TDHCA Governing Board Meeting Transcript*

10:00 a.m.
November 6, 2025

Omni Austin Hotel Downtown
Pennybacker Room

700 San Jacinto at Eighth Street,
Austin, TX 78701

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BOARD MEMBERS:

LEO VASQUEZ III, CHAIR

KENNY MARCHANT, VICE CHAIR

ANNA MARIA FARIAS

AJAY THOMAS (Absent)

HOLLAND HARPER

CINDY CONROY

SPEAKERS:

Bobby Wilkinson

Teresa Morales

Beau Eccles

Chad Landry

Connor Jones

Lora Myrick

Matthew Lovitt

Dominique King

Jervon Harris

Toni Jackson

Jonathan Galvan

Jake Brown

Rosalio Banuelos

Deepak Sulakhe

Cody Campbell

Cynthia Bast

Taylor Thomas

Gavin Reid

Rosy Falcon

Abigail Versyp

Clifton Shaw

Chelsey Baldivia

Demenica Prince

Audrey Martin

Tracey Fine

Tim Smith

Brad McMurray

Abby Taktow

Patricia Murphy

Michelle Snedden

Ann Lott

Erin Hahn

Robbye Meyer

Sarah Anderson

Jonathan Campbell

Roger Arriaga

Josh Goldberger

Jeff Beckler

Leo Vasquez III (0:00:02):
Good morning. I call to order of the meeting of the Governing Board of the Texas Department of Housing and Community Affairs. It is 10:06 a.m. on November 6, 2025. We will start out with the roll call. Mr. Marchant.

Kenny Marchant (0:00:17):
I'm here.

Leo Vasquez III (0:00:18):
Ms. Farias.

Anna Maria Farias (0:00:18):
Here.

Leo Vasquez III (0:00:19):
Mr. Thomas has an excused absence today. Mr. Harper.

Holland Harper (0:00:24):
Here.

Leo Vasquez III (0:00:24):
Ms. Conroy.

Cindy Conroy (0:00:25):
Here.

Leo Vasquez III (0:00:25):
And myself. We do have a quorum. As usual, now that everyone's seated and quiet, we will stand up and Bobby will lead us in the pledges.

Bobby Wilkinson (0:00:38):
I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all. Honor the Texas flag; I pledge allegiance to thee, Texas, one state under God, one and indivisible.

Leo Vasquez III (0:01:06):
Well, I'm glad everyone could find us in our new uptown meeting spot for this month. Okay. Hang on just a second. Can everyone hear me?

Cindy Conroy (0:01:22):
Yes.

Leo Vasquez III (0:01:22):
Okay. So this is, usually I have an echo back so I can hear them being heard. And we will, do you have a recognition of, we have a special guest.

Bobby Wilkinson (0:01:36):
We got a quick visit for our new governor's advisor, Patrick Michaels. Can you give us a wave back there?

Leo Vasquez III (0:01:40):
Standing back there.

Bobby Wilkinson (0:01:41):
Yep. It's quite a hike from the Capitol, so I didn't get to introduce him to y'all before the meeting, but he'll be our guy for the foreseeable future. Danny got promoted to deputy policy director, so thanks for being here, Patrick.

Leo Vasquez III (0:01:55):
Great. Good to have you aboard, Patrick. Anyone here in the audience has any issues with the Board, go to Patrick. Okay.

And we'll start out with the consent agenda. Are there any changes or items that someone would want to move from consent to action? If not, I will entertain a motion on the consent agenda as posted.

Anna Maria Farias (0:02:22):
Mr. Chairman, I move the Board approve Items 1 through 14 as described and presented in the respective board action requests and reports.

Leo Vasquez III (0:02:34):
Okay. Thank you. Motion made by Ms. Farias. Is there a second?

Holland Harper (0:02:39):
Second.

Leo Vasquez III (0:02:39):
Seconded by Mr. Harper. All those in favor say aye.

All Board Members (0:02:42):
Aye.

Leo Vasquez III (0:02:43):
Any opposed? Hearing none, motion carries. Mr. Wilkinson, please give us an Executive Director's report.

Bobby Wilkinson (0:02:53):
Good morning, Chairman, Board. I'll lead off today with news from our Single Family and Homeless Programs division where we have some good news.

In August 2024, you approved our plan to work with the Department of Family and Protective Services to establish our Fostering Youth to Independence vouchers. We're allowed to request up to 25 vouchers under the non-competitive NOFA. As of today, we've requested all 25.

While HUD is not fully operational right now due to the shutdown, they are reviewing these requests. Each request represents an eligible person who has aged out of foster care and housing instability and who will be issued a voucher to find housing in their community. We expect that we will have a waiting list soon, but HUD may remove the 25-voucher limit since this is a priority population for this administration.

You authorized us to operate anywhere in Texas where one of these vouchers is not available and we do expect this program to grow as we were able to access more vouchers.

Andre Adams of our staff has worked with DFPS to set up a portal for referrals to make it easier to send them to us, and staff reports that it's working very well. Andre spent a great deal of time collaborating and the results are outstanding so far. Kudos to Abby Versyp, the division director and Andre and his team for this good work.

Speaking of the shutdown, I don't have any changes of what I reported to you last month and that we are okay in terms of funding through this month. Thus far, we've provided full funding to our subrecipients of our federally funded programs. Should the shutdown stretch into December, then we will be looking at some potential issues that will demand more immediate attention.

You've probably seen the news that there is speculation that a compromise may be reached this week and that a successful vote to reopen the government may happen this weekend. We'll see.

Also in other federal housing news, the chair of the House Financial Services Committee and the Insurance Subcommittee, Representative Mike Flood, has filed a bill to reauthorize and amend the HOME program which will likely be negotiated into the Senate's Roads to Housing Act once Congress is working again.

And we're hearing that Senator Susan Collins of Maine is pushing for the passage of the Transportation Housing and Urban Development appropriations bill, THUD, with a few other appropriations bills for a full year funding. If she's successful, we would be one step closer to a more normal bipartisan appropriations process rather than relying on the CRs as we have for a few years now.

Also, I met with Affordable Housing Advisory Committee for the Federal Home Loan Bank of Dallas yesterday remotely during Albuquerque, but I had this more important meeting to attend.

I think they're going to have about $50 million available for GAP funding and it's been a lot of multifamily projects, but mostly LIHTC and growing LIHTC interest and mostly from Texas in our five-state area. It was about 70 this year, should be about 50 next year.

And if you have issues with using them at GAP funding, I'm new to the Advisory Committee so I can't make changes yet, but if you'll just talk to me, let me know, I'll see what I can do.

Leo Vasquez III (0:05:54):

Very good. THUD.

Bobby Wilkinson (0:05:57):
Yeah, it's THUD.

Leo Vasquez III (0:05:58):
Okay. All right.

Anna Maria Farias (0:05:59):
That's right.

Bobby Wilkinson (0:06:00):
She knows.

Kenny Marchant (0:06:01):
THUD and HUD.

Leo Vasquez III (0:06:02):
Very good. Okay. Thank you for that report. Moving on to Item 16 of the agenda. Presentation, discussion, and possible action regarding the issuance of multifamily housing revenue bonds, Series 2025, Resolution Number 26-006 and a determination notice of housing tax credits. Ms. Morales. From this perspective, you look so tall.

Cindy Conroy (0:06:37):
We're feeling this short and you're like looming over.

Bobby Wilkinson (0:06:41):
She's standing on a stool.

Cindy Conroy (0:06:42):
Whatever you want we'll do it.

Teresa Morales (0:06:45):
Teresa Morales, Director of Multifamily Bonds. Item 16 involves the bond issuance for the new construction of 330 units in Southeast Dallas that will serve the general population. All of the units will be restricted at 60 percent of area median income.

Leo Vasquez III (0:07:00):
Nope. Time out. Time out. Wait. Wait. Start over.

Teresa Morales (0:07:05):
For real?

Leo Vasquez III (0:07:07):

They need it on the recording, yeah.

Teresa Morales (0:07:10):

Teresa Morales, Director of Multifamily Bonds. Item 16 involves the bond issuance for the new construction of 330 units in Southeast Dallas that will serve the general population. All of the units will be restricted at 60 percent of the area median income. The Dallas Housing Finance Corporation is serving as the general partner on this transaction.

As with all of our bond issuances, we held a public hearing and there was no public comment made and there have been no letters of support or opposition received. This transaction is a private placement, meaning the bonds will be unrated and placed with R4 Capital funding, who will be serving as both construction and firm lender. R4 is also serving as the equity investor. We have done transactions with R4 Capital before, with the most recent one approved by the Board in June of this year.

The Department will issue tax-exempt bonds in the amount of $50 million, structured with a 16-year term, a 40-year amortization, and an interest rate that is based on the 10-year treasury plus 3.4 percent. For underwriting purposes, we used a 6 percent interest rate.

There will also be a taxable piece in the amount of $23,500,000. However, the taxable bonds are not being issued by TDHCA, and the majority of these funds will be for construction only, with only a small portion to remain outstanding during the term period.

With the Board's approval today, the transaction is on track to close next month. Following this approval, we'll track it through the Bond Review Board for their consideration as well.

Staff recommends approval of Bond Resolution Number 25-006 for $50 million and a determination notice of 4 percent housing tax credits in the amount of $4,514,387.

Leo Vasquez III (0:09:08):
Okay. Since this is Dallas HFC, is this a tax-exempt property?

Teresa Morales (0:09:13):
Yes, it is. Proposed to be, yes.

Leo Vasquez III (0:09:15):
Okay. And of course they know about it because it's their own local HFC.

Teresa Morales (0:09:20):
They do.

Leo Vasquez III (0:09:21):
Okay. Do any other board members have questions on this item?

Kenny Marchant (0:09:27):
Mr. Chairman, just remind me why this could not be included in the...

Beau Eccles (0:09:40):
Fast track?

Kenny Marchant (0:09:40):
Yeah. The fast, no, I'm not understanding. Do we hear all 4 percent?

Teresa Morales (0:09:49):
So 2021 was the year that we changed course and implemented a streamlined approach to 4 percent transactions. That only applies to deals that have bonds issued through the local housing finance corporation, recognizing that that's, the tax credit piece is a smaller part of the overall capital stack.

But for TDHCA bond deals, we actually cannot approve them on a streamline track. We need adoption of a formal bond resolution that the Board has to approve.

Kenny Marchant (0:10:21):
Okay. Thanks. And what percentage of the deals you look at are ones we would look at?

Teresa Morales (0:10:28):
The majority of the 4 percent deals are those that are going through local issuers, and that is merely a function of the private activity bond ceiling and the percentage that TDHCA gets relative to locals, it's just much greater for locals.

Kenny Marchant (0:10:44):
So there's no degree of controversy in this thing. It's just that the way our rules are written, this has to be approved directly by the Board.

Teresa Morales (0:10:53):
Correct.

Kenny Marchant (0:10:54):
Thank you.

Leo Vasquez III (0:10:57):
Okay. Any other questions on this item? If not, I'll entertain a motion on Item 16 of the agenda.

Holland Harper (0:11:05):
I move the Board approve Resolution Number 26-006, authorizing issuance of multifamily housing revenue bonds and the issuance of a determination notice for a 4 percent housing tax credit for the Gateway at Trinity Forest, all as conditioned and authorized in the board action request, resolution, and associated documents on this item.

Anna Maria Farias (0:11:22):
Second

Leo Vasquez III (0:11:23):
Motion made by Mr. Harper. Seconded by Ms. Farias. All those in favor say aye.

All Board Members (0:11:27):
Aye.

Leo Vasquez III (0:11:28):
Any opposed? Hearing none, motion carries. Before I forget, if anyone wants to speak on an upcoming item on the agenda when it comes up, please come up to the front

couple rows or I guess the front row, so I know that you want to speak on the issue.

Okay. Moving on to Item 17 of the agenda. Presentation, discussion, and possible action regarding the issuance of multifamily housing revenue notes, Series 2025, Resolution Number 26-007 and a determination notice of housing tax credits. Ms. Morales.

Teresa Morales (0:12:03):

This item is actually pulled today.

Leo Vasquez III (0:12:05):

Pulled?

Teresa Morales (0:12:06):

Yes.

Leo Vasquez III (0:12:06):

Pulled. Okay. I had questions on that one too. Darn it. Okay. Thanks. Thanks, Teresa.

Item 18. Presentation, discussion, and possible action to authorize the issuance of the 2026 HOME Investment Single Family Partnerships Program single family contract for deed set-aside notice of funding availability and publication of the NOFA in the Texas Register. Mr. Landry.

Chad Landry (0:12:39):

Good morning, Chairman Vasquez and Board members. My name is Chad Landry and I'm the manager of Single Family Programs. I'm before you today to present Item 18, which is the 2026 Home Investment Partnerships Program single family contract for deeds set-aside notice for funding availability.

Funding for this NOFA is based on our annual HOME allocation from HUD for 2025 of just over $35-and-a-half million. While these funds are technically 2025 in HUD's eyes, our NOFA is dated 2026 because that is the state fiscal year that we will be operating in. Each year this Board approves a one-year action plan, which details how we will allocate our funds.

The contract for deed NOFA is for $1 million and will be used to assist households living with a contract for deed instead of a traditional mortgage. Our contract for deed set-aside is created through a writer in our appropriation authority. Texas Legislature requires that we allocate funds to assist households who may be in a contract for deed, also called an executory contract, for the purchase of their home.

