent supportive housing development in the  
16 region. So I'm glad that they're moving forward with that.

17

18 That being said, in the prior QAPs, before there  
19 was this level of prioritization, they were trying to  
20 incentivize permanent supportive housing. I'm going to  
21 keep using the word "permanent," because in my mind, that's  
22 what the intent was, to provide them three extra points.

23 I feel like if we're going to go ahead and  
24 incentivize the highest-scoring supportive -- permanent  
25 supportive housing development, then we need to go ahead

1 and remove the three-point differential, because now, we're  
2 clearly giving them that opportunity.

3 We need housing of all types in the state of  
4 Texas. So if we're going to prioritize the highest-scoring  
5 permanent supportive housing development, then I'm hopeful  
6 that you all will agree to deduce the total scores, if you  
7 will, back to what everybody else is able to achieve.

8 On Choice Neighborhood Grants, I'm not familiar  
9 with that program at all, and I don't know, you know,  
10 actually where those grants are issued and how they're  
11 administered. But a couple of thoughts come to my mind --  
12 is that permanent supportive housing is a clearly-defined  
13 housing type.

14 And so if we're just going to prioritize the  
15 highest-scoring development that is utilizing Choice  
16 Neighborhood Grants, then unless I'm -- and again, I'm  
17 unfamiliar with the program -- then they can just go in --  
18 if they're going to get this grant, this applicant can then  
19 submit an application and really not utilize and be  
20 required to perform under any of the scoring categories.

21 And they're ultimately going to receive an award  
22 of credits for being that highest-scoring, if you will,  
23 grant deal, Neighborhood Choice -- Neighborhood Grant. So  
24 I think we need to figure out if there's a requirement to  
25 make sure that they are scoring, because not everybody is

1 going to be in a position to submit these grants.

2 And I think that we're going to end up with an  
3 application that's really not the intent of our rules, to  
4 give incentives, if I'm saying this right, to developments  
5 that are falling within the number of 30, 50 and 60 AMIs  
6 and some of the other requirements that everybody else has  
7 to meet.

8 Thank you.

9 MR. BATCH: Thank you for your comments.

10 MS. HICKS: Jennifer Hicks with True Casa  
11 Consulting. I wanted to get up and speak specifically  
12 about the supportive housing. I've developed over 1,000  
13 units of supportive housing in Texas.

14 I'm working with a nonprofit developer, as well  
15 as a consultant. And I'm always an advocate of increasing  
16 the supportive housing. I wanted to say, one way Chairman  
17 Vasquez -- or Vasquez -- not of the Committee, Batch --  
18 that Mr. Vasquez mentioned, how do we increase the number  
19 of supportive housing units?

20 I think that one thing that was mentioned in  
21 roundtable but didn't make it into the QAP is that if the  
22 three points for supportive housing stays in, right now it  
23 makes the distinction of qualified nonprofit to get those  
24 points versus just a nonprofit, meaning the IRS definition.  
25 So there's some national developers of supportive housing

1 that can't get the supportive housing points. So I'm just  
2 pointing that out.

3 I don't have a -- they're not a client. I'm  
4 just pointing that out, so as a way to increase supportive  
5 housing.

6 I also wanted to just point out, the two new  
7 sections, if they stay in, regarding market units and  
8 multi-bedroom units, to either have supportive housing  
9 automatically get those points or not be able to get those  
10 points, just because I don't think supportive housing with  
11 market-rate units really make sense.

12 I also don't think swaying to making it all  
13 multi-bedroom supportive housing -- while there is family  
14 supportive housing and that's important, the major need is  
15 for persons experiencing homelessness, and the majority of  
16 that population are single individuals.

17 So just going to make those two nuances, without  
18 getting too much into the push one way or another. But  
19 just saying I think it's a good move to, you know, increase  
20 supportive housing, but like Sarah said, it is extremely  
21 difficult. Not everybody can do it.

22 Not everybody should be doing it. And I do like  
23 the language that the Department added in the QAP, just  
24 saying that they're really going to scrutinize the  
25 applications coming in for supportive housing. So I think

1 they're putting the recognition in there that somebody  
2 coming in and just trying to do supportive housing to get  
3 the points isn't going to, you know, happen.

4 So thank you.

5 MR. BATCH: Thank you, Ms. Hicks.

6 MR. ARECHIGA: Jason Arechiga with NRP again.  
7 We do not actually really build supportive housing for the  
8 most part, so just remain neutral on it. It seems like  
9 it's a need, so I understand why it's being addressed.

10 My question becomes, I guess, a little bit more  
11 for the HUD Choice. If I'm not mistaken, there are only  
12 two Choice Grants that were given in the state of Texas.  
13 That is in Ft. Worth and San Antonio. So it seems kind of  
14 specific, and I'm just curious why that was included as  
15 being an item that will almost certainly guarantee to win,  
16 if those areas are put in.

17 I also thought that those two deals, the East  
18 Point Wheatley area in San Antonio and the Cavile in Ft.  
19 Worth, were already -- already have their plans developed  
20 out. So I didn't know if that was a request from their  
21 municipality or what --

22 MR. WILKINSON: Yeah. City of San Antonio is --  
23 I think theirs is done or whatever, but Ft. Worth, they  
24 still have some more phases to go through. The City is  
25 putting in tens of millions of dollars.

1 MR. ARECHIGA: Okay.

2 MR. WILKINSON: The Mayor sent us a letter.

3 MR. ARECHIGA: That -- well, again, it was just  
4 a question.

5 MR. WILKINSON: Yeah.

6 MR. ARECHIGA: It was --

7 MR. WILKINSON: No. I'm just giving you the  
8 answer.

9 MR. ARECHIGA: Oh, thank you.

10 MR. BATCH: All right. Thank you.

11 MS. ANDERSON: Going to be faster. Again, Sarah  
12 Anderson. I appreciate that we have an issue that there's  
13 a problem that we're trying to address. I feel like we've  
14 gone a little too far on this.

15 We already have scoring preference for  
16 supportive housing, permanent supportive housing deals.  
17 What you're looking to do now -- you have 13 urban regions.

18 Half of those only get one deal, and now, we're saying  
19 we're going to prioritize half of our urban region  
20 allocation to the highest-scoring supportive housing deal?

21 You think that developers who shouldn't be doing  
22 supportive housing are not going to try to do supportive  
23 housing with that kind of incentive? I think that we're  
24 setting up something scary here, where that incentive --  
25 you're going to have the wrong people trying to provide

1 something that they have no background in.

2 And so I feel like it's a little bit too much.  
3 When you're talking Region 1, 2, 4, 5, 8, 10, 12 -- only  
4 get one award. So I just -- I think we need to be -- maybe  
5 step back a little bit.

6 I'd rather see \$5 million be taken off the top  
7 and put somewhere that you knew that that was a setaside,  
8 and that's what you were going to do, and you were only  
9 competing, rather than sort of this across-the-board willy-  
10 nilly.

11 So thank you.

12 MR. KROCHTENGEL: Zach Krochtengel again. I'm  
13 going to go even further. A for-profit developer tried to  
14 do supportive housing in Dallas this year. With that point  
15 advantage, they were the number one deal in the region.

16 If you start doing all of these setasides, it  
17 really takes the scoring out of this entire program. In  
18 Dallas-Ft. Worth, you have to have the highest-scoring CRP  
19 deal. So there's one deal.

20 You now have to have the highest-scoring  
21 supportive housing deal. There's deal two. You now have  
22 to have the highest HUD Neighborhood Choice deal. There's  
23 deal three.

24 There's only eight or nine deals in the entire  
25 region, and we've now committed three of them. I would

1 love to see -- maybe increase the point advantage for  
2 supportive housing, if that's what you feel is going to get  
3 you there.

4 But all of those single city regions that Sarah  
5 just mentioned -- if I was a developer, and I went and I  
6 put a pre-application in Region 1, and I was the number-one  
7 application, somebody could not put in a pre-application,  
8 just put in a full application, not worry about scoring at  
9 all, and if they're supportive housing, they get the only  
10 allocation in that entire subregion.

11 So if we're going to take all of this time and  
12 effort into creating a scoring system that really has value  
13 and all that -- all of that, and then, in the biggest  
14 regions, we're going to take three of those awards and  
15 disregard scoring because there are these other priorities,  
16 I think that that really tilts the scale.

17 Thank you.

18 MR. VASQUEZ: I'm sorry. Zach, you just brought  
19 up -- you said what I was thinking and wanting to say.  
20 When -- again, and everyone -- there's no doubt, I want  
21 more supportive housing, and really, permanent supportive  
22 housing, as this conversation is going.

23 But the point of -- that the highest-scoring  
24 supportive housing automatically gets an award -- maybe we  
25 should add -- it gets an award, but it has to be in the top

1 25 percent of the scores for the region or something.

