

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOVERNING BOARD MEETING

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

March 21, 2019
8:00 a.m.

MEMBERS:

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

DAVID CERVANTES, Acting Director

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P R O C E E D I N G S

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

5 It's time for roll call.

6 Ms. Bingham?

7 MS. BINGHAM ESCAREÑO: Here.

8 MR. GOODWIN: Mr. Braden?

9 MR. BRADEN: Here.

10 MR. GOODWIN: Ms. Reséndiz?

11 MS. RESÉNDIZ: Present.

12 MR. GOODWIN: Ms. Thomason?

13 MS. THOMASON: Here.

14 MR. GOODWIN: Mr. Vasquez?

15 MR. VASQUEZ: Here.

16 MR. GOODWIN: We have a quorum.

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

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

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

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

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

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

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

9 The resolution reads as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

24 MS. RESÉNDIZ: Second.

25 MR. GOODWIN: Any discussion?

1 (No response.)

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

3 (A chorus of ayes.)

4 MR. GOODWIN: Opposed?

5 (No response.)

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

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

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

15 (No response.)

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

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

20 MR. GOODWIN: A second?

21 MR. BRADEN: Second.

22 MR. GOODWIN: Any discussion?

23 (No response.)

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

25 (A chorus of ayes.)

1 MR. GOODWIN: Opposed?

2 (No response.)

3 MR. GOODWIN: Okay.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 MR. GOODWIN: Okay. Any questions?

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

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

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

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

1 MR. VASQUEZ: Okay.

2 MR. GOODWIN: Other questions?

3 (No response.)

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

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

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

9 MR. BRADEN: Second.

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

12 (No response.)

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

14 (A chorus of ayes.)

15 MR. GOODWIN: Opposed?

16 (No response.)

17 MR. GOODWIN: Thank you, Marni.

18 MS. HOLLOWAY: Thank you.

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

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

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

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

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

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

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

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

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

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

12 MR. GOODWIN: Any questions?

13 (No response.)

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

17 MS. PUERTO: It was an accident.

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

20 (General laughter.)

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

22 MS. BINGHAM ESCAREÑO: Move to approve.

23 MR. GOODWIN: Move to approve. Second?

24 MS. THOMASON: Second.

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

1 aye.

2 (A chorus of ayes.)

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

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

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

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

20 MR. GOODWIN: Any questions? Any comments?

21 (No response.)

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

24 MS. BINGHAM ESCAREÑO: Move to approve.

25 MR. GOODWIN: Moved to approve. Second?

1 MS. THOMASON: Second.

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

4 (A chorus of ayes.)

5 MR. GOODWIN: Opposed?

6 (No response.)

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

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

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

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

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

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

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

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

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

14 MR. GOODWIN: Questions?

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

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

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

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

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

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

22 MS. RESÉNDIZ: Thank you.

23 MR. DeYOUNG: Sure.

24 Other questions?

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

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

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

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

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

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

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

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

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

7 MR. VASQUEZ: Great.

8 MR. GOODWIN: Any other questions?

9 (No response.)

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

12 MR. VASQUEZ: Motion to approve.

13 MR. GOODWIN: Okay. Second?

14 MS. RESÉNDIZ: Second.

15 MR. GOODWIN: Any further discussion?

16 (No response.)

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

18 (A chorus of ayes.)

19 MR. GOODWIN: Opposed?

20 (No response.)

21 MR. GOODWIN: Thank you, Michael.

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

23 MR. GOODWIN: Thanks.

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

25 MR. GONZALES: Good morning, Chairman Goodwin

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

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

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

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

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

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

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

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

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

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

6 And with that, close and answer any questions.

7 MR. GOODWIN: Any questions?

8 MR. VASQUEZ: Mr. Chairman.

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

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

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

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

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

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

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

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

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

19 MR. VASQUEZ: Great. Thanks.

20 MR. GOODWIN: Any other questions?

21 (No response.)