Traditionally, a contract for deed was a contract for the sale of land where the buyer acquired possession of the land immediately and paid the purchase price and installments over a period of time, but the seller retained a legal title until all payments were made. The writer was put into place to make sure that households have a way to get out of these situations without potentially losing their entire investment, including homes they would build on once vacant properties.

While statutory changes codified in House Bill 311 in the 2017 legislative session now give those executory contracts an ownership interest in their homes, the term of the contract, including the interest rates and late payment penalties, are often still out of line with what you would see in the standard bank issued mortgage. Our contract for deed program buys out these contracts and converts them into a TDHCA loan. Our program offers 0 percent deferred forgivable loans to refinance and reconstruct the home.

This NOFA primarily focuses on the Texas-Mexico border where contract for deeds are most commonly used. And as I've noted to the Board on previous occasions, program use in recent years has trended down with the last activity under this program completed in 2020.

However, I am happy to report that last year we hired a temporary contract redeem implementation manager position to help drum up interest in this program. Her name is Sofia Castro. She's been working very diligently, and we now have one in our pipeline with more to follow. Any contract for deed funds not used are reprogrammed for other activities. With that, I'm happy to answer questions.

Leo Vasquez III (0:15:20):
Thanks, Chad. So do we have any estimate of how many contract-for-deed contracts are still existing?

Chad Landry (0:15:28):
No. We don't because they're all, some can be super informal like on a napkin to the colonias. These are in El Paso and there are a little more, neighborhoods, but we don't really know how many they are.

Leo Vasquez III (0:15:45):
If only they were...

Holland Harper (0:15:45):
Mr. Landry, we only had one?

Kenny Marchant (0:15:45):
We had one.

Chad Landry (0:15:48):
Yes. And with more to follow.

Chad Landry (0:15:50):

We haven't had any for several years, so,

Holland Harper (0:15:53):

Do we even need to do this program?

Chad Landry (0:15:55):

I'm sorry.

Bobby Wilkinson (0:15:55):

It's required by rider and the budget.

Chad Landry (0:15:57):

Yeah, yeah. It's required by state.

Bobby Wilkinson (0:15:58):

It's been set aside, and it's been there for years and years. Representative Canales actually passed some legislation that gives contract for deed folks more, I don't know, mortgage like protections, so it's less important than it used to be, or less critical and they're hard to find.

Maybe there's a discussion to be had with the appropriators of just removing the rider so we don't tie up this money, they could go to something. This money will get swept into the other programs eventually.

Holland Harper (0:16:27):
I don't disagree. It's just...

Bobby Wilkinson (0:16:28):
Right.

Holland Harper (0:16:28):
You're working on something, I mean...

Bobby Wilkinson (0:16:30):
Right.

Holland Harper (0:16:31):
Because the effort for the, the bang for the buck's pretty low about that.

Bobby Wilkinson (0:16:35):
Right.

Chad Landry (0:16:36):

It has been.

Bobby Wilkinson (0:16:36):

And we had talked about this before. That's why the extra effort with trying to put some more manpower on finding recipients.

Chad Landry (0:16:44):

County administrators are interested. And we have a couple in El Paso that are like, yeah, we have quite a few that we can get going.

Bobby Wilkinson (0:16:50):

So after this push, if over time if it doesn't lead to anything, maybe we'll talk to the appropriators about removing the rider.

Leo Vasquez III (0:16:58):

Yeah. I think we need to make sure the public understands this is available to get out of this contract for deed and then into a more traditional mortgage style. If only there were some banks in El Paso that could help get this type of thing dealt with.

Cindy Conroy (0:17:14):
We got out of mortgage lending. I'm sorry.

Holland Harper (0:17:18):
Do you have some friends?

Cindy Conroy (0:17:20):
But there are plenty of mortgage companies that I can refer to you.

Leo Vasquez III (0:17:22):
Okay. All right. Anyone else have questions for Mr. Landry on this item? If not, I'll entertain a motion on Item 18 of the agenda.

Holland Harper (0:17:34):
I move the Board approve a 2026 HOME single family contract for deed set-aside notice of funding availability to be released into the reservation system and the notice published in the *Texas Register* and the

Department's website, all as described, authorized in the board action request and associated documents on this item.

Cindy Conroy (0:17:51):
I'll second.

Leo Vasquez III (0:17:52):
Motion made by Mr. Harper. Seconded by Ms. Conroy. All those in favor say aye.

All Board Members (0:17:56):
Aye.

Leo Vasquez III (0:17:56):
Any opposed? Hearing none, motion carries. You're still up.

Item 19. Presentation, discussion, and possible action to authorize the issuance of the 2026 HOME Investment Partnership Program single family persons with disabilities set-aside NOFA and publication of that NOFA in the Texas Register. Mr. Landry, tell us about this.

Chad Landry (0:18:21):

Good morning, once again. I'm before you today to present Item 19, which is the 2026 HOME Program persons with disabilities NOFA.

As I mentioned with my contract for deed presentation, funding for this NOFA is based on our annual HOME allocation from HUD for 2025 with just over $35-and-a-half million. Once again, each year this Board approves a one-year action plan which details how we allocate our home funds.

This NOFA provides funds for activities that assist persons with disabilities. Our governing statute requires that we spend 5 percent of our yearly allocation on programs that target persons with disabilities. These programs are available statewide, including participating jurisdictions.

This NOFA is for just over $2-and-a-half million, and two activities are eligible; tenant based rental assistance, which receives the most of it with

$2,147,000, and HOME reconstruction assistance, which gets $536,000. With that, I'm happy to answer any questions you may have.

Leo Vasquez III (0:19:27):

Okay. Another good program. I think probably more used...

Chad Landry (0:19:31):

Oh, yeah, this one's, and it goes like that.

Leo Vasquez III (0:19:33):

So do the industry representatives that help people with disabilities, are they fully aware of this source of funds?

Chad Landry (0:19:43):

Yeah. Yeah. This is a very popular program.

Leo Vasquez III (0:19:47):

Okay.

Chad Landry (0:19:47):

And it gets eaten up very quickly.

Leo Vasquez III (0:19:49):

Okay. Do any board members have questions on this item? Seems pretty straightforward, so I'll entertain a motion on Item 19 of the agenda.

Anna Maria Farias (0:20:02):

Mr. Chairman, I move the Board approve a 2026 HOME single family persons with disabilities set-aside notice of funding availability to be released into the reservation system and notice published in the *Texas Register* and the Department's website, all as described and authorized in the board action request and associated documents on this item.

Holland Harper (0:20:27):

Second.

Leo Vasquez III (0:20:27):

Motion made by Ms. Farias. Seconded by Mr. Harper. All those in favor say aye.

All Board Members (0:20:31):

Aye.

Leo Vasquez III (0:20:32):

Any opposed? Hearing none, motion carries.

Chad Landry (0:20:34):

Thank you.

Leo Vasquez III (0:20:34):

Thanks, Chad. Item 20 of the agenda. Presentation, discussion, and possible action regarding the approval for publication in the *Texas Register* of the 2026-1 multifamily direct loan notice of funding availability. Mr. Jones.

Connor Jones (0:20:54):

Good morning. Connor Jones, manager of the Multifamily Direct Loan Program. This item concerns a notice of funding availability for funds that will be available in 2026. This NOFA includes approximately $16.4 million in

National Housing Trust Fund that will be available for multifamily rental development.

At large, this NOFA is geared towards supportive housing projects as the 30 percent AMI unit requirement that comes with the trust fund is a bit more linear of a fit for those kinds of projects. These funds are being made available in a series of application acceptance periods with a specific list of priorities. The loans will be 2 percent deferred payable for supportive projects and 2 percent fully amortizing for all others.

The Department will begin taking applications December 15th with the first application acceptance date of January 20th and conclude May 31st should funds remain. The subsequent application acceptance dates are a bit closer together. This doesn't impede an applicant from applying, as we expect to get most applications early in the process anyhow. These dates are purely just a mechanism to group applications together.

Applications requesting the larger amount of funds will receive priority. This is to incentivize larger rewards that better fill funding GAPs and are easier to close. If two applications requesting the same amount of, if two applications request the same amount of funds, we'll look to the amount of match provided into the tiebreaker and if a tie still persists, we'll default to the tiebreakers in the QAP.

Staff continue to target large deals that are, or I'm sorry, target deals that are ready to move forward towards closing and in doing so have prohibited deals which have purchased their development sites prior to January 15, 2025, from applying. This is to help cast a net on deals that are not so old that they'll have a hard time having enough eligible cost in the project, but also deals that have started construction.

This matters quite a bit for NHTF, as for the National Housing Trust Fund, any cost expended by the applicant prior to the execution of the contract for those funds is ineligible. So sometimes there can be a little bit of a tough window for deals to come in if they've already started. We've had that happen in the past a couple times and it's quite difficult to get the deal wrapped up and closed.

If a project has started construction under this NOFA, very specifically, they have to cease construction and they cannot start again until that contract is executed. Staff recommends approval of the NOFA. I'm happy to answer any questions that you may have.

Leo Vasquez III (0:23:24):
Okay. Sounds like great use of funds. However, there also appears to be a really short window of opportunity and then lots of hoops to jump through them. Has it always been this kind of...

Connor Jones (0:23:39):
Those application windows are kind of squeezed together like I mentioned earlier. Once the NOFA is open on December 15th, we can begin accepting applications. We generally get the bulk of them in the first week or two. We very rarely see them trickle into those later dates, so those subsequent dates that are after that, again,

are purely just there to kind of give structure and order to how they apply.

Each application acceptance date has specific priorities, so we're continuing to prioritize a large award that's in first lien and the project has no other hard paid debt, and so those kinds of projects get one window.

If the debt for the, or the NHTF request happens to not be in first lien, that gives them second. And we just squeeze those together just to put a little bit of order in the process and also kind of get to a point where we can pick them up and start reviewing them.

And if we push those application windows out pretty far, that means we have to wait till that's, if we pushed into February or March, we have to wait all the way till then to pick it up and start reviewing. So we just kind of squeeze those windows as we have on the last handful of NOFAS to get them all corralled and started.

Leo Vasquez III (0:24:45):
Okay. But it's not a, whoever hits send on the email first gets much better results.

Connor Jones (0:24:51):
No. So if an application that's targeting, let's say, the third application acceptance window applies during the first window, we see that on the application and know, oh, because of where they put the funds and some of the other details in the project, they're going to get this date and we can slot them into that accordingly.

Leo Vasquez III (0:25:08):
Okay. And...

Connor Jones (0:25:08):
It's not like they're prohibited from coming in.

Leo Vasquez III (0:25:11):
Okay. And then I guess my last question, could you repeat a little more about is supportive housing at the top of the list or first window, or?

Connor Jones (0:25:22):
Yes, it is. And then we have an open application window for non-supportive projects.

Leo Vasquez III (0:25:26):
Do you know historically what percentage of the applications or the funds go to supportive projects as opposed to none?

Connor Jones (0:25:35):
We haven't done supportive on a NOFA in a couple years, so I'll be curious to see what comes in. In '21 and '22 we had a couple, so I'll be curious to see exactly what the appetite might be for that.

Leo Vasquez III (0:25:47):
Okay. Great. Any other board members have questions? Mr. Marchant.

Kenny Marchant (0:25:52):
Can you just remind us or remind me, where does this money come from?

Connor Jones (0:26:00):
So this is the National Housing Trust Fund, which on a national level comes essentially from repayments and refinancing on Fannie and Freddie products.

Kenny Marchant (0:26:07):
Okay. And...

Connor Jones (0:26:08):
So it's a different pool than that HOME bucket.

Kenny Marchant (0:26:11):
And we can't carry it over. We use it every year.

Connor Jones (0:26:15):
We do, yes.

Kenny Marchant (0:26:16):
Yeah. And what's the amount?

Connor Jones (0:26:19):

For this NOFA, it'll be $16.4 million, thereabouts. And that's actually two different grant years put together. The NHTF funds have very strict commitment and expenditure deadlines that are really tight.

We've had a couple board presentations over the last couple years about trying to get towards those. So we've actually put two grant years together to try to get current and get ahead of that.

We had some allocations last year that were in the 40 millions and because of the market right now, there's not as much of that payment refinancing happening on the national level. So those grants have dipped a little bit back down, more towards $8 million.

Kenny Marchant (0:26:54):

And so as the loans amortize, where does the money go? Does it go back into the program and get loaned?

Connor Jones (0:27:01):

We can collect program income off of that.

Kenny Marchant (0:27:04):
Thank you.

Leo Vasquez III (0:27:06):
Okay. Great. Any other questions? If not, I will entertain a motion on item...

Lora Myrick (0:27:12):
Yes.

Beau Eccles (0:27:12):
Public comment.

Leo Vasquez III (0:27:12):
I'm sorry. Did you...

Beau Eccles (0:27:13):
Public comment.

Leo Vasquez III (0:27:14):
Oh, public comment, okay. Would anyone care to, on the Board, make a motion to hear public comment at this board meeting?

Kenny Marchant (0:27:22):

So moved.

Holland Harper (0:27:22):

I make a motion to accept public comment.

Anna Maria Farias (0:27:25):

Second.