2 You can't -- because the example that I was  
3 worried about, that -- you know, if it's the lowest-scoring  
4 project in the region, why should that automatically get --  
5 and it's the only -- it's highest-scoring supportive  
6 housing, what we're saying --

7 MR. KROCHTENGEL: If you put --

8 MR. VASQUEZ: -- it gets the award. Right?

9 MR. KROCHTENGEL: Yeah.

10 MR. VASQUEZ: So I think we need to add a little  
11 more specification, to Zach's point, on -- there's got to  
12 be a minimum -- it's got to be in the top 25 percent of the  
13 applications in the region or the top third, or some number  
14 up there, where it can't be the worst of five applications,  
15 and we still give them the award. I agree. That tweak is  
16 important to add into --

17 MR. KROCHTENGEL: So if you change the three-  
18 point advantage to maybe five points, you're now saying  
19 that those people still probably have to participate in the  
20 pre-application, and so then they're kind of more on an  
21 even playing field. The thing that even worries me more is  
22 that they won't participate in the pre-application and  
23 they'll come in with --

24 MR. VASQUEZ: Yeah.

25 MR. KROCHTENGEL: -- like, a terrible site and

1 it doesn't matter. But if you have a five-point advantage,  
2 then you still have to participate in the pre-application,  
3 and you still have to go through the same process as  
4 everybody else. And it's just as transparent, because that  
5 five-point advantage doesn't overcome the pre-application  
6 advantage.

7 MR. VASQUEZ: Again, along those lines, I'd like  
8 to see that we give more points for supportive housing  
9 projects, but you increase the requirements to get those  
10 points. I mean, so --

11 MR. KROCHTENGEL: Yeah.

12 MR. VASQUEZ: -- again, I was using the example  
13 of the 15 on the menu, and you only have to use -- provide  
14 seven or whatever it is. Make it where you have to provide  
15 10, 11 of those 15 or something.

16 You know, make it where that supportive housing  
17 is much more real supportive housing than just kind of  
18 checking that minimum box, plus what I said about there  
19 should be a -- it's got to be a highest -- in the high  
20 scoring in the region before it automatically gets the  
21 award.

22 MS. FLORES: Can I make one comment?

23 MR. VASQUEZ: Your mic.

24 MS. FLORES: My experience in the 12 years of  
25 HUD showed that supportive housing requires enormous,

1 enormous resources that only a few can do, and that's the  
2 reality. And even in places where we said, okay, guys,  
3 just two or three, even that became difficult.

4 And this is one thing that has been going around  
5 circles for almost 25 years, because it is one of the most  
6 difficult things. When you say, where do I put this adult  
7 child, or where do I put Grandma or Grandpa, and yes, sir,  
8 it is -- and Mr. Congressman, you've probably heard a lot  
9 of people that went to testify before Congress.

10 That's the most difficult part, because it's  
11 almost like redoing the colonias. You can't justify homes  
12 because it's prohibitively expensive to bring in an entire  
13 infrastructure. And in this one, the infrastructure is  
14 both physical and mental.

15 That's all I'm going to say.

16 MR. MARCHANT: Thank you. Mr. Batch?

17 MR. BATCH: Yes, sir. Yeah, for Mr. Marchant.

18 MR. MARCHANT: You know, just on a philosophical  
19 note, low income tax housing credits, the whole concept was  
20 to take part of the housing subsidy system and turn it over  
21 to free enterprise system.

22 I mean, HUD has its own legs it stands on. And  
23 it's just an observation, and not a condemnation, but I  
24 don't know -- and that's the charge of us, our agency, to  
25 take those credits and then make sure they get applied to

1 the original purpose. That's to infuse those tax credits  
2 into the free enterprise system, and then accomplish the  
3 low -- the housing -- I don't -- how did we get into this  
4 kind of social engineering points?

5 Well, how did we get into that? What are we  
6 doing?

7 MR. WILKINSON: I don't know the history there.  
8 When did we start giving supportive housing tax credits?  
9 A long time ago. Right?

10 MR. MARCHANT: Well, I know. This --

11 MR. WILKINSON: So it's public-private profit  
12 partnership, and sometimes private is a big nonprofit, and  
13 they're not a --

14 MR. MARCHANT: Oh, I understand that. No, I'm  
15 talking about --

16 MR. WILKINSON: -- they're mission-driven.

17 MR. MARCHANT: -- the supportive housing --

18 MR. WILKINSON: And they do supportive housing.

19 You know, and so that's -- sometimes we're -- it's regular  
20 tax credit development with a, you know, for-profit  
21 developer. Sometimes it's a big nonprofit, mission-driven  
22 doing --

23 MR. MARCHANT: But it seems like we're giving  
24 the advantage to that partnership.

25 MR. WILKINSON: That's what's contemplated here

1 is to tip the scales --

2 MR. MARCHANT: Oh, then --

3 MR. WILKINSON: -- a little too much --

4 MR. MARCHANT: -- I guess my point is, I don't  
5 know why we would -- to me, I understand that we have to do  
6 that. And we do do that, but I don't understand how we  
7 take it that far.

8 I don't know why we have to take it that far and  
9 give points to -- I mean, I understand -- well, I'll just  
10 leave it at that. I don't understand -- that gets into --  
11 to me, it gets into a little bit too far of trying to take  
12 this credit far beyond what it was ever intended to do.

13 MR. WILKINSON: Okay.

14 MR. VASQUEZ: And just if I can respond? I  
15 agree, we need to stick with the intent. But if we're  
16 going to spend this money, invest this money into  
17 affordable housing, as I said, rather than just putting  
18 four walls and a roof in a safe, clean environment, we're  
19 spending this much money. Why can't we get a little more  
20 out of it beyond just that --

21 MR. MARCHANT: I think that that falls within  
22 the normal consequence of our awards. I'm all for that. I  
23 just don't know that I'm in favor of giving those -- that  
24 kind of a project a preference.

25 MR. VASQUEZ: And maybe Bobby can help me. I

1 mean, there has been legislative support on the national  
2 and local level, state level, for doing more than -- do  
3 more of the supportive aspect of the housing. I mean, I  
4 know that there are -- there's lots of elected officials,  
5 some of whom impact our budget.

6 MR. MARCHANT: Yeah, and we --

7 MR. VASQUEZ: You know, they're saying do this.

8 MR. MARCHANT: -- carry out the policies.

9 MR. VASQUEZ: Yeah.

10 MR. MARCHANT: I mean, we get monies given to us  
11 that has policy and -- attached to it, and we have to  
12 follow that policy. Rent assistance, the whole thing. I  
13 understand that.

14 Is that kind of attached to our -- is that goal  
15 attached to our --

16 MR. WILKINSON: I can't think of anything in  
17 2306 in legislation right now. Certainly, the -- I believe  
18 the Governor's Office put in something a couple of QAPs ago  
19 for 2 percent of units to be held for continuum of care  
20 referrals, so people at risk of homelessness or homeless.

21 MR. MARCHANT: And that would fall under here.

22 MR. VASQUEZ: That's an example. And your point  
23 is correct.

24 MR. WILKINSON: It's a nudge in that direction.

25 MR. VASQUEZ: It can't go --

1 MR. WILKINSON: Yeah.

2 MR. VASQUEZ: -- too far. I mean, but, you  
3 know, where's the balance? And I think it's worth trying  
4 to find.

5 MR. WILKINSON: So at the roundtable, I think we  
6 were originally discussing a setaside of points, and I  
7 thought it was people in industry that came up with why  
8 don't we just do it like CRP, with the highest-scoring  
9 development? So maybe I'm not remembering it correctly.

10 We could bracket to 1.7 million, county or  
11 larger, or we could go back to an extra point or setaside  
12 or leave it as is. I mean, we have options there.

13 Lisa. I'm sorry, Chair.

14 MS. STEPHENS: So tax credit developers, in  
15 general, are not permanent supportive housing providers.  
16 There's a lot of permanent supportive housing providers  
17 that do not understand the tax credit program. They don't  
18 always marry up.

19 What we're trying to solve for increasing  
20 permanent supportive housing, whether that's good or bad  
21 policy, is in part determined by what Jennifer Hicks said  
22 earlier, and that is the definition of a qualified  
23 nonprofit. Because to do permanent supportive housing  
24 under the QAP, you need to be a qualified nonprofit. To be  
25 a qualified nonprofit, your board members need to live

1 within 50 miles of your development site.

2 You have two or three developers in this state  
3 that do permanent supportive housing and do it really,  
4 really well, top in their class, right? They are limited  
5 to the cities they live in.

6 That's what's driving your lack of -- one of the  
7 drivers for permanent supportive housing in other cities is  
8 this requirement for board members to live within 50 miles  
9 of the development site.

