



TDHCA Governing Board Meeting Transcript* from January 16, 2025

10:00 a.m. Central Time

TxDOT Greer Building, Williamson Board Room

125 E. 11th Street, Austin, TX 78701

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1 **Leo Vasquez (00:00:01):**

2 I would like to call to order the meeting of the
3 Governing Board of the Texas Department of Housing and
4 Community Affairs. The Texas Department of Housing and
5 Community Affairs. It's 10:01 in the morning on January
6 16, 2025. We will start out with the roll call. Ms.
7 Farias.

8

9

10 **Anna Maria Farias (00:00:20):**

11 Here.

12

13 **Leo Vasquez (00:00:22):**

14 Mr. Marchant.

15

16 **Kenny Marchant (00:00:22):**

17 Here.

18

19 **Leo Vasquez (00:00:25):**

20 Mr. Thomas.

21

22 **Ajay Thomas (00:00:30):**

23 Here.

24

25 **Leo Vasquez (00:00:29):**

26 Mr. Harper.

27

28 **Holland Harper (00:00:29):**

29 Here.

30

31 **Leo Vasquez (00:00:30):**

32 Ms. Conroy.

33

34 **Cindy Conroy (00:00:29):**

35 I'm here.

36

37 **Leo Vasquez (00:00:29):**

38 Everyone enthusiastically here, except for Mr. -- Mr.

39 Marchant. All right. All present. As usual, after

40 that, we will start out with the pledges led by Mr.

41 Wilkinson.

42

43 **Bobby Wilkinson (00:00:48):**

44 I pledge allegiance to the flag of the United States of

45 America, and to the republic for which it stands, one

46 nation under God, indivisible, with liberty and justice

47 for all. Honor the Texas flag; I pledge allegiance to

48 thee, Texas, one state under God, one and indivisible.

49

50 **Leo Vasquez (00:01:20):**

51 All right. Okay. Moving right along to the consent
52 agenda, I was informed item 2 is removed from the -- Is
53 pulled -- so the rest of the items 1 and 3 through 9
54 remain, yes? Correct? Okay. Does anyone wish for any
55 other items to be pulled from the consent move to
56 action? Hearing none, I'll entertain a motion on the
57 consent agenda.

58

59 **Anna Maria Farias (00:01:57):**

60 Mr. Chairman, I move the Board approve items 1 and 3
61 through 9, as described and presented in the respective
62 Board Action Request and reports.

63

64 **Leo Vasquez (00:02:09):**

65 Thank you. Motion made by Ms. Farias.

66

67 **Holland Harper (00:02:11):**

68 Second.

69

70 **Leo Vasquez (00:02:14):**

71 Seconded by Mr. Harper. All those in favor say aye.

72

73 **All Board Members (00:02:14):**

74 Aye.

75

76 **Leo Vasquez (00:02:15):**

77 Any opposed? Hearing none. Motion carries. Before we
78 have Mr. Wilkinson with his Executive Director Report,
79 I'd like Mr. Eccles, our counsel, to remind everyone of
80 a certain change now that we have started the next
81 round.

82

83 **Beau Eccles (00:02:39):**

84 Right. It's just a reminder that the -- the Ex Parte
85 Communications Rule, which is in Statute at 2306.1113 of
86 the government code, it's now in effect because we are
87 in round. So that governs how you communicate with
88 staff and it really governs how you discuss matters with
89 the board members. It means you don't -- You are
90 prohibited from discussing matters with the Board.
91 That's not just the application. You do not communicate
92 with board members. If you are involved in a 9 percent
93 application, really at all. There are some social
94 situations where, like, if you come across a board
95 member, it doesn't mean you have to run the other way,
96 but you -- you do need to not reach out to board members

97 individually, email them, send them letters and cards,
98 and say, hey, remember me? Not during round. And just
99 wanted to reiterate that so there's no misunderstandings
100 later on.

101

102 **Leo Vasquez (00:03:46):**

103 So if I see you on the street and I turn and run, that's
104 the reason. It's not personal. Okay. Moving right
105 along to the Executive Director's Report. We are in
106 session.

107

108 **Bobby Wilkinson (00:04:02):**

109 That'll be the last bullet.

110

111 **Leo Vasquez (00:04:05):**

112 The last bullet? Okay. Tell us more.

113

114 **Bobby Wilkinson (00:04:06):**

115 So we have some kind of some 2024 wrap-ups from a few
116 divisions. For Asset Management, Rosalio reports that
117 8609s were issued for 106 developments in 2024. That
118 would be a mixture of 9 percents and 4 percents. Just
119 for anyone who's not aware, 8609s are the -- the cost
120 cert. That's when they -- they actually get their --

121 their tax credits from the -- from IRS. So Rosalio goes
122 over their -- their accounting, and it's a process back
123 and forth and we're trying to -- trying to speed it up.
124 We've been working on it. This is in addition to all
125 the ownership transfers, amendments, construction status
126 reports, LURA originations, 10 percent tests and other
127 miscellaneous items processed by the Asset Management
128 Division. This figure is in line with what we have
129 issued over the last five years, except for 2022, when
130 there were only 87. Also from this area, Renee Norred
131 will be leaving us tomorrow as she is headed for the
132 private sector. Thank you for your service, Renee.
133 She served as the moderator for our online board
134 meetings during the pandemic, doing a little extra,
135 extra work for us. That was -- that was very helpful.
136 She started in the Compliance Division and eventually
137 worked into Asset Management and spent almost 12 years
138 with the Department. And we wish her the best of luck.
139 For the Jeanna's Real Estate Analysis Division, also
140 called "Underwriting", her division posted 191
141 underwriting reports in 2024, 70 of those were 9 percent
142 deals. The 191 figure is the exact average number of
143 reports REA has posted over the last three years so
144 they're -- they're right on track. For the 4 percent

145 housing tax credit program, you'll hear shortly from Jon
146 Galvan, who works with Teresa, in our 4 percent housing
147 tax program about that area's production in 2024. But I
148 did want to mention that we're losing long-time staffer
149 Liz Cline-Rew to retirement. Liz started with TDHCA in
150 July 2008 and has 16 and a half years' service with the
151 Department. While the Board may not know of her, she's
152 been one of the key staff behind all of the housing tax
153 credit application reviews year after year. One of the
154 fab five, right? Yeah. I mean it's the term of art
155 that Marni used back in the day. Her transfer to work
156 on TDHCA bond transactions and 4 percents in 2022 and
157 tremendous effort in keeping those transactions moving
158 forward, has been a huge asset. Her attention to
159 detail, initiative, and steadfastness in the multifamily
160 area will be greatly missed. Staff wishes her nothing
161 but the best in her retirement ahead.

162 For the competitive or 9 percent housing tax credit
163 program, Josh reports that we received 235, 9 percent
164 pre-apps, a slight increase from last year. All sub-
165 regions received at least one pre application, which was
166 not the case in 2024. The next bid deadline for this
167 area is February 28, when all the applications are due,
168 the full apps. In Legislative Affairs, as the Chairman

169 mentioned, you may know that the 89th regular session of
170 the Texas legislature began earlier this week. On
171 Tuesday, the House elected a new speaker, Speaker Dustin
172 Burrows from Lubbock. Congratulations to Speaker
173 Burrows. We look forward to working with him in the
174 House as well as Governor Patrick in the Senate and of
175 course, the governor's office. Our first budget hearing
176 looks to be the second week of February. Senate
177 finance, that's always a fun one. And on that note, I
178 conclude my report.

179

180 **Leo Vasquez (00:07:41):**

181 Great. Thank you. Do any board members have questions
182 for Mr. Wilkinson? Mr. Thomas?

183

184 **Ajay Thomas (00:07:45):**

185 I do, Mr. Chairman. Thank you. Bobby, thank you for
186 that report. They're always very helpful. On one thing
187 you had mentioned, I just wanted to get a little more
188 detail if I could about that. The 8609s, I believe you
189 said, tax, the 8609 tax certs that have been released in
190 2024. I know that the tax certifications, tax credits
191 are obviously very important to our development partners
192 and they weighed on that in terms of the equity

193 investors involved. Is that on pace to what we've done
194 in previous years, like the underwriting reports or are
195 we -- are we sort of ahead of schedule? Like, how does
196 that compare in terms of like, how many we need to
197 release versus what was released, to that kind of thing?
198

199 **Bobby Wilkinson (00:08:23):**

200 I -- I think we're in line with what we've done in -- in
201 the past. So the only -- the only changes that I can
202 think of right now to the process, not everything is
203 reviewed at the director level. There's like a multiple
204 second review people now, so -- so it, you know, it
205 doesn't go to me at all. So that, that's -- that's sped
206 things up a little bit. And then in the legislative
207 probations request, I've asked for four more FTEs for
208 that area to just more manpower to kind of push things
209 through.

210

211 **Ajay Thomas (00:08:52):**

212 That's great. I appreciate it. Thank you.

213

214 **Bobby Wilkinson (00:08:54):**

215 Haven't got them yet, so fingers crossed.

216

217 **Leo Vasquez (00:09:00):**

218 Okay. Any other questions for Mr. Wilkinson? Hearing
219 none. Thank you for that report. Moving right along to
220 item 11 of the agenda, presentation, discussion, and
221 possible approval to authorize the issuance of 2025 HOME
222 American Rescue Plan nonprofit capacity building and
223 operating notice of funding availability and publication
224 in the Texas Register.

225

226 **Naomi Cantu (00:09:32):**

227 Yes, that's correct.

228

229 **Leo Vasquez (00:09:34):**

230 I -- I think that's right. Ms. Cantu.

231

232 **Naomi Cantu (00:09:36):**

233 My name is Naomi Cantu. I am HOME American Rescue Plan
234 Director; HOME-ARP, as we -- as we call. It's one time
235 funding from HUD with a primary focus on people
236 experiencing homelessness, other populations, vulnerable
237 populations. HOME-ARP is requesting to release \$750,000
238 in nonprofit capacity building and operating funds to
239 support nonprofits that plan to undertake non-congregate
240 shelter development. The nonprofit capacity building

241 and operating funds would be released in a competitive
242 notice of funding availability or NOFA.
243 One of the requirements of this NOFA would be that the
244 awardees submit an application for non-congregate
245 shelter within nine months of award. The funds are
246 targeted in areas that meet criteria demonstrating need
247 for a non-congregate shelter through high cost of
248 housing and increase in housing costs. A full list of
249 these areas is in the NOFA. Some of the funds to be
250 released in this NOFA are HOME-ARP funds that HUD
251 reallocated from Bryan, Pasadena, and Odessa last year.
252 Per HUD, the organizations that serve or are located in
253 Bryan, Pasadena or Odessa, will receive a preference,
254 which we have provided through additional points in this
255 competitive application. Other points in this NOFA
256 include, but are not limited to, experience of the
257 applicant in development of emergency shelter,
258 experience in managing emergency shelter, evidence of
259 community engagement, history of successful fundraising,
260 collaboration with service partners and site control for
261 the shelter. With your approval, the nonprofit capacity
262 building operating funds, NOFA, will begin accepting
263 applications from March 3 to March 31, 2025, for the
264 first application period. Any questions?

265

266 **Leo Vasquez (00:11:28):**

267 Yeah. Thank you. Naomi, can -- can you tell us a
268 little bit about why the geographic specifications?

269

270 **Naomi Cantu (00:11:36):**

271 So we did specify in our HOME-ARP allocation plan that
272 the non-congregate shelter funds would be in areas that
273 demonstrated a need for shelter. So we defined that as
274 areas with one-bedroom fair market rent in 2025, which
275 with rent greater than \$1,000 which is the top 10
276 percent of housing in the state, and increase of housing
277 costs which is greater than 30 percent for one-bedrooms
278 from 2021 to 2025. So those were our two criteria that
279 demonstrated need for emergency shelter.

280

281 **Bobby Wilkinson (00:12:11):**

282 I think he also means why those particular cities are
283 getting a preference in the NOFA.

284

285 **Naomi Cantu (00:12:14):**

286 Oh, I'm sorry.

287

288

289 **Leo Vasquez (00:12:16):**

290 Thank you.

291

292 **Naomi Cantu (00:12:18):**

293 So those cities are getting a preference because we

294 received reallocated funds from HUD.

295

296 So those cities did not use their HOME-ARP funding. And

297 we received their funding that rolled up to the state

298 last year in July, about September, July.

299

300 And when we reprogrammed the funds, we needed to show a

301 preference for those areas that did not use their HOME-

302 ARP funding.

303

304 **Leo Vasquez (00:12:42):**

305 Okay. So they missed out on the first round, so to

306 speak.

307

308 **Naomi Cantu (00:12:47):**

309 Correct.

310

311 **Leo Vasquez (00:12:48):**

312 Okay.

313

314 **Bobby Wilkinson (00:12:47):**

315 Okay. And this is capacity building. And then later

316 we'll have a NOFA for the actual non-congregate shelter

317 construction, right?

318

319 **Naomi Cantu (00:12:54):**

320 It will be an invitation to apply. Yes.

321

322 **Bobby Wilkinson (00:12:55):**

323 Yeah. Invitation to apply. Yes.

324

325 **Naomi Cantu (00:12:57):**

326 And so it will be to the awardees --

327

328 **Bobby Wilkinson (00:12:58):**

329 Okay.

330

331 **Naomi Cantu (00:13:02):**

332 -- that are awarded for the capacity building operating.

333

334 **Bobby Wilkinson (00:13:01):**

335 And we have an expenditure deadline, September 30, 2030;

336 is that right?

337

338 **Naomi Cantu (00:13:06):**

339 2030, yes.

340

341 **Bobby Wilkinson (00:13:06):**

342 Okay. So I know that seems like a long ways away, but
343 with the application process and everything, we need to
344 start moving money and breaking ground, right?

345

346 **Naomi Cantu (00:13:14):**

347 Right.

348

349 **Bobby Wilkinson (00:13:14):**

350 Yeah.

351

352 **Leo Vasquez (00:13:16):**

353 Oh. Great. And we want to get the money out there, so
354 yeah. Do any board members have questions for Ms. Cantu
355 on this item? Hearing none -- oh, and also, anyone that
356 wants to speak on a topic that's coming up on the
357 agenda, please come toward the first couple rows so I
358 know that you're looking forward to speaking on that.
359 So hearing no questions, seeing no comments, I would

360 entertain a motion on item 11 of the agenda. Sorry,
361 Naomi.

362

363 **Cindy Conroy (00:13:54):**

364 I move the Board approve the -- approve the availability
365 of funds through the National Housing Trust Fund 2025,
366 one NOFA --

367

368 (Overlapping conversation.)

369

370 **Cindy Conroy (00:14:05):**

371 Is it 12? Below. Oh. Approve the Executive Director
372 and his designee to release a 2025 HOME-ARP nonprofit
373 capacity building and operating notice of funding
374 availability, as all described, conditioned, and
375 authorized in the Board Action Request resolution and
376 associated documents on this item.

377

378 **Holland Harper (00:14:22):**

379 Second.

380

381 **Leo Vasquez (00:14:24):**

382 Thank you. Motion made by Ms. Conroy. Seconded by Mr.
383 Harper. All those in favor say aye.

384

385 **All Board Members**(00:14:27):

386 Aye.

387

388 **Leo Vasquez (00:14:27):**

389 Any opposed? Hearing none. Motion carries.

390

391 **Naomi Cantu (00:14:30):**

392 Thank you.

393

394 **Leo Vasquez (00:14:30):**

395 Thank you. Now moving to item 12. Presentation,

396 discussion, possible action regarding approval of the

397 Department's 2025-1 National Housing Trust Fund NOFA.

398 Mr. Jones.

399

400 **Connor Jones (00:14:44):**

401 Good morning. Connor Jones, Manager of the Multifamily

402 Direct Loan Program. Item 12 concerns a notice of

403 funding availability for funds to be made available in

404 2025 through the Multifamily Direct Loan Program. This

405 NOFA includes approximately 20 million in National

406 Housing Trust Fund that will be targeted for 2024 9

407 percent tax credit awardees seeking GAAP funding. All

408 requests under this NOFA will be fully repayable
409 construction-to-permanent loans at 2 percent interest.
410 These funds are being made available in a series of
411 five-application acceptance periods running through
412 January and February of this year, and the Department
413 will take applications until no funds remain. The first
414 application acceptance period is a regional distribution
415 period. For subregions with less than 4 million, the
416 minimum request will be the maximum amount of funds
417 available. For subregions with more than 4 million
418 available, the minimum request will be 4 million.
419 Applicants will also be required to supplement all other
420 debt on the application with this regional distribution
421 request.

422

423 The second application window is the first lien all-debt
424 period, where eligible applicants will be required to
425 request a minimum of 4 million and use this to replace
426 all other debt in the transaction. Third is our first
427 lien acceptance period. Eligible applicants under this
428 window must also request a minimum of 4 million but can
429 have additional debt in the transaction as long as the
430 MFDL NHTF request remains in first lien position.
431 Fourth is the non-first lien acceptance period, wherein

432 applicants must have a minimum of 4 million request that
433 may be listed behind other debt in the transaction, so
434 long as the applicant -- application continues to meet
435 additional requirements of the NOFA.

436

437 Fifth and the final window that we have is the open
438 application acceptance period, where the transaction
439 that is applying does not need to meet the previously
440 described criteria, but may apply for remaining funds.
441 And as a note for the Board, it's -- I don't think we've
442 ever made it that far into a NOFA before we've been
443 oversubscribed. These NOFAs in the last handful of
444 years have been well oversubscribed with requests by the
445 second application window, but we do leave that in
446 there. Applications with the same application
447 acceptance date will be prioritized based on the amount
448 of NHTF funds being requested with larger requests
449 receiving priority. This NOFA is designed in part as we
450 received feedback from the industry that many 2024 deals
451 that received their tax credit awards are now needing
452 additional financing and this is in part being available
453 to those awardees. Staff is continuing to contract and
454 close these transactions as quickly as possible. So
455 similar to other recent NOFAs, we have acceptance

456 windows that allow borrowers to request enough funds to
457 supplement traditional debt for the Department funds, as
458 this greatly simplifies many of our processes through
459 review and closing. The simplified product and larger
460 request windows also allow under this NOFA -- also allow
461 borrowers to plug gaps in transactions that we would
462 historically see that get requested along with the MFDL.
463 So a lot of times in older NOFAs when we've had this
464 GAAP funding come out, they will request a smaller
465 amount, but also have to go seek another fund source and
466 the idea being here that these larger requests allow
467 them to just only seek GAAP funding from the NOFA,
468 simplifying the transaction, which allows us to move a
469 little bit quicker on the closing of the application and
470 the deal. We did initially want to target new deals
471 with these MFDL funds, but unfortunately, these NHTF
472 dollars are subject to a federal commitment deadline of
473 August 3rd this year, which makes that window of
474 awarding 2025 tax credits just a little too tight. Upon
475 Board approval, this NOFA staff will begin taking
476 applications as early as January 21st, with the first
477 actual application acceptance date being February 19th
478 of this year. Staff recommends approval of the NOFA,
479 and I'm happy to answer any questions you may have.

480

481 **Leo Vasquez (00:18:24):**

482 Thanks, Connor. Can you clarify -- so when we give one
483 of these direct loans, what else do we get back? Do we
484 get more affordable units?

485

486 **Connor Jones (00:18:37):**

487 Yes, these do come with -- there're another set of units
488 that are going to be placed into the deal.

489

490 **Leo Vasquez (00:18:41):**

491 Okay. Are they typically at the lowest, the 30 percent
492 level?

493

494 **Connor Jones (00:18:45):**

495 They range from 30 to 80 depending on the source. NHTF
496 is all 30 percent AMI though. So these are pretty deep,
497 affordable -- fairly deeply affordable units. So NHTF
498 gives us a lot of really deep affordability for quite
499 some time, which is a good benefit for us.

500

501 **Leo Vasquez (00:18:58):**

502 Okay. So on that -- yeah. Exactly. Okay. Just want
503 to make sure that was clear. Do any board members have

504 questions for Mr. Jones? Are you wanting to speak on
505 this topic? Okay. Would you care to make a motion to
506 hear public comment in this meeting?

507

508 **Ajay Thomas (00:19:20):**

509 Mr. Chairman, I move that the Board allow for public
510 comment on Agenda Item 12 and every subsequent agenda
511 item as necessary.

512

513 **Holland Harper (00:19:28):**

514 Second.

515

516 **Leo Vasquez (00:19:28):**

517 Motion made by Mr. Thomas, seconded by Mr. Harper. All
518 those in favor say aye.

519

520 **All Board Members (00:19:31):**

521 Aye.

522

523 **Leo Vasquez (00:19:33):**

524 Any opposed? Hearing none. Motion carries. We will
525 entertain public comment today for -- so just a reminder
526 for everyone because it's been a whole year since we've
527 done this. When you come up, please make sure you sign

528 in on the sign-in sheet and then introduce yourself and
529 what organization or in what capacity you are -- you are
530 here. And we have a little friendly reminder of three-
531 minute time limit. You don't have to use the entire
532 three minutes. Please.

533

534 **Robbye Meyer (00:20:05):**

535 Thank you, Chairman, Board. My name is Robbye Meyer.
536 I'm here with Arx Advantage, my company. I have two
537 requests. The regional allocation formula for this NOFA
538 is being restricted to 2024 deals. I know it has a
539 short time period it needs to get out. I request that
540 any 4 percent application that already has a reservation
541 be allowed to submit applications in that round for the
542 regional allocation. One other thing that I want to
543 caution you about, and I'm not going to be popular with
544 this, if you do allow the 2024 deals to come back in,
545 that is going to press them, as far as being able to
546 meet their readiness to proceed points, which they have
547 to meet by March the 31st of this year. And getting a
548 delay in getting their closing documents could also
549 potentially delay their placement in service. And then
550 we get into force majeure all over again. I have sat
551 here and listened to this board complain about force

552 majeure for the past year and a half. So I just ask you
553 to think about that as you allow those to be in that
554 NOFA. The other thing I ask is instead of having 8
555 million as the top amount to get, reduce that to 6
556 million. So this -- it's only 20 million available.
557 Reduce it from 8 to 6, so that we can get a few more
558 applicants in there to be able to use these funds.
559 Other than that, I appreciate your time. Thank you.

560

561 **Leo Vasquez (00:21:41):**

562 Okay. Thanks, Robbye. Do you want to address any of
563 that, especially the timing issue especially, that's --
564

565 **Connor Jones (00:21:53):**

566 So the last couple NOFAs that we've released have been
567 for older deals. And so we do run into that, that they
568 do kind of stay on the vine a little bit longer. As far
569 as the request, there is no cap on the request this
570 year. There's just the minimum. It is 8 million.
571 Okay. Apologies. It is 8 million. Sorry. I mean we
572 could reduce that should the Board want to. We've seen
573 the 4 to 8 million window work pretty well on the last
574 couple NOFAs that we had. We had quite a few in the 6
575 to 8 range that typically, especially with NHTF with

576 having to provide those 30 percent units, that amount
577 lets them take enough of that loan to kind of let those
578 30 percent units still pencil out. As far as the placed
579 in-service specific deadline, I don't know. That's more
580 of a tax credit world question.

581

582 **Leo Vasquez (00:22:45):**

583 Okay. Mr. Campbell?

584

585 **Cody Campbell (00:22:46):**

586 Hello. Cody Campbell, TDHCA Director of Multifamily
587 Finance. So in -- in terms of Robbye's request to
588 include 4 percent applications in this NOFA, that it's a
589 reasonable request. But as she notes, and as Connor
590 mentioned in his speaking notes, we only have 20 million
591 available, which means that we can't possibly help
592 everybody who needs assistance with these funds. And
593 the issue that we've run into with 4 percent
594 transactions is that they have a very tight, I would say
595 almost impossibly tight timeline by which they must
596 close on their financing. And so when we've tried to
597 put our MFDL funds into 4 percent transactions in the
598 past, we have been successful, but it really has tested
599 the tensile strength of the Department's ability to

600 close a loan, because they have 180 days from the time
601 they get the reservation to close on the financing.
602 And with the levels of site and neighborhood review and
603 environmental review and the other reviews that federal
604 funds have to go through, it's very difficult to make
605 that work. So if the Board does want us to put these
606 funds into 4 percent transactions, certainly we can make
607 that happen; that does mean that some of the 9 percent
608 transactions that we have will not get those funds. And
609 it puts the Department in a pretty tight situation in
610 terms of -- of trying to move the money fast enough to -
611 - to get those -- those deals closed. So that's why we
612 excluded 4 percent transactions from this NOFA. In
613 terms of the readiness to proceed -- excuse me. In
614 order for a 2025 -- 2024 9 percent application to meet
615 their readiness to proceed, what they will have had to
616 do is by March 1st -- is it March 1st or March 31st? By
617 March 31st, they must have -- I've got it right here.
618 They must have submitted their building permits, and I
619 believe they must have closed on the site acquisition.
620 And so it is possible that that will have to happen
621 while we're working on these NHTF funds. Doing so prior
622 to signing the NHTF contract would make the site
623 acquisition ineligible for NHTF. But they could have

624 enough other eligible costs to still be able to get that
625 -- that NHTF. Again, no matter which direction we go
626 with these funds, there's pitfalls that we have to
627 avoid. There are challenges, but Connor and I and Bobby
628 and Homer have discussed it extensively, and we did
629 determine that 2024, 9 percent applications are the best
630 of our options, even if they also come with some -- some
631 difficulties.

632

633 **Bobby Wilkinson (00:25:05):**

634 And I didn't hear a solution to that problem from
635 Robbye. As far as -- I mean, what -- what would we do,
636 go 2025? We can't because --

637

638 **Cody Campbell (00:25:14):**

639 Right.

640

641 **Bobby Wilkinson (00:25:15):**

642 It's a commitment deadline for -- so yeah. Of the three
643 suggestions, I think moving from 8 to 6 of a cap is one
644 that we could easily --

645

646 **Cody Campbell (00:25:22):**

647 Sure.

648

649 **Bobby Wilkinson (00:25:23):**

650 -- execute if -- if that's what you want -- it's just a
651 matter of spreading it out wider versus you know, we'll
652 get the same number of 30 percent units pretty much, you
653 know.

654

655 **Cody Campbell (00:25:33):**

656 So the number of 30 percent units that they have to
657 provide is based on a couple of different factors, but
658 the big one is the proportion of the NHTF to the total
659 development cost. And so if we're putting less NHTF
660 into a specific deal, we'll have fewer 30 percent units
661 in that deal.

662

663 **Bobby Wilkinson (00:25:48):**

664 That deal.

665

666 **Cody Campbell (00:25:50):**

667 But that money would be going to other developments, and
668 we would get those --

669

670 **Bobby Wilkinson (00:25:51):**

671 Okay.

672

673 **Cody Campbell (00:25:51):**

674 -- 30 percent units there instead.