Leo Vasquez III (0:27:26):

Motion made by Mr. Harper. Seconded by Ms. Farias. All those in favor say aye.

All Board Members (0:27:30):

Aye.

Leo Vasquez III (0:27:31):

Any opposed? The Eccles rule is in effect. Please.

Lora Myrick (0:27:36):

Hello. My name is Lora Myrick, and I am with BETCO Consulting. I'm going to go ahead and ask Connor, so I'm just going to go ahead and put it on the record and ask. We would love to see where this is a NOFA where we have $2 to $4 million as a request because there's a lot of people that need the money.

And so if we could spread that $16 million out more, that would be great. It's just a request. I know that that's something that they may not be too happy about, but I did want to put that request out there.

One of the comments that I have to use on the HOME match contribution that is in the NOFA. It talks about a 7.5 direct loan, a 7.5 match requirement, and it talks about the exemption, the tax exemption, as being part of match, and it talks about the property code and what that means, whether that happens.

What I'd like to ask for is to change the match contribution and it's because 24 CFR Part 93, which is National Housing Trust Fund, which this money is all National Housing Trust Fund, doesn't have a match requirement, but TDHCA does impose one on us. Okay. That's fine.

But there's some match that is not eligible under the National Housing Trust Fund program, the property tax being one. And so if we could remove that or maybe just put here the things that are eligible for National Housing Trust Fund match, I think that would be helpful for us.

Leo Vasquez III (0:29:08):
You mean to specify the, but it's not....

Lora Myrick (0:29:10):
The match, the eligible match that we can provide for these funds. Because here we have property tax exemption, property tax exemption is not allowable if it's not a HOME assisted project. And since this is NHTF, you're not going to have a HOME assisted project.

Leo Vasquez III (0:29:31):
Okay. I see some nods over here that seems like...

Connor Jones (0:29:38):
So to the first comment, I did maybe glaze over that a little bit. The request amount in this NOFA is a

minimum of 4, maximum of 8.2. We've done that a lot of the last couple NOFAs. The issue there being we were trying to incentivize requests that actually fill the gap.

When we have a little bit less than 4, what we've noticed is the applicant will come in, request the 3.2, the 2.8 for whatever they need, we get about halfway through the project, things change and they have to go find more soft funds. That gives us some delays.

So we've kept that $4 million as a floor, if you will, over the last couple NOFAs just to usher in deals that can take that debt and move forward to close. So that's the rationale for that $4 million minimum she was speaking to.

Leo Vasquez III (0:30:25):

So there's $16 million total?

Connor Jones (0:30:28):

Mm-hmm.

Leo Vasquez III (0:30:29):
So this could be for four deals.

Connor Jones (0:30:33):
Potentially.

Cindy Conroy (0:30:34):
With $8 million that is.

Leo Vasquez III (0:30:36):
Two to four.

Cindy Conroy (0:30:37):
Yeah.

Leo Vasquez III (0:30:43):
I guess I understand the rationale, spreading it out over too many smaller deals, but...

Connor Jones (0:30:53):
We can drop that down if the Board would like us to. The four is about where we've seen where, especially with an NHTF because of the 30 percent AMI on those

units, that's where we've seen that amount really kind of, if you go below that, it can kind of start to cause more headaches than then fill in the gaps. So that's why we just had that. It's not impossible to go below four and we can do that if we deem necessary, but that's just the floor that we kept.

Leo Vasquez III (0:31:19):
Let me ask, Ms. Myrick, what number did you propose as a floor?

Lora Myrick (0:31:22):
Two to four.

Leo Vasquez III (0:31:23):
Two to four?

Lora Myrick (0:31:24):
Yes, sir.

Leo Vasquez III (0:31:26):
Sounds like three. Well, unless their staff has a more than just a general concern, but if there is a good

reason, we can stick with four, but if it's not really a...

Connor Jones (0:31:44):
Sticking with the four is going to be pretty adamant and surefire way to kind of help ensure the health of our pipeline. Even with that $4 million minimum, we have some deals from 2024 that are still struggling mightily to get these things contracted and across the line.

So the larger awards generally help us and the developer plug that GAP and get these things towards close. We're still seeing deals sit on our pipeline for 18-plus months, which is just a little too long.

Leo Vasquez III (0:32:15):
Yeah. And we're still going to be, you expect to be oversubscribed anyway,

Connor Jones (0:32:19):
I would expect to be. The last three-and-a-half years every single NOFA has been oversubscribed, so I would imagine this one would be as well.

Leo Vasquez III (0:32:28):

Okay. Well, understanding the concerned voice, does any other board member have a feeling one way or the other, or just leave it at four, or?

Holland Harper (0:32:37):

I think we should leave it at four.

Anna Maria Farias (0:32:38):

Four.

Leo Vasquez III (0:32:10):

Seems like we have a consensus to go with staff's recommendation, but we understand what you're saying. Okay. And then this is still a published for public comment, right? So this is not the final.

Connor Jones (0:32:54):

Yes. It'll go to the Register. And as far as the match she was speaking to, that's a pretty in the weeds dense...

Beau Eccles (0:33:01):
I think this is approving the NOFA.

Bobby Wilkinson (0:33:03):
Yeah.

Leo Vasquez III (0:33:03):
Is this the final approving it? Okay.

Connor Jones (0:33:08):
Yeah, it is in, sorry.

Leo Vasquez III (0:33:09):
Okay. Says approval for publication, okay. So this is the final, right?

Connor Jones (0:33:14):
Yes. Sorry about that.

Leo Vasquez III (0:33:16):
Okay. All right.

Connor Jones (0:33:18):

As far as the match that was discussed earlier, we can just better clarify that in the NOFA. We're already working a little bit internally with some of the issues we've had with NHTF and their match the last couple weeks amongst a couple of projects that are looking to close. So we're revamping a lot of our tools right now and we can clarify that in the NOFA, no problem.

Leo Vasquez III (0:33:36):

Okay.

Connor Jones (0:33:36):

Because it is a little tricky. Little dense.

Leo Vasquez III (0:33:38):

Okay. Yeah. That sounds like this, on this one.

Connor Jones (0:33:41):

That CFR is a little long.

Leo Vasquez III (0:33:45):

Okay. Given that, I will entertain a motion on Item 20 of the agenda as presented.

Holland Harper (0:33:55):

I move the Board approve a 2026-1 multifamily direct loan notice of funding availability, all as described, authorized in the board action request and associated documents in this item.

Anna Maria Farias (0:34:06):

Second.

Leo Vasquez III (0:34:07):

Motion made by Mr. Harper. Seconded by Ms. Farias. All those in favor say aye.

All Board Members (0:34:11):

Aye.

Leo Vasquez III (0:34:12):

Any opposed? Hearing none, motion carries.

Connor Jones (0:34:16):

Thank you.

Leo Vasquez III (0:34:16):

All right. Thanks, Connor. Thanks, Lora.

Lora Myrick (0:34:18):

Thank you.

Leo Vasquez III (0:34:20):

Okay. Item 21. Report on TDHCA performance measures for the 4th quarter of fiscal year 2025 and a year-end summary. Mr. Lovitt.

Matthew Lovitt (0:34:30):

Yes. Good morning, Chair Vasquez, members, Mr. Wilkinson. My name is Matthew Lovitt. I am pleased to speak as a senior Legislative Affairs advisor under Michael Lyttle in the External Affairs Division of TDHCA. Thank you for the opportunity to be here this morning and to talk a little bit about our agency performance in fiscal year '25.

As has been the case with most fiscal years recently, we've had mixed success in meeting our performance goals. Sometimes we exceed mightily and sometimes we have a little bit of work to do and there's room for improvement, and we can talk a little bit about that this morning.

For your information today, I will focus on the key measures that we report on a quarterly basis to the state as shown in the performance measure visualization that is provided on page 619 of your board books. Give me a second to get there. Looks like moving. Okay. We're ready. Mostly. Okay. Cool.

First, I would like to draw your attention to key measures 5 and 10 concerning assistance provided by TDHCA's Housing Resource Center and Colonias Self-Help Centers. With respect to these measures, cumulatively, we exceeded our target by more than 150 percent, which speaks to the value of the importance of these relatively low-cost, high-return programs.

We were less successful with our construction or rehabilitation of restricted units to the mortgage revenue bond and tax credit programs as shown in key measures 3 and 4. However, a lot of this shortfall can be attributed to ongoing challenges developers are experiencing in the financing and construction of multifamily developments.

These challenges were compounded by developer delays in the submission of cost certifications after project completion, paired with perhaps an overly optimistic assessment of how quickly developers would rebound from challenges associated with the pandemic.

Moving on to measures where we exceeded our target by a significant margin, I'll draw your attention to key measure 2 concerning the tenant-based rental assistance program, where we overperformed by more than 200 percent.

Our overperformance with the Weatherization Assistance Program, or WAP, was a little bit more modest at 161 percent as shown in the visualization for key measure 9, but very positive nonetheless.

With respect to TBRA, the flexibility the agency has in utilizing HOME funds allowing us to shift dollars between multifamily and single family sides of the house, allowed us to put resources into a program with significant demand, as was already discussed earlier this morning.

Concerning the Weatherization program, the agency's overperformance can be attributed to continued ramping up and spending federal COVID dollars and the subsequent rush to spend dollars before the end of the fiscal year.

At the other end of our performance spectrum, we did see some underperformance in meeting our goals with the Homeownership Program and Comprehensive Energy Assistance Program or, CEAP, as shown in Key Measures 1 and 8, respectively.

Continued volatility in the secondary mortgage market contributed to severe affordability issues, which hampered our mortgage loan business. With respect to energy assistance, staff indicate that multiple subrecipients also obtained energy assistance dollars from other funding sources, reducing demand for TDHCA dollars and therefore lowering our output. This level of performance is more or less consistent with FY24, both good and less good.

To sum up, our performance for fiscal year '25 demonstrates both our ability to meet the needs of the people and communities our programs are intended to serve and that we may have room for improvement in, if nothing else, establishing more precise targets in an unknown and uncertain environment, such as we are currently living in.

To the latter point, fortunately, TDHCA will begin the process of revising our performance measures for 2028/2029 in early 2026 in conjunction with the development of the agency's strategic plan for 2027 through 2031. That concludes my presentation. I'm happy to field any questions or at least try to field any questions if you have them.

Leo Vasquez III (0:38:16):
So, Matthew, have you all also taken the next step in this in trying to figure out the root causes and why we missed certain ones so far by so great of numbers?

Matthew Lovitt (0:38:31):
So to that question, I don't know that we've gotten to the heart of these difficulties or challenges we've had in establishing targets, but I've worked, I spent a lot of time working with program staff. And their thinking is, generally speaking, that just so much uncertainty in the environment right now makes it really hard to predict what may or may not happen with some of these programs.

For example, I mentioned a HOME ownership program earlier. There's just so much uncertainty and volatility in the mortgage market, obviously increasing inflation. Supply is coming back up, but there's still a lot of factors that are outside of our control that are really hindering our ability to hit some of the performance matrix that, or for these performance targets that we establish for ourselves.

And I don't think I'm getting ahead of myself in saying they are very enthusiastic about the opportunity to establish new targets for 2028, '29 coming in the spring.

Leo Vasquez III (0:39:23):
Let's look, for example, on measure 8, the CEAP.

Matthew Lovitt (0:39:27):
Okay.

Leo Vasquez III (0:39:29):
2025 is almost identical to 2024.

Matthew Lovitt (0:39:33):
Correct.

Leo Vasquez III (0:39:34):
Yet we missed the target by 50 percent or, I mean, just half. Could that be because we're not advertising the

program well enough, or our community service partners that are out there, those agencies, aren't doing a good job letting their constituents know about it?

Matthew Lovitt (0:39:55):
Yeah. I wouldn't feel comfortable speaking that specifically about the program. It's a little bit more in the weeds than I'm comfortable talking about. Only because I don't work in the program, I can't speak to the administration of that particular program and the challenges that they're experiencing. I would welcome any kind of assistance if there is anybody that would like to speak to that one in particular.

Leo Vasquez III (0:40:18):
Okay. I assume that's going to be the answer to my next question as well. Mr. Harper, did you...

Holland Harper (0:40:25):
Sure. So does each division create their objective of what they're going to get, how they're going to get there?

Matthew Lovitt (0:40:31):
They do have an opportunity to put forward almost targets, that of course is then reviewed by agency leadership, so Bobby, and of course the division directors who get a say a little bit more in terms of what the final number may be. That then goes to LBB and the Governor's Office and they have some input as well, what may or may not be...

Bobby Wilkinson (0:40:49):
They're actually the final word on what the measures are, which ones are key, and then targets, they have to approve all that. If we want to remove a measure, they both have to agree, Governor's Office and LBB.

Holland Harper (0:41:02):
All right. So with that, if we miss it by, some of these, we broke through 135 percent, 200 percent, so we're crushing it. Some is 50 percent. So if we're going to, why are we missing it? How are we going to fix it? What's our plan for '26 and '7 to be better than where we were before?

Matthew Lovitt (0:41:22):
For sure. So to your point about how can we improve, I can't necessarily speak to the established targets prior to my arrival at TDHCA. I've been with the agency roughly a year at this point in time, so I'm not privy to everything that happened prior to my arrival, but...