10 MR. BATCH: Do you have a comment that you --

11 MR. VASQUEZ: But isn't that being changed?

12 MS. STEPHENS: Ninety.

13 MR. VASQUEZ: Or --

14 MS. STEPHENS: Sorry. Ninety miles.

15 MR. VASQUEZ: Well, I thought there was some  
16 sort of --

17 MR. WILKINSON: Yeah. Didn't we change for  
18 fixed last time for this?

19 MR. VASQUEZ: I thought there was some --  
20 because there was some national organization --

21 MS. STEPHENS: Right. It changed the --

22 MR. VASQUEZ: -- some church?

23 MS. STEPHENS: -- points, but not to be -- not  
24 to participate as a nonprofit. So if you're participating  
25 as a nonprofit -- and there are advantages to doing that --

1 then you've got to live -- your board members have to live  
2 within 90 miles of the site.

3 MR. WILKINSON: I think that may be in statute.

4 Yeah.

5 MS. STEPHENS: Right. But that's what I'm  
6 saying.

7 MR. WILKINSON: Right.

8 MS. STEPHENS: In order to fix --

9 MR. VASQUEZ: It may have been changed. I'm  
10 saying that you don't have to -- there's not that 50- or  
11 90-mile --

12 MR. WILKINSON: Tracey Fine is an expert in  
13 this.

14 MR. VASQUEZ: Yeah, okay.

15 MS. FINE: Thank you for mentioning that.

16 Tracey Fine, National Church Residences.

17 So it comes in a couple different places. There  
18 is a legislative definition in the Texas lege that talks  
19 about a qualified nonprofit and the 90-mile rule. Under  
20 our sponsorship characteristic points, that is where that  
21 comes into play.

22 This is a separate section. The supportive  
23 housing section is a separate section. You can just make  
24 it a qualified nonprofit per the definition of Section 42,  
25 IRS, as opposed to qualified nonprofit per section whatever

1 in the Texas Lege.

2 You still don't automatically get the  
3 sponsorship points. There's other things you need to do to  
4 get that point, but I think you do have the opportunity to  
5 separate that out in those two different places. I think  
6 by changing it to nonprofit per IRS in the supportive  
7 housing section, it would fix that bubble.

8 MR. WILKINSON: Thank you.

9 MS. HICKS: Jennifer Hicks with True Casa  
10 Consulting. I was just going to add, I always hate when  
11 supportive housing comes up as an item for discussion. I  
12 think it was okay the way we had it, the way there was a  
13 three-point scoring advantage.

14 The truth of the matter is, not everybody should  
15 be doing supportive housing. When we talk about permanent  
16 supportive housing, you have to have vouchers. That is key  
17 for permanent supportive housing. So that lies on the  
18 local, you know, housing authority to provide those.

19 What I was just going to say, I think, you know,  
20 by making those three points nonprofits, qualified  
21 nonprofits, meaning the IRS definition, making that tweak,  
22 I think, could help add some supportive housing  
23 developments without doing all of this other stuff. And  
24 then perhaps in other areas that the Department works in,  
25 you know, put out more capacity-building funds to help the

1 smaller nonprofits do non-tax credit supportive housing  
2 developments. Because those do exist, and I do work on  
3 those as well.

4 So I am just trying to clarify, we might have  
5 opened up a little bit of a can of worms, very well-  
6 intentioned, but I get it. I do affordable, you know,  
7 family and elderly housing as well. So thanks.

8 MR. BATCH: Thank you, Mrs. Hicks. Okay.

9 Any other -- just so everyone is aware, we just  
10 passed 3:00 p.m. And I know this is an important process,  
11 and you know, we've got to make sure we're thorough when  
12 getting through, but --

13 MR. VASQUEZ: We're getting there.

14 MR. BATCH: Yes, ma'am?

15 MS. CROXDALE: I work for -- my name is Tillie  
16 Croxdale. I work for Foundation Communities, which -- we  
17 do supportive housing. So I agree with everything that Jen  
18 Hicks just said.

19 I think the three-point advantage really works  
20 in Austin, and that's how we're able to compete.  
21 Otherwise, it's difficult to compete, based on sites. So I  
22 don't -- you know, I did just look at the log, and I think  
23 there's only one supportive housing deal in Texas that's  
24 going to get awarded this year.

25 So I think that's where this comes from, wanting

1 to incentivize more supportive housing. But I just don't  
2 think there's enough developers right now. And so maybe  
3 adding more points will help.

4 I know that in Houston there was a deal, and  
5 they just weren't competitive enough. So that's my  
6 thought, is -- I agree with Jen. Maybe we just go back to  
7 how -- the way it was.

8 MR. BATCH: Okay. Thank you.

9 Mrs. Rickenbacker?

10 MS. RICKENBACKER: Donna Rickenbacker. To  
11 Bobby's point, you know, he was reacting to a meeting that  
12 we had where we talked about permanent supportive housing.  
13 And Joy Horak-Brown and some of the better permanent  
14 supportive housing providers were there and wanted to see  
15 if there was a way to improve the QAP rules to better  
16 incentivize supportive housing developments moving forward.

17 My idea, again, was to see if we can -- the  
18 highest-scoring supportive housing automatically moves  
19 forward in some of these larger urban areas. There's  
20 always been a three-point advantage for permanent  
21 supportive housing in our rules. So in my mind, if folks  
22 were going to move into these other areas that Sarah was  
23 talking about that only, you know, get one deal a year, I  
24 feel like they would have already done it.

25 So anyway, those are my thoughts.

1 MR. BATCH: Thank you, Mrs. Rickenbacker.

2 Mr. Marchant, before we --

3 MR. MARCHANT: If we have less -- if we have  
4 finished with supportive housing.

5 MR. BATCH: I -- so are there any other general  
6 comments. Okay. Seeing none, I think, supportive  
7 housing -- we can move on.

8 MR. MARCHANT: Just a question for the QAP. Is  
9 there -- is it outside of the statute, though, for us to  
10 say we're going to give bonus points to a developer that  
11 produces a higher number of units in its application?

12 MR. CAMPBELL: There's not a statutory  
13 prohibition to that to my knowledge, but I'm not sure.

14 MR. ECCLES: Except that we do have to stay in  
15 line with the number of others -- above the line and below  
16 the line, and I believe it's 2306.6710. We have had to --  
17 we have to --

18 MR. MARCHANT: Got all the way up to nine, and I  
19 didn't read it.

20 MR. ECCLES: Okay. Let me catch you up. There  
21 are what we consider now essentially threshold items,  
22 starting with finance feasibility, and moving down to  
23 support letters from state representatives --

24 MR. MARCHANT: Got you.

25 MR. ECCLES: -- and the points that we get can't

1 supersede those. So there are points that can be given  
2 for --

3 MR. MARCHANT: Underneath your point?

4 MR. ECCLES: -- yes. Below the line point,  
5 so --

6 MR. WILKINSON: But they can certainly make the  
7 difference and so --

8 MR. ECCLES: Yes.

9 MR. WILKINSON: -- yes, you could -- you'll hear  
10 a lot of --

11 MR. MARCHANT: So if we just as a board said,  
12 hey, we just want to produce more units out of this X -- we  
13 have X number. We want to incentivize these private  
14 enterprise to produce more units for us. And if you're  
15 willing to follow all the rules and do all this, we have  
16 some available points for you, because you're producing  
17 more units.

18 MR. WILKINSON: And that's certainly an option.

19 I would want some kind of parameters about unit mix so it  
20 didn't incentivize too many, like, one-bedrooms --

21 MR. MARCHANT: Yeah, yeah.

22 MR. WILKINSON: -- but you know, maybe we do one  
23 bedrooms. But you'll hear from the development  
24 community -- they'll say it's a race to the bottom. You're  
25 sending us to the cheapest land and the cheapest --

1 MR. MARCHANT: Well, I mean, I haven't detected  
2 a race to the bottom, you know. In fact, I'm detecting  
3 more of a race to the top. These are very expensive  
4 units --

5 MR. WILKINSON: Right.

6 MR. MARCHANT: -- where -- \$200,000 units, 250s,  
7 180s.

8 MR. VASQUEZ: Some, rarely. I mean --

9 MR. MARCHANT: Okay. So -- okay. So that --  
10 just an innocent, simple question.

11 MR. WILKINSON: And so we --

12 MR. MARCHANT: Could we add that to the mix?

13 MR. WILKINSON: Yeah, you could make it a point  
14 item. You could make it a tiebreaker. There's options  
15 there.

16 MR. MARCHANT: I don't want to make it a race to  
17 the bottom for sure. But I hear the grumbling, and it's --  
18 nobody would want to do that, but I didn't know that we  
19 were -- I thought we were here as a Board making decisions.

20 MR. BATCH: We are. Okay.

21 Moving on with residents with special housing  
22 needs. Mr. Campbell?

23 MR. CAMPBELL: Thank you. There are two  
24 entirely new sections proposed to residents with special  
25 housing needs, if I can find that page in my notes. Even

1 if I can't, I know them off the top of my head now.