675

676 **Bobby Wilkinson (00:25:52):**

677 To push. Yeah.

678

679 **Connor Jones (00:25:52):**

680 Yeah.

681

682 **Leo Vasquez (00:26:00):**

683 Okay. Just because the cap is \$8 million at this point,

684 it doesn't mean that two \$8 million deals will be

685 awarded. The funds thus eaten up 80 percent.

686

687 **Bobby Wilkinson (00:26:23):**

688 How typical is it for the applications to be at the cap?

689

690 **Cody Campbell (00:26:26):**

691 Sure. So during the first application period, which is

692 the regional allocation period, they are limited to the

693 amount that's available in the region, and those amounts

694 are closer to \$5 and \$6 million. Because for these

695 funds, there --there's 13 regions in Texas. We group

696 some of the regions together because we've only got \$20
697 million to deal with. So in each of those regions,
698 there's roughly 5 to 6 million. I would say with some
699 confidence, although it's not a guarantee that all of
700 that money will be eaten up during the regional
701 allocation period which means in practicality, we're
702 going to be doing \$5 and \$6 million awards, not \$8
703 million awards. Although if we have any money that's
704 left over after that regional allocation period somebody
705 could come in and request 8 million.

706

707 **Leo Vasquez (00:27:05):**

708 Okay. Well right now I don't see any particular gain
709 from the program by narrowing that band of making it 4
710 to 6 instead of leaving it 4 to 8.

711

712 **Bobby Wilkinson (00:27:20):**

713 I think they wrote a good NOFA (indiscernible) 27:19.

714

715 **Cody Campbell (00:27:20):**

716 Sure. And -- and just to be perfectly clear I think
717 that everything that Robbye requested is reasonable.

718

719

720 **Leo Vasquez (00:27:27):**

721 Oh yeah. Yeah.

722

723 **Cody Campbell (00:27:27):**

724 I don't think that she's asking for anything wild. It's

725 just, it's a limited resource and we just have to make

726 decisions about where it's going to go. And we can't

727 help everybody as much as we would like to.

728

729 **Leo Vasquez (00:27:40):**

730 Okay. Does anyone have questions on this item? So --

731

732 **Kenny Marchant (00:27:47):**

733 Is there is -- is -- we always have enough projects that

734 requested, where we reach that -- that 20 million,

735 correct?

736

737 **Cody Campbell (00:27:56):**

738 Yes, sir.

739

740 It's been a long time since we had to try and get rid of

741 the money.

742

743

744 **Kenny Marchant (00:27:58):**

745 There's no chance of taking any -- of taking any of
746 these actions that would actually make us not take
747 advantage of that program.

748

749 **Cody Campbell (00:28:07):**

750 I believe that no matter what the Board chose to do
751 today, the money would go out the door. There's an
752 incredible demand for soft funds throughout the state of
753 Texas. So I don't think anything is going to result in
754 us not getting the money out the door, except maybe
755 putting the money into 2025, 9 percent applications
756 because we have that August 3rd commitment deadline.
757 We'd be trying to contract \$20 million worth of funds in
758 two weeks between the end of July and early August. And
759 just realistically, having worked on enough of these, I
760 don't think that could happen, but --

761

762 **Kenny Marchant (00:28:37):**

763 Okay. Thank you.

764

765 **Bobby Wilkinson (00:28:36):**

766 And what happens when you fail to meet commitment?

767

768 **Cody Campbell (00:28:39):**

769 The money is recaptured by HUD, so we just lose the
770 ability to commit it.

771

772 **Bobby Wilkinson (00:28:41):**

773 And there's a national naughty list that everyone sees.

774

775 **Cody Campbell (00:28:44):**

776 There is a naughty list that goes out. Yes.

777

778 **Bobby Wilkinson (00:28:46):**

779 We have not been on the naughty list, so.

780

781 **Cody Campbell (00:28:48):**

782 Yes.

783

784 **Leo Vasquez (00:28:49):**

785 Yeah. It's a strange window of timing on how to get
786 this filled in and we'll definitely be oversubscribed,
787 so.

788

789 Okay. With that, I'd like to entertain a motion on item
790 12 of the agenda.

791

792 **Ajay Thomas (00:29:10):**

793 Mr. Chairman, I move the Board approve the availability
794 of funds through the National Housing Trust Fund 2025-1
795 NOFA, all as described, condition authorized in the
796 Board Action Request resolutions and associated
797 documents on this item.

798

799 **Holland Harper (00:29:21):**

800 Second.

801

802 **Leo Vasquez (00:29:22):**

803 Motion made by Mr. Thomas, seconded by Mr. Harper. All
804 those in favor say aye.

805

806 **All Board Members (00:29:26):**

807 Aye.

808

809 **Leo Vasquez (00:29:27):**

810 Any opposed? Hearing none. Motion carries. Thank you.

811

812 Moving on to item 13. Presentation, discussion, and
813 possible action on a loan approval for FishPond at
814 Victoria. Mr. Jones.

815

816 **Connor Jones (00:29:40):**

817 This item concerns a recommended loan of HOME funds in
818 the amount of \$4,740,000 for Fish Pond Victoria, a
819 multifamily housing development located in Victoria,
820 Texas. Fish Pond Victoria also received an award of
821 \$1.1 million in housing tax credits during the 2022
822 round. The development proposes new construction of 75
823 units that will serve a general population. Unit sizes
824 will include one- and two-bedroom units with rent and
825 income levels from 30 to 60 percent of the area median
826 income. Out of the total 75 units, 40 will be HOME
827 units. And since the transaction was last underwritten,
828 building costs have increased by about \$1.4 million and
829 the total development cost has increased by about \$1.7
830 million. This loan is also being brought in to replace
831 a \$3.05 million loan from the Community Bank of Texas,
832 which also carried an interest rate of 4.25 percent,
833 which will allow the deal to remain feasible. And with
834 the bulk of the financing coming from the Department --
835 excuse me. This loan will have a 30-year term with a
836 35-year amortization period and will be in first lien
837 position. The loan will also carry a 2 percent interest
838 rate with an annual debt payment of \$188,000 -- \$188,422
839 -- sorry -- \$188,422, and is fully amortizing and

840 repayable. Staff -- Staff recommends approval of the
841 loan. I'm happy to take any questions you have.

842

843 **Leo Vasquez (00:31:00):**

844 Okay. So this puts us in first position. It basically
845 just replaces some financing with a little more on top.

846

847 **Connor Jones (00:31:07):**

848 So yeah. This is a deal from 2024 that was under a NOFA
849 that was similar to the one we just discussed, where it
850 gives them enough to replace their traditional financing
851 -- excuse me -- come in and be essentially just a direct
852 loan and our tax credits, and we're off to the races.

853

854 **Bobby Wilkinson (00:31:24):**

855 And whereas HTF, we get 30 percent AMIs in return, for
856 HOME, we get 50s?

857

858 **Connor Jones (00:31:29):**

859 HOME is from 30 to 80. It just depends.

860

861 **Bobby Wilkinson (00:31:33):**

862 Okay.

863

864 **Leo Vasquez (00:31:33):**

865 Okay. Do any board members have questions for Mr. Jones
866 on this item? Hearing none, I'll entertain the motion
867 on item 13 of the agenda.

868

869 **Kenny Marchant (00:31:47):**

870 Mr. Chairman, I move the Board approve the loan of HOME
871 funds to Fish Pond at Victoria, all as described,
872 conditioned, and authorized in the Board Action Request
873 resolution and associated documents on this item.

874

875 **Anna Maria Farias (00:32:05):**

876 Second.

877

878 **Leo Vasquez (00:32:06):**

879 Motion made by Mr. Marchant, seconded by Ms. Farias.
880 All those in favor say aye.

881

882 **All Board Members (00:32:10):**

883 Aye.

884

885 **Leo Vasquez (00:32:11):**

886 Any opposed? Hearing none. Motion carries.

887

888 **Connor Jones (00:32:12):**

889 Thank you very much.

890

891 **Leo Vasquez (00:32:13):**

892 Thanks, Connor. Item 14 of the agenda. Presentation,
893 discussion, and possible action regarding the issuance
894 of Multifamily Housing Revenue Bonds Series 2025A-1, A-2
895 and 2025-B, Resolution Number 25-013, an award for
896 Direct Loan Funds and Determination Notice for Housing
897 Tax Credits. Ms. Morales, good morning.

898

899 **Teresa Morales (00:32:42):**

900 Good morning. Teresa Morales, Director of Multifamily
901 Bonds. Item 14 involves the bond issuance for the new
902 construction of 300 units in Dallas serving a general
903 population. The units will serve households at 50
904 percent, 60 percent, and 70 percent of the area median
905 income. The financing structure involves a private
906 placement with NewPoint Real Estate Capital. There will
907 be three series of bonds. The Series A-1 bonds will be
908 construction-to-perm with a 17-year term and a 40-year
909 amortization. The Series A-2 bonds will be
910 construction-only for approximately 34 months and the
911 Series 2025B bonds will be construction-only and mirror

912 the term on the A-2 bonds. It's important to note that
913 both the A-1 and A-2 series will be tax exempt, with the
914 2025B being taxable bonds. Similar to a transaction
915 that the Board approved last November, the Exhibit B to
916 the bond resolution includes a schedule of possible
917 interest rates and corresponding loan amounts for each
918 of the series. The need for this exhibit is due to a
919 limitation in our governing statute that requires the
920 Board to set the interest rate, the bond amount, and the
921 maturity date on transactions that involve unrated debt.
922 Probably something that served a purpose at one point
923 way back in the day.

924

925 But over the past several years, it's proven difficult
926 to identify exactly what that par amount is going to be
927 before the interest rate has been locked. Drafted in
928 this way, it provides flexibility to land somewhere in
929 the range that's listed, meet the statutory requirement
930 for unrated debt, and not unduly delay Board approval
931 and the closing timeline. In addition to the bonds and
932 the 4 percent housing tax credits, the capital stack
933 also involves a multifamily direct loan from the
934 Department under the Tax Credit Assistance Program or
935 TCAP repayment funds, that is in the 2024-3 NOFA. The

936 recommended loan amount is 10 million at 2 percent
937 interest with a 40-year amortization and a term that
938 mirrors the senior loan of 17 years. As with all of the
939 multifamily bond transactions by the Department, we are
940 required to hold a public hearing. There was no one in
941 attendance at the public hearing for The Ridge at Loop
942 12 and the Department has not received any letters of
943 support or opposition. Staff recommends that the Board
944 approve Bond Resolution Number 25-013 and the aggregate
945 principal amount of 61,914,000 with the specific amounts
946 of the Series A-1, A-2 and taxable Series B based on the
947 applicable all in rate as further specified on Exhibit B
948 of the resolution. Staff also recommends approval of
949 the TCAP repayment funds for 10 million and a
950 determination notice of 4 percent housing tax credits in
951 the amount of \$4,343,053.

952

953 **Leo Vasquez (00:35:45):**

954 Okay. I have a couple questions. Do we understand why
955 some of the bonds are taxable and some are tax exempt?

956

957 **Teresa Morales (00:35:55):**

958 We do. So historically, the Department has steered
959 applicants away from having taxable bonds issued by the

960 Department. And that's primarily because there -- it
961 comes with some limitation. There's not enough --
962 There's not as much flexibility involved, meaning you
963 have to draw down all of the bonds on the closing date.
964 We have to note exactly what that par amount is going to
965 be. So when the structure has involved a taxable loan,
966 those have been issued outside of TDHCA and just handled
967 directly as a conventional loan with the lender. On
968 this particular transaction though, NewPoint Real Estate
969 Capital, although they're not new to the affordable
970 housing space, it's our second transaction with them and
971 they -- their lending platform is not one that supports
972 having the loan on their books. They have a purchase
973 program, where they purchase the loans and -- or
974 purchase the bonds and then they participate it out.
975 And so that's why probably the first in maybe 10 or 15
976 years, where we've actually issued a taxable series.

977

978 **Leo Vasquez (00:37:05):**

979 Okay. So part of this is that it's a -- it's a
980 sophisticated --

981

982 **Teresa Morales (00:37:08):**

983 It's just -- correct.

984

985 **Leo Vasquez (00:37:09):**

986 Borrower developer that they know what they're doing on

987 -- and why -- why they're doing that.

988

989 **Teresa Morales (00:37:16):**

990 The developer is one that we've done a number of deals

991 with before.

992

993 **Leo Vasquez (00:37:19):**

994 Okay. And then the -- some of these tranches of

995 financing are taking out other ones as you go.

996

997 **Teresa Morales (00:37:31):**

998 Correct.

999

1000 **Leo Vasquez (00:37:32):**

1001 So we it's -- we don't just add up all of these

1002 different bonds and financings and loans.

1003

1004 **Teresa Morales (00:37:39):**

1005 No.

1006

1007

1008 **Leo Vasquez (00:37:37):**

1009 And however much that adds up to, that's not really --
1010 it's -- some of it is taking out the construction
1011 portions and things like that.

1012

1013 **Teresa Morales (00:37:45):**

1014 Correct. Correct. Correct.

1015

1016 **Leo Vasquez (00:37:46):**

1017 Okay. Does anyone else have questions for Ms. Morales
1018 on this item? Hearing none, I'll entertain a motion on
1019 item 14 of the agenda.

1020

1021 **Holland Harper (00:38:02):**

1022 I move the Board approve the issuance of Multifamily
1023 Housing Revenue Bonds at the Ridge Loop 12 Series 2025
1024 A-1, Series 2025 A-2 and Series 2025 B, as well as
1025 Resolution Number 25-013 and award Direct Loan Funds and
1026 determination notice of housing credits, all as
1027 described, conditioned, and authorized in the Board
1028 Action Request resolutions and associated documents on
1029 this item.

1030

1031

1032 **Anna Maria Farias (00:38:26):**

1033 Second.

1034

1035 **Leo Vasquez (00:38:27):**

1036 Motion made by Mr. Harper, seconded by Ms. Farias. All

1037 those in favor say aye.

1038

1039 **All Board Members (00:38:30):**

1040 Aye.

1041

1042 **Leo Vasquez (00:38:31):**

1043 Any opposed? Hearing none. Motion carries.

1044

1045 **Teresa Morales (00:38:32):**

1046 Thank you.

1047

1048 **Leo Vasquez (00:38:33):**

1049 Thank you, Teresa.

1050

1051 Item 15 of the agenda. Presentation, discussion and --

1052 regarding the issuance of TDHCA Residential Mortgage

1053 Revenue Bonds Series 2025A. The oracle of interest

1054 rates, Mr. Fletcher.

1055

1056 **Scott Fletcher (00:38:53):**

1057 I wish. Good morning, Chairman Vasquez, Board. My name
1058 is Scott Fletcher. I'm the Director of Bond Finance at
1059 TDHCA. I'm pleased to be here to report on this item.
1060 This is a report we typically provide to the Board pre-
1061 issuance. However, this time -- at the time of our
1062 December board meeting, we still had several open items
1063 on how we were going to issue, whether it was on deal
1064 size structure. Therefore, we did not have all the
1065 documents that would have been required for the Board
1066 submittal. So we're presenting this now. On October
1067 10th of '24, the TDHCA Governing Board approved
1068 resolution -- Resolution 2504 authorizing the issuance
1069 of mortgage revenue bonds by the Department in an amount
1070 not to exceed \$1.1 billion for fiscal year 2025. After
1071 issuance of -- of RMRB 2025A, the Department will --
1072 will have \$925 million of issuance authority remaining.

1073

1074 It has been a while since our last bond issue. Back in
1075 June of 20 -- actually June 25 of 2024, the Department
1076 issued \$250 million RMRB bonds comprised of \$150 million
1077 tax exempt and \$100 million taxable. Those bonds
1078 settled in July of 2024. Those funds are -- are now
1079 obviously fully reserved on the 2025A bonds that we

1080 issued this past Tuesday, January 14th, the Department
1081 issued \$175 million of RMRB 2025A non-AMT tax-exempt
1082 bonds to finance mortgage loans for qualified low-, very
1083 low-, and moderate-income first-time home buyers across
1084 the State of Texas.

1085

1086 Bonds were sold with an original issue premium of
1087 \$6,238,101.05. Total bond proceeds just over \$181
1088 million. These proceeds will be used to purchase
1089 mortgage -- mortgage certificates and pay related costs
1090 to fund downpayment assistance loans and to pay a
1091 portion of the cost of issuance of the Series 2025A
1092 bonds. The bonds were sold as traditional RMRBs with
1093 par premium -- par and premium serial bonds. Actually
1094 it was -- it ended up -- we ended up doing all just par
1095 serial bonds, premium -- par and premium term bonds and
1096 then a premium planned amortization or PAC bond. The
1097 mortgage loans will be 30-year fixed rate loans
1098 guaranteed by FHA, VA, or USDA, and pulled into Ginnie
1099 Mae mortgage-backed securities. Initially, the
1100 borrowers will have a choice of unassisted loans with no
1101 down payment assistance, 3 points of DPA or 4 points of
1102 DPA. The DPA will be offered as a repayable loan, where
1103 the DPA is provided at 0 percent interest non-amortizing

1104 30-year second -- second mortgage loan that is due on
1105 sale or refinance of the first loan. DPA options are
1106 subject to modification in response to borrower demand
1107 or market conditions. As this is a post pricing report,
1108 our all-in total cost of borrowing on this including
1109 lender compensation was 5.115 percent.

1110

1111 This, based on this pricing, TDHCA has the -- the
1112 ability to offer mortgage loans around 90 to 110 basis
1113 points below current Ginnie Mae TBA rates -- TBA
1114 mortgage rates with -- that provide the same level of
1115 down payment assistance. So we have some flexibility on
1116 this, in still being a -- a full-spread deal. The
1117 underwriting team, Jefferies, served as book running
1118 senior manager, with RBC Capital Markets and Morgan
1119 Stanley as co-managers -- co senior managers; Ramirez,
1120 JPMorgan, Piper, Wells Fargo, and Loop Capital serving
1121 as co-managers on this transaction. To just recap the
1122 timing, the Department started taking reservations for
1123 these funds around December 26th of last year. This is
1124 part of an initiative that we started within this past
1125 year of continuously providing mortgage loans available.
1126 Previously we would turn the spigot on and turn the
1127 spigot off, and this is an important step for us to make

1128 sure that we always have bond loans and funding
1129 available. What that means is we enhance our pipeline
1130 management. It means we -- we manage the risk around
1131 that, but it's an important part of making sure we
1132 continuously have funds available for families that need
1133 to utilize the program.

1134

1135 POS was released on January 8th, bonds were priced and
1136 BPA was executed on January 14th. Official statement is
1137 expected to be released on January 21st, and the deal is
1138 scheduled to close on February 12th. Department
1139 contribution, again we have these numbers so it's
1140 projected to be about \$3.8 million, which will be used
1141 to fund a portion of the down payment and closing cost
1142 assistance and costs related to the acquisition of
1143 qualifying mortgage loans, including the payment of
1144 lender compensation and servicing fees for the second
1145 lien mortgages, and to pay all or a portion of the cost
1146 of issuance of the 2025A bonds. The contribution will
1147 be funded from amounts on deposit in the RMRB indenture
1148 and then capitalized interest. Still kind of figuring
1149 out where that's going to be. But it -- it should be
1150 less than a million dollars on this -- on this
1151 transaction. It's probably somewhere between \$700,000

1152 and \$900,000 is where we see it. Before I close my
1153 prepared remarks, a few items to note. You'll notice
1154 that we dropped -- you know, our typical issue size is
1155 \$250 million for the past year or so. We dropped that
1156 to \$175 million for a few reasons.

1157

1158 One, somewhat reduced demand for mortgage loans. I mean
1159 I think with the levels that we'll have here, we'll see
1160 demand pop up. But -- and we -- and we probably, you
1161 know, in -- in retrospect, you know, we'll leverage,
1162 continue to leverage deals out with some taxable paper.
1163 But it was also a little bit of risk management around
1164 post-election, pre-inauguration uncertainty in the
1165 market and what the implications are going to be for
1166 rates and just tax-exempt bonds in general. We also
1167 issued 100 percent tax exempt on this deal with the
1168 motivation to ensure the lowest possible mortgage rates
1169 for our borrowers, but also to give us maximum
1170 flexibility in managing our spreads. And so you know,
1171 this is a -- a little bit of a one-off deal, but -- but
1172 you know, it was -- it was kind of done in a defensive
1173 mode, kind of to adjust for changes that we anticipate
1174 happening in the market that we don't -- we don't know

1175 what those are going to be because I'm not an oracle of
1176 interest rates.
1177
1178 And then the one other thing that I want to note on this
1179 deal is for this issue we utilized approximately
1180 \$143,144 million in new volume cap and we used \$37.4
1181 million of recycled volume cap for this transaction. So
1182 a little bit of over 25 percent of this deal was using -
1183 - was done using recycled volume cap. Obviously, you
1184 know, we discussed this. The Department -- the
1185 Department hadn't needed this in a low-interest rate
1186 environment. As rates moved up, the attractiveness of
1187 our bond loans and therefore, the demand for our bond
1188 loans increases and we start using volume cap. And so
1189 we've -- we have initiated the volume cap recycling last
1190 done I think by the Department in 2008-'09. So it's
1191 been a while. And I think that there are a couple
1192 things that are important about this and -- and you
1193 know, this is commonly done. This is not, you know, we
1194 didn't invent this certainly, but it -- it obviously
1195 enables us to really leverage out the volume cap that we
1196 do have, and the volume cap assignments. And it
1197 demonstrates that TDHCA is an attentive and
1198 conscientious steward of the state's - of the state's

1199 resource. And -- and we think that's incredibly
1200 important. Not only that, but also then it enables us
1201 to help more -- more Texas families and -- and fulfill
1202 our mission. I do want to just take a really quick
1203 moment. Sorry to take everyone's time, but I do want to
1204 thank our staff, Heather Hodnett in particular, for
1205 doing the heavy lifting on making this volume cap
1206 recycling program work.

1207

1208 Also want to say thank you to Stifel, Bracewell, and
1209 especially the folks at Federal Home Loan Bank Dallas
1210 for their work and cooperation, and with FHLB Dallas
1211 really providing an exceptionally favorable rate
1212 differential to -- as we temporarily borrow these funds,
1213 to pay them back when we -- when we issue. So thank you
1214 to everyone involved in that and just wanted to share
1215 that with the Board. And that concludes my prepared
1216 remarks and certainly welcome any questions.

1217

1218 **Bobby Wilkinson (00:47:49):**

1219 I have an unrelated announcement. TxDOT believes that
1220 someone is parked in a commissioner's spot. They asked,
1221 you know, if -- if you are in a TxDOT commissioner spot

1222 that you move your vehicle immediately. They could tow
1223 you, so.

1224

1225 **Leo Vasquez (00:48:05):**

1226 Marchant. Okay. Thank you for that public service
1227 announcement.

1228

1229 **Michael Lyttle: Red Nissan.**

1230

1231 **Leo Vasquez (00:48:17):**

1232 Let's see who jumps up. Okay. Scott, so great. Thank
1233 you for that report. I love the fact that we're reusing
1234 the -- the cap recycling. I mean, that -- that's just
1235 stretching our dollar, you know, even -- even further.
1236 Okay. Then, so two questions. How long do you think
1237 this tranche is going to last us, I mean, before we do
1238 that next 250 or 175 or --

1239

1240 **Scott Fletcher (00:48:45):**

1241 It probably won't be long. One other things with -- one
1242 other thing with having a continuous lending program is
1243 that you -- you manage between deals. We're -- we're
1244 restricted by law by how -- on how much margin we can
1245 make on our tax-exempt dollars to 1.125 percent. And as

1246 we -- as the market rates change, and you're issuing at
1247 various rates, what we will be doing is kind of shifting
1248 loans between deals so that we're -- we're managing that
1249 margin, right? And so I -- I don't anticipate these
1250 funds will last very long, but we will continue to
1251 issue, and based on rates, then when we go to do the
1252 next issuance, we can shift things around so we can
1253 manage that margin. And again, you know, we did not use
1254 taxable paper on this primarily because I just wanted a
1255 lot of flexibility on our rates. We've taken some
1256 reservations. We'll probably be lowering our rates,
1257 which will materially -- materially increase our demand,
1258 but we'll take care of that on the next deal by layering
1259 in more taxable than we otherwise would have, where we -
1260 - where we can just kind of manage margin across deals.
1261 So we're staying with the market. Right now, the paper
1262 that we're offering is around anywhere from half a point
1263 to 5/8 better than otherwise available in the TBA market
1264 for similar TBA.

1265

1266 So we -- we have some room to adjust that. We're --
1267 we're -- it's -- it's -- what this ends up being is kind
1268 of ongoing pipeline management, ongoing risk management
1269 around that, the -- the funding costs and the -- and the

1270 lending costs, right? And -- and marrying those two,
1271 managing to a -- a set amount, we can use the taxable
1272 and take additional margin on taxable paper. So it's an
1273 -- where we have always done. And we've talked about
1274 this before, deals, loans, put it in the bank. Deals,
1275 loans, put it in the bank. We are now looking at this
1276 and saying, this is an ongoing dynamic portfolio that we
1277 will manage as a dynamic portfolio.

1278

1279 **Leo Vasquez (00:50:50):**

1280 Yeah. No turning on and off that -- not a good idea.

1281

1282 Well, last question. The -- for me. How are our -- how
1283 is our fee structures, our cost of issuance progressing
1284 compared to how we have in the past?

1285

1286 **Scott Fletcher (00:51:12):**

1287 Yeah. So there's probably more to discuss on our -- our
1288 next item.

1289

1290 **Leo Vasquez (00:51:17):**

1291 In summary.

1292

1293

1294 **Scott Fletcher (00:51:20):**

1295 This deal was the same as we have historically done.
1296 Going forward, we will -- we will see some savings, I
1297 think, across the Board, Chairman, we're on market. We
1298 make the adjustments on the -- on the next item, and --
1299 and we'll be -- we'll be on market across the board.
1300 And you know, the -- there are a lot of changes that are
1301 about to transpire with the transition that we're about
1302 to make in terms of FA, which was -- is my next agenda
1303 item and I think, you know, without -- I want to say
1304 this -- without making any negative comments about what
1305 historically has -- we have done, we are going to be in
1306 a much better place to manage the portfolio of almost \$3
1307 billion in indentures. And our -- we will increase our
1308 issuance, we will increase the reach of our programs,
1309 we'll increase our competitiveness. And with all of
1310 that, we will continue to be one of the larger issuers
1311 in the country. And our pricing will be reflected --
1312 that will be reflected underpricing.