Holland Harper (0:41:38):
Listen, I'm not worried about looking backwards. How are we going to make it better next year?

Matthew Lovitt (0:41:41):
That's a great question. I don't know...

Bobby Wilkinson (0:41:47):
I'm looking at energy assistance, I'd be curious on dollars how different we are. Maybe we're spending more dollars per person. You see the explanation for variance, the subs have been using alternative funding sources that have been available the last couple years. I still think we're expending all our funding, so maybe the target's wrong. We'll have to dig in, give you a better look next time.

Leo Vasquez III (0:42:14):
Yeah. The metric, yes.

Bobby Wilkinson (0:42:15):
Right.

Anna Maria Farias (0:42:14):
Mr. Chairman, two years ago when the energy assistance was done, I remember being in San Antonio and one of the TV stations said TDHCA has announced energy assistance and within 24 hours they closed because they were completely full. That was two years ago.

But here you're talking about sometimes there are other assistance from other sources, but also the important one is due to a program compliance concern, one of the subrecipients was not awarded. We have also seen that before where some people that are supposed to be helping the neediest do not always produce.

So I think it's a compilation of when other agencies or other programs get in trouble, then the people that need to be helped the most don't get it because the people that promised them the star and the moon do not deliver. Once again, we see that problem.

Matthew Lovitt (0:43:18):
Absolutely. And to the question about how much we're rewarding to each particular subrecipient or beneficiary in this particular program, there is supplemental information that feeds into those key measure visualization that I presented.

On page 616 of your board book specifically, measure 3.2.1 (e)(f)1 talks about the average subrecipient cost per household for utility assistance. Our target was 700, and you can see here that we're actually providing a little north of 1,300 per beneficiary.

People have, maybe their needs are greater than we initially anticipated, so we're giving more money out and serving fewer people. The supplemental information that's provided in board book also may have some insights that are important in your assessment of how well the agency is doing.

Leo Vasquez III (0:44:11):
Okay. This report is a step in the right direction. I know this is what Mr. Harper asked for a year ago. We need to take it, and I'm not picking on you personally, okay? Whoever put you up here and didn't have you with all the information you needed, so I'm not shooting the messenger here.

But we definitely need to take this whole report, and I'm talking to everyone here, take this another step further to not just say, well, here's what the number was, but whether it's a relevant number or not, like. the total dollars versus the number of individuals served. And maybe that's not the right metric. How did we do compared to, not just raw numbers last year, but what was the target last year? Did we improve on, did we miss it by less?

Matthew Lovitt (0:45:09):
Yeah.

Leo Vasquez III (0:45:09):

Did we beat it by more? And then what are the steps that we're going to start taking? And this I guess goes into you. I mean, just, how would we this improve this?

Bobby Wilkinson (0:45:19):

Yeah. In addition to...

Leo Vasquez III (0:45:20):

How are we going to improve this? Or now we got this information, how are we using the information?

Bobby Wilkinson (0:45:25):

Sure. In addition to fleshing out the explanation of grants a little better, like next steps or like, what are we going to do to meet the goal? Sometimes it's just macroeconomic, fewer people are buying houses, right but...

Holland Harper (0:45:40):

But that comes down to if we miss the number, why did we miss the number and if it's the function of those which you got in here, and then what are we going to do to get better.

And then is there something here that we're measuring? This isn't moving the needle. Because listen, no, the worst thing you can do in life is measure something that nobody gets a flip about. That's the worst experience in life.

Bobby Wilkinson (0:46:03):
And then we can officially request to have it changed for...

Holland Harper (0:46:05):
That's right. Get out of it.

Bobby Wilkinson (0:46:06):
Yeah. Yeah.

Holland Harper (0:46:05):
Let's not be foolish here. But what are we doing to make it better? Why are were missing stuff? Or is it just a bad number? What's the macro effect of that?

And then what do we not need to measure and measure something different. Because the whole goal is, are we making, are we doing the best service we can?

Are we getting better at what we're doing every day?

Bobby Wilkinson (0:46:26):
I would say that LBB's analysts are sometimes reluctant to get rid of something because they like the historical. And so it's like, oh, and it cuts off their line graph. But there's always better ways to measure and we should keep pushing for that. I agree.

Matthew Lovitt (0:46:40):
I'm sure there are a handful of program staff that are smiling ear to ear at the suggestion that we're reducing or eliminating some performance measures.

Bobby Wilkinson (0:46:48):
Or writing some.

Leo Vasquez III (0:46:49):

But sitting down here without a dais, I can't see their faces. We're going to have our new and improved TDHCA DOGE going forward?

Bobby Wilkinson (0:47:04):

Well, yeah. Try to improve the performance measures going into next session.

Leo Vasquez III (0:47:10):

The answer is yes, Mr. Chairman, yes.

Bobby Wilkinson (0:47:11):

Well, separate out of these, there's a lot of DOGE going around. The House and Senate each had their own committees, plus there's now...

Leo Vasquez III (0:47:18):

TDHCA though.

Bobby Wilkinson (0:47:11):

The Texas Office of Regulatory Efficiency within the governor's office that's going to be reviewing our rules, specifically the administrator code, that's their angle. Yeah, there's DOGE all around.

Leo Vasquez III (0:47:36):
Very good. Any other questions, Board members, for Mr. Lovitt? Thank you, Matthew.

Matthew Lovitt (0:47:43):
Thank you.

Leo Vasquez III (0:47:43):
Thanks for the report. Okay.

Item 22 of the agenda. Presentation, discussion, and possible action regarding eligibility under 10 TAC Section 11.5.101(b)(1)(D) related to ineligibility of developments within areas of high crime for Bernicia Place. Where's the crew? Ms. Morales.

Teresa Morales (0:48:13):
Teresa Morales, Director of Multifamily Bonds. You may recall that Bernicia Place was presented and discussed at the Board meeting last month. This is 120-unit new

construction development in Houston serving the elderly population.

There is a neighborhood risk factor associated with the Part 1 violent crime rate relating to the adjacent tract whose boundaries are within 500 feet of the proposed development. The adjacent tract has a Part 1 violent crime rate of 28.37.

To briefly summarize staff's position and the discussion, the QAP allows for local police beat data to be provided to the extent it offers a more accurate reflection of crime in the area. Not only did the local police beat data not produce a crime rate below the threshold of 18 per 1,000 persons, but it increased for each of the previous three years going from 30.95 in 2022 to 38.10 in 2024.

Given the lack of downward trend and reasonable conclusions that the crime rate would be at or below 18 at the time the development places into service, staff recommended that the site be ineligible.

The Board was interested in whether a plan was in place that would serve to mitigate the crime not just on the property but in the neighborhood as well. The information from last month's meeting is included in your materials, but also included is an enhanced security and crime prevention plan that the applicant provided subsequent to the Board meeting. This can be found on page 629 of your materials.

In this document, and repeated in the Board write up itself, are three specific conditions they requested be included in the LURA. Upon review, staff modified these items to be reflective of what staff can monitor for long term. These include the addition of a fifth patrol from Constable Precinct 7 to focus on this community and census tract.

You may recall that from last month we mentioned an agreement that was in place between Harris County and the Greater Southeast Management District, where that agreement stipulated that there were four deputies that were being provided who spend about 80 percent of their time in the Greater Southeast Management District area, which is a much larger area. What the applicant has proposed is that there be a fifth patrol added to that that is specific to this community and this census tract.

The second item is private on-site security patrols on nights and weekends, and the third are on-site security measures that include those amenities that are listed under the third bullet that's on page 627 of your board book. These include things like full perimeter fencing, vehicular gates with controlled access, security cameras, and a list of other items.

As it relates to those first two conditions, the additional patrols, information on the crime rate that was initially provided by the applicant last month focused on crimes within the City Council District D, which we said was a much larger area. The data that they provided for that city council district, it reflected a 13 percent reduction in crime over a one-year period.

The applicant believes that this reduction can be attributed to those direct patrol efforts and that once these more targeted patrols that we've talked about here, once those are in effect closer to the neighborhood containing Bernicia Place, that the area would see similar reductions in crime.

There are a few points of clarification regarding these three items. One is that to the extent the development will bear the cost, we will need the applicant to confirm that such costs are reflected in the tax credit application. Part of our underwriting will be to determine whether the property can support it.

Another clarification is that the requirements in the LURA run for a 30-year affordability period and the monitoring of these items would be no different. Last, the security amenities to be provided would be considered mandatory and not used in meeting the minimum threshold of points that are required.

Despite the submission of the plan, because the crime data remains unchanged, staff does not have the authority under the QAP to recommend anything other than the site be ineligible. However, should the Board find merit in the plan that was submitted and as I've discussed, staff has modified, the applicant's recommendations to what may work from a monitoring standpoint from the Department's perspective. And I'm available for questions.

Leo Vasquez III (0:53:13):
Great. Thank you, Teresa. I think we have some speakers that would like to chime in and enhance what was just reported.

Kenny Marchant (0:53:21):
Mr. Chairman.

Leo Vasquez III (0:53:22):
Did you have some questions first?

Kenny Marchant (0:53:23):
Yes.

Leo Vasquez III (0:53:23):
Okay. Hang on.

Kenny Marchant (0:53:24):
One question, please. Do we have any kind of historical experience on this kind of situation where we've declared them eligible and kind of overruled our rules, and does it usually work out or does it usually not work out?

Teresa Morales (0:53:51):
Excellent question. So this will probably be I think the sixth transaction that I personally have brought before the Board...

Bobby Wilkinson (0:54:02):
Who's counting, though, right?

Teresa Morales (0:54:04):
But who's counting. That I brought before the Board. The majority of those were rehab developments. There was only one prior development, that was new construction. And at the time that I brought the last

one before the Board, I went back and looked at the others, given that it had been a couple years since we had done anything relating to those properties and those sites, and there actually was not improvement.

As far as the Part 1 violent crime goes, but that is really only using NeighborhoodScout as the measure. So that's sort of the standard benchmark that we use. And then we're to going and looking at well did crime improve? That's really what we would use. But when I pulled those NeighborhoodScout reports for those properties in question, there wasn't a significant decrease in crime, there wasn't.

Kenny Marchant (0:55:00):
And did all those projects have similar stepped-up security, similar plans that they have, that they presented to get their funding, or?

Anna Maria Farias (0:55:21):
I don't recall those being as expensive as these with deputies. I think the standard approach has been to provide on-site security, but I'm not sure if that is

really just looking at the property itself and not extending outward to the neighborhood.

Kenny Marchant (0:55:32):

Yeah. So my feeling is the original purpose of this rule or this policy was to not throw people into neighborhoods that are unsafe, period. And we always get a lot of assurances and we get assurances that are pretty much contingent on the local law enforcement keeping its word from one year to the other and assuming that the same policing budget will be in place, the same policing policy will be in place, et cetera.

And so I rely more on security. I would rely more on the promises made that had to do with private security in private that were totally under control of the project. Whereas I don't believe the external policies are under their control. I think there's good promises made, et cetera, et cetera.

I think as a board member, my concern that we put new tenants in bad situations and because of their financial situation, because of the financial incentives, they're drawn into the project that inevitably, like you said, you look back and you've seen little or no improvement in any of the projects that have been approved for. Mr. Chairman, that was my question and comment.

Leo Vasquez III (0:57:14):

Although just to clarify, when you look at the NeighborhoodScout, that is not specific to those previous six or five developments, it's the region, it's the area in which they are located.

Teresa Morales (0:57:32):

Correct. So NeighborhoodScout, the boundaries that they use when they are determining that Part 1 violent crime rate, it's based on the census tract.

Leo Vasquez III (0:57:40):

Yeah. But it's not that the...

Teresa Morales (0:57:41):

So it's the area containing the development.

Leo Vasquez III (0:57:44):
So as Mr. Marchant just said, if a development really stepped up its on-site security and access control gates and all that stuff, it could be a hamlet, a little pocket inside a bad area that, but we don't have any real way to track if it's safe, or just maybe we can look up police calls to that address or something like that and that...

Kenny Marchant (0:58:12):
And we don't have any kind of trigger to make any of the previous approvals show us that it's safer or as safe, right?

Teresa Morales (0:58:22):
No.

Kenny Marchant (0:58:22):
We don't have any powers to do that, so...

Cindy Conroy (0:58:23):
But we'll give those powers, we'll give you all those powers that we're hearing, should we agree?

Teresa Morales (0:58:30):
Well this particular deal, right. So the additional patrols both on site and the deputy in the area, with that being added to the LURA, what we're going to be requesting when we go out and monitor is a copy of that agreement showing that that is still in effect.

Kenny Marchant (0:58:48):
So you would say this is an exception to the previous ones.

Teresa Morales (0:58:54):
Absolutely.

Cindy Conroy (0:58:55):
Although it might just be the standard going forward.

Leo Vasquez III (0:58:57):
We've learned our lesson.

Kenny Marchant (0:58:58):
Yeah. I get you. Okay. Thanks.

Anna Maria Farias (0:59:01):
Mr. Chairman, I have a question. My concern in this project as was last month, I haven't changed my mind. It's also, it's for the elderly. How are they to protect themselves? 28.37 percent crime rate.

Leo Vasquez III (0:59:20):
Next door.

Cindy Conroy (0:59:21):
Right.