2 So we have a new item for assisting families  
3 with children. This item would award points to  
4 developments that have no more than 30 percent of the units  
5 be efficiencies or one-bedrooms.

6 And then we have a second item that is assisting  
7 households with incomes above the housing tax credit  
8 limits. And what this item would do is if the developer  
9 agreed to provide either 10 or 20 percent of their units to  
10 households which are at either the 100 or 120 percent area  
11 median income limit, under the tax credit program --  
12 generally 60 percent is the cap.

13 If you're a certain type of development, you can  
14 go up to 80 percent, but that's extraordinarily rare.  
15 Generally, 60 percent of the cutoff -- that if the  
16 developer committed to providing 10 or 20 percent of those  
17 units to those households that they would get points.

18 The tradeoff of this is that those units are not  
19 federally eligible for the program, because the program's  
20 got the cutoff. And so there wouldn't be any additional  
21 funding available. They would just have to restrict the  
22 rents on those units naturally.

23 And the intention again is to help address the  
24 missing middle income housing. So you know, you've got  
25 people who qualify for middle income housing, and you've

1 got people who can comfortably afford market-rate housing,  
2 but there is that in-between that seems to be growing.

3 I mean, there's a real affordability crisis in  
4 most every city in the state. And the intention of this  
5 inclusion is hopefully to help address that missing middle.

6

7 MR. BATCH: Okay. Thank you.

8 MR. CAMPBELL: Sure.

9 MR. BATCH: Any questions or comments from the  
10 Board?

11 (No response.)

12 MR. BATCH: All right. Seeing none, any  
13 comments from the public?

14 MR. WHEATON: Good afternoon, members of the  
15 Board. My name is David Wheaton. I'm the Advocacy  
16 Director for Texas Houses.

17 We are a research and advocacy nonprofit for  
18 affordable housing. And I first want to thank Mr.  
19 Wilkinson and Mr. Campbell for having great QAP  
20 roundtables. We had a lot of robust discussions. I want  
21 to thank staff for that.

22 I do want to speak about this possible change.  
23 And TDHCA, you know, included that proposal. The National  
24 Low Income Housing Coalition released their annual Gap  
25 Report that breaks down the needs for housing units across

1 the country at different levels of affordability.

2 In Texas, there is just 29 affordable and  
3 available homes per 100 renter households at or below  
4 30 percent AMFI, and 51 homes per 100 households at or  
5 below 50 percent AMFI. There is no shortage of units,  
6 affordable and available to households at or below  
7 80 percent, 100 percent, let alone 120 percent AMFI.

8 So I know Mr. Campbell talked about that missing  
9 middle, and in Texas, that missing middle does not exist.  
10 We have extreme needs at 30 percent AMFI and 50 percent  
11 AMFI. Applicants in the TDHCA's LIHTC Program right now  
12 can receive up to 13 points for restricting the rent levels  
13 of tenants to serve tenants at 30 percent AMFI.

14 And typical non-supportive housing developments  
15 can get 11 points for 10 percent of low income units at  
16 30 percent AMFI or seven points for 5 percent of low income  
17 units at 30 percent AMFI. A property that already has 5  
18 percent of low income units restricted at 30 percent AMFI  
19 can get the same number of additional points by either  
20 doubling their share of 30 percent units or restricting 20  
21 percent of their units at 100 percent AMFI.

22 So this proposal provides a perverse incentive  
23 that could sacrifice deeply affordable units for the sake  
24 of building units that the state of Texas does not need,  
25 which are at 100 percent. And just, you know, using the

1 LIHTC Program, which was meant for low, very low and  
2 extremely low income people, to incentivize developments  
3 for households at 100 percent, 120 percent AMFI just does  
4 not align with national or state realities when it comes to  
5 housing needs and does not align with the program or  
6 TDHCA's purpose.

7 Thank you so much for allowing me to testify.

8 MR. BATCH: Thank you. Any other comments from  
9 the -- yes, ma'am?

10 MS. FINE: Every one of us supports what this  
11 gentleman just said. I'm Tracey Fine, National Church  
12 Residences. I definitely support what that gentleman said.

13  
14 I'm going to work on looking closer at the  
15 language, but I do think there might be a prohibition to  
16 doing a larger family unit in the QAP. There is some  
17 language in legislation that requires scoring parity with  
18 elderly and general population applications. And I just  
19 want to bring that to your attention.

20 I may be looking at that closer and coming up  
21 with a little bit more argument. Should that argument  
22 fail, I definitely request that at-risk applications are  
23 prohibited from taking that point because we cannot change  
24 our unit mix, but I actually don't think you can do it per  
25 the legislation that's currently in there, and it was put

1 in there in 2015.

2 MR. WILKINSON: So we could just say it's for  
3 general population, but not --

4 MS. FINE: You would have to give elderly deals  
5 an -- automatic points.

6 MR. WILKINSON: Is that right?

7 MS. FINE: And I will point out that at -- that  
8 same year that that parity was added was the same year that  
9 they did the elderly cap in the regional formulas. So even  
10 if you were to give the elderly the extra points on par in  
11 some of those regions, they still wouldn't -- there's still  
12 a limitation on awards.

13 MR. WILKINSON: But the elderlies could have  
14 30 percent or fewer efficiencies or one-bedroom too and get  
15 the point. Right?

16 MS. FINE: Yes and no. I'm going to strengthen  
17 my -- like, I just read that this morning. But there is an  
18 actual provision in the QAP that says that you can't have  
19 more than 30 -- 70 percent of your units greater than one-  
20 bedroom or two-bedroom.

21 MS. SISAK: Janine Sisak, DMA Development  
22 Company. I was going to raise the same point. I looked at  
23 the statute and read the language.

24 I do think it is probably drafted with the  
25 bedrooms to be in compliance with at least the letter of

1 the elderly parity legislation, but effectively -- I mean,  
2 efficiency senior deals can't get that point. And if  
3 they're right, and I believe that they are, because the  
4 consultants are all over there, there's other parts to the  
5 QAP that require seniors to have less than a certain -- or  
6 at least a certain amount of one-bedrooms, then there is an  
7 internal inconsistency.

8           On the mixed-rate housing -- the mixed-income  
9 housing points, while I love that as a policy, I do think  
10 it's going to create some unintended consequences. For  
11 instance, I feel like developers in certain markets where  
12 you can't support units at 100 percent or 120 percent AMI  
13 are just going to, you know, chase those points anyway in  
14 an area where there's not a market for it.

15           I love mixed-income deals. You know, I do them  
16 all day in major markets, but they just don't make sense in  
17 other markets. So you know, just some of Mr. Marchant's  
18 comments -- you know, let's let the market drive things  
19 like that.

20           And I do kind of agree with the housers that  
21 this is an affordable housing program. Let's do affordable  
22 housing units. And those are my comments on these items.

23           Thank you.

24           MR. BATCH: All right. Thank you. Any other  
25 comments on this subject of the QAP?

1           MR. KROCHTENGEL: I want to say I support this  
2 middle -- or missing middle housing policy, and I think  
3 that you have to look at this, not just as what this rule  
4 is doing, but also what cost per square foot is doing.

5           We just gave \$50 more to cost per square foot.  
6 So if you're going to give that \$50 more, you're going to  
7 create a lot of eligible basis that wasn't already there.  
8 I don't think anybody here was under the impression that  
9 cost per square foot actually reflected what the cost per  
10 square foot was.

11           It just was a limitation on how many credits you  
12 could actually apply for based on kind of a -- almost an  
13 arbitrary number for cost per square foot. Now, we've got  
14 \$50 more per square foot in eligible basis, which means  
15 that a 60-unit deal could effectively have \$20 million in  
16 tax credits, because we've now increased the cost per  
17 square foot so high, there's not that artificial limiter to  
18 how many credits you're actually asking for.

19           So what this is doing, this mixed middle income  
20 housing is, it's saying, okay, now you have to give some  
21 market-rate units or some units that are not qualified for  
22 LIHTC to basically drive down your applicable fraction, so  
23 you wouldn't be able to take as many credits.

24           So I think if you're going to give 100 percent  
25 of cost per square foot, I think that this is a good way to

1 kind of mitigate that and have credits spread out further  
2 through more deals, because if we've got 60-unit deals  
3 taking up \$20 million in credits, our unit count is going  
4 to go down severely, because people are just going to max  
5 out their credit allocation, and we're not going to see as  
6 many mixed-income units.

7 We're not going to see market-rate units, and  
8 the market-rate units in affordable housing, I think, are  
9 really important, because they do serve those people  
10 between 80 and 100 percent AMI.

11 And I am sure that statistics say that we have  
12 enough 80 to 100 percent AMI units in the whole state of  
13 Texas as a whole, but when you look at high opportunity  
14 areas, is that where those 80 to 100 percent units are, or  
15 are all the 80 to 100 percent units the Class C properties  
16 that are in worse areas of town?