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

24 MS. RESÉNDIZ: So moved.

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

1 MS. THOMASON: Second.

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

4 (No response.)

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

7 (A chorus of ayes.)

8 MR. GOODWIN: Opposed?

9 (No response.)

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

11 MR. GONZALES: Thank you.

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

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

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

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

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

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

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

25 MR. GOODWIN: Good. Any questions?

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

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

15 MR. GOODWIN: Any additional questions?

16 (No response.)

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

20 MR. VASQUEZ: So moved.

21 MR. GOODWIN: So moved. Second?

22 MR. BRADEN: Second.

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

25 (A chorus of ayes.)

1 MR. GOODWIN: Opposed?

2 (No response.)

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

4 MR. DURAN: Thank you.

5 (General laughter.)

6 MR. GOODWIN: Okay.

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

9 MR. GOODWIN: Sure, absolutely.

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

17 MR. GOODWIN: Sure.

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

23 MR. GOODWIN: Okay. All right.

24 Item 5, Monica.

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

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

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

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

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

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

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

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

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

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

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

24 MR. VASQUEZ: Mr. Chairman.

25 MR. GOODWIN: Yes, sir.

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

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

4 MR. VASQUEZ: I agree.

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

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

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

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

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

1 MS. GALUSKI: Absolutely not.

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

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

5 MR. VASQUEZ: Great. Thanks.

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

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

10 MR. GOODWIN: Okay.

11 Any other questions?

12 (No response.)

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

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

17 MR. GOODWIN: Second?

18 MR. BRADEN: Second.

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

21 (No response.)

22 MR. GOODWIN: All in favor say aye.

23 (A chorus of ayes.)

24 MR. GOODWIN: Opposed?

25 (No response.)

1 MR. GOODWIN: Thank you, Monica.

2 MS. GALUSKI: Thank you.

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

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

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

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

7 Good morning.

8 MS. TRACZ: Good morning, Chairman Goodwin and

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

10 Item 7 requests your approval to release the

11 draft Analysis to Impediments to Fair Housing Choice, or

12 the AI, for public comment.

13 HUD requires that an AI be prepared every five

14 years because the Department operates HUD community

15 planning and development funds, or CPD funded programs,

16 which are the HOME Program, the National Housing Trust

17 Fund Program, and the Emergency Solutions Grants Funds

18 Program. Additionally, there are three other state

19 agencies that are also recipients of these HUD funds and

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

21 State Health Services, which administers the HOPWA, or

22 Housing Opportunities for Persons with AIDS Program; the

23 Texas Department of Agriculture, who administers the

24 Community Development Block Grant Program; and the General

25 Land Office, who administers the Community Development

1 Block Grant Disaster Recovery Program.

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

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

25 All of these topics together, presented chapter

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

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

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

25 Upon the Board's approval today of this draft

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

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

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

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

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

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

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

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

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

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

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

2 We're all very much appreciative of this.

3 MS. TRACZ: Thank you.

4 MR. GOODWIN: Questions?

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

12 MR. GOODWIN: Very impressive.

13 Any other questions or comments?

14 (No response.)

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

17 MS. RESÉNDIZ: So moved.

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

19 MR. VASQUEZ: Second.

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

21 Any further discussion?

22 (No response.)

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

25 (A chorus of ayes.)

1 MR. GOODWIN: Opposed?

2 (No response.)

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

7 (No response.)

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

18 (General laughter.)

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

21 MS. BINGHAM ESCAREÑO: So moved.

22 MR. GOODWIN: Second?

23 MR. BRADEN: Second.

24 MR. GOODWIN: All in favor say aye.

25 (A chorus of ayes.)

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

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C E R T I F I C A T E

MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: March 21, 2019

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

DATE: March 27, 2019

(Transcriber)

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Transcription, Inc.
7703 N. Lamar Blvd., Ste 515
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