Anna Maria Farias (0:59:21):
Next door. 120 units for elderly, that's...

Cindy Conroy (0:59:25):
But you could also say, are you making it safer for people that are already living in that area? Elderly that are already living in that area. Will this development make it safer for them than where they are currently living?

Teresa Morales (0:59:39):
One of the other things that makes this property a bit unique from the others that we've seen is that it is on the site of a transit stop. And so there's a map, I don't recall the page number, but it identifies where the full perimeter fencing and the controlled gate access is because there would be people driving into this site parking and taking transit, but there's control of gate access. And so there's a map in your board book that identifies where those are as additional layers of protection for the tenants, but perhaps.

Leo Vasquez III (1:00:19):
Yeah. I'd like to hear from some of the applicant representatives. Remember, state your name, sign in on the sign-in sheet and you have three minutes, but you don't have to use all three minutes.

Dominique King (1:00:33):
Okay. Before you start my three minutes, I do have a one-pager for you guys to summarize the off-site efforts.

Leo Vasquez III (1:00:42):
Is that already part of the board book or is this
something different that wasn't submitted before?

Dominique King (1:00:48):
It's the summary.

Leo Vasquez III (1:00:52):
Okay. Well, we need to...

Dominique King (1:00:55):
And we have enough copies for the Board, if...

Leo Vasquez III (1:00:56):
You can give that to staff afterwards. Well, but we
need to...

Kenny Marchant (1:01:00):
What relationship are you to the project?

Leo Vasquez III (1:01:03):
Yeah. Okay. Let's go ahead and start the...

Dominique King (1:01:05):
Okay.

Leo Vasquez III (1:01:06):
We'll do an oral presentation at this point.

Dominique King (1:01:10):
Perfect. Good morning, Board. My name is Dominique King. I am here on behalf of the Harris County Housing Authority to respectfully request the Board accept our crime prevention and reduction plan for Bernicia Place as mitigation for the neighborhood risk factor.

While the adjacent census tract may reflect higher crime statistics in prior years, the most recent statistics tell a story, a focus improvement and collaboration. The Housing Authority, Houston Police Department, and the Harris County Constable's Office, Precinct 7, and the Greater Southeast Management District have built a strong partnership that is driving measurable progress in neighborhood safety and reducing crime district-wide through targeted visible policing strategies.

Council District D and the Greater Southeast Management District have made public safety a top priority, implementing a coordinated strategy that includes expanded HPD patrol coverage, enhanced visibility patrols, integrated surveillance systems and license plates readers, targeted enforcement operations, and community engagement initiatives.

These combined efforts have led to reductions in both violent and property crime over the past year within the council district. There was a 13.1 decline in violent crime since the beginning of the year and a 12.5 percent drop in violent crime over the trailing 12 months.

As part of our continued partnership, law enforcement and the management district have committed to making the adjacent census tract a priority for their collective policing efforts. Furthermore, HCHA pledges to fund expanded patrol coverage in the adjacent census tract. This proactive measure will extend visible policing, increase deterrence, and enhance safety in the corridors surrounding the new development, benefiting both future and both future residents in the broader community.

This is not an area in decline. The area is experiencing a resurgence where coordinated investment and visible policing are producing tangible change. By expanding the ongoing efforts by the Greater Southeast Management District's enhanced safety plan, strategic policing efforts by Metro PD, HPD, and the Constable's Office, the most recent data shows that we can make a change for an area that has been historically disinvested. This is not an area being overlooked; it's an area of being strategically invested in.

We respectfully ask the Board recognize the recent progress in our ability to use resources and partnerships to continue the positive trend and approve our request to allow the mitigation plan for the neighborhood risk factor so that affordable housing investment can continue to reinforce and sustain the positive momentum already underway.

My colleague Jervon Harris will speak on the specifics of the plan. Thank you.

Leo Vasquez III (1:04:19):

Okay. Thank you, Ms. King.

Jervon Harris (1:04:44):

Jervon Harris, SuperUrban Realty. I'm a development consultant to the Housing Authority. I think I'll just kind of briefly highlight kind of where we started and where we are. And what I hope to maybe do is address some of the comments and concerns that were mentioned as the initial, part of the initial discussion.

When we came to you before we did focus a lot on the on-site security. I think we heard loud and clear the Board's comments, the input from Beau and Teresa afterwards that the plan needed to include more than just securing and fortifying the site.

The plan, as it's presented to you, addresses that. This plan takes advantage of measures that are already in place, that are being implemented by multiple law enforcement agencies and applies it to the area of concern.

I think what we want to highlight is that although the historic data showed high crime levels, the historic data does not take into account those policing efforts that have happened over the last year. And over the last year, there's been a significant decline which we think you can attribute to these increased policing efforts.

Just within 2025, since January, there's been a 13.1 percent reduction in this council district and year over year there's been a 12.5 percent reduction. We believe with the focus that law enforcement has the collaborations and the partnerships and just as importantly, funding, that those efforts are sustainable and that those efforts can be applied to the area of concern. The funding is in place, collaborations and the partnerships are in place, and the track record is there to make that happen.

Regarding the question in comparison to other developments, I'm not going to say I track this closely, but one, the QAP has evolved and the standard for creating mitigation plans has definitely evolved. I don't think comparing this development that's being sponsored by an instrumentality of a local government can be compared to a rehab development that may have been done by a private developer.

I think this is a different situation, a different animal. The level of intent and real collaboration cannot be had by a private developer. And the funding and the resources that the Housing Authority can bring to this cannot be had by a private developer.

I think the only precedent here that I'm aware of is when Trinity East and the Houston Housing Authority came before you maybe a couple of months before and proposed something very similar to what we proposed. And I think the key distinction again is the fact that we have an instrumentality that's sponsoring it and they have significant resources and funding both within the deal itself and outside of the development.

And I guess I'd open it up to any additional questions.

Leo Vasquez III (1:08:50):

Okay. Well, let's get the speakers up and then we can, or whoever else wants to go. Thank you, Mr. Harris.

Jervon Harris (1:08:58):

Thank you.

Toni Jackson (1:09:15):

Good morning, Commissioners. I just wanted to, I'm sorry. My name is Toni Jackson with the Banks Law Firm and I represent the Housing Authority. I just wanted to address just a couple of things that were raised, but also take this back a little further in terms of the historic piece here.

This development came about because the elderly in that neighborhood who are single family homeowners wanted to remain in their neighborhood. They wanted a place where they could essentially age in place and that being in their neighborhood.

Led by efforts of a woman named Dr. Teddy McDavid in the Houston area and going to Metro, Metro came to the

Harris County Housing Authority with the donation of this land. So Metro is very vested in this development. We've also brought to you that HPD and the Harris County Precinct 7, they're very vested because they understand this neighborhood.

So when you talk about the comparisons, we don't believe it's a apples-to-apples comparison because of the entities, as Mr. Harris already mentioned, that we are partnering with. We have incredibly robust partnerships with Metro Police, Metro itself, HPD, and Harris County Constable Precinct 7.

Also, our offer to include this language into the LURA, again, we're putting ourselves to the standard of making certain that we stay with what we have said we're going to do, but you have the ability to make certain that we are complying with that and monitoring that.

Our partnerships are different, our enhanced compliance through the LURA is different, and the elderly themselves have participated in the planning of this and they are invested in this.

And so with all of those things, we believe that it is not an apples-to-apples comparison in terms of some of the past developments, and we do believe that we are able to sustain and exceed what we are indicating in terms of our security plan. Thank you.

Leo Vasquez III (1:11:31):
Thank you, Ms. Jackson. Anyone else? Okay. Do board members have questions for the applicant team or Ms. Morales?

I guess I would like to say, okay, I just scanned through your long and detailed proposal on mitigation and protection and everything, that's great. I think we have you on written record the issue on whether how that can get documented in LURAs and everything, and that's for attorneys and staff and everyone to paper up.

It's interesting, in contrast to what Mr. Marchant said about the feeling good about y'all having on-site protection there, that's all well and good and important to have, but to me it sounds like we're kind of building a moat and high walls inside a really dangerous surrounding.

And my concern is that it may be safe inside those walls, but outside there's still, I don't know if it's being mitigated enough to, the crime levels. However, the first two speakers, the first things you all talked about were the surrounding area, not necessarily just the interior inside the walls as a given, inside the fence, but it's the area around that I'm even more concerned about. And it sounds like HPD and the constables are all on board, Metro PD and everyone to focus on that. So I'm a little bit more willing to take a chance. I recognize it's a quasi-public housing authority that is on board and it's not just a private sector developer that we're trying to rely on here. Anyhow, those are my thoughts. Do any board members have other thoughts you want to add or questions you want to ask?

Kenny Marchant (1:14:12):

I think the protections that our staff has tried to put in this project will gain my support. I would urge our staff to look at any future projects that put us in this kind of situation to look at more innovative ways to hold them accountable four to six, eight years down the road so that we can get some kind of system to monitor promises made and promises kept.

Leo Vasquez III (1:14:45):
Agreed.

Holland Harper (1:14:46):
This plan will not get my support. I do not foresee this plan as definite action verb coordinated with all key stakeholders in place with how you're going to take battle space away from crime. I see that there's a lot of statements of, "We will coordinate, we will do this, we will do that." I'm not convinced that this has a plan that will take the surrounding area and actively drive down crime to secure the people that live in that area.

Leo Vasquez III (1:15:20):
Anyone else? Ms. Farias or Ms. Conroy?

Anna Maria Farias (1:15:24):

I'm not going to vote for this plan. I think if the elderly want to age in place and you kept them inside all the time, they would be safe, but I think once it's outside, it's not safe. And I understand their concerns. I'm glad that we're finally getting, this is the second time that we sent people back so they can actually come back with a written record of what they are going to do and not just promises, but it doesn't mean that it's still going to work.

You all know my experience. I grew up in one of the housing projects and I rent one and I lived in it, so I do understand the dangers. In fact, I had to escape a few bullets and arrows during the seven years that I was doing it, so I, and you're not going to keep the elderly inside the moat. You're not. So I for one, I haven't changed my mind from the last time, so.

Leo Vasquez III (1:16:35):

So, Ms. Conroy, would you like to make a motion?

Cindy Conroy (1:16:36):
I have a, I will make a motion, but I have a question first. What is your wait list for this housing project?

Leo Vasquez III (1:16:46):
Yeah. Come to the mic because we need to hear it.

Dominique King (1:16:51):
We normally do not start waitlist until we commence preleasing. However, I can say that on every one of our projects where there are 30, 50 percent units or any type of PPD voucher, we do have a significant waitlist at those properties.

Cindy Conroy (1:17:11):
And in that census tract, what's your percentage of elderly looking for housing or needing housing?

Dominique King (1:17:19):
I do not have that information directly, but we do coordinate with the Old Spanish Trail Community Partnership and they do provide us access to information regarding the elderly. And so I can have that to you.

Cindy Conroy (1:17:39):

I'm going to be supportive with everything that Teresa's proposing to be put in the LURA because I do see that there's a need, I do see that this is a housing authority. It's not a private development saying, hey, what a great idea. Let's put it here.

Kenny Marchant (1:18:04):

Yeah. I just have one more question. How many people do you expect to import into this area versus people from the area entering this facility?

Dominique King (1:18:19):

I do believe that that's a great question and that's something I did want to express. I do believe that absorption for this property will come from the neighborhood itself. This is the reason that they requested the development in the first place, is so that the residents in the neighborhood can age in place and they can remain in the community that they are comfortable in and that they've lived most of their lives in affordably.

Kenny Marchant (1:18:46):

So you really believe that most people are already living under these circumstances.

Dominique King (1:18:54):

Yes, sir.

Kenny Marchant (1:18:54):

And they're just going to move from one location inside this region.

Dominique King (1:18:58):

With enhanced supportive services to the seniors from the Housing Authority.

Kenny Marchant (1:19:03):

Okay. Thank you.

Leo Vasquez III (1:19:07):

Any other final comments or questions? Ms. Conroy, would you care to make a motion on Item 22 of the agenda?

Cindy Conroy (1:19:19):

Yes. Because Mr. Marchant doesn't have his paperwork. I move the Board find Bernicia Place eligible under 10 TAC Section 11.101, Section (b)(1)(D) regarding proposed developments within areas of high crime on the basis of the board action request, resolution, and associated documents on this item conditional and including the application, the representations made on the Board on this item, made to the Board on this item.

Kenny Marchant (1:20:00):

And I'll second it.

Leo Vasquez III (1:20:01):

Motion made by Ms. Conroy. Seconded by Mr. Marchant. All those in favor say aye.

Board Members (1:20:07):

Aye.

Leo Vasquez III (1:20:09):

Those opposed.

Holland Harper (1:20:10):
Nay.

Anna Maria Farias (1:20:10):
Nay.

Leo Vasquez III (1:20:11):
Okay. Let the record show the vote passes three to two in favor, with Mr. Harper and Ms. Farias voting against. So motion carries.

Jervon Harris (1:20:24):
Thank you.

Dominique King (1:20:24):
Thank you.

Leo Vasquez III (1:20:24):
Get those police force out there.

Cindy Conroy (1:20:28):
Please come back to us with an update. Even if I'm not here, send me one.

Leo Vasquez III (1:20:36):
And HPD is about to expand when we recruit all those NYPD officers to come down now because they're loved in Houston.