17 I'm looking at deals, and we did a 45 percent  
18 market-rate unit deal last year. We did a 50 percent  
19 market-rate unit deal last year. We're looking at deals  
20 that are in really high opportunity areas, that the market-  
21 rate units go for well above 100 percent AMI.

22 So yes, there might be availability of those  
23 units, but where are they? What locations are they in?  
24 Are they in high opportunity areas? Are they in areas with  
25 the good schools? Are they in areas that would normally be

1 much higher rents?

2           Because what we're trying to do right now is  
3 we're trying to put housing in high opportunity areas.  
4 We're trying to put it near jobs. We're trying to put it  
5 in areas that probably don't have the access, and we're  
6 trying to give a Class A apartment to somebody that maybe  
7 wouldn't be able to afford it in that location.

8           So I'm all for this proposal. Thanks.

9           MR. BATCH: Thank you, sir. Okay. Cody, maybe  
10 moving on to the pre-application aspect of the QAP.

11           MR. CAMPBELL: Sure. So -- and I believe Ms.  
12 Anderson commented on this briefly earlier. The pre-  
13 application changes that are proposed would require that  
14 information used for tiebreakers as well as information  
15 supporting points claimed for jobs proximity, opportunity  
16 index, and underserved area would be required to be  
17 submitted at pre-application.

18           And then any RFADs related to those items would  
19 be due as of March 1 from the full -- I presume it's  
20 March 1 -- from full application to do. That way, we all  
21 get those RFADs just a little bit earlier and can look at  
22 them earlier in the year.

23           MR. BATCH: Got it.

24           MR. CAMPBELL: Yeah.

25           MR. BATCH: Thank you, Cody. I assume this is

1 something that folks are generally supportive. Is there  
2 anybody that needs to maybe make a comment in opposition to  
3 the changes as proposed in this year's QAP?

4 (No response.)

5 MR. BATCH: Okay. Well, let's keep it -- we'll  
6 keep it moving then. Did any Board members have any  
7 kind -- okay.

8 Cody, Choice Neighborhoods?

9 MR. CAMPBELL: Sure. So Choice Neighborhoods we  
10 touched on just a second ago. This is very similar to the  
11 supportive housing proposal, where the highest-scoring  
12 Choice Neighborhood application in any given subregion  
13 would automatically be awarded, assuming that it was not  
14 otherwise ineligible.

15 As is mentioned, Ft. Worth has one of these  
16 right now, but as far as I'm aware, there's no reason to  
17 believe that other cities might not have them in the  
18 future. They're very lucrative; the money expires very  
19 quickly, and this would help those cities spend that money  
20 just a little bit faster.

21 MR. WILKINSON: They're few and far between.  
22 This is not going to skew the program much,

23 MR. VASQUEZ: But will they naturally be a high-  
24 scoring application? Again, I'm still concerning about --

25 MR. WILKINSON: Right, right.

1 MR. VASQUEZ: -- low-scoring --

2 MR. WILKINSON: Maybe we need to put in  
3 something about --

4 MR. VASQUEZ: Again, top third --

5 MR. WILKINSON: -- something to make sure  
6 they're not just like bottom of the barrel.

7 MR. VASQUEZ: Yeah. Top third, top quarter,  
8 something like that.

9 FEMALE VOICE: I'm only coming up here because  
10 I'm one of the few people that has done some of these  
11 developments in Texas. It won't generally be naturally  
12 high scoring, because they probably won't -- by virtue of  
13 being able to qualify for Choice Neighborhoods, you're not  
14 in the high opportunity area, so you would need a  
15 revitalization plan.

16 So you might make up those points. I don't  
17 think they would be low-scoring in the sense that people  
18 just throw something together, don't commit to anything.  
19 They're generally very high-quality developments with a lot  
20 of resources.

21 And I think the idea that you have is kind of  
22 what we did before, with calling them revitalization deals,  
23 was trying to like get them to pop up during that short  
24 window when you have the Choice money. So the non-high-  
25 scoring won't be like I think what you're fearing, which is

1 that -- but I don't want to speak for you, but that they're  
2 just kind of like, yeah, let's throw anything together,  
3 cardboard boxes, and we're going to go to the top anyway.

4 MR. BATCH: All right. Thank you. Any other  
5 comments on this particular section?

6 (No response.)

7 MR. BATCH: Okay. On to the fun part of what I  
8 assume there may be some pretty interesting comments about,  
9 supplemental credits.

10 Cody, do want to give a brief update?

11 MR. CAMPBELL: Sure. So staff's notes on this  
12 section are pretty brief. We cut it.

13 MR. BATCH: Any comments from the Board? Or --  
14 sorry. Go ahead, Bobby.

15 MR. WILKINSON: We've heard, you know, a few  
16 comments, and of course anyone else -- if someone wants to  
17 come up and say maybe why direct loan is not going to be  
18 enough to fill your gaps or why other options wouldn't  
19 work, you know, some of that information would be helpful.  
20 Sorry to interrupt.

21 MR. BATCH: No. That's fine. Thank you.

22 MS. ANDRÉ: Hi. Once again, it's Sarah André.  
23 I feel for the person that has to take all the notes.

24 So it depends on where you are. For some deals,  
25 yeah, direct loan would be enough. Direct loan has

1 limitations. It has limitations on where you can be.

2           You might -- if you're in a participating  
3 jurisdiction, for example, you're ineligible for some of  
4 the funds. If you go after other funds, then you have to  
5 lower your income level served, which then lowers the loan,  
6 because it's lowering the rent that you have to pay back  
7 debt.

8           So it's some of those financial matters. It's  
9 not just, oh, we don't want to do those multifamily direct  
10 loans. They've got federal stipulations on them that mean  
11 that they don't always fit the bill.

12           Extra credits are nice because you have already,  
13 in theory, got an investor lined up; your agreement  
14 typically says that they'll buy a certain amount of extra  
15 credits already, and they are directly related -- you know,  
16 there's a numeric relationship between your basis and your  
17 credits. It's just easier, to be honest.

18           And many states -- you know, we have these caps  
19 here. Many states don't have a cap on how much you can  
20 get. What you qualify for is what you get, sort of like in  
21 the bond program. And so that kind of artificially  
22 limits -- you might have so much more basis that you can't  
23 ask for in Texas.

24           So it's not a -- MFDL is wonderful; it's just  
25 not 100 percent.

1 MR. BATCH: Thank you, Mrs. André.

2 Any other general comments? Yes, ma'am?

3 MS. MYRICK: Hi. Lora Myrick. I would agree  
4 with everything that Sarah just said, and it depends on the  
5 type of multifamily direct loan that you're going to get,  
6 whether it's going to be National Housing Trust Fund or  
7 whether it's going to be HOME.

8 Again, you're going to have more 30 percent  
9 units on National Housing Trust Fund loan, which you seem  
10 to have a lot more of at times than you do HOME, and so  
11 that restricts your rents and that restricts how much debt  
12 you can take.

13 The other thing that can be troubling -- and  
14 I've worked with clients that have used multifamily direct  
15 loan funds in lieu of the supplementals, and you know, that  
16 was great, but the problem that we've sometimes run into is  
17 the timing, is going through all of those processes,  
18 getting the application, maybe going through underwriting a  
19 few times.

20 By the time we get loan docs, there's been a lot  
21 of time that's gone by, and every day that's delayed, costs  
22 are going up, interest rates are doing something crazy. So  
23 the more delay there is, that -- it seems to exacerbate the  
24 problem.

25 So multifamily direct loan funds, we look at it

1 all the time. If it's something that we can use, we are  
2 going to use it, but there are limitations, depending on  
3 where the deal is, how much we need. And the other thing  
4 we always think about now is how quickly are we going to be  
5 able to close?

6 How quickly are we going to be able to get these  
7 loan docs? And can we coordinate all of this? And that  
8 can be an issue as well, where, with credits, you just go;  
9 everybody's ready to go. And again, the longer you are out  
10 there without closing, the more these numbers get away from  
11 you.

12 So that would be my comment.

13 MR. BATCH: Thank you.

14 MS. SISAK: Janine Sisak again, DMA Development  
15 Company. Yeah. Just really quickly, I agree with  
16 everything that Lora says, but there's a federal  
17 requirement when you use some of these loans that basically  
18 says every time every little thing changes on your deal,  
19 you need to be re-underwritten, and that's where we've  
20 gotten tripped up on these.

21 I've got a deal, a 2020 deal, that I think is  
22 being underwritten for the fifth time right now, and I'm  
23 looking at a sixth. That's the problem; we need to solve  
24 it. I don't know what the answer is. Hopefully you guys  
25 are figuring it out, because it's a real problem.

1           If it takes you, you know, three months to get  
2 through like an amendment process and your numbers have  
3 changed in that three-month period, well, imagine if you  
4 have to do that five times. Big problems. Can't get to  
5 closing.