1313

1314 **Leo Vasquez (00:52:35):**

1315 Okay.

1316

1317

1318 **Scott Fletcher (00:52:37):**

1319 It's a long answer to a short question but --

1320

1321 **Bobby Wilkinson (00:52:37):**

1322 Yeah. To -- to be clear, we've gotten some reductions

1323 in some of the legal fees, but this -- the FA change

1324 will really move the needle a lot more.

1325

1326 **Scott Fletcher (00:52:44):**

1327 The -- the FA fees will really move the needle, at least

1328 in -- in terms of bond issuance costs, right? And you

1329 know, we've -- we've made a little bit of progress

1330 across the board. No pun intended. But with -- with --

1331 at the Board's behest, we've -- we have been able to

1332 reduce our management fee. The -- we -- we've squeezed

1333 our underwriter fees a little bit. We've -- we've

1334 squeezed our -- our disclosure cancel fees, we've

1335 squeezed our ratings fees, which has ended up being more

1336 of a headache than a benefit. But we have -- we have

1337 really tightened the belt on everyone, you know, in

1338 response to the fact that we were close to a billion

1339 dollars in issuance in '23, a little bit less issuance

1340 in '24, but we'll be back up in that close to \$1 billion

1341 a year, I expect, if not in '25, in '26 and going

1342 forward. So with the enhancements that we're going to
1343 be making in the program and what that means in terms of
1344 competitiveness for our product, I anticipate we're
1345 going to be a -- a much larger issuer. We're going to
1346 be fully leveraging and utilizing volume cap. We're
1347 going to be layering in taxable paper, as we had done,
1348 you know, previously, but did not on this deal, but
1349 really kind of leveraging all the tools, using all the
1350 tools in the toolbox to be where we should be, which is
1351 one of the best programs in the nation.

1352

1353 **Leo Vasquez (00:54:08):**

1354 Good. Mr. Thomas, do you have any questions or
1355 comments?

1356

1357 **Ajay Thomas (00:54:12):**

1358 More of a comment. I would commend Mr. Fletcher and his
1359 team and the Department for listening to this Board and
1360 really focusing in on some of the -- the programmatic
1361 things that happen within the -- the dynamic portfolio
1362 as you described in the debt program. The one thing I'd
1363 caution my fellow colleagues as well, is we get really
1364 focused in on the vendor services fees and -- and
1365 underwriter fees and things like that. And -- and

1366 that's important to do so. And I think we've done a
1367 very good job and Staff has particularly, I should say,
1368 of addressing those concerns and getting down to where
1369 we are very competitive across the country in terms of
1370 what we're paying and -- and how we're managing the
1371 program. The -- the ultimate end game is to make sure
1372 that the interest rates that we're getting on the
1373 taxable and tax-exempt bonds we're issuing and the
1374 investor demand that exists for the program is there
1375 every time we go to market.

1376

1377 And being that we're now going to be, if not already one
1378 of the larger issuers in the country on a consistent
1379 basis, you're going to get some of that benefit and you
1380 see that happening in the program. So I think in the
1381 way, Mr. Fletcher is organized or is organizing and
1382 converting the -- the indentures in the program overall
1383 and managing it more dynamically, we're going to see
1384 some more cost savings just based on the interest we're
1385 getting. And that ultimately is what benefits Texans.

1386 And so --

1387

1388 **Scott Fletcher (00:55:34):**

1389 Drives it.

1390

1391 **Ajay Thomas (00:55:34):**

1392 -- you know, congratulations on -- on another successful
1393 sale in the marketplace, in a tough market and -- and a
1394 good time to be more tax exempt than taxable with the
1395 volatility. But look forward to seeing how it
1396 progresses with some of the changes you're making.

1397

1398 **Scott Fletcher (00:55:49):**

1399 Appreciate that. Thank you very much.

1400

1401 **Leo Vasquez (00:55:51):**

1402 Yeah. Thank you, Mr. Thomas. Mr. Marchant.

1403

1404 **Kenny Marchant (00:55:55):**

1405 I don't know why everybody looked at me when they said
1406 there was a car parked out there.

1407

1408 (Laughter.)

1409

1410 **Cindy Conroy (00:56:03):**

1411 You drive.

1412

1413

1414

1415 **Kenny Marchant (00:56:03):**

1416 I -- I think from -- how much lower are the rates on the
1417 -- on the mortgages that we issue than the market?

1418

1419 **Scott Fletcher (00:56:17):**

1420 So it's -- it's an interesting question in the sense
1421 that there are, you know, you've got your national
1422 market, you've got your -- your Ginnie Mae market and --

1423

1424 **Kenny Marchant (00:56:27):**

1425 No, I mean a -- a couple walks into their mortgage
1426 broker and they say, what's the best deal I can get?
1427 Are we the best deal they can get? Are we -- are we
1428 actually furthering the ability to purchase housing?

1429

1430 **Scott Fletcher (00:56:46):**

1431 So --

1432

1433 **Kenny Marchant (00:56:45):**

1434 Are we just kind of a backup lender that they go to if
1435 nothing else works?

1436

1437

1438 **Scott Fletcher (00:56:50):**

1439 It's a great question, Mr. Marchant. So if you think
1440 about a typical conventional mortgage loan, 30-year
1441 average, you know, someone that's not seeking the
1442 benefit of a program, you're probably looking high 6s,
1443 maybe low 7s on your 30-year mortgage, right?

1444

1445 **Kenny Marchant (00:57:11):**

1446 As opposed to Ginnie Mae. As opposed to Ginnie Mae?
1447

1448 **Scott Fletcher (00:57:12):**

1449 As opposed to. And so if you're looking at a -- an FHA
1450 program, you get some benefit because the -- that
1451 program has some funding. But then you also layer on
1452 the fact that we provide down payment assistance, right?
1453 And that down payment assistance will provide dollars
1454 upfront. But that comes at a cost. The -- at the end
1455 of the day, the math is the math, right? And so what
1456 we're trying to accomplish is -- is meeting that market,
1457 the market needs for the people that need, number one,
1458 we -- that's why we're providing a no -- a no DPA loan
1459 on these bond funds because it -- it -- when you think
1460 about the monthly cost, we have the ability on this deal

1461 to go down on our non-unassisted DPA loans or unassisted
1462 loans down -- pretty close to 5 percent right now.

1463

1464 **Kenny Marchant (00:57:58):**

1465 Right.

1466

1467 **Scott Fletcher (00:58:00):**

1468 And so we've got some flexibility. We're managing
1469 spread. We should be offering the 3 percent DPA loans
1470 around 5 and a half, 5 and 5/8. And our 4 percent DPA -
1471 - DPA loans, we're probably looking at 6 and an eighth -
1472 -

1473

1474 **Kenny Marchant (00:58:12):**

1475 And when you say, "non-assisted," that's no assisted
1476 down payment?

1477

1478 **Scott Fletcher (00:58:16):**

1479 Yeah. I kind of look at the non-assisted -- the
1480 unassisted loans as -- as instead of taking three points
1481 in down payment assistance, so you're taking cash
1482 essentially --

1483

1484

1485 **Kenny Marchant (00:58:23):**

1486 Right.

1487

1488 **Scott Fletcher (00:58:23):**

1489 -- we're just using that cash. We're paying down the

1490 rate, right? We just use that cash to buy down the

1491 rate. So that ends up being the lowest rate possible

1492 because you're just getting -- you're going to get your

1493 benefit of that 5 percent loan for the next 30 years, as

1494 opposed to, oh, now I've got \$8,000 in cash to cover my

1495 down payment.

1496

1497 And -- and I'm going to pay for that over time with a

1498 higher rate.

1499

1500 **Kenny Marchant (00:58:43):**

1501 And so our objective in our lending is offering the

1502 ability to assist with the down payment by basically

1503 adding three points and then the rate floats up but it's

1504 still a good --

1505

1506 **Scott Fletcher (00:58:58):**

1507 Still good.

1508

1509 **Kenny Marchant (00:58:58):**

1510 As opposed to being the lowest rate in the market which
1511 will help them qualify. But that -- those are the two -
1512 - I mean many, many years ago, that -- there was a
1513 program that assisted first-time home buyers only.

1514

1515 **Scott Fletcher (00:59:14):**

1516 Yes.

1517

1518 **Kenny Marchant (00:59:14):**

1519 And that was -- I don't know if it was a down payment
1520 assisted or -- or simply just a -- just a qualification
1521 for who could apply.

1522

1523 **Scott Fletcher (00:59:24):**

1524 You are spot on. So that the -- the proceeds, the bond
1525 proceeds that we use from bond deals, the -- the bond
1526 dollar, the -- the \$175 million, those -- those funds
1527 are only used for first-time home buyers. You have to
1528 be a first-time home buyer --

1529

1530 **Kenny Marchant (00:59:39):**

1531 Yeah.

1532

1533 **Scott Fletcher (00:59:39):**

1534 -- which I believe I need to check the -- the
1535 qualification. But I believe it's -- you haven't owned
1536 a home in the last three years. But most of them end up
1537 being first-time home buyers. 99 percent of our
1538 lending, whether it's our -- and I should finish that
1539 other thought first. We also have a -- a TBA program or
1540 to be announced program, where we will provide down
1541 payment assistance to qualified Texas families that do
1542 not -- that are not first-time home buyers. That we
1543 don't use bond funds. We use a market program for that.
1544 And those 99 -- I don't have the decimal point after the
1545 99 -- percent of those dollars go to families under 100
1546 percent of the area median income. I want to say it's
1547 86 percent of those funds go to families under 90
1548 percent of -- of the -- of AMI. And a -- a significant
1549 number, I want to say mid-70s go to families under 60
1550 percent of -- of AMI.

1551

1552 So this program, you know, the bond, when we talk about
1553 bond funds, it's part of the picture and that is for
1554 first-time home buyers. And -- and but there's also --
1555 and those are the best possible rates, right? Because
1556 we're using that --

1557

1558 **Kenny Marchant (01:00:58):**

1559 Let me -- so would you say that we have plenty of
1560 capacity to meet the need of anybody that lives in Texas
1561 that qualifies? Or do we reach a cap to where we cap
1562 out and can't give that assistance anymore?

1563

1564 **Scott Fletcher (01:01:16):**

1565 That's another great question. And it -- we kind of
1566 will touch on that a little bit on the next -- on -- to
1567 -- at my second item from now. And we -- the -- where
1568 we're limited in capacity is that we are only -- we only
1569 get so much volume cap per year, right? From the --
1570 from the federal government, it's to Texas, and then
1571 comes down to us.

1572

1573 **Kenny Marchant (01:01:35):**

1574 Right. And -- okay. So it's -- it's cap related to
1575 what we -- we can do.

1576

1577 **Scott Fletcher (01:01:38):**

1578 And that's our ability to issue tax-exempt debt.

1579

1580

1581 **Kenny Marchant (01:01:42):**

1582 Yeah.

1583

1584 **Scott Fletcher (01:01:42):**

1585 We have the ability to layer in taxable debt as well on
1586 that and -- and keep those funds available for first-
1587 time home buyers. The other capacity limitation that we
1588 may have, everything else is in the TBA market, meaning
1589 we'll make the loan, we'll price the loan, we'll look at
1590 the market, we'll price the loan --

1591

1592 **Kenny Marchant (01:01:58):**

1593 Right.

1594

1595 **Scott Fletcher (01:01:58):**

1596 We'll make the loan and sell the loan within 60 days,
1597 right? So that's theoretically unlimited capacity.
1598 Where you may have limited capacity in that is how much
1599 cash are you using to fund down payment assistance?
1600 Where is that -- where -- where are those dollars coming
1601 from? And so managing that kind of goes to our next --
1602 one of our next items which is our servicing agreement,
1603 which the way we're -- we're -- the transition that
1604 we're making is going to allow us to be more competitive

1605 on rate and be more competitive in terms of -- of
1606 funding availability, in terms of -- we will -- it will
1607 be a cash positive. It can be a cash positive
1608 transaction, where we'll actually make money on those
1609 loans, or we can use indenture funds to support that
1610 market if we -- if we have the capacity to do so.

1611

1612 **Kenny Marchant (01:02:45):**

1613 Thank you.

1614

1615 **Scott Fletcher (01:02:46):**

1616 Yeah. Thank you for the question.

1617

1618 **Leo Vasquez (01:02:49):**

1619 Any other -- any other questions for Mr. Fletcher? If
1620 not, don't go far away because you're coming back up
1621 here, Scott.

1622

1623 **Scott Fletcher (01:02:56):**

1624 I'll sit right here.

1625

1626 **Leo Vasquez (01:02:58):**

1627 So thank you for that report.

1628

1629 **Scott Fletcher (01:02:57):**

1630 If I have no public comment on the next item.

1631

1632 **Leo Vasquez (01:03:00):**

1633 Yeah. Okay. And we'll move on to the next item which

1634 is another report item. Item 16, report relating to the

1635 2024 non-competitive 4 percent housing tax credit

1636 program --

1637

1638 **Bobby Wilkinson (01:03:15):**

1639 Jon Galvan.

1640

1641 **Leo Vasquez (01:03:15):**

1642 And a preliminary report on the 2025 program forecast.

1643 Mr. Galvan.

1644

1645 **Jonathan Galvan (01:03:24):**

1646 Yes, sir. Good morning, Mr. Chairman, members of the

1647 Board, Bobby, Beau. My name is Jonathan Galvan. I'm

1648 the 4 Percent Housing Tax Credit Manager, and I will be

1649 presenting agenda item 16. Item 16 is a report relating

1650 to the 2024 non-competitive housing tax credit program

1651 and a preliminary 2025 program forecast. The 2024

1652 Private Activity Bond program annual ceiling amount was

1653 \$3.8 billion. And as of January 3, 2025, eligible
1654 requests total approximately \$8.2 billion with much of
1655 these requests coming from multifamily issuers. The
1656 2024 4 percent tax credit application log is included as
1657 Exhibit A -- excuse me -- and reflects those
1658 applications that have been submitted to TDHCA from
1659 December 2023 through December 2024, in conjunction with
1660 the issuance of bond reservations from the Bond Review
1661 Board. Currently, there are 21 applications under
1662 review, for a total of 4,435 units and approximately \$59
1663 million in requested 4 percent housing tax credits.

1664

1665 Additionally reflected on the log are nine applications
1666 that have been approved and have had determination
1667 notices issued, but have yet to close. Those approved
1668 applications represent total issuances of more than \$22
1669 million in 4 percent tax credits, and 2,096 total units.
1670 Moreover, the log reflects 38 applications that have
1671 closed on their respective bond allocations.

1672

1673 Those projects that have closed represent 9,205 units
1674 and over \$105 million in 4 percent tax credits.
1675 Altogether, when considering what is currently active,
1676 has been approved and has closed, the total number of

1677 units is 15,736. Although this number is not final,
1678 considering that a number of 2024 applications are still
1679 active, it represents a significant increase compared to
1680 2023. Also reflected on the log are 12 pre-applications
1681 that were submitted to TDHCA and added to the Department
1682 -- Department's waiting list for a bond reservation
1683 during the 2024 program year. Finally, the log reflects
1684 those applications that were submitted to TDHCA, but
1685 subsequently withdrawn. This represents a total of
1686 4,857 units. The reasoning behind these withdrawals
1687 were varied. But most commonly involved feasibility and
1688 timing concerns.

1689

1690 Looking ahead to 2025, the 2025 Private Activity Bond
1691 program year began earlier this month and the annual
1692 ceiling amount is approximately \$4 billion. As of June,
1693 January 13, eligible requests totaled approximately \$5.1
1694 billion, with the majority of requests coming from
1695 multifamily issuers. Based on information published by
1696 the Texas Bond Review Board, TDHCA Staff expects to
1697 receive approximately 44 percent housing tax credit
1698 applications throughout the month of January in
1699 conjunction with the issuance of 2025 program year bond
1700 reservations.

1701

1702 That's the end of my prepared remarks. I'm happy to
1703 answer any questions.

1704

1705 **Leo Vasquez (01:06:39):**

1706 So Jonathan, how did we do in '24 compared to '23?

1707

1708 **Jonathan Galvan (01:06:44):**

1709 So 2024, the total amount of units as of right now is
1710 15,736 and in 2023, what we ended up with was 10,628.

1711

1712 **Leo Vasquez (01:06:56):**

1713 So that's a significant up. Okay.

1714

1715 **Jonathan Galvan (01:07:00):**

1716 It is, yeah, pretty significant.

1717

1718 **Leo Vasquez (01:07:01):**

1719 But of course that's kind of back to what I -- what I
1720 would call our normalized levels that we used to do.

1721

1722 Don't -- weren't they around 14,000 a year?

1723

1724

1725

1726 **Bobby Wilkinson (01:07:11):**

1727 I mean it was much lower years ago and then it's really
1728 ramped up last few years. I think 16,000 was our high
1729 water mark a few years ago.

1730

1731 **Jonathan Galvan (01:07:18):**

1732 That was in 2021.

1733

1734 **Bobby Wilkinson (01:07:20):**

1735 Yeah.

1736

1737 **Jonathan Galvan (01:07:21):**

1738 And then it kind of took a dip, 2020 and 2021 was our
1739 peak and then it took a dip, 2022, 2023. And now it's
1740 back up again.

1741

1742 **Leo Vasquez (01:07:30):**

1743 Yeah. No, I mean, those are great -- great numbers that
1744 we -- we hit. And it looks like based on what we're
1745 saying already, we're going to have a similar year in
1746 2025?

1747

1748

1749 **Jonathan Galvan (01:07:41):**

1750 Yes. That's what we're expecting. Yeah, the demand is
1751 still pretty high.

1752

1753 **Leo Vasquez (01:07:48):**

1754 Okay. Great. Anyone have questions for -- for Mr.
1755 Galvan? Thank you for that report.

1756

1757 **Jonathan Galvan (01:07:55):**

1758 Thank you.

1759

1760 **Leo Vasquez (01:08:00):**

1761 Moving right along to item 17 of the agenda. Back with
1762 Mr. Fletcher. Presentation, discussion and possible
1763 action on Resolution Number 25-014 approving a financial
1764 advisory services agreement authorizing the execution of
1765 documents and instruments necessary or convenient to
1766 carry out the purposes of this resolution, and
1767 containing other provisions relating to the subject.
1768 Mr. Fletcher, do tell.

1769

1770 **Scott Fletcher (01:08:28):**

1771 Good morning. Scott Fletcher, Director of Bond Finance.
1772 You'll all certainly recall that we did bring an item as

1773 a -- an action report late last year, for both financial
1774 advisor and our next topic, our next resolution. What
1775 this is doing is really just a -- crossing T's and
1776 dotting I's, and making sure we're good to go across the
1777 board and just seeking Board authorization to execute
1778 documents, instruments -- and instruments necessary to
1779 carry out purposes of the resolution. I don't know how
1780 much time you want me to take going through the
1781 background. It will be a bit repetitive. If it's
1782 helpful, I will -- I will do so and certainly prepared
1783 to do that. It's in my written remarks, but I want to
1784 be respectful of the -- the Board's time and other --
1785 other agenda items. So I'm going to go very quickly
1786 through this --

1787

1788 **Leo Vasquez (01:09:28):**

1789 Please.

1790

1791 **Scott Fletcher (01:09:32):**

1792 And then you certainly stop me. But the highlights of
1793 this, our indentures have grown to a fair market value
1794 of approximately \$3.6 billion as of August 31, 2024. We
1795 have the -- the Texas Department of Housing and
1796 Community Affairs has utilized the services of a

1797 financial advisory firm since the inception of the
1798 program. On September 15th of '24, the Department
1799 issued RFPs for firms interested -- interested in
1800 serving as FA, for both the single-family and
1801 multifamily bond finance programs. RFP submissions were
1802 -- deadline was August -- October 18th of '24. The
1803 Department received proposals from four firms: Caine
1804 Mitter, CSG, CFX and Stifel, Nicolaus by the due date.
1805 Review team of seven staff members, both from single-
1806 family and multifamily evaluated responses and selected
1807 CSG to serve as FA for the Department. The contract is
1808 expected to begin January 17, 2025. The term of the
1809 award is two years with the ability to renew and extend
1810 for one year per renewal, for a maximum of three years
1811 consecutive -- three consecutive renewal periods. TDHCA
1812 has the right to terminate this -- this agreement in
1813 whole or in part with 30 days' notice. The value of the
1814 contract is expected to be less than -- approximately
1815 less than \$1 million per year, depending on the
1816 Department's level of bond issuance and other services
1817 requested of and provided by the financial advisor.
1818 Services to be provided are -- were laid out in the
1819 Board Book in the document entitled "CSG Proposed

1820 Services." This concludes my prepared remarks and I
1821 welcome any questions from the Board.

1822

1823 **Leo Vasquez (01:11:25):**

1824 So the amount we were paying this past year for these
1825 services would have been about how much more?

1826

1827 **Scott Fletcher (01:11:40):**

1828 Significantly more. Let's -- I'm just going to use this
1829 last deal that we did as an example. The fees for the
1830 bond issuance and -- and there will be other items.

1831 There's -- there are a lot of things that we're going to
1832 be doing. There are a lot of things we're going to be
1833 exploring, and we will be paying for services that are
1834 rendered and we will be paying for those services, those
1835 -- those services will be billed and -- and we'll have a
1836 -- a -- really good documentation of the services

1837 rendered and the -- the fees associated with those
1838 services. And therefore, our payment of those fees. On
1839 our last issuance, the issuance we just did on Tuesday,
1840 we paid the FA \$262,500. That is for a bond issuance
1841 fee and to model our cash flows for that deal. If CSG
1842 had done that deal, they would still charge us 75 cents
1843 per bond for the issue, but they have a maximum fee of

1844 \$49,500. For the cash flows, they charge us 75 cents
1845 per bond, but they have a maximum of \$25,000. So that
1846 math really quickly is \$74,500 as opposed to \$262,500.

1847

1848 **Leo Vasquez (01:13:04):**

1849 That's quite a savings.

1850

1851 **Scott Fletcher (01:13:05):**

1852 It is a significant savings, especially when you start
1853 thinking about issuing a billion dollars a year.

1854

1855 **Leo Vasquez (01:13:11):**

1856 Okay. Just wanted to make sure we highlighted that.

1857 Okay. All right.

1858

1859 **Scott Fletcher (01:13:14):**

1860 I -- I -- you know, I -- I want to say that in a --
1861 without any sort of condemnation in my voice, I -- I'm
1862 using this, it doesn't matter where we've been, it
1863 matters where we're going.

1864

1865 **Leo Vasquez (01:13:27):**

1866 Yes. That's -- that's good. Mr. Thomas, you have a
1867 question?

1868

1869 **Ajay Thomas (01:13:34):**

1870 A couple questions and then a comment. I think I'll
1871 start with the comment first. I think in relation to
1872 those fees, too, I think what Mr. Fletcher is proposing
1873 is -- is the party that's going to be hopefully approved
1874 by this board. Just to give board members a comfort
1875 because I'm knowledgeable about who we're -- who we're
1876 hiring, who were the respondents in the RFP. We're not
1877 getting any less service quality or -- or we're not
1878 going for the cheapest provider in the marketplace.
1879 They are very highly qualified and thought of in the
1880 housing sector across the country among national HFAs.
1881 So in terms of the quality we're getting for the
1882 services provided, it -- it's pretty exceptional.
1883 So I -- I commend Mr. Fletcher and the process for that.
1884 Just a question, Scott. You had mentioned that the fee
1885 here and about for -- for the contract per year would be
1886 less to about a million dollars a year. How much of
1887 that is, kind of, as you put it, rendered fee for
1888 service is kind of a fixed cost -- we're going to do
1889 this every year no matter what versus it's going to
1890 scale up because of the bond issues we're doing. And
1891 that's what gets us to that million-dollar figure?

1892

1893 **Scott Fletcher (01:14:44):**

1894 There are a lot of things that can happen. I think as I
1895 look at how this is going to lay out, there's probably
1896 going to be a lot of billing out of the gate as we do
1897 work on -- work on transition. As they look at our
1898 multiple deals that we have outstanding going through
1899 our indentures, looking at those cash flows, looking at
1900 ways that they can -- we can improve what we're doing.
1901 And so there'll be -- there'll be a big lift out of the
1902 gate. I would anticipate then over time, you -- you
1903 probably -- that probably, you know, normalizes. But
1904 what you will also be doing then is layering in some
1905 complexity because as we get into more complex
1906 structures, as we get into, there's -- there's work to
1907 do in terms of the volume cap, recycling, the 10-year
1908 rule, the 32-year rule. There's work to do in terms of
1909 managing zeros which we'll be using to manage spread on
1910 deals across deals, as we move to a continuous program.
1911 So as those things evolve and get bigger, they get more
1912 complex.

1913

1914 And so there will be fees related to that. The -- in
1915 2023, we paid \$2.6 million to RFA. I can't imagine a

1916 scenario unless we're issuing \$5 billion a year that
1917 we'd ever sniff a number like that. So again, and I --
1918 I also want to -- I thank you for -- for making the
1919 point. The skill set, the staff, the team, we had -- we
1920 had good choices. We -- it was down to two firms, Caine
1921 Mitter and CSG, both exceptionally qualified. And it
1922 was really about who was the right fit for our program
1923 at this time? And looking at the things we need to do,
1924 the things we need to accomplish, we feel like we're
1925 going to -- they're going to assist us, go to the next
1926 level. And -- and so I -- I think in terms of the --
1927 the fees, if we talked about \$100,000, \$200,000,
1928 \$300,000 it -- in the end of the day, it kind of becomes
1929 relevant if you're expanding your program, if you're --
1930 you're reaching more people, if you're generating more
1931 revenue on those -- on -- on the -- on what you're
1932 doing, it -- the numbers are big, right? We're talking
1933 about a \$3.6 billion portfolio, right? We're talking
1934 about issuing a billion dollars a year. So it's -- it's
1935 important money. It's real and it's -- and it matters.
1936 But where it takes us, in -- in terms of -- of financial
1937 strength, our parity ratios, our -- our liquidity
1938 position, our ability to -- to provide enhanced
1939 programs, and provide additional funding, it's that's

1940 where the -- that's where the rubber is going to meet
1941 the road.

1942

1943 **Ajay Thomas (01:17:43):**

1944 Thank you.

1945

1946 **Leo Vasquez (01:17:45):**

1947 Any other questions for Mr. Fletcher?

1948

1949 **Kenny Marchant (01:17:51):**

1950 Is the contract that you've negotiated, is it -- is it
1951 based on lump sum, services rendered, backed up by
1952 hourly -- by an hourly billing? So that -- what are the
1953 upper limits? And that we could be -- I know you said a
1954 million.

1955

1956 There -- there could be an upper -- there could -- it
1957 could be over a million, correct?

1958

1959 **Scott Fletcher (01:18:17):**

1960 It could.

1961

1962 **Kenny Marchant (01:18:18):**

1963 Is there a upper limit?

1964

1965 **Scott Fletcher (01:18:20):**

1966 No. I think the nice thing about this agreement is that
1967 we manage it, right? We -- we -- we're going to be
1968 asking for the services, and if -- and we know what
1969 those services are going to cost us. It's almost, it's
1970 not exactly, but it's almost like we lay out the task.