Okay. Moving right along. Item 23 of the agenda. Presentation, discussion, and possible action regarding a waiver of 10 TAC Section 11.101(b)(1)(A)(vii) of the QAP relating to the percentage of efficiency and/or one-bedroom units for Bridge at St. John. Mr. Galvan. Okay.

Jonathan Galvan (1:21:14):
Good morning, members of the board. Jonathan Galvan, 4 Percent Tax Credit Program manager. Item 23 involves a waiver relating to Bridge at St. John, a proposed 4 percent tax credit application to be located in Austin that involves the new construction of 201 tax credit units that will serve the general population.

Specifically, the unit mix for Bridge at St. John includes more than 35 percent efficiency and/or one-bedroom units, which exceeds the threshold allowed under the 2025 QAP. The unit mix for Bridge at St. John consists of 36 efficiency units, 107 one-bedroom units, 43 two-bedroom units, and 15 three-bedroom units. The number of efficiency and one-bedroom units comprises 71 percent of the total unit count.

The applicant has requested a waiver so that the development may be eligible without necessitating a change to the currently proposed unit mix.

The development was originally designed by an entity unrelated to the applicant, intended to include 526 total units of workforce housing and utilize financing structure that did not include 4 percent tax credits. Because tax credits were not part of the originally contemplated financing structure, the development was not designed with the requirements of the QAP in mind.

Due to financial constraints and increased construction costs, the configuration and financing structure are being adjusted to help with financial feasibility. The number of workforce units is being reduced to the 325 and a separate portion of the development will utilize the 4 percent tax credit program to construct 201 tax credit units.

Of the 526 total units proposed under the original structure, a total of 263 would have been affordable serving households at a combination of 50, 60, and 70 percent AMI levels, while the remaining 263 units would have been at market rate.

Under the new configuration, there will be a total of 295 affordable units between the tax credit and workforce portions of the development. However, only the tax credit portion will be covered by the prospective TDHCA LURA and restrict affordability for a minimum of 30 years.

The applicant claims that redesigning the development plan at this point to include a unit mix that adheres to the QAP would greatly impact the expected timeline for project completion because the design plans that include the currently proposed unit mix have already been submitted to the City of Austin.

The applicant contends that the need for a waiver was not within their control because the development was originally contemplated and designed without the intent to utilize housing tax credits and the applicant was not part of the original design process. Furthermore, the unit mix was supported by a market study that identified the needs of the submarket and was approved by the City of Austin.

The applicant further contends that granting the waiver better serves the purposes articulated in Texas Government Code 2306 by providing quality, affordable housing to meet the needs of individuals and families and by contributing to the development of neighborhoods and communities. Staff is neutral in its recommendation to the Board regarding whether the waiver should be granted. And that's the end of my comments and questions...

Leo Vasquez III (1:24:47):

Okay. Just to summarize, I think, do we have a representative that...

Jonathan Galvan (1:24:52):
Yeah.

Leo Vasquez III (1:24:53):
Okay. Well, but just to summarize, this development, the overall development when it first started had nothing to do with TDHCA or tax credit properties or tax credit financing or anything like that.

Jonathan Galvan (1:25:06):
Exactly. Never did that.

Leo Vasquez III (1:25:07):
It didn't work or couldn't be financed or structured under their previous plan. They tried to break it up, downsize it, and come to us with a square peg that they're trying to fit into our well-established circle that we've had rules that we've developed over many years and reasons behind those.

Jonathan Galvan (1:25:34):
Yes.

Leo Vasquez III (1:25:34):

And now it's being brought to us to forget about all those because...

Jonathan Galvan (1:25:41):

More or less, that's...

Leo Vasquez III (1:25:43):

Okay. That's the way I read it. Okay. All right, let's...

Bobby Wilkinson (1:25:48):

Who is the proposed issuer of the bonds?

Jonathan Galvan (1:25:50):

Excuse me?

Bobby Wilkinson (1:25:51):

Proposed issuer of the bonds.

Jonathan Galvan (1:25:52):

Austin Affordable.

Bobby Wilkinson (1:25:53):
Okay.

Jonathan Galvan (1:25:54):
HFC.

Bobby Wilkinson (1:25:55):
So not from, not our set-aside?

Jonathan Galvan (1:25:57):
Not at all. That's a local issuer.

Bobby Wilkinson (1:25:59):
Okay.

Leo Vasquez III (1:26:00):
Okay. So it's just tax credit portion of our...

Jonathan Galvan (1:26:01):
Yeah, exactly.

Leo Vasquez III (1:26:04):

Okay. Well, let's hear from the applicant or developer. Again state your name and sign your...

Jake Brown (1:26:11):

Jake Brown. You guys hear me? Okay. Jake Brown, LDG Development. On its face, you're not wrong. It's a square peg round hole situation. I do think it's a little bit more nuanced or maybe a lot bit more nuanced than that. I think, namely, the first thing I would point out is it's a long history with this project. So we've just kind of loosely got involved probably within the last 9 to 10 months.

So there was a previous developer, this is City of Austin owned property. There was a previous developer that had applied and gotten site control and moved forward with a plan, as John outlined, to develop 526 POC units. That process started into 2021, beginning of 2022. Obviously totally different economic climate at that point.

And then I think as things kind of progress from there over the course of probably the next 12 to 18 months, they realized that those 526 units not only probably were not economically feasible, but I think probably would wager to guess that their investor base said hey, that's a lot of lease up risk for us to take on 526 units.

Nevertheless, in that process with the City of Austin, they had executed this developer, executed a master development agreement and agreed and committed to develop those 526 units with the unit mix that's outlined in the waiver request and presumably the board packet, the collective total of 526 units. So for better or worse, they're committed to developing those 526 units.

Leo Vasquez III (1:27:43):

Who are they?

Jake Brown (1:27:44):

The previous developer, Greystar.

Leo Vasquez III (1:27:46):
Okay.

Jake Brown (1:27:47):
And so beginning of this year I think really kind of started to dawn on them that this was just not something that, was not financially feasible for them to do. We were, LDGR group was approached by coming in and developing a portion of the development, 201 units to be exact, is a 4 percent tax credit’

The tradeoff being obviously the City of Austin gets deeper affordability, the income restrictions, the rental rates, everything that comes with that, while keeping the unit mix that Greystar had previously committed to as a whole intact and not flying in the face of the MDA, the master development agreement. I recognize this is unique in a sense.

I also want to point out too, we're doing this as a, kind of taking the position of asking for permission as opposed to forgiveness. I think there was some folks that, a little bit of a push of just, hey, let's do this and we'll just come back and ask TDHCA letters. We can't do that. It flies in the face of the rules, we need to ask for permission to do this.

And so we're before you, I'm before you today to ask you to consider this request, frankly, before we get much further down the road. I think the only thing I would outline that John touched on is given the duration of this project and how long it's been around, the plans have already been designed, they've been submitted to the City of Austin.

At this point, I would say they're probably somewhere in the 80 to 90 percent complete range, meaning they are on the doorstep of getting permitted. So to kind of unwind that and redesign and then subsequently see council approval to amend the unit mix would be time consuming to say the least. That's my spiel. I'm happy to answer questions if there are any.

Leo Vasquez III (1:29:37):

Ms. Marchant.

Kenny Marchant (1:29:37):
So your option, if you don't get approval for this is to go back into traditional financing.

Jake Brown (1:29:47):
So my option if we don't get approval is to walk away from the deal, which I don't want to do. Greystar, the previous developer, the one that put this plan together originally, has invited us to participate in the development, doing a 4 percent tax credit deal. If the waiver is not approved, we won't move forward as part of the deal. It just...

Kenny Marchant (1:30:06):
Does the deal move forward?

Jake Brown (1:30:09):
That's not a question I can answer. I think that they would probably seek to figure out some sort of alternative financing method or some sort of alternative structure. But if it's not something that we can pursue as, LDG can pursue as a 4 percent tax credit deal, then

it's not something that we'll stay involved on or attempt to stay involved.

Cindy Conroy (1:30:27):
So you're just representing the 201 units.

Jake Brown (1:30:29):
That's correct, yeah. But of course they're all attached at the hip so...

Cindy Conroy (1:30:32):
But they're part of the 539.

Jake Brown (1:30:35):
Right. But just for the 201 LIHTC units, yes, ma'am. That's what I'm representing.

Bobby Wilkison (1:30:39):
And we've done a lot of deals with LDG there.

Cindy Conroy (1:30:41):
Okay.

Bobby Wilkison (1:30:39):
Yeah.

Jake Brown (1:30:42):
And for whatever it's worth, I don't know that we've ever asked for a waiver. Don't know if that matters to the Board, but I, it's at least worth pointing out. I wouldn't be here asking if it wasn't something that was important to us, obviously.

Kenny Marchant (1:30:56):
It's important to the City of Austin or it's important to you or? Who's it important to again?

Jake Brown (1:31:02):
It's important to me. It's real important to the City of Austin. I would say that the council member in particular, it's really important to him. Like I mentioned at the beginning of my dissertation, this has been around since 2021, and they've just been scratching and clawing and trying to get it over the finish line.

To Greystar's credit and the City of Austin's for that matter, I think they had a really good plan in place to execute this deal three or four years ago. It's just the timing of it, like everything else, just didn't allow it to come to fruition as they originally proposed for frankly reasons probably beyond their control.

Kenny Marchant (1:31:33):
So are all the principals that are listed different now? Are they the same principals? Does it...

Jake Brown (1:31:39):
On the LDG side?

Kenny Marchant (1:31:44):
On the principal side.

Jake Brown (1:31:47):
There's different principals in the sense that there's going to be two separate developments. So Greystar will have their set of principals their involved in the Greystar side for the PFC deal and then if approved LDG, our principal group, Chris Dischinger and Mark Lechner

that collectively the L and the D of LDG would be the principles for LDG. So I guess the short answer to your question is yes, it would change if LDG's involved.

Leo Vasquez III (1:32:11):
Has Greystar built their initial part yet?

Jake Brown (1:32:14):
Nope. No, sir.

Leo Vasquez III (1:32:14):
Have they started? I mean, they've broken ground?

Jake Brown (1:32:15):
No, sir. No, no, sir.

Leo Vasquez III (1:32:18):
Do you know what the unit mix is in there?

Jake Brown (1:32:20):
It's 325 units of...

Leo Vasquez III (1:32:22):

But how many are, are they mostly one-bedroom and studios?

Jake Brown (1:32:25):

It's predominantly ones and two-bedroom and some threes.

Leo Vasquez III (1:32:29):

Because that's the problem that you're facing with us is that the unit mix is not anywhere near. It's double what our maximum allowable level is for the one-bedrooms.

Jake Brown (1:32:41):

Right. And I think, and this is probably not lost on you or the rest of the Board members, but with the intent of it being designed as a PFC deal originally for the collective whole, obviously PFC workforce market rate, that collective lot, it's just a different approach on that side.

The vast majority of those deals are not necessarily focused on serving families with larger unit sizes, which is the reason for the mix of the smaller bedrooms, the predominantly smaller bedrooms. So we're just kind of stepping into the shoes of something that was already designed for us. Frankly, not my preference.

LDG, everything that we do even outside of the work that we do in the tax credit space, 99 percent of the time is geared towards families. However, I do think this is an excellent opportunity for not only LDG and City of Austin, Greystar, and the Department to add additional affordable housing units that quite frankly may not otherwise be attainable on this site.

Leo Vasquez III (1:33:42):

I'm kind of having, well, all right. I'm trying to think through how could we possibly get there. Your standalone 200 units, I don't see any way you're going to convince me that that it fits into our model.

Jake Brown (1:33:58):

Yeah.

Leo Vasquez III (1:34:03):
And with your experience in tax credit properties developments, you know it doesn't fit into...

Jake Brown (1:34:04):
As far as the rules go, no, I would not disagree with that one bit.

Leo Vasquez III (1:34:05):
Okay. It's not like close. It's not like it was 35 percent or something. It's 7 percent.

Jake Brown (1:34:08):
No, it's not. No, it's not. And I'm not here to argue that it's close, quite frankly, I'm just...

Leo Vasquez III (1:34:14):
Well, but why isn't it, why is it still being broken up into two different developments, the Greystar and the LDG?

Jake Brown (1:34:24):
Why isn't it?

Leo Vasquez III (1:34:24):
Why isn't it one big one and we have a big LURA on everything and so...

Jake Brown (1:34:28):
Well, I think that, namely the first one is that they're not contemplating anything financed with the low-income housing tax credit program, 4 percent, 9 percent or otherwise, and they're doing totally separate financing mechanism, nor do they have any experience developing the tax credit space. That's probably the biggest one right there.

Leo Vasquez III (1:34:50):
So they're saying we have these other 200 units approved or permitted, kind of approved by the council.

Jake Brown (1:34:54):
Designed and on the doorstep of approval, if you will.

Leo Vasquez III (1:34:58):
So hey, run with it if you can. If not, well, we'll just do our own 300...

Jake Brown (1:35:04):
Well, I don't know if it's run with it if you can. They want us to run with it and when we want to run with it, the City of Austin wants us to run with it. But at the end of the day, it's up to the Board whether or not it's something that they want to permit. I'm here and ready to run.

I don't want to submit a BRB application and get going down that road or submit a tax credit application and selfishly don't want to spend all the money to pursue it if it's not something that the Board wants to see.