6           I think I was one of the first -- our deals, our  
7 2020 deals, got that first award of MFDL. When was it?  
8 May of last year. I still haven't closed my loans. So  
9 thank you.

10           MR. BATCH: Go ahead, Mr. Marchant.

11           MR. MARCHANT: Can I ask you a question?

12           MS. SISAK: Sure.

13           MR. MARCHANT: Are the tax credits easier? I  
14 mean, do your tax credit contracts that you make with  
15 Goldman or whatever, do they have in those provisions that  
16 extend the ability at least to sell additional credits to  
17 them? Is that all built into that framework?

18           MS. SISAK: They do. It's all built in. Upward  
19 adjusters, downward adjusters. If you deliver more credits  
20 than you anticipated, you get more equity. If you deliver  
21 less, you get less equity.

22           MR. MARCHANT: It's a certain number, and you  
23 can --

24           MS. SISAK: And it's --

25           MR. MARCHANT: It's real quick?

1 MS SISAK: -- been -- you know, these provisions  
2 have been in the standard partnership agreements even  
3 before this COVID scenario.

4 MR. MARCHANT: And what can we do to make the  
5 direct program more attractive and more --

6 MS. SISAK: Just less process, less cross-  
7 cutting measures. You know, Lora was -- and Sarah touched  
8 on it as well. You know, you just layer all these layers  
9 of financing on it, and they have different requirements,  
10 and then that creates a lot of conflicts in the legal  
11 documents.

12 And it just gets --

13 MR. MARCHANT: But that's --

14 MS. SISAK: -- untenable.

15 MR. MARCHANT: -- that's not the State doing  
16 that. That's just the process.

17 MS. SISAK: Yeah. I mean, I understand that the  
18 re-underwriting stuff in terms of having all of your  
19 sources and uses identified perfectly is a federal  
20 regulation --

21 MR. MARCHANT: Yeah.

22 MS. SISAK: -- but you know, maybe there's a way  
23 that the State is, you know, interpreting those regulations  
24 in a really strict manner. I don't know. I'm just --

25 MR. MARCHANT: I'm just --

1 MS. SISAK: -- saying that we need to really look  
2 at it carefully.

3 MR. MARCHANT: If there's something we can do to  
4 help a developer access the direct money, not the credits,  
5 could we do that? I mean, that's --

6 MS. SISAK: I mean, if there's a way to  
7 streamline the process on the state level in terms of  
8 getting to closing on MFDL, then absolutely, yes. If  
9 there's federal regulations that you guys are just bound  
10 to, because you're bound to federal regulations, then, you  
11 know, you can't help with that, but I think there are other  
12 things that are inherent in the TDHCA process that could  
13 help facilitate this problem we're having in getting to the  
14 closing table.

15 You know, another thing is, you know,  
16 outsourcing legal, getting more legal, getting more  
17 attorneys to work on these deals, because I also think  
18 there's a capacity problem, a staff capacity problem. So  
19 you know, I don't necessarily know what the solutions are.

20 I just hope that there are some solutions and we  
21 can figure them out, because this is not sustainable the  
22 way it is.

23 MR. MARCHANT: Thank you.

24 MR. CAMPBELL: Mr. Marchant, I would love to  
25 address what Janine just said and your question. You know,

1 when folks say that MFDL money is very complex, they're not  
2 lying. They are absolutely telling you the truth.

3 It is a very heavy process for us to get this  
4 money out the door. I can't tell you that we've got the  
5 solution figured out today, but what I can tell you is that  
6 this a problem that we are looking at. We're devoting a  
7 lot of resources to trying to figure out how to get this  
8 money out the door more efficiently.

9 So just know that it is something that staff is  
10 keenly aware of and is working on diligently.

11 MR. WILKINSON: Yeah. We've already made moves  
12 to add certain staff, like legal has three postings right  
13 now. So --

14 MR. MARCHANT: Yes.

15 MR. WILKINSON: -- why somebody --

16 MR. MARCHANT: Can we -- do we have the  
17 statutory authority to attach a fee to that so that we  
18 could facilitate the legal work that it takes to bring that  
19 about?

20 MR. WILKINSON: We did look at that, and I  
21 think --

22 MR. ECCLES: That's highly problematic.

23 MR. MARCHANT: Highly problematic?

24 MR. WILKINSON: We're not sure.

25 MR. MARCHANT: Yeah. All right.

1 MR. BATCH: So any other comments from the  
2 public?

3 MR. ARECHIGA: This is kind of a two-part, and  
4 answering one of your questions and also an impediment in  
5 the MDL. As far as I know -- and this last time I checked,  
6 if you're getting the direct loan, they must be -- they  
7 cannot be subordinate to a permanent loan if they're  
8 greater than the amount of the permanent loan.

9 It would be beneficial, potentially, to allow it  
10 to be subordinate. It's one reason why we cannot get  
11 direct loans for the gaps that are as sizeable as they are  
12 on the 2021 9 percents. We need so much direct loan.

13 When you're applying for 3 or 4 million, they  
14 start to exceed what the permitted debt would be, so in  
15 effect, it ends up replacing the permanent debt. And then  
16 there may still be a gap there. If we get a supplement and  
17 add additional permanent debt on top of that, that would be  
18 helpful, but very few lenders or investors are going to  
19 be -- they're not going to accept subordination.

20 And so it becomes an unstoppable force, an  
21 immovable object, whatever, you know, where two -- where  
22 which party is going to agree to subordinate. So that is a  
23 potential solution. It's definitely a tough one. I can  
24 speak to the overall need for supplemental credits, as even  
25 with certain amount of direct loan, because to be able to

1 qualify for the direct loan, we had to increase our 30  
2 percent units.

3 It also made our deal -- it increased the amount  
4 of gap to cover additional gap. It was still worth it. It  
5 was still overall accretive, but we still have an  
6 additional gap therein that we're trying to fill. So there  
7 is one of our deals from 2021 potentially too that would  
8 certainly benefit from supplemental credits.

9 The last change that I could suggest -- it's  
10 probably going to go over as well as a lead balloon -- is  
11 there is the potential to also change from hard to soft in  
12 repayment-ability out of cash flow. So on select deals,  
13 that's a possibility to be able to use with loans, but you  
14 know, the expectation of when those are repaid would be not  
15 until year 15, 16, 17.

16 MR. MARCHANT: And Bobby, the source of those  
17 direct loans comes from where?

18 MR. WILKINSON: HUD, with two streams: HOME and  
19 National Housing Trust Fund.

20 MR. MARCHANT: And they -- do they have hard  
21 rules on soft and hard repayment?

22 MR. WILKINSON: We have some flexibility on  
23 making it soft.

24 MR. CAMPBELL: Sure. Yes. We do have some  
25 flexibility on that. Now, we have to follow what's written

1 on our NOFA and our rules, so we would have to build that  
2 into our funding availability, but we have done hard and  
3 soft loans.

4 MR. MARCHANT: But our goal would be to steer  
5 them away from credits towards the direct loan. Right?

6 MR. WILKINSON: Well, my goal is your goal, sir.

7 MR. MARCHANT: From the question, I mean --

8 MR. WILKINSON: Yeah.

9 MR. MARCHANT: -- yeah. Great. Thanks.

10 MR. BATCH: Any more comment?

11 FEMALE VOICE: Oh. Direct loan can help some  
12 deals. You've heard that. It is much more complicated.  
13 And to Jason's point, particularly with HOME dollars, if  
14 you ask for more than a certain amount of money, you  
15 trigger federal requirements such as Davis-Bacon that then  
16 actually drive your costs up another 10 to 13 percent.

17 So it becomes this snowball effect that is just  
18 not slowing down, and you know, we're in a position where  
19 we're looking at the Fed, who potentially is going to raise  
20 interest rates another 75 basis points this month, and if  
21 that continues to increase, every month that we are not  
22 closing and we are not locking interest rates -- and we  
23 can't lock our interest rates until we definitively can  
24 close -- we're losing proceeds.

25 So if interest rates tick up 50 basis points, I

1     lose \$250,000 of first mortgage proceeds.  If they go up 75  
2     basis points, I lose \$750,000 of first mortgage proceeds.  
3     So what credits do is, if we know definitely we're getting  
4     credits, we negotiate, as Janine said, with our syndicator  
5     to buy them now.

6             I don't have to have them; I just have to know  
7     I'm going to get them.  I can go ahead and close because my  
8     syndicator has promised to pay for them.  With direct loan,  
9     if we're not talking about going to the Board with  
10    potential awards and underwriting on direct loans into the  
11    fourth quarter, then we've got to come in with all of our  
12    due diligence.

13            Then we've got to get loan documents produced,  
14    then I can close.  We're talking about first or second  
15    quarter of 2023.  It's just too long.