1971

1972 They give us an estimate of how long -- how much that's
1973 going to cost, and -- and we know what we're -- what
1974 we're dealing with. So we're actually, we're -- we're
1975 paying for the services that we use and nothing more.
1976 And that's a really important (indiscernible) 1:18:50
1977 model.

1978

1979 **Kenny Marchant (01:18:50):**

1980 And the estimation is a million.

1981

1982 **Scott Fletcher (01:18:52):**

1983 And the list of services is -- is somewhat
1984 comprehensive, but it -- it was provided in the Board
1985 Book. And -- and if there's any, you know, details you
1986 know, that you don't want (indiscernible) 1:19:02 leads
1987 but --

1988

1989 **Kenny Marchant (01:19:02):**

1990 The question I'm trying to get to, is in the -- in the
1991 new world that we have begun to live in, AI, the ability
1992 to model at a fraction of the time it used to take to
1993 model. You know what I'm talking about? I mean, at
1994 some point, there's going to be enough computer
1995 knowledge to do some of this modeling in a fraction of
1996 the time that it takes. And you said we reviewed this
1997 contract every -- every year. My -- I think my concern
1998 is, and hope is that as the technology expands, that we
1999 benefit from it, from a fee standpoint and from a --
2000 just an ability to issue standpoint.

2001

2002 **Scott Fletcher (01:19:51):**

2003 Certainly. I think it's a -- I think it's a great
2004 point. The, aside from the bond issuance, and -- and
2005 the capped fees related to bond issuance, because we'll
2006 typically be maxing out on the fees on the bond
2007 issuance, I think the hourly -- it ties in with what
2008 you're saying in terms of the hourly billing. It also
2009 ties in, I think in -- in some way with the technology
2010 that they -- technology that they've already invested
2011 in. The fact that they are working with multiple other

2012 state HFAs. They're not having to reinvent the wheel
2013 for us. And so we're going to -- we're going to reap
2014 the benefit of work that's been done by this firm for
2015 other state HFAs, the -- aside from the benefit of ideas
2016 and how other firms are dealing with tax treatment. And
2017 so when you talk about efficiencies that will generate
2018 from AI, we can have that conversation. We're going to
2019 capture some of that. And you -- if you -- if you get
2020 that, and that's the direction that the firm goes, you
2021 do get that benefit. Because what took five hours
2022 before took two hours this time. And so --

2023

2024 **Kenny Marchant (01:21:02):**

2025 Got you. That's -- that's where I'm headed. Thank you.

2026

2027 **Scott Fletcher (01:21:02):**

2028 But this firm has made strong investments in technology
2029 and that was also part of the -- part of the criterion
2030 selection so I appreciate the question.

2031

2032 **Leo Vasquez (01:21:11):**

2033 Okay. Any other questions for Mr. Fletcher on item 17?

2034 If not, I'll entertain a motion on item 17 of the

2035 agenda.

2036

2037 **Holland Harper (01:21:22):**

2038 I move the Board approve Resolution Number 25-014
2039 regarding approval and execution of the financial
2040 advisory service agreement, all as described,
2041 conditioned, and authorized in the Board Action Request
2042 resolution and associated documents on this item.

2043

2044 **Anna Maria Farias (01:21:34):**

2045 Second.

2046

2047 **Leo Vasquez (01:21:34):**

2048 Motion made by Mr. Harper, seconded by Ms. Farias. All
2049 those in favor say aye.

2050

2051 **All Board Members (01:21:38):**

2052 Aye.

2053

2054 **Leo Vasquez (01:21:39):**

2055 Any opposed? Hearing none. Motion carries. One more
2056 for Scott. Item 18. Presentation, discussion, and
2057 possible action on Resolution Number 25-015, approving a
2058 servicer oversight services agreement, authorizing the
2059 execution of documents and instruments necessary or

2060 convenient to carry out the purposes of this resolution
2061 and containing other provisions relating to the subject.
2062 Mr. Fletcher.

2063

2064 **Scott Fletcher (01:22:04):**

2065 Thank you. This would include ratification of
2066 previously signed agreements for servicer oversight.
2067 Again, we did present this item at a previous board
2068 meeting. We have a general master services agreement
2069 signed with this firm. What this is really authorizing
2070 is forward commitments on task orders which exceed, you
2071 know, what we're authorized to sign. And so -- just as
2072 a -- as a department. So we can get into more details
2073 on that, but this is -- is a ratification of -- of
2074 really that original document and then our authority to
2075 sign the task orders going forward. TDHCA contracts
2076 with third-party firms to service mortgage loans
2077 originated by the program. The Department has utilized
2078 Idaho Housing Finance Association, IHFA, as primary
2079 service provider for both bond funded and TBA mortgage
2080 loans since 2016. IHFA is currently servicing 8.67
2081 billion in TDHCA loans. USA -- I'm sorry. US Bank and
2082 Bank of America service a very small number of older TH
2083 -- TDHCA loans. They're not subject to review with this

2084 servicer oversight initiative. The Department has an
2085 obligation to ensure that all TDHCA-originated loans are
2086 serviced in full compliance with FHA, VA, Fannie Mae,
2087 Freddie Mac, or whatever applicable agency within those
2088 guidelines of that -- those agencies.

2089 We also have an obligation to confirm that services are
2090 consistently following their own written policies and
2091 procedures, as well as -- as those of TDHCA. Regular
2092 audit and review of servicer activities is an industry
2093 best practice. As outlined in the October Board
2094 meeting, the Department issued an RFP for firms
2095 interested in serving as servicer oversight provider
2096 back in April of 2024. Three proposals were received.
2097 A review team of the Department staff evaluated
2098 responses and selected CohnReznick to serve as servicer
2099 oversight provider for the Department. TDHCA has the
2100 right to terminate the agreement in whole or in part
2101 with 30 days' notice. Servicer oversight review will
2102 focus exclusively on IHFA's past and current servicing
2103 activities. The work is expected to be completed across
2104 three phases over the next 12 to 18 months. Actually,
2105 I'll edit that -- 18 months to two years. Total
2106 expenditure is expected to be approximately \$1 million
2107 over the life of the agreement. Servicer review will

2108 include a -- a review of IHFA's historic performance in
2109 servicing the Department's loans, compliance with FHA or
2110 applicable federal applicable agency guidelines,
2111 compliance with internal policies and procedures, and
2112 adherence to industry best practices related to timely
2113 loan processing, loss mitigation, delinquency
2114 management, foreclosures, loan modifications, and second
2115 lien recovery. Additional services may include mortgage
2116 servicing rights valuation and advisory services related
2117 to possible mortgage servicing rights sales.

2118

2119 This concludes my prepared remarks and I welcome any
2120 questions.

2121

2122 **Leo Vasquez (01:25:20):**

2123 So will this contract in any way pay for itself?

2124

2125 **Scott Fletcher (01:25:27):**

2126 Many times over. Many times over.

2127

2128 **Leo Vasquez (01:25:33):**

2129 Yes. Expand upon -- expand upon that, please.

2130

2131

2132 **Scott Fletcher (01:25:35):**

2133 COVID, needless to say, created a lot of challenges for
2134 homeowners. It created a lot of challenges, therefore,
2135 in the mortgage industry for mortgage loan servicers.
2136 The way our contract was drafted in 2016, TDHCA loans
2137 are serviced by Idaho and TDHCA receives a specific -- a
2138 specified number of basis points on each loan, as long
2139 as that loan is outstanding. Therefore, we get a -- we
2140 get a monthly check from Idaho, which is our percentage
2141 of our loans that are outstanding. The other part of
2142 that contract is that TDHCA retains the risk. We
2143 certainly would retain the risk of delinquencies, and if
2144 we have high delinquency levels, our monthly cash flow
2145 number is impacted. We also retain the risk of, if the
2146 principal and interest payments received from our pool
2147 of mortgages are insufficient to cover the P&I that is
2148 due to the investor, the servicer -- historically, the
2149 servicer is required to make that P&I payment until they
2150 go through their process of loss mit to do whatever they
2151 need to do, get that mortgage caught up, get that
2152 mortgage foreclosed, whatever the situation, get the
2153 loan modified. TDHCA has been asked to contribute \$15
2154 million to advance -- to make advance payments to the
2155 federal, to Ginnie Mae for our loans.

2156 So we have made \$15 million in payments because of the
2157 delinquency levels in our portfolio. Now this is our
2158 TBA portfolio and our -- and our bond portfolio. But it
2159 is not a normal contract. This is not a normal, it's
2160 not a normal structure for us to retain the risk beyond
2161 the -- the cash flows. If I have x percent delinquent,
2162 I'm going to get a million and a half a month. If I
2163 have more delinquent, I'll get a million two a month.
2164 That's \$300,000 that I straight out, am not getting.
2165 And so this is -- this is a little bit of -- there are a
2166 lot of changes here. And I, you know, we have a new
2167 servicer coming in. That new servicing model is on a --
2168 a released payment where the servicer will, when we sell
2169 the loans, they'll pay us the servicing upfront. We can
2170 use that money to fund, partially fund down payment
2171 assistance. We can -- we'll have -- it's basically also
2172 what we sell in the market, we'll -- we'll make a profit
2173 on that. To answer your question, I estimate that based
2174 on our delinquency levels, if we could get those to a
2175 normalized level, getting our \$15 million back that has
2176 been advanced, will come back at some point.
2177 But just the monthly cost, my best estimate, it was
2178 costing us about \$260,000 a month to not do this. And
2179 this is something I've been pushing for, for some time.

2180

2181 And so I'm very pleased to be able to be here. I -- I
2182 want to answer any questions the Board has. This is a -
2183 - a challenge that -- when I walked in the door, it was
2184 the first thing on my desk. And it was the -- the issue
2185 at the time was loan modifications. Now it is -- it is
2186 active servicing. The program grew very fast. The
2187 level -- COVID certainly pushed it into a situation
2188 where you had loan forbearance and you had foreclosure
2189 restrictions. So what you ended up with, even with HAF,
2190 you have a lot of people that are very far behind on
2191 their mortgages that will frankly, I can't imagine a
2192 scenario that gets them back. What we're looking to do,
2193 we have a staff of five, right? And we're talking about
2194 45,000 loans. We're talking about nine -- close to \$9
2195 billion in loans. And what we are doing is bringing in
2196 third party experts to come in, review those portfolios,
2197 ensure that loss mit has been done appropriately, make
2198 sure that all policies and procedures have been
2199 followed.

2200

2201 If they have not been followed, then we will seek
2202 compensation for those loans. We will look to
2203 potentially sell loans. We will either through

2204 requesting them to buy loans that were not properly
2205 serviced. This is a real situation. I'm reticent given
2206 the forum to get into a lot of detail. But it's a --
2207 it's a very serious challenge that is kind of a -- I'll
2208 just call it a "post-COVID hangover," that was a hell of
2209 a bender because it's taken a long time to get -- to get
2210 right.

2211

2212 **Leo Vasquez (01:31:19):**

2213 Bottom line, this servicer oversight agreement will help
2214 us get the most out of our servicer and the portfolio
2215 that --

2216

2217 **Scott Fletcher (01:31:30):**

2218 If you think about what we have, we have a \$9 billion
2219 portfolio that is returning X basis points, right? When
2220 it should be returning X plus something. We have the
2221 ability to sell those future cash flows essentially by
2222 selling that -- the servicing rights. We can bring
2223 those future cash flows into a present value and
2224 actually have cash here, which does two things for us.

2225

2226 Number one, enhances our liquidity position, but it --
2227 it also takes away a significant amount of our risk

2228 going forward, right? And you know, my motivations here
2229 are, at the end of the day, our partners, if we go
2230 through this review and it -- they say everything was
2231 done spot on then, I'm thrilled. And that may be the
2232 case. If as I suspect there are -- there were some
2233 misses, I will expect compensation from our servicer.
2234 There's a contractual obligation here. I expect them to
2235 uphold that contractual obligation.

2236

2237 **Leo Vasquez (01:32:41):**

2238 Very good. Any other questions for Mr. Fletcher on item
2239 18 of the agenda?

2240

2241 **Kenny Marchant (01:32:47):**

2242 And Mr. Fletcher, the people that you might find owe us
2243 money, have -- do they have the wherewithal to pay that
2244 money?

2245

2246 **Scott Fletcher (01:32:56):**

2247 It is the State of Idaho Housing Finance Association.
2248 We would -- I have no -- it's -- I don't want to be
2249 conclusory that -- that they're going to owe us a bunch
2250 of money. And the reality is that they own a portion of
2251 that book as well. So if we were to -- if the

2252 conclusion was, we need to sell some portion of this
2253 book. Say we decide we're going to sell \$5 billion of
2254 this book and in that sale we -- we get \$70 million.
2255 The settlement situation with that is, okay, this would
2256 be my normal share. This is your normal share. But
2257 these loans weren't really done right. And had they
2258 been serviced properly, these wouldn't have been -- it
2259 would have -- it would have -- it wouldn't have reduced
2260 the value of our book.

2261

2262 **Kenny Marchant (01:33:50):**

2263 It was just net out -- it was just net out of the sale.

2264

2265 **Scott Fletcher (01:33:50):**

2266 So we'd net it out a sale. And that's really -- that's
2267 the motivation. So it's not a situation where we're
2268 going to pursue them and it's going to, you know, cause
2269 problems for -- for them financially. It'll impact them
2270 financially. But what will be -- the resolution that we
2271 will seek is a business resolution, right? It is a --
2272 it is a sale, potentially a sale of the assets. Or you
2273 -- we would like you to purchase these assets from us.
2274 They'll still get the cash flows.

2275

2276 **Kenny Marchant (01:34:19):**

2277 So --and when you say sale, you say sale -- that
2278 alleviates the risk. We have no more risk at that
2279 point.

2280

2281 **Scott Fletcher (01:34:29):**

2282 Once those loans would be sold, we would have no more
2283 risk. We are also --

2284

2285 **Kenny Marchant (01:34:33):**

2286 We would lose the income we'd -- we'd lose that
2287 servicing income. But we would have --

2288

2289 **Leo Vasquez (01:34:36):**

2290 (Indiscernible) 1:34:36.

2291

2292 **Scott Fletcher (01:34:38):**

2293 We'd have it in cash. We basically are taking that
2294 those future cash flows and bringing them up -- bringing
2295 them forward to cash.

2296

2297 **Kenny Marchant (01:34:43):**

2298 And does it take board resolution for you to sell those?

2299

2300 **Scott Fletcher (01:34:47):**

2301 I would come to the Board and provide you with the --
2302 the details and the mathematics, certainly. It's --
2303 it's -- it -- it'll be a significant transaction.
2304

2305 **Kenny Marchant (01:34:55):**

2306 And it has -- has it been a board -- is it board or is
2307 it statutory the fact that we've held -- that we hold \$9
2308 billion worth of --
2309

2310 **Scott Fletcher (01:35:07):**

2311 No.
2312

2313 **Kenny Marchant (01:35:08):**

2314 Or is that just a policy?
2315

2316 **Scott Fletcher (01:35:09):**

2317 It's -- it's another great question, Mr. Marchant. So
2318 there is a servicing portfolio. So there there's \$9
2319 billion of our loans that are out there. We don't have
2320 \$9 billion out. We have the right to the servicing fee
2321 on \$9 billion. So we have the right to anywhere from 19
2322 to 60 basis points on \$9 billion in loans. Those loans
2323 are -- have been pooled, sold. So somebody owns the

2324 mortgages. We just -- we just own a portion of the
2325 servicing rights. So we don't have \$9 billion sitting
2326 out there.

2327

2328 **Kenny Marchant (01:35:41):**

2329 Right.

2330

2331 **Scott Fletcher (01:35:44):**

2332 That's not state money. It's not TDHCA money. It's
2333 just -- we just own the servicing right.

2334

2335 **Kenny Marchant (01:35:50):**

2336 Thank you.

2337

2338 **Leo Vasquez (01:35:54):**

2339 Okay. Hearing no other questions, I will entertain a
2340 motion on item 18 of the agenda.

2341

2342 **Ajay Thomas (01:36:02):**

2343 Mr. Chairman, I move the Board approve Resolution Number
2344 25-015 regarding the approval and execution of a
2345 servicer oversight services agreement. All as
2346 described, conditioned, and authorized in the Board

2347 Action Request resolution and all associated documents
2348 on this item.

2349

2350 **Holland Harper (01:36:19):**

2351 Second.

2352

2353 **Leo Vasquez (01:36:20):**

2354 Motion made by Mr. Thomas. Seconded by Mr. Harper. All
2355 those in favor say aye.

2356

2357 **All Board Members (01:36:24):**

2358 Aye.

2359

2360 **Leo Vasquez (01:36:25):**

2361 Any opposed? Hearing none. Motion carries. Thanks,
2362 Scott.

2363

2364 **Scott Fletcher (01:36:28):**

2365 Thank you all again.

2366

2367 **Leo Vasquez (01:36:34):**

2368 Okay. We're on item 19 of the agenda, 19 of 22 on
2369 today's agenda. This is presentation, discussion, and
2370 possible action regarding a material amendment to the

2371 housing tax credit application for Santa Fe Place tax
2372 credit 23178 and 24266. Mr. Banuelos.

2373

2374 **Rosalio Banuelos (01:37:00):**

2375 Good morning, Rosalio Banuelos, Director of Asset
2376 Management. Santa Fe Place was approved for a 9 percent
2377 housing tax credit award -- excuse me -- as a forward
2378 commitment in 2023 for the construction of 110 units of
2379 which 98 were to be designated as low income, meaning
2380 it's for the general population in Lubbock, Lubbock
2381 County. However, the applicant has now indicated that
2382 the initial design of the development is no longer
2383 financially viable and is requesting approval for
2384 changes to the design which will result in a reduction
2385 to the number of units from 110 to 90 by removing the 12
2386 market units and 8 low-income units which represents a
2387 reduction of 8.16 percent in the number of low-income
2388 units and a reduction of 18 point in total units. The
2389 reduction to the number of units will also result in an
2390 18 percent decrease in residential density, going from
2391 24.11 units per acre to 19.72 units per acre.

2392

2393 Additionally, the square footage of the units will now
2394 be at the minimum required for points for each unit

2395 type. The total net rentable area will decrease from
2396 102,995 square feet to 74,100 square feet, which is a
2397 reduction of 28,895 square feet or 28.05 percent.
2398
2399 And a reduction of 17,565 square feet or 19.16 percent
2400 to the net rentable area of the low-income units. The
2401 revised unit mix includes 24 one-bedroom units, 48 two-
2402 bedroom units and 18 three-bedroom units, instead of the
2403 originally proposed 30 one-bedroom units, 58 two-bedroom
2404 units and 22 three-bedroom units. The reduction to the
2405 number of units will result in the elimination of the
2406 market units as I indicated previously and a reduction
2407 to the units at the 30 percent of area median income or
2408 AMI from 10 units to 9 units, a reduction to the 50
2409 percent AMI units from 20 units to 18 units, and a
2410 reduction to the 60 percent AMI units from 68 units to
2411 63 units. Additionally, the applicant requests approval
2412 for a reduction to the total common area from 13,897
2413 square feet to 12,088 square feet, which has a decrease
2414 of 1,809 square feet or 13.02 percent. Also the
2415 decrease in the number of units has reduced the required
2416 parking spaces under the Lubbock zoning ordinance from
2417 244 spaces to 120. The pool will also be eliminated.

2418 The applicant states that this redesign is needed to
2419 ensure financial feasibility of the development.
2420 The development was re-underwritten with the proposed
2421 amendment and revised financial information submitted.
2422 The analysis reports no change to the housing tax credit
2423 amount and demonstrates that the development remains
2424 feasible. Additionally, Staff reviewed the original
2425 application and scoring documentation against this
2426 amendment request, and has concluded that none of the
2427 changes would have resulted in selection or threshold
2428 criteria that would have affected the selection of the
2429 application in the competitive round. Lastly, it should
2430 be noted that letters of support for this amendment were
2431 received from Senator Charles Perry, State
2432 Representative Carl H. Tepper, Mayor of Lubbock, Mark
2433 McBrayer, and County Judge Curtis Parish. These letters
2434 are in the board packet for this item. Staff recommends
2435 approval of the requested amendment, and I'm available
2436 to answer any questions.

2437

2438 **Leo Vasquez (01:40:06):**

2439 Okay. Mr. Lyttle, do you have something to read into
2440 the record also?

2441

2442 **Michael Lyttle (01:40:18):**

2443 Good morning, Chairman and Board. Yes. Senator Charles
2444 Perry asked that this letter be read into the record, as
2445 well as being included in the -- in the booklet.

2446

2447 So the letter reads as follows: "As the State Senator
2448 for Lubbock, I'd like to express my support for the
2449 Santa Fe Place apartments located in Lubbock. It is my
2450 understanding that the development has requested a
2451 material amendment for the 9 percent low-income housing
2452 tax credits that were previously awarded by TDHCA. This
2453 amendment would reduce the total number of units, change
2454 the unit mix, and make architectural and design changes
2455 in order to make the development financially feasible.
2456 Without these changes, the development cannot proceed.
2457 I would rather there be 90 units of affordable housing
2458 in Lubbock than none. I ask the TDHCA Board of
2459 Directors approve this material amendment so that our
2460 residents who need affordable housing will have a new,
2461 safe place to live in West Lubbock. Thank you for your
2462 time and consideration of this matter. With sincere
2463 regards, Senator Charles Perry, District 28."

2464

2465

2466 **Leo Vasquez (01:41:18):**

2467 Okay. Thank you, Michael. We'll add that to the other
2468 letters in the -- in the Board Book. Would a
2469 representative of the development wish to kind of let us
2470 know how we got here?

2471

2472 **Kent Hance(01:41:44):**

2473 Mr. Chairman, members of the committee, I appreciate the
2474 opportunity to explain why we think this is a good
2475 amendment. It's a material amendment. Last summer, I
2476 appeared in front of you and -- and I've never had a
2477 problem with -- I started doing these in 1996 and had a
2478 problem with the Amarillo, The Commons at St.
2479 Anthony's. And we'd gotten this, the Santa Fe Place.
2480 It was obvious to me that -- and it became even more
2481 obvious I had to spend my time almost every minute I had
2482 on housing on the Amarillo project. And I needed
2483 someone to be a partner to work with me on the Lubbock
2484 project. And I looked around and -- and Overland
2485 Properties is a group that I've known. They've done
2486 four projects. They've done 26 in the state and they've
2487 done four in Lubbock and Wolfforth, a little town right
2488 outside of Lubbock. And I talked to them, they looked
2489 at it, they looked at the project, they talked to the

2490 City, and they -- they came back and said, we got to
2491 make some changes because with -- with some of the
2492 things that happened, it's not going to work unless we
2493 make these changes.

2494

2495 And so that's what we're doing today is asking you to
2496 approve this material amendment. You heard we've got
2497 local support. We -- we had to make -- some changes
2498 weren't easy, but we still have a business center, we
2499 have a health center. We do not have a swimming pool.

2500 And I think we've done as good a job as we can. And I
2501 need all my focus on The Commons at St. Anthony's and
2502 so that's the reason I brought them in. And they're
2503 excellent. Matt Gillum is here to address any questions
2504 or any make a statement if need be, on behalf of
2505 Overland Properties. Welcome any questions if you've
2506 got any questions.

2507

2508 **Leo Vasquez (01:44:00):**

2509 Okay. So this is a pretty substantial change in the net
2510 rentable area. I mean, it's almost what, 28, 30 percent
2511 smaller project?

2512

2513

2514 **Kent Hance (01:44:14):**

2515 I -- I would have to ask --

2516

2517 **Leo Vasquez (01:44:16):**

2518 In the materials here, it says, "28 percent" so. Okay.

2519

2520 **Kent Hance (01:44:19):**

2521 Yeah, I -- I think it -- yeah. It -- it does say that,

2522 20. Yes. It is substantial, but it's still going to be

2523 a very good project.

2524

2525 We had to cut -- make some cuts. And this is the -- the

2526 Board has approved projects that had more significant

2527 cuts before. And this is not an ordinary thing, but

2528 it's something that we respectfully ask that you

2529 consider.

2530

2531 **Leo Vasquez (01:44:46):**

2532 And -- and we are -- the new units are all going to be

2533 at the minimum allowed size for tax credit properties?

2534

2535 **Kent Hance (01:45:02):**

2536 Right.

2537

2538 **Leo Vasquez (01:45:04):**

2539 Okay. This is rather unique, isn't it? I mean, I'm
2540 kind of confused. As I recall, I thought this product -
2541 - this project didn't receive tax credits in the 2023
2542 rounds.

2543

2544 **Kent Hance (01:45:24):**

2545 It was post -- it -- it was moved into the '24.

2546

2547 **Leo Vasquez (01:45:26):**

2548 But it was awarded in 2023?

2549

2550 **Kent Hance (01:45:28):**

2551 '23. Yes, sir.

2552

2553 **Leo Vasquez (01:45:32):**

2554 And we took forward credits from 2024 and applied it to
2555 this 2023 project.

2556

2557 **Kent Hance (01:45:42):**

2558 Yes.

2559

2560 **Leo Vasquez (01:45:42):**

2561 How did that come about?

2562

2563 **Kent Hance (01:45:44):**

2564 I think it came about because we had a very good
2565 project. And there was, as you recall, there was an
2566 issue that we felt like, that the people ahead of us on
2567 one of the projects did not follow the rules and -- and
2568 the Board used their discretion to award them that. But
2569 we were very close and I think that, you know, it was
2570 something that we were able to ask for and get the
2571 forward commitment. And -- and look, this -- this will
2572 work. And I've looked at it every way you look at it,
2573 and I think that it's a good project. It's going to
2574 provide 90 housing units for Lubbock, and Lubbock's like
2575 every city, they're in need of low-income housing and --
2576

2577 **Leo Vasquez (01:46:32):**

2578 And so who did you make the request from on the -- to
2579 get the forward credits, the 2024 credits to be awarded
2580 in 2023?