But we're here and ready to rock and roll today. As soon as hopefully if this is approved, we'll crank it up and turn it loose immediately, but we just want to be cognizant of the rules.

Leo Vasquez III (1:35:44):
No. It would be terrible to do all that effort and then
we say, well, that doesn't fit with...

Jake Brown (1:35:46):
It would. One could argue that that would be foolish.

Leo Vasquez III (1:35:49):
Yeah. Do any other board members have questions for Jake? Jonathan, is there anything else to add?

Jonathan Galvan (1:36:07):
The only thing that I would like to add is that overall the net, the new configuration results in a net loss of 32 market rate units. And those are going to be replaced, replaced I say, with 32, 80 percent AMI units. But aside from that, I don't have anything else.

Kenny Marchant (1:36:29):
And the 80, and most of those are efficiency in one-bedroom.

Leo Vasquez III (1:36:35):
70 percent.

Jonathan Galvan (1:36:43):
Those would be mostly one-bedroom, yeah.

Kenny Marchant (1:36:46):
So it's more than likely not families.

Jonathan Galvan (1:36:53):
More than likely not, no.

Kenny Marchant (1:36:54):
Thank you.

Leo Vasquez III (1:36:58):
Okay. Would anyone care to make a, any board member care to make a motion on Item 23 of the agenda?

Holland Harper (1:37:11):
I move the Board deny the request waiver of 10 TAC Section 11.101(B) regarding the percentage of efficiency of one-bedroom units for Bridge at St. John, all as

described in the board action request, resolution, and associated documents in this item.

Anna Maria Farias (1:37:27):
Second.

Leo Vasquez III (1:37:28):
Motion made by Mr. Harper. Seconded by Ms. Farias to deny the request. All those in favor say aye.

All Board Members (1:37:36):
Aye.

Leo Vasquez III (1:37:37):
Any opposed?

Cindy Conroy (1:37:38):
No, I'm not opposed.

Leo Vasquez III (1:37:40):
So you're aye, you're for the motion.

Cindy Conroy (1:37:41):
I'm an aye. Yeah. I know it's unfortunate.

Leo Vasquez III (1:37:43):
It's unanimous. Motion carries. I hope City of Austin has some other way there because it's... Okay. 24. What time is it? 10.

Holland Harper (1:38:00):
10 minutes, Chairman. Five.

Leo Vasquez III (1:38:02):
Three.

Holland Harper (1:38:04):
It's three minutes.

Leo Vasquez III (1:38:08):
No. We're going to give a minute-and-a-half to Mr., so it's 11:44. Let's recess, I'm going to say till 11:55. I know you guys aren't going to get back here until noon.

It is 11:56 and we are back in open session after a brief recess. We're on Item 24 of the agenda. Presentation, discussion, and possible action regarding the material amendment to the housing tax credit application and a request for return and reallocation of tax credits under 10 TAC Section 11.6(5) related to returns resulting from force majeure events for Autumn Parc. Mr. Banuelos.

Rosalio Banuelos (1:38:56):
Good morning. Rosalio Banuelos, Director of Asset Management.

Leo Vasquez III (1:39:00):
Is his mic on?

Cindy Conroy (1:39:02):
You're very quiet.

Bobby Wilkinson (1:39:04):
Tap it.

Beau Eccles (1:39:04):
Just got to be a little closer.

Leo Vasquez III (1:39:05):
Yeah, you're on. You're on. You're on. Okay.

Beau Eccles (1:39:08):
Bring it in. Take it up in your hand, give us...

Kenny Marchant (1:39:12):
Just carry it.

Cindy Conroy (1:39:12):
And you can walk around too.

Beau Eccles (1:39:16):
Sure. Interact with the audience.

Rosalio Banuelos (1:39:17):
Autumn Parc received a 9 percent housing tax credit award in 2023 and a force majeure reallocation of tax credits in 2024 to construct 57 units of which 45 are

designated as low-income units for the general population, Arlington, Tarrant County.

The applicant has now requested approval for changes to site plan and architectural design and for a return in reallocation of tax credits under the force majeure provision of the qualified allocation plan. The proposed changes to the design of the development will result in a decrease in the total number of units from 57 to 51 by decreasing the number of market rate units by 6.

The applicant explained that the development was originally proposed to have a detention area at northwest corner of the development site. However, during the site plan review process, the City of Arlington required a comprehensive drainage study and then required a detention system to mitigate both the development's drainage as well as the drainage for the adjacent properties. Due to limited space on the development side, it was determined that an underground detention system would be required.

The developer made five full drainage plan submittals and worked through the comments with the City of Arlington from 2024 through July 2025. However, the city continued to express concerns about the underground detention system citing limited experience with proposed design and materials.

During preparation of the sixth submittal, alternatives to an underground detention system were discussed and the City indicated the site plan submitted with this amendment request, which includes detention and a wide drainage channel along the western side of the development site, would be acceptable and eliminate the need for the underground detention.

In order to accommodate the wide drainage channel, the development which was originally proposed with 57 total units in two buildings, is now proposed to have 51 units in one building. At application 12 of the 57 units were market rate and with this amendment the number of market rate units will decrease by 6. This amendment proposes no change to the number of low-income units from application.

As a result of this amendment, the revised unit mix will consist of 15 one-bedroom units, 26 two-bedroom units, and 10 three-bedroom units instead of the originally proposed 15 one-bedroom, 24 two-bedroom, and 18 three-bedroom units. This change in the number of units will also result in a decrease in net rental area from 55,110 square feet to 47,716 square feet, which is a decrease of 13.42 percent or 7,384 square feet. Common area will decrease from 12,736 square feet to 10,769 square feet which is a decrease of 15.44 percent or 1,967 square feet.

Additionally, the area of the development site has decreased slightly from 2.57 acres to 2.521 acres because the site work adjacent to the street was included by or at application. The change in acreage and decrease in the number of units results in an 8.79 percent decrease in the residential density going from 22.179 units per acre to 20.23 units per acre. Parking will also be reduced from 119 spaces to 102 spaces and based on the information submitted with the amendment, 100 spaces are required.

The development was re-underwritten with post-amendment information and the analysis reflects no change to the tax credit allocation and demonstrates that the development remains feasible. Additionally, staff included that none of the proposed changes would have resulted in selection or threshold criteria that would have affected the selection of the application in the competitive round.

Due to the fact that the development was approved for treatment under force majeure in 2024, the current deadline to placed in service is December 31, 2026. The delays in getting the site plan approved by the city disrupted the project's permitting design and HUD financing timelines, making it impossible to meet the current 10 percent test deadline and the placed in service deadline.

The applicant explained that this redesign responding to the City's requirements requires a full resubmission of a site plan and a new approval process which is estimated to take approximately 180 days. This will push closing on the financing to July 2026. As a result, the applicant is requesting a one-year extension through a return and reallocation of tax credits under the force majeure provision of the QAP.

Staff determined that delays related to the permitting process constitute a force majeure event under the rules, and staff recommends approval of the amendment request and approval of the request to return and reallocate tax credits for the development under the force majeure of provision of the QAP. Comments and I'm available for questions.

Leo Vasquez III (1:43:50):
So we've previously given this development a force majeure.

Rosalio Banuelos (1:43:55):
In 2023, yes, sir.

Leo Vasquez III (1:43:56):
What was the reason for that? Just the permitting.

Rosalio Banuelos (1:43:58):
I believe the permitting was initially cited at that time.

Leo Vasquez III (1:44:03):
Okay. So the permits still need to be approved.

Rosalio Banuelos (1:44:09):
What I understand is that the city has indicated that the site plan that is being proposed would be acceptable, but it still has to be submitted for review and final approval.

Leo Vasquez III (1:44:22):
So we're still, I guess there's questions. If we have the applicant representatives, I could probably ask them better. So why don't you come up, introduce yourself and sign in please.

Deepak Sulakhe (1:44:36):
I'm Deepak Sulakhe with OM Housing representing 80 housing.

Leo Vasquez III (1:44:56):

Tell us so what's the situation? What's the status now?

Deepak Sulakhe (1:44:59):

So when we asked for the first force majeure. We had this situation with the drainage study. The drainage study was not a requirement and it came about during the civil engineering process. And once we had to do that we had to do a lot of other changes and come out with this underground water detention system. And this was unprecedented by the city. They had never done it but they accepted it.

And when we got the site plan, when we got the zoning approved, they had approved the site plan and after we went through the civil they determined that we needed to get this detention issue cleared up, so we worked on that and we got late credits in 2023. We didn't get it early, we got late credits so we were already delayed.

And then in 2024 we was going through the process and we couldn't get the permit done. We asked for force majeure and in 2025 the same permitting continued all the way until July. We have all the dates, we have nearly two pages of dates as part of the submission. So come July, that was the fifth time that they submitted and the city still wasn't able to provide an answer and an approval.

And at that point, the civil engineer basically came out and said, look, this seems like you're getting into an impasse, and came out with an alternate solution to eliminate the underground water detention altogether. And with these multiple submissions, at some point he came to the conclusion that maybe if we move the buildings in a certain way, that we would completely avoid this underground water detention system, which is what was causing the impasse with the city.

So in July of this year, that's the fifth submission he came to that conclusion, and it took about a couple of months for us to determine and get the site plan taken care of. And we immediately, along with this we have submitted the amendment for the site plan request as well.

We got that done and now we are going through the process of through the permitting there. And the discussion with the city has basically, they've informed us that if you do this and eliminate the water detention then they would not have any problem with the approvals, which is what was causing the problem and the delays.

Leo Vasquez III (1:47:28):

But it hasn't officially been reviewed and officially approved.

Deepak Sulakhe (1:47:33):

The pre-development process has been done. So we have submitted already and we are expecting comments from the city next week sometime. They have a 10-day process of, 10-business day process and we got everything done and submitted to the city and...

Leo Vasquez III (1:47:56):

So when does this 180-day process clock get started? Is that over?

Deepak Sulakhe (1:48:00):
No. That started about a month ago. So that's like you said, we came up to the July process with the 180 days. So it already started about a month ago.

Leo Vasquez III (1:48:12):
Is there any chance that the City of Arlington just simply doesn't want affordable housing built in their...

Deepak Sulakhe (1:48:18):
I think this is...

Leo Vasquez III (1:48:19):
The city is basically one big parking lot and roads full of stadiums and they don't want, they're giving you a hard time about drainage for an apartment complex.

Deepak Sulakhe (1:48:33):
Yes. For an affordable apartment complex too. It's because it's unprecedented. They hadn't done this before. And so while they initially thought they could come up with the design and materials, they continue to have problems. And I think as we mentioned, they also

had some changes with public works. They had some turnover and other things. And so they reset the clock back a couple of times and all that.

But end of the day, this is a very good site. It's going to provide real good quality affordable housing. It's next to a anchored grocery store. It's a Kroger Center that it's next to, so it's a really good site. And so we are just going through some problems and we believe that we have determined a path to overcome that and get that done.

The demand, we have another project in Arlington. It's at 95 percent, so the demand is pretty high. And so once again, it's a great location. And we believe that this will satisfy the need of affordable housing in that area.

Leo Vasquez III (1:49:35):
I have no doubt about that. You have no doubt about it I just don't believe, I'm not convinced that the City of Arlington has...

Deepak Sulakhe (1:49:40):
So the City, they have the support. We have the support for the thing, so we have the support from the city and plus we've already provided all the support from local organizations as well, who are also part of the...

Kenny Marchant (1:49:52):
Do you own the property?

Deepak Sulakhe (1:49:53):
Pardon.

Kenny Marchant (1:49:54):
Do you own the property?

Deepak Sulakhe (1:49:55):
I don't own the property, but I've spent enough money where I feel like I definitely own the property.

Kenny Marchant (1:50:01):
But you don't own the property.

Deepak Sulakhe (1:50:02):

I don't. It's under contract. But like I said, I think we've spent a lot of money.

Kenny Marchant (1:50:04):

It's under contract.

Deepak Sulakhe (1:50:06):

An extremely high amount of money. It's under contract and that's...

Kenny Marchant (1:50:15):

So you estimate the amount of dollars you've put in this project.

Deepak Sulakhe (1:50:17):

I think it's about $1.5 million. It's a pretty high amount. So as I said, we spent a lot of money on these different various studies and other things that we did.

Kenny Marchant (1:50:29):

Mr. Chairman, do you mind if I...

Leo Vasquez III (1:50:31):
Please, go ahead.

Kenny Marchant (1:50:33):
I'm beginning to wonder if the date that you're proposing to move it to is a realistic date, just to get it through the city approved and built.

Deepak Sulakhe (1:50:46):
Yes. No. we are saying it starting in July. That's the date we proposing in this currently.

Kenny Marchant (1:50:51):
I understand, but we have been told several things several times.

Deepak Sulakhe (1:50:56):
I know. But like I said, now we've come to a path where we believe that we don't have to follow the item of impasse from...

Kenny Marchant (1:51:06):
Yeah. Is this senior housing?

Deepak Sulakhe (1:51:08):

No, it's not. It's affordable. It's regular affordable housing. And this is, and it's much needed by the city. There's no doubt about it. They really want it. It's just that public works has caused some issues and we are trying to overcome that and get that going. We do have all the support. Like I said, it's a technical problem that was being unable to overcome by.