16            MR. BATCH:  Thank you, ma'am.

17            Cody, can we move on to the last section of the  
18    QAP --

19            MR. CAMPBELL:  Sure.

20            MR. BATCH:  -- HUBs?

21            MR. CAMPBELL:  Yes.

22            MR. BATCH:  One more.

23            MR. CAMPBELL:  Yes.  So there's been a couple of  
24    words inserted into the requirements under sponsor  
25    characteristics related to HUBs, which are historically

1 underutilized businesses, and based on some conversations I  
2 had earlier today, I'm anticipating public comments on  
3 this.

4           So what the language currently says is that, if  
5 you have a HUB, if you have a historically underutilized  
6 business, that a principal of that HUB cannot be a related  
7 party to any other principal of the applicant, developer,  
8 or guarantor.

9           And so we've added just a couple of words in  
10 there. One, we've clarified that that includes themselves.

11          So it clarifies that a person is a related party to  
12 themselves, as they are acting in two separate roles and  
13 two separate entities.

14           And then, two, we have added "officer" in there  
15 as well. So you can't be a related party to any principal  
16 or officer. An officer is not a defined term in this  
17 particular part of the QAP. I think what we saw this year  
18 was a HUB that, following the definition of principal in  
19 the QAP, didn't actually have any principals.

20           So the "principal" definition in the QAP says  
21 that you have to have control to be considered a principal.

22          There was a HUB proposed where I think there was like a  
23 30-30-40 ownership split, so we couldn't really say  
24 confidently that that person has control; therefore, there  
25 were no principals. Therefore, this section didn't really

1 apply when -- maybe it should have. I don't want to imply  
2 intention to the QAP, but -- so we've added those two words  
3 to the QAP. Those are the changes.

4 FEMALE VOICE: Can you explain what the  
5 practical --

6 FEMALE VOICE: Yeah.

7 FEMALE VOICE: -- what it means? I don't  
8 understand what you're changing. What are you trying to  
9 do?

10 MR. WILKINSON: We're closing a loophole, a HUB  
11 loophole that people -- like wives club, a HUB thing, just  
12 some stuff that didn't look right.

13 FEMALE VOICE: Oh, did you say a wives club?

14 MR. WILKINSON: Yeah.

15 FEMALE VOICE: Okay. I just wanted to make sure  
16 I heard you right.

17 (General discussion in audience.)

18 MS. ANDRÉ: You know, in the past, there were  
19 some people who their wife was their HUB, and nobody felt  
20 like that was the intent of bringing in new people. I  
21 guess the way I'm reading this is, if I'm the HUB, do I  
22 have to go out and contract with a different HUB?

23 I can't be my own HUB? And why not? So let's  
24 say, my name is, you know -- I mean, I just don't  
25 understand that. Why do I have to get another HUB? I now

1 have to give away 25 to 50 percent? I have to -- well, I  
2 have to give away 50 percent of my deal, I mean, to  
3 somebody else?

4 FEMALE VOICE: Yes. That's what it says.

5 MS. ANDRÉ: And that just -- you know, that  
6 seems like a drag. I mean, Brandon, would you -- if you  
7 qualified as a HUB, would you want to have to give away  
8 25 percent of your deal?

9 MALE VOICE: No. I mean, I think --

10 MS. SISAK: I'm going to defend Cody. So Cody  
11 told me that he -- that this was his intent. Right? The  
12 intent was to -- okay. I'm going to defend Cody in a  
13 better way. Let me start over. Cody believes that sponsor  
14 characteristics, the title, sponsor characteristics, means  
15 that some developer with a lot of experience has to sponsor  
16 another developer with not a lot of experience for  
17 capacity-building intent.

18 The policy goal is capacity-building intent.  
19 Right? We're helping less experienced developers gain  
20 experience and create a balance sheet for them. Being in  
21 the program for 20 years, I always thought sponsor  
22 characteristics -- the word "sponsor" meant who's  
23 sponsoring the application, who's behind the application.

24 So to talk about my particular situation, I  
25 work -- I'm an officer of a company, DMA Development

1 Company, that is wholly owned by a woman. She is  
2 certified. She has many entities that are certified as a  
3 HUB.

4 When I read the language of this, it suggests to  
5 me that we cannot serve as our own HUB. We need to -- to  
6 Sarah's point, we need to find another HUB and split our  
7 fee, you know. Even though we're a historically  
8 underutilized business, we have to split our fee with  
9 another HUB because we're sponsoring them and helping them  
10 build capacity.

11 I do not believe that was the intent behind this  
12 rule. A lot of state agencies have stuff in their  
13 statute -- I do not believe HUB is our statute -- but has  
14 language in their statute that says you need to contract  
15 with HUBS.

16 And that's what I believe we're trying to  
17 accomplish here. We're trying to say that TDHCA needs to  
18 give awards to HUB. Our HUB is a HUB, just like any other  
19 HUB. We're more experienced than a lot of other HUBS, but  
20 so be it. We're still a HUB. We shouldn't have to joint-  
21 venture with other HUBS to get a point.

22 MR. VASQUEZ: Just a question, not -- a general  
23 question. Can't we instead have this written as X percent  
24 has to be performed by a HUB, so if you are a HUB already,  
25 you've accomplished that percent?

1 MR. CAMPBELL: I don't see why we couldn't.

2 MR. VASQUEZ: I mean, do we have -- what's the  
3 proposed language on how much needs to be outsourced to a  
4 HUB or partnered with a HUB or --

5 MR. CAMPBELL: It just says that the ownership  
6 structure must include a HUB.

7 MS. ANDERSON: No. It's 50 percent.

8 MR. CAMPBELL: Oh, is it 50 percent? I  
9 apologize.

10 MR. VASQUEZ: So --

11 MS. ANDERSON: Developer --

12 MR. VASQUEZ: -- is --

13 MS. ANDERSON: -- ownership and --

14 MS. MEYER: Cash flow.

15 MS. ANDERSON: -- cash flow.

16 MR. CAMPBELL: I apologize. I was wrong on  
17 that.

18 MR. VASQUEZ: So 50 percent of that --

19 MR. CAMPBELL: Yeah.

20 MS. MEYER: Fifty percent of those three  
21 categories has to go to the HUB.

22 MR. VASQUEZ: Okay.

23 MS. ANDERSON: And so it should be 300 -- MS.  
24 MEYER: Yes.

25 MR. VASQUEZ: Can't we fix this by just simply

1 saying that percent needs to -- of that project needs to go  
2 to a HUB? So if you are a HUB, you've -- naturally you've  
3 already achieved that, rather than saying you have to find  
4 a -- I don't know if it -- I don't have the language here  
5 in front of me.

6 If it says, must go to a separate HUB, then  
7 that's a -- take out the word "separate" and you've solved  
8 the problem. Right?

9 MR. WILKINSON: So if we just struck the same  
10 person, or -- it would go back to the way it was. But  
11 y'all don't have a problem with the "or officer, regardless  
12 of control" part?

13 MR. VASQUEZ: Well, I mean, that part -- I mean,  
14 if you're a non-HUB entity --

15 MR. CAMPBELL: Sure.

16 MR. VASQUEZ: -- and you are -- using the  
17 example, you're -- you form another company that your wife  
18 owns --

19 MR. CAMPBELL: Sure.

20 MR. VASQUEZ: -- I mean, I think all those  
21 related party issues still need to be --

22 MR. CAMPBELL: Sure.

23 MR. VASQUEZ: -- in there so it's not --

24 MR. CAMPBELL: And --

25 MR. VASQUEZ: -- it's closing that loophole.

1 MR. CAMPBELL: And if --

2 MR. VASQUEZ: But if you are already a HUB, I  
3 don't see why you have to go to another -- take out a  
4 portion of it and send it to a --

5 MR. CAMPBELL: So I think my question to that  
6 would be, if we prohibit spouses from doing this, is that  
7 meaningfully different than just doing it yourself?

8 MR. VASQUEZ: Well, not spouse. I mean, the --  
9 and I know there's some lawyer stuff about levels of  
10 consanguinity and all that stuff like that. I mean,  
11 that --

12 MR. BATCH: Yeah. Mrs. André, maybe, did you  
13 want to --

14 MS. ANDRÉ: It is. Is anybody here a "Legally  
15 Blond" fan? Should I quote Elle Woods? Why this firm?  
16 Why now? That was her question. I definitely hear what  
17 you're saying about this, you know, sort of closing that  
18 gap.

19 I'm just not aware of that being an issue for at  
20 least a decade now. But the idea is that, you know, I  
21 don't just put my husband's name. Let's say he qualifies  
22 as a HUB. I don't just put him down and then he sits at  
23 home with his PlayStation or what have you and has no --

24 FEMALE VOICE: Eating bonbons.

25 MS. ANDRÉ: His what?

1 FEMALE VOICE: Eating bonbons.

2 MS. ANDRÉ: Eating bonbons. Right. He's more  
3 of a pickle and hummus guy. But anyway, he doesn't just  
4 sit at home eating pickles and hummus by the pool and knows  
5 nothing about what I do. That would be a factual statement  
6 right now.