2581

2582 **Kent Hance (01:46:46):**

2583 Well, I -- I mean we asked -- we asked the Board that.
2584 And -- and y'all approved it.

2585

2586 **Leo Vasquez (01:46:57):**

2587 Did -- so in 2023?

2588

2589 **Kent Hance (01:47:02):**

2590 Yes, sir.

2591

2592 **Leo Vasquez (01:47:04):**

2593 You felt so confident about this -- this project and it
2594 was so ready and it done -- you've done it -- you did
2595 all your analysis; you've been doing it since 1996 and
2596 now you're coming to -- and so much so that you spoke to
2597 somebody to get forward credits awarded from 2024. We
2598 took credits from the 2024 round that may have been
2599 awarded to another very qualified project and could have
2600 built 90 units, could have built 120, who knows? But
2601 that other project didn't get an opportunity because you
2602 asserted to this board and probably some other important
2603 people in the state, that this project deserved to be
2604 put in front of the line, take stuff from the future.
2605 And now you're coming back to us saying it didn't --
2606 it's, oh, it's not going to work. My numbers in 2023
2607 were not done right as I argued to the Staff, argued to
2608 the Board, argued to other people in the pink building.
2609 Now you're saying it doesn't work?

2610

2611 **Kent Hance (01:48:22):**

2612 Well, I think some of the things that happened to us,
2613 our costs went up dramatically during the period of time
2614 and that Overland, when they looked at it, they said
2615 that -- that they had to make these adjustments for it
2616 to work. And we -- that's the reason we're here now
2617 asking with hat in hand.

2618

2619 We're asking for, you know, you to give us this
2620 opportunity.

2621

2622 **Leo Vasquez (01:48:50):**

2623 But unlike any other material amendment that we've done,
2624 that this board has approved for others, this is the
2625 only one that was such a great deal, that we awarded
2626 forward credits and took away an opportunity for other
2627 applications in 2024 so that we could award you a 2023
2628 credit for this excellent deal that we really shouldn't
2629 pass up, Board, and we should do this. Again, you felt
2630 so strongly about it that we should take from -- take
2631 from the future in '24 --

2632

2633

2634

2635 **Kent Hance (01:49:25):**

2636 Well, I did feel strongly about it and -- and I still
2637 do. This is a good project. It's going to work. We
2638 had to make some --

2639

2640 **Leo Vasquez (01:49:31):**

2641 It was a good project in 2023. How are we supposed to
2642 believe that now it's going to be a good project still,
2643 even with these adjustments?

2644

2645 **Kent Hance (01:49:40):**

2646 Well, I think it will be. And -- and we've -- we've all
2647 -- we've been, we've done over 20. And then this one is
2648 something that because of changes in pricing and -- and
2649 interest rates you know, changed dramatically.

2650

2651 **Leo Vasquez (01:50:00):**

2652 Interest rates changed dramatically from late 2023 to --
2653

2654 **Kent Hance (01:50:03):**

2655 In 2023 --

2656

2657

2658 **Leo Vasquez (01:50:04):**

2659 2024 -- till now. They changed dramatically. So

2660 basically in 2024, you're saying.

2661

2662 **Kent Hance (01:50:13):**

2663 Right.

2664

2665 **Leo Vasquez (01:50:13):**

2666 So I -- I wonder if we can get Mr. Fletcher back up here

2667 to confirm that. I mean I -- that doesn't sound like I

2668 recall. Actually 2024 --

2669

2670 **Kent Hance (01:50:22):**

2671 The interest rates had gone up.

2672

2673 **Leo Vasquez (01:50:22):**

2674 Interest rates had been going up, but they had pretty

2675 much leveled out. And weren't there even some

2676 reductions in the rate in 2024?

2677

2678 **Kent Hance (01:50:29):**

2679 Well, that's just one of the factors and that --

2680

2681

2682 **Leo Vasquez (01:50:34):**

2683 But you can't really use that as an argument that the
2684 rates actually, it changed. I mean the projects in '21
2685 and 2021, '22 that have, I mean, yeah, the rates went
2686 crazy under the prior -- the administration, but I think
2687 that's really -- seems a little disingenuous to say that
2688 that's one of the factors right now, is changing it --
2689

2690 **Kent Hance (01:50:54):**

2691 Well I think it is one of the factors, one of the
2692 factors and also the cost and -- and you know, of
2693 materials.
2694

2695 **Leo Vasquez (01:51:03):**

2696 So in -- from 2023 to 2024 till now, you're saying that
2697 material costs are still going up, still and just, we
2698 can't see where they're -- they're moving. Again that's
2699 way different than the prior years during the COVID
2700 period --
2701

2702 **Kent Hance (01:51:20):**

2703 Right.
2704

2705

2706 **Leo Vasquez (01:51:20):**

2707 -- and everything like that where we all recognize that
2708 and the Board I think was very reasonable in force
2709 majeures. But again, you and your advisors came to this
2710 department and this board in 2023 and said this project
2711 is so good, it's so necessary, it's so ready to go that
2712 we should take from 2024 and give it to us here in 2023.
2713

2714 **Kent Hance (01:51:47):**

2715 Well, I think it was that and that we felt like that --
2716 we -- we felt like that we were probably number one and
2717 then we -- we didn't win that battle. And so we felt
2718 like that we -- we had a good project and that it should
2719 be funded, and -- and it was forwardly funded.
2720

2721 **Leo Vasquez (01:52:13):**

2722 Could Staff tell me, did I -- in my seven-plus years on
2723 this board, have we ever awarded a forward project, a
2724 forward credit?
2725

2726 **Bobby Wilkinson (01:52:23):**

2727 Yes, we did a few.
2728

2729 There was a problem with the collapse, I believe in
2730 2019, staff error, but you know, changes in the late
2731 July board meeting. And so we actually gave three
2732 forwards that year, I believe. Yeah.

2733

2734 **Leo Vasquez (01:52:39):**

2735 In a -- But that was the -- that calculation error that
2736 --

2737

2738 **Bobby Wilkinson (01:52:41):**

2739 Correct. But as a matter of policy --

2740

2741 **Leo Vasquez (01:52:47):**

2742 So they should've -- they should --

2743

2744 **Bobby Wilkinson (01:52:44):**

2745 -- the Board is not in its discretion, given forwards
2746 since they kind of took them out in the late Perry
2747 administration. But -- but we did it for the, you know,
2748 miscalculation with collapse --

2749

2750 **Leo Vasquez (01:53:00):**

2751 (Indiscernible) 1:52:59.

2752

2753 **Bobby Wilkinson (01:53:00):**

2754 And we did it in this case, frankly, to mitigate legal
2755 risk. If you want to go into an executive session and
2756 discuss that.

2757

2758 **Leo Vasquez (01:53:11):**

2759 Mr. Marchant, you have something?

2760

2761 **Kenny Marchant (01:53:16):**

2762 Yeah. Was this the playground controversy?

2763

2764 **Bobby Wilkinson (01:53:20):**

2765 This -- this --

2766

2767 **Kenny Marchant (01:53:21):**

2768 That -- that's where this all started with that issue.

2769

2770 **Bobby Wilkinson (01:53:24):**

2771 No, not -- not a playground. This was a forward related
2772 to notification on schools as a neighborhood risk factor
2773 or -- or poor performance schools.

2774

2775 **Kenny Marchant (01:53:31):**

2776 Oh yeah. Oh definite issue --

2777

2778 **Bobby Wilkinson (01:53:32):**

2779 There was a school that wasn't listed on the website of
2780 the ISD, but that did in fact, exist.

2781

2782 **Kent Hance (01:53:39):**

2783 The Amarillo mayor -- I mean, we had somebody from
2784 Amarillo come their --

2785

2786 **Bobby Wilkinson (01:53:43):**

2787 School district. I think from the school district.

2788 Yeah.

2789

2790 **Kenny Marchant (01:53:47):**

2791 Sorry. Just trying to reconstruct it.

2792

2793 **Bobby Wilkinson (01:53:50):**

2794 Yeah. So the Board in its discretion decided to waive
2795 the notification requirement. Second application in
2796 line. Didn't think that was fair. The Board ended up
2797 giving it a forward just like, okay, here you go. Now
2798 you're both happy, but now we're having a pretty serious
2799 material amendment a year later.

2800

2801 **Kenny Marchant (01:54:08):**

2802 Thank you.

2803

2804 **Bobby Wilkinson (01:54:09):**

2805 Yeah.

2806

2807 **Leo Vasquez (01:54:11):**

2808 Is this a -- for board -- is this a 2024 award or is it

2809 a --

2810

2811 **Bobby Wilkinson (01:54:20):**

2812 Yes. A -- a forward is -- even though it was given late

2813 2023, but we didn't give in July. It was the fall, it -

2814 - it had -- it's as if it was a '24 award as far as a

2815 placed-in-service deadline, which is December 31, 2026.

2816

2817 **Leo Vasquez (01:54:34):**

2818 But we're just -- okay. So it's -- it's just like we

2819 awarded at the end -- end of July of -- at the July

2820 meeting of 2024.

2821

2822 **Bobby Wilkinson (01:54:40):**

2823 Yeah, but they got it earlier, but yeah, yeah, yeah.

2824

2825 **Kenny Marchant (01:54:47):**

2826 Mr. Chairman, I would like to hear from the Overman

2827 [sic] gentleman.

2828

2829 **Kent Hance (01:54:51):**

2830 Sure.

2831

2832 **Kenny Marchant (01:54:53):**

2833 If it's all right.

2834

2835 **Matt Gillum (01:55:00):**

2836 Good morning. I have four minutes left of a morning, I

2837 guess. My name is Matt Gillum, the Managing Partner of

2838 Overland Property Group. As Mr. Kent Hance said, we are

2839 a real estate development firm that specializes in

2840 affordable. You're familiar with us. We've completed

2841 north of 28 developments in the state of Texas

2842 successfully over the last 13 years. We have not been

2843 involved in this project from the beginning. We've only

2844 been involved over the last 60 days, basically, when we

2845 were approached by Mr. Kent Hance asking to take a look

2846 at what he believed a good -- a good development, but

2847 had some trouble financially. At that point in time, we

2848 dug in, reviewed all the materials, talked to our

2849 contractors, our architects, our engineers, our entire
2850 team and said, you know, really, Mr. Kent Hance, this is
2851 what we believe it's going to take for this to -- to
2852 actually go. Otherwise, we don't believe it -- it can
2853 work.

2854

2855 So we would only be willing and able to get involved if
2856 there were material changes made, because we -- we don't
2857 believe it's able to go into this. I can't speak to
2858 again anything that happened prior. I can only say when
2859 we pretty much started looking at it 60 days ago, this
2860 was, you know, kind of what we came about as, in its
2861 current capacity, how big is the gap? Is it even
2862 solvable with you know, wild ideas out there? If we --
2863 we remove the market rate, what does that look like?
2864 How's that underwrite? Are there changes to the
2865 construction as far as the design and inefficiencies,
2866 you know, things of that nature. So happy to answer any
2867 questions you have. I can tell you with certainty, if
2868 this amendment is made, that is when we would be getting
2869 involved, not prior. This is our -- our involvement
2870 would end now if there isn't, just simply because we
2871 don't believe it is possible to -- to happen. But I can
2872 tell you with certainty we are positive it can get done

2873 at these. Again, I can't speak to the previous, but I
2874 can tell you moving forward, and our track record, you
2875 know, hopefully backs that up. And it's not talk, it's
2876 -- it's actual action.

2877

2878 **Leo Vasquez (01:57:00):**

2879 So the numbers, the data that Mr. Kent Hance's group
2880 showed your group, in your professional opinion and
2881 analysis, you did not -- you said, this isn't viable.

2882

2883 I mean, there's no way this is going to work.

2884

2885 **Matt Gillum (01:57:18):**

2886 I, you know, we didn't go back and try to reconstruct,
2887 you know --

2888

2889 **Leo Vasquez (01:57:22):**

2890 But what was presented -- what was presented to you was
2891 --

2892

2893 **Matt Gillum (01:57:23):**

2894 Sure. Yeah.

2895

2896

2897 **Leo Vasquez (01:57:24):**

2898 You said, hey, this can't work. You've got to make
2899 these whole set of changes.

2900

2901 **Matt Gillum (01:57:25):**

2902 Sixty days ago, we looked at it and we ran all the
2903 scenarios and -- and showed them. We believe there's an
2904 \$8 million gap as it sits today, in its current state.

2905 So yes, at -- at that moment in time, that was the gap.

2906 Here's what we need to do. If we remove the market
2907 rate, what does that do to the gap, and not touch the
2908 affordable. Well, that doesn't (indiscernible) 1:57:48.

2909 So yes, as of 60 days ago, when we looked at it, our
2910 professional opinion was and still is, it's not viable
2911 as it currently sits.

2912

2913 **Leo Vasquez (01:57:55):**

2914 So wouldn't you think that a group who's been doing this
2915 since 1996 and has all this experience would know better
2916 when they're putting together these types of numbers? I
2917 mean, before they brought them to the Board or had to go
2918 to you guys, please help. I mean, it's --

2919

2920

2921 **Matt Gillum (01:58:13):**

2922 Sure.

2923

2924 **Leo Vasquez (01:58:13):**

2925 I mean, is -- is -- does that just seem highly unusual
2926 to you?

2927

2928 **Matt Gillum (01:58:19):**

2929 You know, I think -- I've been doing this 16 years, and
2930 I -- I'd say, you know, in my firm, I call them "bad
2931 vintage of the years" or you know, you get bad grapes
2932 and you still got to make the wine. And -- and we all
2933 were able to create housing through that. And we
2934 gritted our teeth and we got it done. I don't know that
2935 any of us are great at -- at going back in time and I
2936 certainly don't think I could on -- on somebody else's
2937 developments just because of the challenges. So I -- I
2938 didn't go back and look and see here was what interest
2939 rates were, here's where they moved, anything like that.
2940

2941 It was, again, they -- I think there's a lot of
2942 contributing factors, but while this is our in and out,
2943 like I said, I didn't look at it from that. It was a --
2944 how does this get done? So --

2945

2946 **Leo Vasquez (01:59:05):**

2947 Again, y'all are building other -- developing other
2948 projects and -- and such, on a really consistent basis,
2949 right?

2950

2951 **Matt Gillum (01:59:09):**

2952 Correct. We -- we've developed 90 affordable
2953 communities across the central United States, with
2954 almost 30 in the state of Texas, all successfully
2955 completed on time and budget.

2956

2957 **Leo Vasquez (01:59:19):**

2958 So in Texas since late 2003, since July, I guess, of
2959 2003, has there been radical changes in supply costs,
2960 building costs, construction costs?

2961

2962 **Matt Gillum (01:59:32):**

2963 2023?

2964

2965 **Leo Vasquez (01:59:35):**

2966 Till -- yeah. No, no, no -- well, I mean, this was
2967 presented to us in 2023 as this was ready to go. It's
2968 so good.

2969

2970 **Ajay Thomas (01:59:38):**

2971 Right, 2023.

2972

2973 **Leo Vasquez (01:59:42):**

2974 We need to take forward credits from other -- other
2975 groups.

2976

2977 **Ajay Thomas (01:59:43):**

2978 I think you had mentioned 2003.

2979

2980 **Matt Gillum (01:59:45):**

2981 Yeah, that's all right. No.

2982

2983 **Leo Vasquez (01:59:45):**

2984 2020 -- 2023. I'm sorry, I -- I'm -- if I misspoke --

2985

2986 **Matt Gillum (01:59:48):**

2987 I wish we could all go back to 20 -- 2003 pricing.

2988

2989 **Leo Vasquez (01:59:52):**

2990 I'm just getting a little, just -- but since 2023 has
2991 there been --

2992

2993 **Matt Gillum (01:59:55):**

2994 So this would have gone in, I guess into February, early
2995 March of 2023. I mean, again, it was such a -- a fast
2996 inflationary period. You know, I think even now and
2997 today there are still increases, but it's almost the --
2998 when you compare two things and you just went through
2999 such rapid inflation, everything seems okay, you know,
3000 an 8 percent increase feels okay and normal, and
3001 something you can deal with versus the 20-something
3002 percent. So again, off the top of my head, I -- I
3003 couldn't peg and tell you exactly when, you know, we saw
3004 that start leveling out. I think, you know, there was
3005 points and -- and pieces that started leveling out, I
3006 would say probably around that summer maybe. But again,
3007 that's just off the top of my head.

3008

3009 **Leo Vasquez (02:00:42):**

3010 That seems like what we've seen on other projects as
3011 well now. I don't know what Mr. Harper is seeing with
3012 his different construction projects but --

3013

3014 **Ajay Thomas (02:00:49):**

3015 Mr. Gillum, of the projects you've done since 2023,
3016 let's just say for argument's sake, go back to January

3017 of 2023, how many of your projects had such substantial
3018 material amendments, that you had to go back and redo
3019 from -- from what you initially proposed?

3020

3021 **Matt Gillum (02:01:07):**

3022 Our consultant, Sarah Anderson, I believe is here. She
3023 probably will remember better than I would. I don't
3024 believe any, but ugh, I -- I don't want to misspeak.
3025 But you know, we -- we've all had some tough ones and
3026 certainly we had a few of those. Mainly the 2021
3027 ventures of deals and '22 ventures of deals were I would
3028 say the hardest for us that we're still, you know,
3029 completing and finishing. There's a project in Fort
3030 Worth that was a '21 allocation, but since '23, I don't
3031 know that we have -- have had any. Do you know?

3032

3033 **Sarah Anderson (02:01:47):**

3034 Sarah Anderson of Sarah Anderson Consulting.
3035 Specifically for these guys, I wouldn't say, I don't
3036 recall that there's been any major changes. I would say
3037 across the portfolio of people that we've worked with
3038 since 2023 that we have had -- we've seen several that
3039 have had to go back and at a minimum, get rid of the
3040 market rate units. That has been a pretty consistent

3041 ask. And I think I've seen that also consistently from
3042 other developers. We haven't -- I will say that it's
3043 been unusual to see changes to the number of low-income
3044 units and the first time I've ever seen that happen has
3045 been in the last two years.

3046

3047 I would say I -- never before the last two years have I
3048 ever seen somebody come back and request a change. So I
3049 think that that -- that seems to be consistent with what
3050 -- what we've seen with some of our other clients and
3051 what we've seen with some other people. So I have to
3052 say, the last two years have been unusual and I've been
3053 through the '08 crash, I've been through multiple
3054 crashes and I've never seen the types of requests that
3055 we've had in the last two years, ever. The number of
3056 force majeure and the number of market rate. So I'm
3057 not sure. I don't think that it's unique to this deal,
3058 but I know your frustration because I would have told
3059 you a year ago that we would never even see somebody ask
3060 for these things. But we're seeing it and we're seeing,
3061 you know. So I don't think it's unique, but I do
3062 appreciate your frustration, is -- I don't know a single
3063 deal that hasn't struggled in the last four years.

3064

3065 I -- I don't remember a good deal. I don't remember one
3066 that anybody walked away with less than 50 percent
3067 deferred and sometimes paying to get to the closing
3068 table. It's been a very rough four years, so. I don't
3069 know if I answered your question exactly, but I haven't
3070 seen these guys -- they've -- part of the reason why
3071 Overland has been so successful is that they have in-
3072 house architecture, they have very good relationships
3073 with their contractors. And so they have an ability to,
3074 I think, value-engineer in a way that Mr. Kent Hance
3075 just, I don't think did initially. If you -- if I were
3076 to be honest, I think the architectural plans for the
3077 original deal were aspirational and based on what we
3078 used to be able to do 10 years ago. And with the
3079 changes in pricing when we were getting 98 cents, you
3080 could build what Mr. Kent Hance proposed. We're getting
3081 85 cents now and we can't build like that. We can't do
3082 the pools. We can't do all the bells and whistles. We
3083 are -- we are paring down. And I think that's probably
3084 the major issue that came up with this particular deal
3085 was, it was based on a design that we no longer can --
3086 can make work.
3087
3088

3089 **Leo Vasquez (02:05:05):**

3090 Sarah have you ever had a project that you've submitted
3091 for tax credits come in second place? I mean, not win,
3092 not -- not get awarded.

3093

3094 **Sarah Anderson (02:05:15):**

3095 I laugh because we always remember the ones we don't get
3096 more than the ones we do get. So yes, I have had a lot
3097 of them come in second place, I --

3098

3099 **Leo Vasquez (02:05:23):**

3100 Were they good projects, though? I mean, even those
3101 second place ones?

3102

3103 **Sarah Anderson (02:05:28):**

3104 Every -- every developer and consultant will tell you
3105 their deal is the best project in the -- in the round.
3106 So yes, I've had a lot of really good deals that came in
3107 second.

3108

3109 **Leo Vasquez (02:05:40):**

3110 Thank you.

3111

3112

3113 **Sarah Anderson (02:05:42):**

3114 Thank you.

3115

3116 **Anna Maria Farias (02:05:42):**

3117 Mr. Chairman?

3118

3119 **Leo Vasquez (02:05:44):**

3120 Ms. Farias?

3121

3122 **Anna Maria Farias (02:05:45):**

3123 I'm ready to make a motion. Unless you're --

3124

3125 **Leo Vasquez (02:05:50):**

3126 Does anyone else have any questions on this? Mr. Kent

3127 Hance, would you like to say one more -- give you one

3128 more opportunity.

3129

3130 **Kent Hance (02:06:06):**

3131 I'd like to say one thing in closing. This is -- is

3132 unusual, but you've granted changes before. This is one

3133 that I think that one of the things that Sarah pointed

3134 out, we had an architect that put in a pretty grandiose

3135 scheme and one that we -- one almost just like it.

3136

3137 Guadalupe Villas in Lubbock. That was approved, I
3138 guess, seven years ago. It's really doing well. But
3139 when Overland looked at it, they said, you cannot build
3140 something this good with the amount of money you've got.
3141

3142 And I think that the other issue here is that we felt at
3143 the time that the people that got the award above us did
3144 not follow all the rules. And I know there's
3145 disagreement on that, but with -- those were the rules
3146 at that time. And so you know, we -- we asked for a
3147 forward commitment. We think that we were entitled to
3148 it. And I can't foresee see everything that comes up,
3149 but I respectfully request that you approve this because
3150 as the senator said and the mayor said 90 units, you
3151 know, that -- that we get and you have to make an
3152 amendment on is a lot better than zero of 110 units.
3153 And I respectfully request that Chairman and the members
3154 grant this. Thank you very much.

3155

3156 **Leo Vasquez (02:07:50):**

3157 Board members, I'd like to point out that these credits
3158 would have gone to some other place that would have
3159 built 90 units. I mean that's -- that's -- that
3160 argument just doesn't hold water to me. I can't believe

3161 that someone that came up to us and worked around the
3162 system so hard to get forward credits awarded, and now
3163 that group is before us, asking for just radical, super
3164 material changes after it was put forth with such effort
3165 that, hey, this is ready to go. Take it from the --
3166 take it from the future. But I'll entertain a motion in
3167 either way. I think you'll know how I'm going to vote.

3168

3169 **Leo Vasquez (02:08:41):**

3170 Mr. -- Mr. Marchant?

3171

3172 **Kenny Marchant (02:08:42):**

3173 Is there any chance, gentleman from Overland, that if
3174 you withdrew this -- if this was withdrawn, you could go
3175 back and restore those 108 units or the 90 -- on this
3176 document it says 98. So I'm a little confused about the
3177 document for the unit number.

3178

3179 **Matt Gillum (02:09:04):**

3180 Just a little -- understanding on the clarity. Are --
3181 are you asking -- so -- so we're currently not involved.
3182 We're not on the application other than, you know, we're
3183 advising to say that this could get done.

3184

3185

3186 **Kenny Marchant (02:09:16):**

3187 You are the one that's value-engineering it.

3188

3189 **Matt Gillum (02:09:20):**

3190 We -- our architects put the new plan together because

3191 quite frankly the plan that was approved, market rate

3192 developers aren't even building. They-- they -- it's

3193 just not happening. It's -- it's far too intricate. I

3194 mean they're kind of like single-family custom homes

3195 that this was.

3196

3197 **Kenny Marchant (02:09:33):**

3198 Yeah.

3199

3200 **Matt Gillum (02:09:35):**

3201 But to your -- to your question, if this was approved,

3202 we would then make the request to basically take the

3203 development over. So -- so we would then become the

3204 developer.

3205

3206 **Kenny Marchant (02:09:46):**

3207 I'm asking you.

3208

3209 **Matt Gillum (02:09:46):**

3210 Yes, sir.

3211

3212 **Kenny Marchant (02:09:46):**

3213 In your value -- in your system, if we went back to is -

3214 - why is this 98 on this -- on this report?

3215

3216 **Matt Gillum (02:09:56):**

3217 I believe it's 12 units --

3218

3219 **Bobby Wilkinson (02:09:57):**

3220 It's -- it's 110 total, 98 affordable as -- as

3221 originally reported --

3222

3223 **Kenny Marchant (02:10:01):**

3224 Oh I'm sorry.

3225

3226 **Bobby Wilkinson (02:10:01):**

3227 -- so 12 market rate units.

3228

3229 **Kenny Marchant (02:10:03):**

3230 Okay. So if you -- if he took the market rate away, is

3231 there any way to -- if this was -- went back to the

3232 drawing board -- could work at the original numbers that
3233 was presented?

3234

3235 **Matt Gillum (02:10:15):**

3236 No sir, I don't believe so. We ran all those scenarios
3237 basically --

3238

3239 **Kenny Marchant (02:10:21):**

3240 Even -- even with capital injection, even taking the
3241 market rate away, All of those things?

3242

3243 **Matt Gillum (02:10:26):**

3244 Off the top of my head, I believe the gap was still
3245 roughly four to four and a half million. Just simply
3246 stripping the market rate out, making the design changes
3247 and -- and the other where it currently sits we believe
3248 the gap was still four and a half million. And so yeah.
3249 I -- I do not believe that it could.

3250

3251 **Kenny Marchant (02:10:44):**

3252 All right. Thank you.

3253

3254 **Leo Vasquez (02:10:48):**

3255 Ms. Farias, would you care to make a motion?

3256

3257 **Anna Maria Farias (02:10:48):**

3258 Yes, sir. I move the Board approve the requested
3259 material application amendments for Santa Fe Place, all
3260 as described, conditioned, and authorized in the Board
3261 Action Request resolution and associated documents on
3262 this item.

3263

3264 **Leo Vasquez (02:11:12):**

3265 Motion made by Ms. Farias to approve the material
3266 amendment. Is there a second? Hearing none. Motion
3267 dies for lack of a second.

3268

3269 Would anyone else care to make a motion? Counsel, if no
3270 motions are made on the subject, the material amendment
3271 does not get approved.

3272

3273 **Beau Eccles (02:11:45):**

3274 That would be correct.

3275

3276 **Leo Vasquez (02:11:49):**

3277 Okay. Again, anyone else care to make a motion?

3278

3279

3280 **Kenny Marchant (02:11:56):**

3281 I have a question of Counsel. Is there a repeal
3282 process? Is -- is there a repeal process to the action
3283 or inaction taken?