7 And then -- but he's getting the -- and I'm now  
8 getting the HUB point. Right? So the idea is that the  
9 person is actually involved. And we've had to -- I've  
10 greatly benefitted from the HUB program. I will definitely  
11 say that, and we've had to work really hard to prove  
12 material participation and really get involved.

13 It's not enough to just sign your name on there.

14 And that's what you're trying to --

15 MR. VASQUEZ: Yeah. We're trying to avoid that.

16 MS. ANDRÉ: -- eliminate. So I totally  
17 appreciate that, and I think we just need to -- we probably  
18 don't even to solve it right now, if we agree on the goal.

19 I'm not sure if we do agree on the goal or not, but if we  
20 do, then I think that there's definitely language and ways  
21 to fix it.

22 The idea is to not punish -- I hope not punish  
23 current HUBs that are benefitting. It's been amazing for  
24 me personally, and I think for a lot of the women in this  
25 room, for sure. But you know, we don't want bad actors to

1 get the benefit of it.

2 MR. BATCH: Thank you, Mrs. André.

3 MR. TAMEZ: My name is Michael Tamez.

4 MR. BATCH: Who are you with? I'm sorry.

5 You --

6 MR. TAMEZ: I'm here representing myself.

7 MR. BATCH: Okay.

8 MR. TAMEZ: And I'm here on a related topic.

9 It's not specifically about the HUB. I get the intent; we  
10 don't want to harm HUBs that are already doing a service  
11 that -- building their own developments.

12 I'm here about a section that's related to kind  
13 of HUB, that I think it's kind of very similar, and it has  
14 to be 11.2046(a) of the QAP, and it has to do with the  
15 experience certificates and how those are established.

16 And I'm going to give a quick background. I  
17 know it's late in the day, but I think it helps explain the  
18 situation that kind of gets created. I have a master's in  
19 real estate finance. I've dedicated my career in the last  
20 10 years -- I've been in real estate. I work for big  
21 corporate banks making large loans and other transactions,  
22 and the last five years, I've been in the affordable  
23 housing tax credit world. I've developed over 1,000 units,  
24 and I'm now part of somebody's transactions.

25 However, the way this rule reads today, if

1 somebody like me isn't -- doesn't have the experience  
2 required to meet this -- and it's primarily because there's  
3 a rule about control being -- needing to be required. And  
4 in a typical commercial real estate transaction, control is  
5 a very hard thing to actually establish for yourself.

6 Usually, as it's -- as a silent partner or a  
7 small partner, you might bring 5 percent of the transaction  
8 equity. You still have control, you're still doing day-to-  
9 day work, but you're not getting, in this definition, the  
10 control that you need to require -- to get the experience  
11 necessary to build a development for you guys and place  
12 those buildings in service for the future.

13 So I'm here today asking that you guys advise  
14 staff to review that and potentially remove that word  
15 "control" from that sentence.

16 MS. FLORES: Mr. Chairman, if you will give me  
17 one minute? In all my years at HUD -- and I have to admit  
18 that I'm still confused -- the word HUBs were used in just  
19 about every meeting when it came to giving out grants. And  
20 HUBs built, like you -- like the women, not you -- the  
21 women -- a lot of women businesses that became very  
22 successful; that's how they started.

23 And then as part of HUBs, they wanted -- and  
24 used this word "capacity-building." Capacity-building, I  
25 tell you, at every meeting, capacity-building was just --

1 and it really meant someone who's not even there, maybe not  
2 even at first base -- and you successful HUBs, please try  
3 to get him to first base and maybe teach them how to get to  
4 second base this way instead of this way. In other words,  
5 don't allow them to act like T-ballers. We love T-ballers,  
6 but just because they're cute, not when they're adults.

7 And then the other part was, if you successful  
8 HUBs can actually help someone build capacity, you should  
9 actually get more points and keep more of the money, hard  
10 money that -- so that is one thing that, when I hear you  
11 saying this, it's this evolving things that has been going  
12 on at HUD for almost 25 years.

13 And they're still trying to figure it out. And  
14 we're still confused. We're still confused. You know,  
15 success is success. And people who are successful want to  
16 keep their money, and they don't want to lose points.

17 MR. TAMEZ: Understood. I'm actually a HUB, and  
18 what I'm speaking to today is on behalf of trying to get  
19 the experience required to do a development. Right now  
20 that's limited by definition with the word "control"  
21 involved in the sentence.

22 MR. WILKINSON: So would it just be deleting  
23 "control"? It seems like we would need to reword it a  
24 little bit. So we could email some language?

25 MR. TAMEZ: Yes, sir.

1 MR. WILKINSON: Okay.

2 MR. BATCH: All right. Thank you, sir.

3 MS. ANDERSON: Actually, I'd like to second  
4 that. We've seen -- I've seen and there's actually a lot  
5 of people in the audience who have tried to get experience  
6 certificates who have been on multiple deals, been doing  
7 this for 20 years, and you know, when you're a minority  
8 entity in the deal, you don't have control; you're not  
9 going to.

10 But it doesn't mean that you didn't participate;  
11 it didn't mean that you weren't there from beginning to  
12 end. And so when we've been getting the review, that has  
13 been the pushback: You can't prove, because you're not the  
14 person that's doing the final signing on all the documents.

15 You're on a lot of documents, but you know,  
16 there's only -- there's one chief, and you're probably not  
17 it if you're a minority entity in that deal. So I love  
18 hearing somebody bring this up, because I know several of  
19 us have hit that wall recently.

20 MR. BATCH: Did you have a comment?

21 MR. VASQUEZ: Well, I was just going to say, on  
22 this topic and everything we discussed today, I -- while we  
23 have been taking notes, I'm assuming everyone is still  
24 going to send up -- send in your follow-up comments,  
25 suggested language where possible, and, you know, staff can

1 review all those and try to see what makes sense.

2 All right.

3 MR. BATCH: Yeah, absolutely. Thank you for  
4 making that comment, because obviously that's important.

5 MS. MYRICK: Yes.

6 MR. BATCH: Yes, ma'am?

7 MS. MYRICK: Yes, sir. Lora Myrick with BETCO  
8 Consulting. I agree with everything that was just said,  
9 and that was actually something Sarah touched on that I was  
10 going to also touch on. It's hard to get an experience  
11 certificate. But also, like Sarah André, I do remember  
12 kind of the wives club, and it's been so long that I guess  
13 I had kind of forgotten about it.

14 But I do have clients that have their wives that  
15 are HUBs, but these wives have been experienced in the  
16 affordable housing world and have been doing this for a  
17 long time with their husbands. So there are women who have  
18 really put in the work, just as much as we have.

19 And it's not easy to stay a HUB. You still have  
20 to go through the certification process. I was just  
21 audited the other day and asked a bunch of questions. So  
22 we still have to certify, and it is to -- we've worked hard  
23 for this capacity. We've worked hard for what we have.

24 And it was just really disheartening to see that  
25 all of a sudden -- and I think I saw something that said,

1 you can't be an affiliate of yourself. And I was like, I  
2 can't be an affiliate of myself? And that was just a  
3 really difficult thing.

4 I think I would also say that if you see one or  
5 two people that have done something or one instance that  
6 has not been on the up-and-up, it just felt -- feels like  
7 we all got kind of punished with this language because of  
8 maybe a bad actor.

9 And I would just not want to have that happen to  
10 all of us, and we will provide alternative language that  
11 will help staff with this issue.

12 MR. BATCH: That would be great. Any other  
13 general comments from the public, from the Board?

14 (No response.)

15 MR. BATCH: Okay. Well, we are right at about  
16 3:50. You know, of course, this is my first time being  
17 chairman of this board, as we're going through this  
18 process, and it's -- I will say it's fascinating, not only  
19 very informative, but to watch the collaboration that takes  
20 place in order to make sure that -- especially during  
21 difficult times like these, where we're working together to  
22 try to make this environment one that we can all, you know,  
23 survive if not thrive under through this collaboration is,  
24 I think, important.

25 And so I just want to say thank you to the

1 staff, as y'all continue to work with the development  
2 community to kind of, you know, make what will be  
3 eventually the final product in this process.

4 So if there are no other comments, with that, I  
5 guess I need to make a -- okay. Well, there is -- if I can  
6 get a motion to adjourn?

7 MR. MARCHANT: So moved.

8 MR. VASQUEZ: Second.

9 MR. BATCH: Second? Okay. This meeting is  
10 adjourned. Thank you all and safe travels to you.

11 (Whereupon, at 3:35 p.m., the meeting of the  
12 Qualified Action Plan and Rules Committee was adjourned.)

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C E R T I F I C A T E

MEETING OF: TDHCA Board QAP and Rules Committee

LOCATION: Austin, Texas

DATE: July 7, 2022

I do hereby certify that the foregoing pages,  
numbers 1 through 162, 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: July 14, 2022

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

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