3284

3285 **Leo Vasquez (02:12:07):**

3286 Or can they reapply? I mean --

3287

3288 **Kenny Marchant (02:12:10):**

3289 Yes. What is it? I mean -- I mean, if -- if there was
3290 a withdrawal -- yeah.

3291

3292 **Beau Eccles (02:12:14):**

3293 If there -- if there's been motion made, approved or
3294 denied, then the matter would be -- ostensibly could be
3295 brought back again in the subsequent -- the -- the
3296 actual motion has never been treated by the Board then,
3297 they could raise it at a -- a future time.

3298

3299 **Kenny Marchant (02:12:37):**

3300 Okay. But -- but the inaction, basically, I'm -- I'm
3301 just trying to get my head around it. Okay.

3302

3303

3304 **Leo Vasquez (02:12:43):**

3305 It's kind of like tabling it, right?

3306

3307 **Beau Eccles (02:12:47):**

3308 It effectively tables it.

3309

3310 **Kenny Marchant (02:12:49):**

3311 It tables it. Now if it tables it means they lose the -

3312

3313 **Ajay Thomas (02:12:52):**

3314 It's dead.

3315

3316 **Kenny Marchant (02:12:52):**

3317 -- the credit. They lose the credit or --

3318

3319 **Beau Eccles (02:12:54):**

3320 No, not yet.

3321

3322 **Kenny Marchant (02:12:56):**

3323 They just can -- they can reconstruct. Okay.

3324

3325 **Beau Eccles (02:12:58):**

3326 And get it back.

3327

3328 **Leo Vasquez (02:13:07):**

3329 Do you want to say anything? Okay. If -- if we've had
3330 public comment, I think.

3331

3332 **Kent Hance (02:13:13):**

3333 I could not hear what was being said. I apologize.

3334

3335 **Leo Vasquez (02:13:17):**

3336 Okay. Do you want to recap or do you want me to?

3337

3338 **Beau Eccles (02:13:20):**

3339 Sure. There was a -- a motion to approve by Member
3340 Farias. It died for lack of a second. And now there is
3341 no motion being made on this item. Effectively, if
3342 there is no motion being made, then the item is not
3343 being treated, it's as if it was pulled from the agenda.
3344 It just doesn't exist, since it hasn't actually been
3345 ruled on by the Board.

3346

3347 **Leo Vasquez (02:13:44):**

3348 So it can be tabled. I mean that table --

3349

3350 **Beau Eccles (02:13:48):**

3351 It effectively tables that.

3352

3353 **Leo Vasquez (02:13:50):**

3354 But then that does not cut them off from coming back
3355 with another proposal.

3356

3357 **Beau Eccles (02:13:56):**

3358 No, it doesn't. It just means that your motion hasn't
3359 been heard or hasn't been ruled on by the Board.

3360

3361 **Kent Hance (02:14:04):**

3362 Okay.

3363

3364 **Leo Vasquez (02:14:07):**

3365 Hearing no motion to the contrary, this item 19, the
3366 Board does not take any final action and it's tabled.
3367 It's -- it's sent back to -- it's sent back to Staff.

3368

3369 **Beau Eccles (02:14:27):**

3370 If you'd like to make a formal and if -- well, it's not
3371 sent back to staff because there's nothing there.

3372

3373 **Holland Harper (02:14:29):**

3374 Chairman, can I -- Mr. Hance (sic) 2:14:33, would you
3375 like this table to see if you can keep engineering this

3376 project, value--engineering this project? Would you
3377 like more time to see if you can value engineer this
3378 project to meet your needs?

3379

3380 **Kent Hance (02:14:44):**

3381 Yeah. We -- we'd like to at least look at it and -- and
3382 see if we can make some adjustments because it's a --
3383 it's a good project.

3384

3385 **Holland Harper (02:14:52):**

3386 I mean --

3387

3388 **Kent Hance (02:14:55):**

3389 And I know there's a lot of hard feelings about how it
3390 was granted, and -- and so I -- I would like to at least
3391 look at it, if -- if there would be an open mind. If I
3392 come back with something, they're not guaranteeing that
3393 I'd get it or not get it, but if your mind's made up
3394 that I'm never going to get it, then I -- I should know
3395 that.

3396

3397 **Leo Vasquez (02:15:18):**

3398 Does it work for all --

3399

3400 **Holland Harper (02:15:19):**

3401 I think that you've had 60 days to review your project
3402 and value-engineer it. You've had one opinion from a
3403 qualified developer. You are a developer. You've done
3404 projects. We know the projects you've got in -- in
3405 Amarillo is tough because it's historic and it's -- and
3406 it's taken your time. Let's give you some more time to
3407 see if you can keep working your numbers. I know wood
3408 is down, but electrical's up, plumbing is up, concrete's
3409 been stable, steel's moving. Let's see if you can keep
3410 working on this and see if we can keep come to
3411 resolution with this board.

3412

3413 So I'll make a formal motion for tabling this item and
3414 then you can bring this back in 60 days to see if you
3415 could have more time to work on it.

3416

3417 **Ajay Thomas (02:16:00):**

3418 I would second that motion, Mr. Chair.

3419

3420 **Leo Vasquez (02:16:03):**

3421 Okay. Motion made to table by Mr. Harper.

3422

3423

3424 **Holland Harper (02:16:06):**

3425 I move the Board table this item for Santa Fe Place, all
3426 described -- or Santa Fe Place for 60 days and you can
3427 come back to this board.

3428

3429 **Ajay Thomas (02:16:15):**

3430 Second.

3431

3432 **Leo Vasquez (02:16:15):**

3433 Motion made by Mr. Harper to table. Seconded by -- by
3434 Mr. Thomas. Okay. All -- all those in favor of
3435 tabling, say aye.

3436

3437 **All Board Members (02:16:23):**

3438 Aye.

3439

3440 **Leo Vasquez (02:16:27):**

3441 I'm opposed. The motion carries to table. Okay. Thank
3442 you. Moving on to item 20 of the agenda. Presentation,
3443 discussion, possible action to adopt Final Orders of
3444 debarment for SRCJJC Lubbock Management, LLC and
3445 associated responsible entities and individuals, and THF
3446 Housing Development Corporation and associated
3447 responsible entities and individuals, and the City of

3448 Lubbock Housing Initiatives and associated responsible
3449 entities and individuals, and to consider the timely
3450 filed appeals. It's Lubbock day. All right. Ms.
3451 Stremmler, please give us a brief overview of your work.
3452

3453 **Sascha Stremmler (02:17:17):**

3454 I will do my best.

3455

3456 **Leo Vasquez (02:17:19):**

3457 Okay.

3458

3459 **Sascha Stremmler (02:17:20):**

3460 Good afternoon, Chairman Vasquez, members of the Board.
3461 Sascha Stremmler here today in my capacity as Assistant
3462 General Counsel to present item 20 concerning final
3463 orders of debarment for SRCJJC Lubbock Management, LLC,
3464 THF Housing Development Corporation, the City of Lubbock
3465 Housing Initiatives, and associated responsible parties
3466 and entities, and to consider the timely filed appeals.
3467 The debarments at hand today concern three related
3468 developments all located in Lubbock. My plan is to give
3469 you a brief background and then I will address each
3470 proposed debarment separately by ownership group in an
3471 effort to try to keep this as clean as possible.

3472

3473 Estrada North has 140 units with 112 affordable, subject
3474 to a 2004 tax credit LURA, which was originally set to
3475 terminate in 2046. It was owned by THF Housing
3476 Development Corporation, which I will now refer to as
3477 "THF," as the general partner and the fee title owner
3478 with SRCJJC Lubbock Management as a limited partner.

3479 Estrada South has 112 units with 100, affordable subject
3480 to a 2004 tax credit LURA, which is originally --
3481 originally set to terminate in 2044. It was owned by
3482 THF as general partner and fee title owner, and SRCJJC
3483 Lubbock Management as limited partner.

3484

3485 Estrada South 2 has 120 units all affordable, with 32 of
3486 those units also public housing units with Lubbock
3487 Housing Authority, subject to a 2008 tax credit LURA,
3488 which was originally set to terminate in 2048. It was
3489 owned by the City of Lubbock Housing Initiatives as
3490 general partner and fee title owner, and SRCJJC Lubbock
3491 Management as limited partner. All three developments
3492 were originally owned by City of Lubbock Housing
3493 Initiatives, which is the nonprofit instrumentality of
3494 Lubbock Housing Authority. In 2017, THF purchased
3495 Estrada North and Estrada South 1 and assumed the roles

3496 of general partner and fee title owner of both
3497 developments. In March 2019, the limited partnership
3498 interest in all three developments was sold to Lubbock
3499 Affordable Housing Group, LLC. THF and Lubbock Housing
3500 Initiatives both signed amended limited partnership
3501 agreements in 2019 with that limited partner, which
3502 delegated control authority of the developments to the
3503 limited partner. In 2022 the limited partnership
3504 interests were then sold to SRCJJC Lubbock Management,
3505 LLC. All three of these developments were damaged in
3506 the February 2021 winter storm and -- and were
3507 financially distressed due to the water damage. In
3508 January 2023, loans were refinanced on Estrada North and
3509 Estrada South 1, which were signed by SRCJJC and which
3510 THF consented to as the fee title owner.

3511

3512 In July 2023, a loan was taken out on Estrada South 2,
3513 which was signed by SRCJJC only. The loans went into
3514 default and all three developments were foreclosed on
3515 August 6, 2024, terminating TDHCA's tax credit LURAs.
3516 Texas Government Code Section 2306.0504B states that
3517 "the Department may debar a person from participation in
3518 a department program on the basis of a person's past
3519 failure to comply with any condition imposed by the

3520 Department in the administration of its programs." 10
3521 TAC Section 3.401 (sic) (a)(7) states, "the Department
3522 may debar a responsible party for controlling a
3523 multifamily development that was foreclosed after April
3524 1, 2021, where the foreclosure or deed in lieu of
3525 foreclosure terminates a subordinate TDHCA LURA." After
3526 the Department was notified of the foreclosures, the
3527 responsible parties were referred for debarment. While
3528 the grounds for debarment in this case are
3529 discretionary, foreclosure is one of the most serious
3530 debarment violations because it results in the
3531 termination of the LURAs, including loss of 300
3532 affordable units in Lubbock, a loss of 22 additional
3533 years of affordability for Estrada North, 20 additional
3534 years for Estrada South 1, and 24 additional years of
3535 affordability for Estrada South 2.

3536

3537 Debarment is not a punishment. One of its purposes is
3538 to give the responsible parties time to regroup and fix
3539 their internal policies and mechanisms to show they can
3540 responsibly administer TDHCA properties and funding.
3541 There is no minimum -- required minimum or maximum
3542 debarment term. The Enforcement Committee reached its
3543 recommendation based on material factors outlined under

3544 10 TAC Section 2.401[j] which are detailed in your
3545 materials. Traditionally, when an entity serves as the
3546 general partner of a development, it manages the day-to-
3547 day operations of the development and it also assumes
3548 all liability and responsibility for the debts and
3549 obligations of the development. The general partner
3550 role is critical to the operation of the development and
3551 the Department requires advance approval of any transfer
3552 of general partnership interest. I'll now go into the
3553 proposed debarment by ownership group. I was planning
3554 to take them in the order of THF, then Lubbock Housing
3555 Authority, and then SRCJJC, but I can -- if the Chair
3556 has --

3557

3558 **Leo Vasquez (02:22:21):**

3559 Whichever you want, either one.

3560

3561 **Sascha Stremmler (02:22:23):**

3562 Okay. At the time of foreclosure of Estrada North and
3563 Estrada South 1, the general partner of both -- of -- of
3564 both developments was THF. They were also the fee title
3565 owner. At the time of foreclosure, THF was controlled
3566 by Mark Mayfield, which was its former President and
3567 CEO, as well as Board Officers Susan Hamm, Griffith

3568 Morris and Johnny White. The Enforcement Committee held
3569 an informal conference on October 29, 2024. On November
3570 13, 2024, the TDHCA Executive Director issued a
3571 debarment determination notice recommending a one-year
3572 debarment term for THF Housing Development Corporation,
3573 Mark Mayfield, Susan Hamm, Griffith Morris, and Johnny
3574 White. Those parties have -- have appealed their
3575 department determinations. THF controls nearly 50
3576 developments that are monitored by TDHCA and is well
3577 aware of the responsibilities required by the Department
3578 of a general partner. So when THF voluntarily ceded
3579 control of Estrada North and Estrada South 1 to the
3580 limited partner in 2019, it understood what that
3581 entailed and the inherent risks. In fact, in 2023, THF
3582 submitted a control form to the Department evidencing
3583 its transfer of control to SRCJJC. But that
3584 documentation explicitly stated this assignment and
3585 acceptance of agreement does not negate possible --
3586 possible accountability for THF in relation to debarment
3587 proceedings if -- if appropriate under 10 TAC Section
3588 2.401 relating to the Department's debarment rule.
3589
3590 The recommendation of a one-year debarment from Staff
3591 takes into account mitigating factors which are that THF

3592 did attempt to regain control of Estrada North and
3593 Estrada South 2 -- sorry -- Estrada South 1, after it
3594 became aware of the mismanagement by filing a lawsuit
3595 against the limited partner SRCJJC. From court records,
3596 it appears that that lawsuit has -- has since settled,
3597 but the Department does not have any information
3598 concerning the terms of that settlement between the
3599 parties. The Enforcement Committee recommends approval
3600 of the order of debarment of THF Housing Development
3601 Corporation, Mark Mayfield, Susan Hamm, Griffith Morris,
3602 and Johnny White for a period of one year. I'm
3603 available for questions. THF does have representatives
3604 here. Would you like to hear all of these? Would you
3605 want me to -- to present all of these and then have them
3606 come up, or would you like to have THF come up and then
3607 --

3608

3609 **Leo Vasquez (02:24:35):**

3610 I think I'd rather hear the context of all of them
3611 because it's --

3612

3613 **Sascha Stremmler (02:24:42):**

3614 Okay.

3615

3616 **Leo Vasquez (02:24:41):**

3617 There are some that are pointing to the others, right?

3618 So yeah. So.

3619

3620 **Sascha Stremmler (02:24:45):**

3621 Right. Right. Yeah. At the time of foreclosure of

3622 Estrada South 2, the general partner, as well as fee

3623 title owner was the City of Lubbock Housing Initiatives,

3624 controlled by its Executive Director Mike Chapman, as

3625 well as Board Officers Toby Cecil and Ayda Chapa. The

3626 Enforcement Committee held an informal conference on

3627 November 13, 2024, concerning the foreclosure of Estrada

3628 2-- Estrada South 2. On December 11th, the TDHCA

3629 Executive Director issued a debarment determination

3630 notice recommending a one-year debarment term for the

3631 City of Lubbock Housing Initiatives, the Housing

3632 Authority of the City of Lubbock, Mike Chapman, Tony --

3633 Toby Cecil, and Ayda Chapa. Those parties have appealed

3634 their debarment determinations. Lubbock Housing

3635 Authority and its nonprofit instrumentality do not

3636 control any other developments that are currently

3637 monitored by TDHCA. At the informal conference and in

3638 their written response, representatives for the Housing

3639 Authority stated that since delegating control of

3640 Estrada South 2 in 2019 to SRCJJC, they had minimal
3641 involvement with the development other than managing the
3642 32 public housing units in in the development, despite
3643 its continued role as general partner of the
3644 development. Representatives stated in the informal
3645 conference that they were so uninvolved in the
3646 operations of the development, they didn't even realize
3647 there was an issue until it was too late.

3648 The Housing Authority did state as a mitigating factor
3649 that as fee title owner, they have offered to the new
3650 owner to remain in the general partner role and restore
3651 the tax exemption if the new owner agrees to reinstate
3652 the LURA, but we have not gotten any confirmation of
3653 whether that has come to fruition. The Enforcement
3654 Committee recommends approval of the order of debarment
3655 of the City of Lubbock Housing Initiatives, the Housing
3656 Authority of the City of Lubbock, which is also known as
3657 Lubbock Housing Authority, Mike Chapman, Toby Cecil and
3658 Ayda Chapa, for a period of one year and the Housing
3659 Authority does have representatives here as well. At
3660 the time of foreclosure, SRCJJC served as the limited
3661 partner of all three developments and was in control of
3662 day-to-day operations pursuant to the limited
3663 partnership agreements. SRCJJC was controlled by Chris

3664 Roberts, Peter Delfino, George Arau, and Jennifer Joyce.
3665 The Enforcement Committee held an informal conference on
3666 October 29, 2024, concerning the foreclosures of Estrada
3667 North and Estrada South 1. The Enforcement Committee
3668 held an informal conference on November 13 concerning
3669 the foreclosure of Estrada South 2. On December 11, the
3670 TDHCA Executive Director issued a debarment
3671 determination notice recommending a 10-year debarment
3672 determinate term for SRCJJC Lubbock Management LLC,
3673 Chris Roberts, Peter Delfino, George Arau and Jennifer
3674 Joyce.

3675

3676 None of the SRCJJC entities or individuals appealed
3677 their debarment determinations. At both informal
3678 conferences, Chris Roberts and Jennifer Joyce
3679 represented SRCJJC in which they made broad allegations
3680 of fraud against their partner, George Arau. The
3681 Enforcement Committee had -- the Enforcement Committee
3682 has not heard from George Arau, so it has not been able
3683 to substantiate any of those claims. Chris Roberts and
3684 Jennifer Joyce submitted no written evidence or
3685 documentation of such fraud. The Committee's
3686 understanding of the alleged fraud is that SRCJJC came
3687 into the deal after the 2021 storm with the promise by

3688 the prior limited partner of insurance proceeds. It is
3689 alleged that George Arau and a third party pocketed some
3690 of the insurance proceeds, and the SRCJJC failed to
3691 properly repair the development. There is also a
3692 refinance of the loans on Estrada North and Estrada
3693 South 1, and an additional loan taken out on Estrada
3694 South 2, in which it is alleged that the money was
3695 funneled from those transactions to George Arau and a
3696 third party. Those loans ultimately went to default
3697 resulting in foreclosures which triggered the debarments
3698 before you today. Again we haven't received -- the
3699 Enforcement Committee has not provided any like evidence
3700 of this. This is just what was told to us. The
3701 Enforcement Committee recommends approval of the order
3702 of debarment of SRCJJC Lubbock Management LLC. Chris
3703 Roberts, Peter Delfino, George Arau and Jennifer Joyce
3704 for a period of 10 years. I'm available for questions.

3705

3706 **Leo Vasquez (02:28:45):**

3707 Okay. Just -- do you want to add something?

3708

3709 **Bobby Wilkinson (02:28:52):**

3710 I'd just like to say that, you know, the idea of
3711 punishment for foreclosure was -- was motivated by

3712 mostly for-profit entities that seem to sometimes take
3713 out loans in weird ways, and then get foreclosed upon.
3714 And what was -- what was the penalty? You know, there's
3715 a loss to the state, those tax credits paid for a
3716 certain number of years affordability, and it's -- it's
3717 gone. It gets wiped out in foreclosure. We had last
3718 month, a nonprofit that got caught up because the
3719 general partner was the general partner, even though
3720 they delegated. And this month, we have two public
3721 entities. THF is a like a multi-county Housing
3722 Authority. It's because they're in their own little
3723 part of statute. And then of course, the Lubbock
3724 Housing Authority is the -- the Lubbock Housing
3725 Authority. Y'all let on track, off last time, based on
3726 testimony. We've kept staff recommendation consistent.
3727 It's been pretty punishing as -- as it is. So I'd, you
3728 know, leave it to the Board. But we felt like, you
3729 know, well, based on the rule, the general partner, even
3730 though they delegated and you know, that they -- they
3731 have some responsibility, I'm sure we're going to hear
3732 from them on their -- on their point of view and how the
3733 for-profit entity, which is you know, debarred for 10
3734 years, and didn't appeal, you know, gave them a hard
3735 time, messed them around. So just giving a little

3736 background on why the rule is the way it is, what the
3737 original target was, and you know, there's these other
3738 mitigating circumstances. Okay.

3739

3740 **Leo Vasquez (02:30:28):**

3741 All right. Thank you. Okay. So SJC LL -- JCC --
3742 they're -- they have not -- and none of the individuals
3743 in that have appealed, asked for --

3744

3745 **Sascha Stremmler (02:30:40):**

3746 We did not receive any --

3747

3748 **Leo Vasquez (02:30:41):**

3749 Okay.

3750

3751 **Sascha Stremmler (02:30:43):**

3752 Yeah. Appeals from them I'm not sure if anybody is
3753 present for them today.

3754

3755 **Leo Vasquez (02:30:45):**

3756 Okay. Out of curiosity, if there are allegations of
3757 misappropriation of funds in that -- amongst those
3758 individuals, do we have any information as to whether

3759 it's been referred for prosecution or you know, legal
3760 investigation?

3761

3762 **Sascha Stremmler (02:31:04):**

3763 At the Enforcement Committee hearing, they said there
3764 was like a police report filed, something filed with the
3765 FBI. We asked for them to please provide some like,
3766 documentation of reports or something like that. And we
3767 haven't -- we didn't receive anything, so.

3768

3769 **Leo Vasquez (02:31:19):**

3770 No, I'm just saying because not only did it -- does it
3771 sound from what's been --

3772

3773 **Sascha Stremmler (02:31:24):**

3774 Right.

3775

3776 **Leo Vasquez (02:31:26):**

3777 Relayed to us that the partners and limited partners and
3778 everyone in the -- in that -- this whole fiasco, not
3779 only did they lose, but the state, under this
3780 foreclosure, were losing all these things that you
3781 enumerated.

3782 So I mean all these -- it just seems that there should
3783 be a little bit more follow up on the potentially
3784 criminal aspect of that type of misappropriation of
3785 funds that you know, the state, TDHCA, is an agreed
3786 party.

3787

3788 **Sascha Stremmler (02:31:58):**

3789 And I -- I mean, THF may be able to speak more to that.
3790 The lawsuit that they filed against SRCJJC did allege
3791 claims of fraud, but I'm not sure what --what -- if they
3792 filed any kind of police reports or anything like that
3793 to try to get some kind of criminal investigation done
3794 or not.

3795

3796 **Leo Vasquez (02:32:14):**

3797 Okay. And Sascha, I don't know if you can answer this
3798 question, but is the Lubbock Housing Authority, City of
3799 Lubbock or I guess, THF, are they involved in any 9
3800 percent applications that have now been submitted for
3801 2025?

3802

3803 **Sascha Stremmler (02:32:35):**

3804 Six.

3805

3806 **Leo Vasquez (02:32:38):**

3807 Six. Okay. All right. Well. Okay. So -- so this
3808 isn't a moot point, okay, on -- on the -- the debarment.
3809 Questions for Ms. Stremmler?

3810

3811 **Kenny Marchant (02:32:52):**

3812 When the debarment takes place and it involves
3813 individuals, the -- is it trackable that those
3814 individuals enter back into the system through other
3815 like limited partnerships or -- I mean, do they sneak
3816 back into the system through other kind of
3817 organizations, shelters, et cetera?

3818

3819 **Sascha Stremmler (02:33:16):**

3820 No, the -- so because we -- because we bring it down to
3821 the individual level, any applications in which that
3822 individual is part of the ownership structure would not
3823 be -- wouldn't be allowed to proceed.

3824

3825 **Kenny Marchant (02:33:27):**

3826 But if -- if the ownership structure was XYZ Limited
3827 Inc., blah blah, blah, do you go back and check the
3828 principals in that entity?

3829

3830

3831 **Sascha Stremmler (02:33:39):**

3832 Yes.

3833

3834 **Kenny Marchant (02:33:41):**

3835 Okay. That's -- thank you very much.

3836

3837 **Leo Vasquez (02:33:47):**

3838 Okay. And then again, in summary, and I guess we'll

3839 have them come up the -- it was the individuals at SJC

3840 SS, that acronym one, that were managing the property

3841 and managing the financing and -- finances and all that?

3842

3843 **Sascha Stremmler (02:34:06):**

3844 Yes. Since -- right. Since 2022, they came in, there

3845 were insurance proceeds paid out, supposed to be used to

3846 restore the property and the properties -- so we also

3847 previously had enforcement referrals for compliance

3848 purposes because of the conditions of the units and that

3849 took place last year. But, yeah, they didn't -- they

3850 didn't repair the property up to what it needed to be.

3851 And then, yeah, then there was some accusations that

3852 they had pocketed some of the money.

3853

3854 **Leo Vasquez (02:34:35):**

3855 Okay. Do you know, I'm sure someone here can answer --

3856 so who owns title to the property now?

3857

3858 **Sascha Stremmler (02:34:41):**

3859 So I believe for Estrada North and -- and its --

3860

3861 **Leo Vasquez (02:34:44):**

3862 The properties, I guess, so.

3863

3864 **Sascha Stremmler (02:34:46):**

3865 Right. For Estrada North and Estrada South 1, they were

3866 foreclosed on and the fee title owner signed off on it.

3867 So I believe THF lost those properties. But Lubbock

3868 Housing Authority the -- so for Estrada South 2, Lubbock

3869 Housing Authority does still own the land, the

3870 development.

3871

3872 It's kind of confusing because it's like a leasehold.

3873

3874 **Leo Vasquez (02:35:07):**

3875 A lease. Yeah.

3876

3877

3878 **Sascha Stremmler (02:35:09):**

3879 The development was purchased at foreclosure. So
3880 there's a new owner entirely of Estrada North and
3881 Estrada South 1. And then there's a new owner of the
3882 improvement on Estrada South 2. But Lubbock Housing
3883 Authority does still own the land and has the ground
3884 lease for the development.

3885

3886 **Leo Vasquez (02:35:28):**

3887 And you mentioned something about someone being willing
3888 to put a LURA back on these properties?

3889

3890 **Sascha Stremmler (02:35:34):**

3891 Yeah. So at the Enforcement Committee hearing, Lubbock
3892 Housing Authority did mention that they had been in
3893 conversation with the purchaser of the development at
3894 foreclosure to say that they would offer to basically
3895 reinstate the tax exemption that's on the property, if
3896 they would agree to -- to reinstate the LURA. But we --
3897 I wasn't sure what the resolution of that was, so.

3898

3899 **Leo Vasquez (02:36:00):**

3900 Okay. Who wants to go next? So sign in your name and
3901 which group you're with.

3902

3903 **Allison Milliorn (02:36:19):**

3904 Good afternoon. My name is Allison Milliorn. I'm the
3905 President of the Texas Housing Foundation as of August
3906 of 2024. If you'll allow it, I have our Board Chair
3907 here with me today, Susan Hamm. She has agreed to cede
3908 her time to me so that I can read my full statement.
3909 Thank you.

3910

3911 **Leo Vasquez (02:36:39):**

3912 Go ahead.

3913

3914 **Allison Milliorn (02:36:41):**

3915 We are Texas Regional Housing Authority that has
3916 provided affordable housing to Texas since 2005. Since
3917 our inception, the Texas Housing Foundation and its
3918 affiliates have made it our mission to make a meaningful
3919 difference in the lives of Texans in need of a hand up.
3920 Over the years, we've earned an increasingly meaningful
3921 presence in Texas affordable housing with over 5,000
3922 units under our ownership. THF and its affiliates have
3923 been active in providing affordable housing in Texas for
3924 over 30 years. During this time, we have maintained a
3925 stellar record and have certainly never had a

3926 foreclosure occur before we participated in These
3927 properties. Our organization's commitment to the
3928 communities we serve is unwavering, a value deeply
3929 rooted in the vision of our past president, Mark
3930 Mayfield. Mark spearheaded efforts to ensure that our
3931 work extends beyond providing affordable housing,
3932 emphasizing the importance of lifting up all citizens in
3933 our service areas, not just our housing clients. His
3934 dedication to community service has inspired the
3935 initiatives we continue today, including food pantries,
3936 financial assistance, and social workers who offer
3937 critical navigation services to those in need.
3938 Importantly, all profits from our affordable housing
3939 developments are reinvested into these essential
3940 community programs.

3941

3942 Over the past five years alone, we have -- we have
3943 allocated more than \$9.5 million to our communities.
3944 This includes supporting the creation of community
3945 resource centers that provide vital services to the
3946 greater community, while reducing costs by bringing
3947 those services under one roof, completely free of
3948 charge. Through this work, we honor Mark's legacy and
3949 remain steadfast in our mission to uplift and strengthen

3950 our communities. It's essential to recognize that in
3951 the case of the Lubbock properties, the situation is far
3952 more complicated than it may initially appear. At the
3953 heart of the issue is control. Despite our commitment
3954 to ensuring the long-term success of these properties,
3955 we were blocked at every turn by our partners,
3956 preventing us from taking necessary steps to keep the
3957 property functioning. Our attorney will speak more in
3958 detail to this matter, but I want to make it clear that
3959 the circumstances in Lubbock do not reflect our
3960 organization's typical operations. Furthermore, I want
3961 to draw your attention to another property in our
3962 portfolio that has struggled since its inception. This
3963 property has faced significant challenges, but when the
3964 original lender backed out, it was taken TDHCA that
3965 stepped in to provide the permanent loans.

3966

3967 Our partners fulfilled their guarantee obligations and
3968 made it clear that they would no longer fund the
3969 property or its operations. As the nonprofit general
3970 partner, we've invested approximately \$1 million out of
3971 our own operations to keep this property out of
3972 foreclosure and we will continue to do so. Despite
3973 these efforts, the property remains significantly under

3974 occupied, currently at just 35 percent. Yet even in the
3975 face of these challenges, this property scored an
3976 impressive 92.67 on its NSPIRE Audit conducted by TDHCA
3977 in November of 2024. Additionally, when the wildfires
3978 devastated the Panhandle area last year, we did not
3979 hesitate to send our own staff to assist, providing
3980 units and resources to the community to help with the
3981 help of elected officials. This is what we do when we
3982 have control. We do everything within our power to
3983 ensure that the properties fulfill their intended
3984 purpose of providing stable, affordable housing for
3985 those who need it most.

3986

3987 The real challenge in this deal stemmed from -- from
3988 actions by our limited partners who allegedly
3989 misappropriated funds, obstructed our access to the
3990 property, and provided inaccurate financial statements.
3991 We made every effort to fulfill our obligations as
3992 general partner, including deploying our own maintenance
3993 staff to complete repairs whenever we were granted
3994 access. Additionally, we self-reported the partnership
3995 to TDHCA after discovering false certifications on
3996 behalf of SRCJJC related to the 2021 ice storm. While
3997 delegation provisions are standard in our industry, they

3998 do not equate to the abandonment of responsibility. The
3999 Texas Housing Foundation is not a large-scale developer
4000 or profit-driven. We are a regional Housing Authority
4001 that is not funded by HUD. We're committed to providing
4002 affordable housing and improving the well-being of the
4003 communities we serve. If this board were to debar THF
4004 Housing Development Corporation today, it would have a
4005 devastating impact on six bond deals that are currently
4006 in progress, deals in which we've already gone through
4007 the bond lottery in November, and will soon be receiving
4008 their reservations. One is submitting their application
4009 today, one submitted theirs back on the 7th, and we
4010 received notice today of another that is due in the
4011 coming weeks.

4012

4013 These deals were initiated with our partners who trusted
4014 us to fulfill our commitments to affordable housing. To
4015 debar us would now -- now would penalize not only our
4016 organization, but also these innocent partners who would
4017 be harmed through no fault of their own. More
4018 importantly, it would impact the availability of housing
4019 -- affordable housing across the state. It would also
4020 have a chilling effect on the organizations deciding
4021 whether to take a chance on struggling properties. In

4022 conclusion, I urge you to consider the greater good and
4023 the long-term impact of your decision. The Texas
4024 Housing Foundation and its affiliates, in particular,
4025 THF Housing Development Corporation, have demonstrated a
4026 long-standing commitment to affordable housing and to
4027 the well-being of Texans. We've made changes to ensure
4028 that these issues do not happen again, and we ask you to
4029 take that into account as you make your decision. Thank
4030 you for your time and consideration. We're here today
4031 not only to ask for your understanding, but to reaffirm
4032 our commitment to the communities we serve and the
4033 housing solutions that are so desperately needed across
4034 the state. Thank you.

4035

4036 **Leo Vasquez (02:42:31):**

4037 Great. Thank you for that statement.

4038

4039 **Bobby Wilkinson (02:42:36):**

4040 Perfect time.

4041

4042 **Leo Vasquez (02:42:36):**

4043 Well-timed too, exactly. Okay. That's -- hang on. I'm
4044 going to make a suggestion. Not that I would ever in

4045 any way prevent someone who wants to make a public
4046 comment from commenting, but -- so that was for THF.

4047

4048 **Allison Milliorn (02:42:55):**

4049 He's an attorney.

4050

4051 **Leo Vasquez (02:42:56):**

4052 Okay. Well, I'll -- if I'll give you an opportunity to
4053 speak in just a second, I'd like to just have someone --
4054 Mr. Palmer or either, talk on behalf of the Lubbock, the
4055 City of Lubbock just --

4056

4057 **Mike Chapman (02:43:18):**

4058 Good afternoon. I'm Mike Chapman. I'm the Executive
4059 Director of the Housing Authority of the City of Lubbock
4060 and one of the persons named in the determination of
4061 debarment under discussion today. The Lubbock Housing
4062 Authority was established in 1941 to run the public
4063 housing program for the City of Lubbock. Estrada South
4064 2 was originally a public housing site that was
4065 redeveloped with the aid of a private developer and 9
4066 percent tax credits. The project opened in 2007 with
4067 120 units, all of which are low-income housing tax
4068 credits and 32 units are also public housing. The

4069 project was built on land ground lease from the LHA.
4070 LHA's affiliate manages the project's owner's general
4071 partner, so that the project can qualify for 100 percent
4072 tax exemption. The project has always struggled with
4073 occupancy and has -- was difficult to manage. The
4074 property location was not ideal based on neighborhood
4075 features, including adjacent to a railroad switch yard.
4076 There was little to attract and retain tenants. The
4077 investor and property manager have changed multiple
4078 times throughout the project's operation.

4079

4080 In 2017, the Housing -- Texas Housing Foundation was
4081 brought in to provide experienced tax credit management,
4082 but in 2018, they were removed by the primary lender and
4083 another third-party property manager was brought in. In
4084 March 2019, the investor changed and the Lubbock
4085 Affordable Housing Group, LLC became the substitute
4086 limited partner. Neither this entity nor its owners are
4087 related to the LHA. In order to obtain the new
4088 investor's participation, the amended and restated
4089 limited partnership agreement was amended with this
4090 change. The general partner controlled by LHA's
4091 affiliate was required to delegate most of its powers to
4092 the substitute limited partner. LHA and its affiliate

4093 have had minimal involvement in the project since the
4094 delegation of powers in 2019. LHA continues to provide
4095 HUD operating subsidy for the public housing units, but
4096 that is essentially to the extent of its recent
4097 involvement in the project. A new lender was introduced
4098 in 2023 and it foreclosed on the project in August of
4099 2024, purchasing the project at foreclosure through an
4100 affiliate. The foreclosure resulted in the termination
4101 of TDHCA LURA and LHA lost its interest in the project
4102 owner. The property has been problematic for the lender
4103 because of the HUD Declaration of Trust for public
4104 housing units survived the foreclosure and the lender
4105 has difficulties finding a purchaser who would take the
4106 project with public housing requirements. In the
4107 expectation that HUD is likely to require that LHA
4108 continue to oversee the public housing units, we have
4109 been trying to facilitate the restoration of the TDHCA
4110 LURA by tying LHA's involvement with the public housing
4111 units to the purchaser's voluntary reinstatement of the
4112 TDHCA LURA. LHA's mission is to make it as easy as
4113 possible for people to afford affordable housing
4114 solutions, applications, and information. We continue
4115 in that mission and request that the TDHCA Board not
4116 penalize LHA for the LURA termination, when the LHA did

4117 not have control of the project or its financing. Thank
4118 you for considering our perspective and I'm happy to
4119 answer any questions.

4120

4121 **Leo Vasquez (02:46:50):**

4122 Thank you, Mr. Chapman. Actually, I think it's
4123 fascinating -- so the HUD requirements still stay with
4124 the properties, but the LURA doesn't?

4125

4126 **Mike Chapman (02:47:01):**

4127 Yes.

4128

4129 **Leo Vasquez (02:47:02):**

4130 Wow. Okay. All right.

4131

4132 **Mike Chapman (02:47:04):**

4133 Declaration of Trust helped us out there.

4134

4135 **Leo Vasquez (02:47:05):**

4136 Okay. Before inviting up other speakers, I just wanted
4137 to share my one out of six perspectives on this board
4138 that, I mean, the SRCJJC. To me, that's just absolutely
4139 -- 10 years. Can we make it a lifetime ban? I mean,
4140 just -- and that's -- okay. But --

4141

4142 **Bobby Wilkinson (02:47:33):**

4143 You -- you can increase the number, but it can't be
4144 lifetime. It has to be a number.

4145

4146 **Leo Vasquez (02:47:35):**

4147 Okay. Ten. All right. Okay. So I have no problem
4148 with that, 10 years. And really I am interested about
4149 getting that referred to us being a aggrieved party in
4150 the, you know, legal -- legal sense. After having
4151 scanned through all this before the meeting and then
4152 hearing, I'm of the mindset that the Housing Authority
4153 and THF, I don't see any need personally to debar them,
4154 but it's up to everyone, obviously, to form your own
4155 opinion. And we can hear other speakers as well, unless
4156 anyone else wants to express an opinion.

4157

4158 **Holland Harper (02:48:29):**

4159 The thing I would like to know is your general partner,
4160 because you want the -- the tax-free -- the tax-free
4161 entity in that side. You knew that this was a problem
4162 child for multiple years. You were doing the operations
4163 of the project, is that correct? No. Okay. You were
4164 the general partner. Why could you not exercise your

4165 general partner rights to fire -- well actually, to --
4166 to sideline your LP? Because that's the right of the
4167 GP. The GP has absolute rights all the time in Texas
4168 law. Why did that not happen for you all?

4169

4170 **Allison Milliorn (02:49:09):**

4171 I think -- I think our attorney can speak to that and
4172 explain that.

4173

4174 **Holland Harper (02:49:12):**

4175 I mean, that -- I can't find it, but I looked somewhere
4176 and maybe it was early this morning. This interest rate
4177 was that 11.28, am I -- is that correct? I mean, so it
4178 was heavily leveraged on a very limited amount of -- of
4179 income coming in. And what you just said, in a property
4180 site, that's not ideal, which seems like a lot of risk
4181 for the Housing Authority. That's a lot of risk for the
4182 Housing Authority to be in and be GP, and be fiduciary
4183 responsible inside that.

4184

4185 So please explain to me, how did you guys get -- how did
4186 you allow as the GP, 11.38, 11.28 interest loan on such
4187 a limited amount of revenue coming in?

4188

4189 **Barry Palmer (02:49:58):**

4190 So Barry Palmer, Coats Rose representing Lubbock Housing
4191 Authority. So I guess backing up, you know, you -- you
4192 could ask, well, why did the Housing Authority, Lubbock
4193 Housing Authority get into this deal as the GP in the
4194 first place? And the answer to that was this was a
4195 legacy public housing site with you know, old public
4196 housing on it that needed to be torn down and there are
4197 no HUD funding to do that. So the Housing Authority
4198 partnered with a private developer who got 9 percent tax
4199 credits to tear down the public housing that was there
4200 and build this new housing in place.

4201

4202 Unfortunately, the -- the site, the location, the
4203 surrounding features were not good. So even when you
4204 build new housing in 2007, that lasted for a while, for
4205 the 15-year compliance period when the tax credit
4206 investor and the developer were involved, the project
4207 could survive. But as it got older, the tax credit
4208 investor and -- and the developer left, and new owners
4209 came in acquiring the limited partnership interest. And
4210 at one point in 2019, the project needed a capital
4211 infusion and the Housing Authority didn't have the money
4212 to fund that. And so this new investor group came in

4213 and said, okay. We'll fund the capital to put this
4214 project back, you know, competitive and where it can
4215 market the units, but in exchange for that, you're going
4216 to have to agree to delegate substantial authority over
4217 to the limited partner, the new capital source. So they
4218 decided to do that because the alternative at that point
4219 was the property being foreclosed on, in 2019, five
4220 years ago. So that's why they delegated their authority
4221 in 2019 because the property needed money and the
4222 Housing Authority didn't have it. And then after that,
4223 they no longer had control to be able to fire a
4224 management company or make other changes.

4225

4226 **Holland Harper (02:52:32):**

4227 They're still the GP?

4228

4229 **Barry Palmer (02:52:35):**

4230 Yeah. They're -- they're the GP, but they've delegated
4231 the authority to the limited partner.

4232

4233 **Holland Harper (02:52:45):**

4234 (Indiscernible) 2:52:42 you're the GP. I -- I disagree
4235 with that statement. In the end, you're an attorney and
4236 I'm not attorney, but you're still GP. You have the

4237 absolute authority as a GP. You can do -- you have all
4238 the control as a GP.

4239

4240 **Barry Palmer (02:52:55):**

4241 Not if you have contractually delegated that authority
4242 away to the limited partner, which is what happened
4243 here. And like last month, you know, On Track
4244 Ministries was the GP, but the -- the Board, in my view,
4245 correctly decided that while debarment was appropriate
4246 for the developer who had actual control and was running
4247 the deal to be debarred, the Board decided not to debar
4248 the nonprofit general partner; even though they
4249 technically were the general partner, they had also
4250 delegated away control to the developer. So this is
4251 really the same situation.

4252

4253 **Holland Harper (02:53:41):**

4254 What is going to happen to this asset next?

4255

4256 **Barry Palmer (02:53:46):**

4257 Well, and -- and I want to make the point that the
4258 Housing Authority proactively contacted the lender
4259 because when the lender foreclosed, the properties no
4260 longer -- no longer has a tax exemption. And not -- not

4261 sure that the lender understood that when they
4262 foreclosed that the tax exemption would go away, but it
4263 does. And so the Housing Authority contacted the lender
4264 and said, we'll come back into the deal and -- and
4265 partner with you or whoever you're selling the property
4266 to and get the tax exemption back in place, but only if
4267 you'll agree to reaffirm the TDHCA LURA on the property.

4268

4269 And their response has been -- they haven't agreed to
4270 it. They haven't disagreed to it. They're trying to
4271 determine what's worth more in the marketplace, having a
4272 tax exemption or having a property that that -- doesn't
4273 have restrictions so they can rent to anybody at market
4274 value? So that's still on the table. We've made it
4275 clear that we're not going to participate in getting a
4276 tax exemption with any future partner, unless they agree
4277 to reaffirm the TDHCA LURA, whether that's this year or
4278 next year or whenever. Thank you.

4279

4280 **Kenny Marchant (02:55:09):**

4281 Mr. Chairman. You're the lawyer for both -- both the --
4282

4283 **Barry Palmer (02:55:12):**

4284 No, just for the Lubbock Housing Authority.

4285

4286 **Kenny Marchant (02:55:17):**

4287 So -- okay. So who -- who appoints the Lubbock Housing
4288 Authority?

4289

4290 **Barry Palmer (02:55:23):**

4291 The mayor appoints the Board of Commissioners of housing
4292 authorities, including the Lubbock Housing Authority.

4293 So all of the commissioners on Mike's board are
4294 voluntary, you know, unpaid.

4295

4296 **Kenny Marchant (02:55:40):**

4297 Yeah. Appointed.

4298

4299 **Barry Palmer (02:55:40):**

4300 Yeah. Appointed by the mayor. And -- and I would point
4301 out that the named defendants for Lubbock includes not
4302 just the Lubbock Housing Authority and their nonprofit
4303 affiliate, and Mike Chapman, the Executive Director, who
4304 spent his whole career there, but also two board members
4305 of the Housing Authority who happen to be officers of
4306 the board, but not officers of the Housing Authority.
4307 So these are, you know, unpaid folks who volunteer their
4308 time to be on a housing authority board. And keep in

4309 mind, this project was done in 2007. The board members
4310 that are on the board now are not the same as the ones
4311 who were there, you know, almost 20 years ago. Mike
4312 Chapman, the Executive Director, he -- he was at the
4313 Housing Authority at -- at that time but in a lower-
4314 level position. He was in charge of IT. He wasn't
4315 making decisions about which deals to approve. So if we
4316 debar these board members and executive director, it
4317 will be for actions taken by their predecessors, you
4318 know, 18 years ago.

4319

4320 **Kenny Marchant (02:56:53):**

4321 Yeah. I totally understand that. I'd like to hear from
4322 the attorney from the other group if it's --

4323

4324 **Leo Vasquez (02:56:58):**

4325 Certainly. Okay. Can never have enough attorneys.

4326

4327 **Kenny Marchant (02:57:04):**

4328 And -- and my --

4329

4330 **Leo Vasquez (02:57:14):**

4331 Just identify yourself for the record so we can have --

4332

4333 **Dominic Audino (02:57:17):**

4334 I'm Dominic Audino. I represent the Texas Housing
4335 Foundation and its affiliates.

4336

4337 **Kenny Marchant (02:57:23):**

4338 And -- and can I just ask you --

4339

4340 **Dominic Audino (02:57:26):**

4341 Sure.

4342

4343 **Kenny Marchant (02:57:28):**

4344 So we don't have a bunch of statements, who appoints the
4345 members of your -- of your Housing Authority?

4346

4347 **Dominic Audino (02:57:36):**

4348 County commissioners do. It's a regional housing
4349 authority. And so the member counties that comprise
4350 Texas Housing Foundation, they -- they appoint the
4351 commissioners. And then in the way the bylaws read, any
4352 affiliates are all -- are the same board members.

4353

4354 **Kenny Marchant (02:57:49):**

4355 Okay. And are the members of the -- the authority
4356 compensated or non-compensated?

4357

4358 **Dominic Audino (02:57:56):**

4359 Not through the authority. No.

4360

4361 **Kenny Marchant (02:58:00):**

4362 The authority doesn't compensate. So all of the people
4363 here are uncompensated.

4364

4365 **Dominic Audino (02:58:02):**

4366 We have -- we have one -- one board member that's here
4367 today for Texas Housing Foundation. They -- and they do
4368 -- they do receive compensation, but it's -- it's a -- a
4369 stipend and it's from a different entity. It's -- it's
4370 from another subsidiary. It's not through the Texas
4371 Housing Foundation as a regional housing authority.

4372

4373 **Kenny Marchant (02:58:20):**

4374 Okay. I guess --

4375

4376 **Allison Milliorn (02:58:21):**

4377 It's a reimbursement of their expenses in attending the
4378 meetings.

4379

4380

4381 **Kenny Marchant (02:58:24):**

4382 Okay. So when -- when the -- when it was said that they
4383 put a million -- the -- the Housing Authority put a
4384 million dollars into this project or does all these
4385 other things, where does that money come from?

4386

4387 **Dominic Audino (02:58:38):**

4388 It -- primarily it comes from THF Housing Development
4389 Corporation, the entity that's actually --

4390

4391 **Kenny Marchant (02:58:44):**

4392 And the fees that they charge?

4393

4394 **Dominic Audino (02:58:44):**

4395 Yeah. Developer fees primarily.

4396

4397 **Kenny Marchant (02:58:45):**

4398 So basically --

4399

4400 **Dominic Audino (02:58:45):**

4401 They just reinvest it back into their -- their
4402 operations and primarily the charitable division.

4403

4404

4405 **Kenny Marchant (02:58:49):**

4406 Okay. Thank you, Mr. Chairman.

4407

4408 **Dominic Audino (02:58:53):**

4409 And -- and can I add that earlier, in the staff's
4410 breakdown, it -- it mentioned that THF Housing
4411 Development Corporation is the ground lessor. They own
4412 fee simple title. And -- and the way it is structured
4413 is Texas Housing Foundation as the regional housing
4414 authority is the ground lessor and it leases the
4415 property to the limited partnership. That's important
4416 because it's -- it's -- it was very hard for us to just
4417 exit the partnership. We had one entity, the Texas
4418 Housing Foundation, that owned the dirt and was ground
4419 leasing to the partnership. We also had another
4420 affiliate, that which is THF Housing Development
4421 Corporation, that acted as the general partner in these
4422 partnerships. So there were numerous moving parts. So
4423 even to step away from it and just say, okay. You have
4424 breached the agreement. We're out. There's still this
4425 -- the problem of, who do we deed this property back to?
4426 We still own title to this property that you know, it --
4427 it got very messy and we did in fact, file a lawsuit and
4428 it -- and it didn't settle.

4429

4430 After the first unofficial or -- I'm sorry -- informal
4431 meeting for debarment, we learned so much from the
4432 current members of the limited partnerships of all the
4433 wrongdoings that their -- their predecessors had done.
4434 We had claims for fraud and a number of other claims in
4435 the lawsuit that we had filed, but it had been going on
4436 for a while. Once I heard all of these allegations, I -
4437 - I opted to non-suit that case, that lawsuit, so we
4438 could conduct more discovery. We were pretty much out
4439 of the discovery period at that point. And so just from
4440 a strategic standpoint, I dismissed that lawsuit with
4441 the intent to, you know, bring it back up once we have
4442 more facts.

4443

4444 **Kenny Marchant (03:00:35):**

4445 And that was such a bad experience, you guys are -- now
4446 have another six applications?

4447

4448 **Dominic Audino (03:00:42):**

4449 Well, no. I mean, that was -- that was a, you know, an
4450 anomaly. I mean, that was -- that was highly unusual.
4451 And one of the good things about it is we've learned our
4452 lesson. And so for the last five years, we've been

4453 putting policies in place and -- and creating finance
4454 committees and doing a bunch of remedial acts that
4455 ensure this doesn't happen again. We're even doing
4456 background checks and litigation searches, and prior
4457 participation searches on any potential developer
4458 partner, so that we know what we're getting into. In
4459 this case, it was because of the delegation provisions
4460 it -- we were kind of sold, indentured slaves that were
4461 sold along with the -- the deal.

4462

4463 I mean, we had no consent rights for new partners. I
4464 mean it was -- it was pretty overreaching, these
4465 delegation provisions.

4466

4467 **Kenny Marchant (03:01:28):**

4468 But you -- you think you've put action -- you've taken
4469 action to not put yourself in that position.

4470

4471 **Dominic Audino (03:01:35):**

4472 I know we have. Yes. Yes. We --

4473

4474 **Kenny Marchant (03:01:35):**

4475 Thank you.

4476

4477 **Dominic Audino (03:01:38):**

4478 We really, really had an experience with this one that -
4479 that taught us some lessons the hard way, but we
4480 learned.

4481

4482 **Leo Vasquez (03:01:44):**

4483 Good timing.

4484

4485 **Anna Maria Farias (03:01:48):**

4486 Mr. Chairman?

4487

4488 **Leo Vasquez (03:01:49):**

4489 Ms. Farias.

4490

4491 **Anna Maria Farias (03:01:51):**

4492 As I was listening to all of you, sir, I came from a
4493 small town and I actually ran a housing authority and I
4494 had wonderful experiences and horrendous experiences.
4495 And yes, if you get a bad mayor, they have absolute
4496 authority to appoint all the housing commissioners. And
4497 there have been times where HUD has had to step in and
4498 take receivership of a housing authority and remove the
4499 housing commissioners. So listening to you, you were
4500 trying to correct what other bad commissioners had done

4501 And that is a constant story and I wish it could change,
4502 but it's locality and it's up to the voters when they
4503 get a new mayor or they get a new county judge who
4504 appoints county commissioners. A lot of housings, if
4505 they just rely strictly on the housing authority, they
4506 do not possibly have the means to replace anything. And
4507 if they were originally built in bad neighborhoods, or
4508 in our case, we had seven projects. The last one, the
4509 termites won every time because they would eat up
4510 everything. So why would you rebuild there when you
4511 know the termites are going to take over? But when you
4512 start adding people, that's when it really gets
4513 complicated.

4514

4515 As we see here, who comes first, who's responsible, who
4516 step back? And -- and you know, having been a manager
4517 in local, state and federal, my first question was
4518 always, where do I have the authority to fire people?
4519 Because whenever something goes wrong, I am going to
4520 fire them because I don't want to be in this position.
4521 And -- and Mr. Chairman, I know there's not any
4522 solutions, but it's like, what comes first? Who gets
4523 involved? Who can help? But what really struck me here

4524 was, you only had 33 percent of occupancy, something
4525 like that. Because --

4526

4527 **Allison Milliorn (03:04:14):**

4528 I was actually referring to a different property where
4529 we do have control. It's at 35 percent occupied and
4530 still scored a 92.67 on their NSPIRE inspection.

4531

4532 **Anna Maria Farias (03:04:23):**

4533 Okay. All right. In other words, are there any easy
4534 solutions on this one? No.

4535

4536 **Leo Vasquez (03:04:29):**

4537 You know, here we are, so.

4538

4539 **Anna Maria Farias (03:04:30):**

4540 Here we are. Just like last month.

4541

4542 **Sascha Stremmler (03:04:33):**

4543 I wanted to offer two points of clarification just in
4544 response to comments made by the -- to the Board. We
4545 were able to get the copy of the limited partnership
4546 agreement between Lubbock Housing Authority and the
4547 special limited partner or limited partner. And it did

4548 have a clawback provision for the general partner to be
4549 able to claw back control from the limited partner. And
4550 then also the reason why the board officers are included
4551 in our debarment notice is under 10 TAC 11.1, it's the
4552 definition of control. And for nonprofit corporations
4553 or governmental instrumentalities, it includes officers,
4554 which includes housing authorities. It includes
4555 officers of those boards. That's why they're included
4556 in the -- in the debarment determination.

4557

4558 **Leo Vasquez (03:05:18):**

4559 And so -- actually, then...

4560

4561 **All Board Members (03:05:22):**

4562 Mr. Chairman, we have some more speakers (indiscernible)

4563 3:05:23.

4564

4565 **Kenny Marchant (03:05:24):**

4566 Mr. Chairman.

4567

4568 **Leo Vasquez (03:05:26):**

4569 Okay. Wait. I -- I have a question. So on the

4570 officers, is that like Bobby and I getting sued in our

4571 capacity of chairman and executive director, or is it --

4572 so the board members are in their capacities as board
4573 members or is it still them individually that's why
4574 they're being named? It doesn't really follow them
4575 personally. It's just, it's --
4576

4577 **Beau Eccles (03:06:00):**

4578 Well, it follows the individual. When you talk about
4579 official capacity versus individual capacity, that's
4580 typically talking about monetary liability. There is no
4581 monetary liability.
4582

4583 **Leo Vasquez (03:06:08):**

4584 Are we proposed debarring personally --
4585

4586 **Beau Eccles (03:06:15):**

4587 Those individuals may not take advantage of department
4588 programs.
4589

4590 **Leo Vasquez (03:06:19):**

4591 Okay. So it is that (indiscernible) 3:06:20 the actual
4592 person?
4593

4594 **Beau Eccles (03:06:20):**

4595 Because they are part of the ownership structure. Yes.

4596

4597 **Sascha Stremmler (03:06:21):**

4598 So for an example, because THF has a number of different
4599 affiliate, you know, organizations, if any of these
4600 officers are also officers on those additional boards
4601 that they would not be able to proceed with the
4602 applications department with those -- with those members
4603 as officers because of -- if they -- if they were to be
4604 debarred, that would be -- I think the impact --

4605

4606 **Leo Vasquez (03:06:43):**

4607 Okay. All right. That's --

4608

4609 **Bobby Wilkinson (03:06:44):**

4610 There also might be other circumstances, even in other
4611 states where a question and on some kind of application
4612 come up, have you ever been debarred by a state entity?
4613 And they would have to say yes, even though it's just
4614 for the one year.

4615

4616 **Leo Vasquez (03:06:58):**

4617 Okay. Mr. Marchant, you --

4618

4619

4620 **Kenny Marchant (03:06:58):**

4621 I'd like to have some guidance on how to make a motion
4622 to affirm the 10-year debarment and dismiss or table the
4623 other part of the recommendation. So is that how I do
4624 it?

4625

4626 **Beau Eccles (03:07:15):**

4627 Yes, that is how you would do it.

4628

4629 **Kenny Marchant (03:07:17):**

4630 Would I read from this or would I just...

4631

4632 **Beau Eccles (03:07:18):**

4633 Well not table just -- well, you would move to approve
4634 the -- the 10-year debarment period as you've stated it
4635 and to deny debarment --

4636

4637 **Kenny Marchant (03:07:30):**

4638 For the other --

4639

4640 **Beau Eccles (03:07:31):**

4641 On the others.

4642

4643

4644 **Kenny Marchant (03:07:32):**

4645 Okay.

4646

4647 Beau Eccles (03:07:32):

4648 **If that's what --**

4649

4650 **Kenny Marchant (03:07:34):**

4651 And I'm ready to make that motion, Mr. Chairman, if

4652 you're ready to have it.

4653

4654 **Leo Vasquez (03:07:37):**

4655 I'm ready to have it. Would you still like to speak if

4656 that's the motion that's about to be made?

4657

4658 **Unidentified Speaker (03:07:43):**

4659 No.

4660

4661 **Leo Vasquez (03:07:49):**

4662 On the advice of counsel, I'm sitting down on a chair.

4663 Okay. Okay. Mr. Marchant, would you --

4664

4665 **Kenny Marchant (03:07:54):**

4666 (Indiscernible) 3:07:53 made a motion.

4667

4668 **Leo Vasquez (03:07:57):**

4669 Make -- should we make him repeat it? Please.

4670

4671 **Kenny Marchant (03:08:00):**

4672 Yeah. If you'll recognize me (indiscernible) 3:08:01.

4673

4674 **Leo Vasquez (03:08:01):**

4675 I'll recognize you for that motion.

4676

4677 **Kenny Marchant (03:08:03):**

4678 I'll make a motion that we recognize the final order of

4679 debarment for a term of 10-years against for -- that

4680 seems to be oddly worded, but -- for SRCJJC Lubbock

4681 Management LLC, Chris Roberts, Peter Delfino, George

4682 Arau, and I apologize for the mispronunciation, and

4683 Jennifer Joyce. And that the second and third items be

4684 tabled.

4685

4686 **Leo Vasquez (03:08:40):**

4687 Or just not --

4688

4689 **Kenny Marchant (03:08:42):**

4690 Not acted on or denied -- or denied. That's probably

4691 much --

4692

4693 **Leo Vasquez (03:08:47):**

4694 Not be debarred.

4695

4696 **Kenny Marchant (03:08:48):**

4697 Not be debarred.

4698

4699 **Leo Vasquez (03:08:50):**

4700 Okay. All right.

4701

4702 **Kenny Marchant (03:08:50):**

4703 Not speaking again.

4704

4705 **Leo Vasquez (03:08:52):**

4706 Is that okay?

4707

4708 **Beau Eccles (03:08:54):**

4709 Sure.

4710

4711 **Leo Vasquez (03:08:54):**

4712 Okay. All right. That's approved. Is --

4713

4714 **Kenny Marchant (03:09:02):**

4715 That's my motion.

4716

4717 **Leo Vasquez (03:09:02):**

4718 Okay. Is there a second to that motion?

4719

4720 **Ajay Thomas (03:09:02):**

4721 Second, Mr. Chairman.

4722

4723 **Anna Maria Farias, Ajay Thomas (03:08:58):**

4724 Second.

4725

4726 **Leo Vasquez (03:09:02):**

4727 Motion made by Mr. Marchant, seconded by Mr. Thomas, to

4728 enforce the 10-year debarment against SRCJJC and the

4729 individuals associated with them and not debar the other

4730 parties discussed. All those in favor say aye.

4731

4732 **All Board Members (03:09:23):**

4733 Aye.

4734

4735 **Leo Vasquez (03:09:25):**

4736 Any opposed? Motion carries. Item 21 of 22.

4737 Presentation, discussion, and possible action regarding

4738 the adoption of an agreed final order concerning The

4739 Declan I and The Declan II. Ms. Stremmler, can you brief
4740 us briefly?

4741

4742 **Sascha Stremmler (03:09:51):**

4743 Yes. I'm here in my capacity as Assistant General
4744 Counsel to present item 21, which concerns agreed final
4745 orders for The Declan I and The Declan II. The referred
4746 property is owned by LURIN Real Estate Holdings LIX LLC.
4747 Jon Venetos is the Founder and CEO of LURIN and primary
4748 owner contact for TDHCA. Property management is
4749 conducted in-house by LURIN Management LLC for -- LURIN
4750 Management Incorporated for Declan II and by LURIN
4751 Property Management LLC for Declan I. The developments
4752 are located in Dallas. Declan I is a 300-unit apartment
4753 complex and Declan II is a 57-unit apartment complex.

4754

4755 Both are subject to bond LURAs which are in place until
4756 November 2033 and LURIN purchased both developments on
4757 June 22, 2022. The Department performs file monitoring
4758 reviews to ensure the units are rented to low-income
4759 households and that the program is -- is operating in a
4760 compliant manner. The Department also performs NSPIRE
4761 physical inspections. Both -- both review types require
4762 owners to submit corrected documentation within 90 days.

4763 On February 16, 2023, TDHCA conducted a file monitoring
4764 review of Declan II, identified findings of
4765 noncompliance, and that unresolved noncompliance was
4766 referred to enforcement for an administrative penalty on
4767 September 26, 2023.

4768

4769 On July 8, 2024, TDHCA conducted an NSPIRE inspection of
4770 Declan II and identified findings of noncompliance.

4771 Unresolved noncompliance was referred to enforcement for
4772 an administrative penalty on November 15, 2024. On July

4773 2nd, owner submitted a casualty loss form for Declan II

4774 claiming that a fire occurred in a -- in Unit 328. The

4775 owner failed to fully comply with Department requests

4776 for additional information and so that casualty loss was

4777 also referred for an administrative penalty on November

4778 18, 2024. On February 16, 2023, TDHCA conducted a file

4779 monitoring review of Declan I, and identified findings

4780 of noncompliance. The unresolved noncompliance was

4781 referred to enforcement for administrative penalty on

4782 July 25, 2024. And on July 8, 2024, TDHCA conducted an

4783 NSPIRE inspection of Declan I, identified findings of

4784 noncompliance which were -- and the unresolved

4785 noncompliance was referred to enforcement for an

4786 administrative penalty on October 22, 2024. TDHCA's

4787 Compliance Division identified the following new
4788 findings of noncompliance that were not timely corrected
4789 and are under consideration today for an administrative
4790 penalty. Declan II had three units that lacked
4791 documentation that household incomes were within the
4792 prescribed limits and had six units that lacked annual
4793 recertifications. As of today's date, three of those
4794 units still remain out of compliance. An NSPIRE
4795 noncompliance of Declan II, they did not submit any --
4796 any follow-up corrective documentation for the NSPIRE
4797 inspection deficiencies. Declan II had a casualty loss
4798 form submitted but failed to provide further information
4799 to the department concerning the fire, including the
4800 failing to provide a copy of the City of Dallas Fire
4801 Report or photographs of the damage. Declan I had 10
4802 units that lacked documentation that household incomes
4803 were within the prescribed limits and four units that
4804 lacked annual recertifications. All of those remain
4805 unresolved.

4806

4807 And Declan I had a very low NSPIRE score -- inspection
4808 score of 41 and the owner has not submitted any
4809 corrections nor have they requested an extension for any
4810 of that unresolved noncompliance. Administrative

4811 penalties are authorized by statute at Texas Government
4812 Code 2306.041, the process defined by rule 10 -- at 10
4813 TAC Chapter 2, Subchapter C. To assess a penalty, TDHCA
4814 must first offer an informal conference. The
4815 Enforcement Committee held an informal conference with
4816 owner on November 21, 2024, and analyzed the required
4817 statutory factors for determining an appropriate
4818 administrative penalty. Those factors are discussed in
4819 further detail in your board materials. The Enforcement
4820 Committee determined a high administrative penalty was
4821 appropriate given the owner's failure to cooperate with
4822 -- with inquiries about the casualty loss, the very low
4823 NSPIRE score at Declan I, and the general non-
4824 responsiveness on noncompliance by the owner.

4825

4826 And the Committee also decided to allow a portion to be
4827 forgivable to incentivize corrections. The Enforcement
4828 Committee therefore recommends an administrative penalty
4829 of \$25,000 for Declan I and \$8,425 for Declan II, with
4830 50 percent of each penalty amount to be forgiven if all
4831 noncompliance is addressed as follows: The owner must
4832 submit payment of the 50 percent portion by -- on or
4833 before February 15, 2025. The owner must submit
4834 casualty loss supporting documentation, as -- as

4835 indicated in the agreed final order on or before April
4836 30, 2025. All of the file monitoring violations must be
4837 in full documentation. The corrections must be
4838 submitted on or before April 30, 2025. And all the
4839 NSPIRE violations for both developments must have full
4840 documentation of the corrections provided on or before
4841 June 30, 2025. If the owner complies with all these
4842 requirements and addresses all violations as required,
4843 the remaining 50 percent of the administrative penalty
4844 will be forgiven. If the -- if I -- if the owner
4845 violates any provision of the agreed final order, the
4846 full administrative penalty will immediately become due
4847 and payable.

4848

4849 I'm available to answer any questions.

4850

4851 **Leo Vasquez (03:15:14):**

4852 How does someone score 42 -- 41.18 on an NSPIRE? That's

4853 --

4854

4855 **Sascha Stremmler (03:15:21):**

4856 Yeah, it's pretty low.

4857

4858

4859 **Leo Vasquez (03:15:26):**

4860 Does anyone have questions for Ms. Stremmler? Do we have
4861 anyone that wants to speak? This is an agreed final
4862 order, right?

4863

4864 **Sascha Stremmler (03:15:33):**

4865 Correct. Yeah.

4866

4867 **Leo Vasquez (03:15:36):**

4868 So --

4869

4870 **Sascha Stremmler (03:15:35):**

4871 This is the attorney for the owner came since it was --
4872 is on action. He can answer questions if the Board has
4873 any.

4874

4875 **Leo Vasquez (03:15:40):**

4876 Okay. But it's as presented to us, both they --

4877

4878 **Sascha Stremmler (03:15:48):**

4879 Yes, they've -- they've agreed to --

4880

4881 **Leo Vasquez (03:15:49):**

4882 They recognize what needs to be done and -- have agreed.

4883

4884 **Sascha Stremmler (03:15:51):**

4885 Correct. And --

4886

4887 **Leo Vasquez (03:15:53):**

4888 You're welcome to come up and speak if you'd like.

4889

4890 **Thomas Haskins (03:15:56):**

4891 (Indiscernible) 3:15:55 if you guys want to -- you have

4892 any questions for me, I'm happy to answer them, but yes,

4893 we have been working on this case with Ms. Stremmler

4894 (indiscernible) 3:16:04.

4895

4896 **Leo Vasquez (03:16:11):**

4897 Okay. That -- that upset our counsel because you -- can

4898 you -- come on.

4899

4900 **Beau Eccles (03:16:16):**

4901 It just might miss the record then --

4902

4903 **Leo Vasquez (03:16:15):**

4904 Yeah. Just so we can come up and introduce yourself.

4905 Sign in and just -- you can say you're available for

4906 questions, so.

4907

4908 **Thomas Haskins (03:16:37):**

4909 Thomas Haskins of Barnes and Thornburg for LURIN, O for
4910 one with you guys. So simply wanted to come down in
4911 case you had questions. We've been working in this
4912 case, and Ms. Stremmer, and they've been excellent to
4913 work with. And so, yes, it is an agreed order, so
4914 otherwise, no questions.

4915

4916 **Leo Vasquez (03:16:50):**

4917 Okay. Excellent. Now, I appreciate you being here just
4918 -- just in case. Okay. Does anyone have questions or
4919 care to make a motion?

4920

4921 **Holland Harper (03:17:00):**

4922 I move the Board approve the agreed final order to
4923 assessing partial forgivable administrative penalties
4924 for noncompliance of The Declan I and 2, all as
4925 described, authorized, and conditioned in the Board
4926 Action Request resolution and associated document and
4927 orders on this item.

4928

4929 **Cindy Conroy (03:17:12):**

4930 I second.

4931

4932 **Leo Vasquez (03:17:13):**

4933 Motion made by Mr. Harper, seconded by Ms. Conroy. All
4934 those in favor say aye.

4935

4936 **All Board Members (03:17:21):**

4937 Aye.

4938

4939 **Leo Vasquez (03:17:22):**

4940 Any opposed? Hearing none, motion carries. And for the
4941 final posted item on the agenda, item 22. Presentation,
4942 discussion, and possible action regarding a waiver of 10
4943 TAC section -- is that 1 or 11? 1.15(d) for Village
4944 Apartments. Mr. Campbell.

4945

4946 **Cody Campbell (03:17:44):**

4947 Hello. Cody Campbell, Director of Multifamily Programs
4948 for TDHCA. And I am not here to talk to you today about
4949 force majeure. This is a real quick, easy one. As Mr.
4950 Vasquez just said, this item concerns a requested waiver
4951 for Village Apartments in Waco, which is a proposed 2025
4952 9 percent housing tax credit application. The
4953 application has not been submitted yet, but based off of
4954 information provided in the waiver request, the

4955 development will be 93 units. The applicant group
4956 includes Friends for Life, which is a nonprofit
4957 organization founded in 1989 that aims to improve the
4958 quality of life for seniors and persons with
4959 disabilities, with a specific focus on identifying
4960 members of those groups who have no other support
4961 system. The organization provides supportive services
4962 to these groups, including life skills training, money
4963 management, and quality of life enhancements. This
4964 waiver concerns the Integrated Housing Rule, which is a
4965 rule that we don't discuss very often. The intention of
4966 that rule is to ensure integrated housing opportunities
4967 for households with disabilities.

4968

4969 It's a very short rule and only has a handful of
4970 requirements. These include a limit on the number of
4971 units that can be set aside exclusively for persons with
4972 disabilities. For a 93-unit development like Village
4973 Apartments, that limit is 25 percent of the total units.
4974 The rule also includes a prohibition on marketing or
4975 restricting occupancy solely to households with
4976 disabilities, unless required to do so by a federal
4977 funding source. The applicant has requested a waiver of
4978 these limitations and has requested to set aside up to

4979 50 percent of the units for households with
4980 disabilities. The basis of this request is that setting
4981 aside these additional units will allow Friends for Life
4982 to serve more persons in need and will create
4983 significant efficiencies with regards to service
4984 delivery and the accessible design of the development's
4985 physical space. The Integrated Housing Rule
4986 specifically allows for these kinds of waivers to be
4987 granted when the applicant can demonstrate that the
4988 waiver will allow persons with disabilities to be better
4989 served. Just to be abundantly clear, this item is not
4990 an award of funding nor is it any kind of guarantee that
4991 the application will be funded if it is submitted.
4992 It's simply granting the applicant permission to set
4993 aside these additional units and to market them
4994 accordingly. Staff has reviewed the waiver request and
4995 finds no compelling reason to recommend denying it.
4996 Accordingly, we recommend that you grant the -- this
4997 waiver and I'm happy to answer any questions you may
4998 have.

4999

5000 **Leo Vasquez (03:20:05):**

5001 Why is this a rule that you can only have 25 percent?

5002

5003

5004 **Cody Campbell (03:20:09):**

5005 Sure. So this is something that the advocacy side of
5006 the housing industry really pushed for, just to make
5007 sure that persons with disabilities aren't being siloed
5008 off from the general -- general public.

5009

5010 **Leo Vasquez (03:20:19):**

5011 So they want it spread around more than just --

5012

5013 **Cody Campbell (03:20:23):**

5014 Correct.

5015

5016 **Beau Eccles (03:20:23):**

5017 And actually there's a 1999 US Supreme Court case that
5018 just goes by the single name, "Olmstead," that showed
5019 that -- stands for the principle that segregating and
5020 what they called "warehousing" people with disabilities
5021 and -- and concentrating them as opposed to dispersing
5022 them and giving them the same opportunities. But
5023 concentrating people -- households with disabilities can
5024 be considered discrimination under the Americans with
5025 Disabilities Act.

5026

5027 **Leo Vasquez (03:21:00):**

5028 Interesting.

5029

5030 **Kenny Marchant (03:21:01):**

5031 Do we have the right to grant this waiver without

5032 violating federal law?

5033

5034 **Beau Eccles (03:21:08):**

5035 It's -- it's not a federal law, the 25 percent cap.

5036 It's just a way of making sure that we're not

5037 concentrating households with disabilities and it's just

5038 a waiver that I -- I expect that we're not going to be

5039 granting often, and I would also expect that the

5040 evidence would show and if it could be, that this area

5041 where it's being -- where this proposed development,

5042 because it's an upcoming full application or a 9 percent

5043 round, has an unusually high percentage of disabled

5044 potential residents that is in need of services that are

5045 not currently being met in this area.

5046

5047 **Leo Vasquez (03:21:54):**

5048 And the requesting organization knows what they're

5049 doing?

5050

5051 **Cody Campbell (03:21:58):**

5052 This is the first housing application I have seen from
5053 them. But they had started by hiring a very competent
5054 consultant, which is at least directionally correct in
5055 terms of getting a good development on the ground.

5056

5057 **Leo Vasquez (03:22:08):**

5058 I guess more on providing services to disabled
5059 populations.

5060

5061 **Cody Campbell (03:22:14):**

5062 Yes, sir. They -- they seem to really be the real deal
5063 in terms of that.

5064

5065 **Leo Vasquez (03:22:21):**

5066 Would you like to come in and say hello, introduce --
5067 and briefly introduce yourselves so we'll just --

5068

5069 **Jennifer Hicks (03:22:24):**

5070 Jennifer Hicks with True Casa Consulting, and I'm the
5071 consultant to the application.

5072

5073 **Leo Vasquez (03:22:29):**

5074 I know you. I know you.

5075

5076 **Jennifer Hicks (03:22:31):**

5077 Yes, well -- I -- I will also introduce -- I just wanted
5078 to point out that -- and this is a partnership. And
5079 that the -- Friends for Life is going to be the general
5080 partner in this development, but is partnering with a
5081 national developer of affordable and supportive housing,
5082 the Vecino Group, who has several developments in Texas
5083 and will be providing all the construction guarantees
5084 and -- and so forth. So I just wanted to make that
5085 point. But if you want to hear from. Inez I will defer
5086 to Inez.

5087

5088 **Leo Vasquez (03:23:00):**

5089 I would love to hear just briefly --

5090

5091 **Inez Russell (03:23:06):**

5092 I'm Inez Russell. I'm the Founder and Executive
5093 Director of Friends for Life. For 35 years, we've been
5094 providing seniors and people with disabilities help to
5095 live their best lives as independently as possible. And
5096 we have dozens of supports and services that include
5097 trying to help them find a safe, affordable place to
5098 live. And that's gotten harder and harder and harder.

5099 We have two-year waiting lists almost everywhere. So
5100 when we do find a place there're not supports and help
5101 for them. So we provide them. We currently have over
5102 2100 adults with disabilities that we're serving and we
5103 just would like to be able to at least allocate 47 of
5104 these apartments for them. You know, we have some
5105 clients that after they pay their rent and their
5106 utilities, they have \$60 left for food and -- and
5107 medicine and everything else for the month, and some
5108 that can't find a place at all. We just want to be able
5109 to help more people have a safe, affordable place to
5110 live, so.

5111

5112 **Leo Vasquez (03:24:26):**

5113 Do you think you'll -- you'll have sufficient funding to
5114 operate? I mean, once -- assume you get all the
5115 construction taken care of.

5116

5117 **Inez Russell (03:24:36):**

5118 Actually, all the numbers work, so.

5119

5120 **Leo Vasquez (03:24:38):**

5121 Okay.

5122

5123 **Inez Russell (03:24:40):**

5124 And -- and we have good support from donors and
5125 foundations, and we have quite a few programs that
5126 fortunately we don't have to raise money for. We're the
5127 largest nonprofit guardianship program in the state. We
5128 cover 82 counties. We have a money management program
5129 that's the second largest in the state. We do a lot of
5130 work to help adults with disabilities be -- live their
5131 best lives. Like -- like all kinds of life skills
5132 training, teaching people how to read and how to tell
5133 time, and how to know if people are giving them the
5134 right change and -- so we come into this with a lot of
5135 services and a lot of folks wanting us to do this
5136 because you just don't get supportive housing projects
5137 in our community, and we need them, so.

5138

5139 **Leo Vasquez (03:25:32):**

5140 Well, excellent. It's good to -- good to meet you, Ms.
5141 Russell, and your organization.

5142

5143 **Inez Russell (03:25:36):**

5144 Does anybody any questions?

5145

5146

5147 **Leo Vasquez (03:25:39):**

5148 And hopefully Jennifer's checking all the boxes and --

5149

5150 **Holland Harper (03:25:40):**

5151 And so Ms. Russell, this is your first project; is that

5152 correct?

5153

5154 **Inez Russell (03:25:41):**

5155 This is our first housing project, yes.

5156

5157 **Holland Harper (03:25:43):**

5158 And so as you just went through the last program with

5159 the general partner, which you're about to be the

5160 general partner --

5161

5162 **Inez Russell (03:25:49):**

5163 I did hear that and I didn't run.

5164

5165 **Holland Harper (03:25:53):**

5166 I highly recommend -- I highly recommend you understand

5167 the financials in there, interest rates and those, and

5168 rely heavily on your consultant because it is going to

5169 be no fun if you have a bad partner. I'm sure you have

5170 a good partner.

5171

5172 **Inez Russell (03:26:05):**

5173 We do.

5174

5175 **Holland Harper (03:26:05):**

5176 And you are the GP and you have power and use your power
5177 to hold them accountable to do what you want.

5178

5179 **Inez Russell (03:26:10):**

5180 And we're not giving that to anybody.

5181

5182 **Leo Vasquez (03:26:16):**

5183 Very good.

5184

5185 **Inez Russell (03:26:16):**

5186 I learned that today.

5187

5188 **Leo Vasquez (03:26:17):**

5189 Okay. I'll entertain a motion on item 22 of the agenda,
5190 Mr. Harper.

5191

5192 **Holland Harper (03:26:24):**

5193 I move the Board approve the requested waiver of 10 TAC

5194 Section 1.15 regarding the maximum percentage of units

5195 in a development to be set aside for households with
5196 disabilities to the proposed 25 -- correction --
5197 proposed 2025 9 percent application of Village
5198 Apartments all as described, conditioned, in the Board
5199 Action Request resolution and associated documents on
5200 this item.

5201

5202 **Anna Maria Farias (03:26:44):**

5203 Second.

5204

5205 **Leo Vasquez (03:26:46):**

5206 Motion made by Mr. Harper, seconded by Ms. Farias. All
5207 those in favor say aye.

5208

5209 **All Board Members (03:26:48):**

5210 Aye.

5211

5212 **Leo Vasquez (03:26:49):**

5213 Any opposed? Hearing none, the motion carries. Thank
5214 y'all for coming and thanks, Cody. So the Board has
5215 addressed the posted agenda items. Now is the time of
5216 the meeting when members of the public can raise issues
5217 with the Board on matters of relevance to the
5218 Department's business or make requests that the Board

5219 place specific items on future agendas for
5220 consideration. Is there anyone who would like to
5221 provide public comment at this time? Seeing none, the
5222 next scheduled meeting of the Governing Board is at
5223 10:00 a.m., on Thursday, February 6, 2025. And I'm
5224 assuming still at the UT Thompson Conference Center
5225 where we will nice be -- nice and cozy (indiscernible)
5226 3:27:37.

5227

5228 **Michael Lyttle (03:27:36):**

5229 We're going to get a second table (indiscernible)
5230 3:27:39.

5231

5232 **Leo Vasquez (03:27:39):**

5233 Okay.

5234

5235 **Beau Eccles (03:27:40):**

5236 And check flag orientation.

5237

5238 **Leo Vasquez (03:27:42):**

5239 And check flag orientation. Okay. So UT Thompson
5240 Conference center that 2405 Robert Dedman Drive, room --
5241 the big room, 1 -- Room 1.110. And watch for agenda

5242 postings for future details. And it is 1:29 and this
5243 meeting is adjourned.

5244 * * * * *

5245

5246

5247

5248

5249