Kenny Marchant (1:51:40):

I appreciate the fact that you did not cut the low-income tax housing credit units when you did the reconfiguration.

Deepak Sulakhe (1:51:48):

I wouldn't have found this path at all if that was not the case. So we knew that we were going to have to...

Kenny Marchant (1:51:52):

We rarely see that.

Deepak Sulakhe (1:51:53):
So we were not taking that out, and so we were able to achieve this without taking the tax credit, the set-aside units out and we were able to accomplish this without doing that. And hence why we felt able to come here and get this done.

And as you can see, it's past underwriting, it's past, staff has reviewed everything and we've gone through underwriting, answered all the questions. We seem to have been approved.

Leo Vasquez III (1:52:23):
So what happens in 10 days or within 10 days?

Kenny Marchant (1:52:30):
You're going to get staff comments basically.

Beau Eccles (1:52:36):
On the revised plan.

Leo Vasquez III (1:52:37):
On the revised plans, but then we still have to go through some big permitting process.

Deepak Sulakhe (1:52:40):
We still have to go, they will still go through approval process, so that we still have to go through the system and get it done. But like I said, I think now it eliminates the most important, the most problematic part, which is the underground water detention system.

Leo Vasquez III (1:52:58):
Okay. And bear with me as I walk through this. So right now the completion date is December 26th.

Deepak Sulakhe (1:53:11):
Correct.

Leo Vasquez III (1:53:15):
What happens if we don't approve this force majeure extension today and we wait to see if these permits ever get approved? This might be a quick, well, okay. I guess, yeah, do you have any deadlines that something

happens if we don't approve it now? Because there's no, you're not giving us any date certainly right now.

Deepak Sulakhe (1:53:36):
Oh, no. We've given you the dates.

Leo Vasquez III (1:53:39):
You gave it to us last year and a year before that, and a year before that.

Deepak Sulakhe (1:53:40):
I know. But this is the time frame that we, that's the schedule that we are on, so we...

Leo Vasquez III (1:53:47):
I appreciate that. I believe you probably said that when we gave you the last force majeure. Do you understand?

Is there any difference between you promising last time versus now?

Deepak Sulakhe (1:53:53):
Based on what we gave you, we were supposed to have approvals on the drainage study and on the civil engineering detention pond.

Leo Vasquez III (1:54:06):
Okay. If we wait to take action until January or February after you've gotten these approvals from the public works and everything or whatever they are, does that make any real difference to this process?

Deepak Sulakhe (1:54:19):
Yeah. We have a 10 percent test. We've asked for an extension until December 15th.

Leo Vasquez III (1:54:25):
So when's the 10 percent due?

Deepak Sulakhe (1:54:27):
December 15th.

Leo Vasquez III (1:51:48):
Is that this month, this year? Next month?

Rosalio Banuelos (1:54:32):
We approved an extension until December 19th of 2025. And that's the most extension that we can provide federally.

Leo Vasquez III (1:54:40):
Okay. So that's the date that we have concerned.

Rosalio Banuelos (1:54:43):
Correct.

Leo Vasquez III (1:54:44):
Next month.

Rosalio Banuelos (1:54:44):
If we don't approve this now or next month, then the development wouldn't be able to meet the 10 percent test by then.

Leo Vasquez III (1:54:53):
Yeah. That's what I was getting at or trying to find.

Deepak Sulakhe (1:54:55):

I again want to reemphasize that, yes, we have asked, and we had asked for a, it's a pretty complicated design that we had previously proposed. Now we've simplified it. Now it's like any other multifamily, so there's no underground water detention system or anything. It's a very simple design like any other design that, and like the other design we got approved on on a previous deal.

Just so you know, about two weeks ago, my company won the best business of the year in Arlington. So it's not like they don't want us. They really appreciate everything we're doing and so they are. It's just that, like I said, it's a technical glitch that they couldn't overcome that and had to., basically, yeah. So we've thought of a way to overcome it and that's the whole thing. We've found out a path going forward and we'll...

Kenny Marchant (1:55:56):

Because of the floodplain, do you have any FEMA map amendments so that we can...

Deepak Sulakhe (1:55:59):
But we're not in floodplain. That's the problem. We are not in a floodplain at all. So let me explain. It's a very unusual situation where we are not in a floodplain, but when we did the drainage study, we found out that we are in a hole of 50,000 cubic yards of a water retention area. None of it is qualified as a floodplain and that's what has really caused the issue.

So when we did the feasibility study during the application, none of this came up. In the feasibility study the civil has baffled when we did the drainage study and all these things came out because the city themselves hadn't identified this area as a problem, as an area which has a drainage issue, so they hadn't identified it and it's really what caused this.

Kenny Marchant (1:56:54):
I guess, Mr. Chair, my question is, if we reallocate these credits, how quickly can the reallocated party bring units to the market as opposed to here? That seems to be the decision in my mind that we make is, is this going to delay units being brought to market as

opposed to not granting this, reallocating the credits, having somebody start all over again? What would their new deadline be to put the units in use? That's...

Leo Vasquez III (1:57:32):

Yeah, I understand. So who on staff can say what happens? I was expecting it was going to be Cody. Okay. Mr. Campbell. So, yeah, if we took back the credits because they didn't meet their December 19th deadline.

Cody Campbell (1:57:49):

Thank you. Cody Campbell, Director of Multifamily Programs for the Department. So what we would do in that case is we would look to the next application on the waiting list in this region and we would give them a call and let them know that credits are probably coming back.

At that point, they have to kind of scramble to get their site control together and get all of their documentation put together to submit to us to evidence that they can still move forward with that project.

With them getting notified this late in the year, the chances of that applicant also having a request of force majeure is pretty close to 100, simply because they've lost four or five months already in their time.

Kenny Marchant (1:58:26):
Later or earlier.

Cody Campbell (1:58:28):
Than this deal?

Kenny Marchant (1:58:29):
Yeah.

Cody Campbell (1:58:29):
Well, they would be starting with the same placed in-service deadline, since they would both be getting their awards this year.

Kenny Marchant (1:58:38):
But they'd have to get a force majeure for sure.

Cody Campbell (1:58:40):
It's almost certain.

Kenny Marchant (1:58:42):
To this later date.

Cody Campbell (1:58:43):
It is reasonable to assume, although I can't guarantee, that whoever on the waiting list we would be pulling from, because they would themselves have to waive a request of force majeure, that those units would be coming online later than these units.

Kenny Marchant (1:58:58):
That's the answer. Thank you.

Cody Campbell (1:58:59):
Okay. Great.

Leo Vasquez III (1:59:04):
And this is, I guess, a question to staff or counsel. Is there any conditional force majeure that we could do to say that, we can do the force majeure and if they

don't have their approvals by March 31st, we take them back? Something like that. I mean, they have to, I understand and appreciate the investment that's been made, but...

Cody Campbell (1:59:38):

Sure. When we issue an allocation of credits, we issue a document that's called the Carryover Allocation Agreement, which is a lot of words that just mean this is your assurance that you're getting these credits, and it's not uncommon for us to have conditions in those documents. And I don't see any reason, this one would be kind of bespoke, but I don't see any reason that we could condition that carryover on certain things being in place by a certain date.

Leo Vasquez III (2:00:04):

I just hate that, because there's no certainty of dates at this point that are being presented to us, so I just hate to again have another ongoing indefinite, oh, we hope if everything comes together, it'll happen.

And maybe that's a solution that... There are certain force majeures where okay, they're going to start breaking around next week or closing is this date. This can't add anything. It's not their fault, but...

Holland Harper (2:00:41):
Mr. Sulakhe, when do you think you'll have building permits? Am I saying that correctly? I hope I don't butcher your name.

Deepak Sulakhe (2:00:46):
Yes, you did. You did.

Holland Harper (2:00:47):
Okay. Thank you.

Deepak Sulakhe (2:00:47):
Actually you did. We've said July 15th. In July.

Holland Harper (2:00:53):
You'll be commencing construction. When do you think you'll have building permit? Building permit. When do you think you'll have building permit?

Deepak Sulakhe (2:01:00):

July. Sometime in July.

Holland Harper (2:01:06):

Mr. Chairman, I think I have a solution here.

Leo Vasquez III (2:01:11):

I don't know if Ms. Bast wants to chime in on something here. One more comment here and we'll get...

Cynthia Bast (2:01:17):

Sure. Good afternoon. Cynthia Bast of BakerHostetler representing the developer here. Just had a little sidebar with our lender, Mr. Dix from PNC, who's here and helping us with the HUD financing with our client and with Cody and Rosalio.

Here's a proposal that I think would get to the concerns that you're expressing. Allow a force majeure today and that gives an extension of the 10 percent test. Set the 10 percent test at July 15, which if you look at our request, that's when we have indicated that we should be closing and commencing construction.

That's a hard date. No extensions on that 10 percent test, even though federal law would allow for them. That way, if we're not closed and 10 percent test isn't met, credits come back, go into the 2026 round. You have more credits to allocate then. And that would be one possible way. I think there may be other creative ideas, but that's a possible way to do it.

Kenny Marchant (2:02:22):

But we've lost nine months at that point.

Leo Vasquez III (2:02:29):

Well...

Cynthia Bast (2:02:30):

But you would have anyway, effectively.

Leo Vasquez III (2:02:34):

We can still use those returns credits in this next round.

Cindy Conroy (2:02:27):
Yeah. You can use the next round.

Leo Vasquez III (2:02:39):
Yeah. So it would be a timely... Counsel, would that type of thing work? Because that meets essentially what my concern was. Did Mr. Harper have any...

Holland Harper (2:02:50):
Love it.

Leo Vasquez III (2:02:51):
Okay. All right. Lovitt already spoke. Get that, get that. Thank you. Okay. All right. Does staff any have any objections to that kind of, financing will stay in place, okay. One more.

Taylor Thomas (2:03:16):
One quick comment. Taylor Thomas with Palladium. We actually are the next deal in line in this region, and I just wanted to let the Board know that we do still have the site under contract. We already have zoning and

we've been ready to go. There hasn't been any movement on this log. Just for the record, just wanted to let you all know. Thank you.

Leo Vasquez III (2:03:37):
It's in the region, not necessarily in Arlington.

Taylor Thomas (2:03:39):
It's in the region now.

Leo Vasquez III (2:03:39):
Okay.

Taylor Thomas (2:03:40):
It's in the City of Denton. Thank you.

Leo Vasquez III (2:03:48):
Mr. Marchant, does that new piece of information impact you?

Kenny Marchant (2:03:54):
It's just a, we get put in this position almost every meeting where we're trying to get units to the ground

the quickest. If we delay it to the 15th, which I'm not opposed to, that puts us not, and he decides not to close, and it's nine months plus whatever which will put us into probably December 31st...

Leo Vasquez III (2:04:20):
'28.

Kenny Marchant (2:04:21):
'28, and I don't really see, the real issue is as the developers observe the place they place us in, the more they'll see that we get put in this place and we have few or no options. But I don't have any problem with this project. I'm just talking about generally speaking. They all have calendars. They all know the spot we're in. They all know what our objectives are. It's a Gordian knot to me. I don't know how we get out of it.

Leo Vasquez III (2:05:03):
Anyone else? While I'm tempted to switch to the Palladium horse, the July 15th hard deadline for the 10 percent test is put in place, I guess I'm willing to

take the chance of staying with this. Mr. Harper, do you want to make a motion?

Holland Harper (2:05:36):
I move the Board approve the request of material amendment to the Autumn Parc and approve the requested treatment of the application of force majeure rule with a new placed in-service deadline of December 31, 2027 and a 10 percent service date of July 15, 2026, all as described, conditioned, and authorized in the board action request, resolution, and authorized documents on this item.

Anna Maria Farias (2:05:58):
Second.

Leo Vasquez III (2:06:00):
Excellent. Motion made by Mr. Harper. Seconded by Ms. Farias. Is that good, what he said?

Beau Eccles (2:06:08):
Was the motion on the 10 percent test, July 15, 2026?

Holland Harper (2:06:11):

That's correct. It has and behind the 2027.

Cindy Conroy (2:06:16):

I'll second.

Leo Vasquez III (2:06:17):

Well, Ms. Farias seconded. Okay. So motion made by Mr. Harper with the caveat. Seconded by Ms. Farias. All those in favor say aye.

All Board Members (2:06:27):

Aye.

Leo Vasquez III (2:06:28):

Any opposed? Hearing none, motion carries. Good luck.

Holland Harper (2:06:32):

Mr. Sulakhe and Mrs. Bast, I want you to know thank you for writing down your timelines with all the details. And for those on the Board, if you have never done an underground detention system, it is a giant pain in the tail.

Leo Vasquez III (2:06:55):

Okay. Thank you, Rosalio. My understanding is items 25, 26, and 27 have been pulled from the agenda, correct? Okay. Go with that.

So we're going next to Item 28. Presentation, discussion, and possible action regarding authorization to release a NOFA for 2026 reentry activities funded with Community Services Block Grant discretionary funds. Gavin.

Gavin Reid (2:07:27):

Gavin, standing in, it's on?   Gavin. Standing in for Michael. Okay. Mr. Chairman, Board members, good afternoon. Gavin Reid, Planning Manager in the Community Affairs Division.

Each year, CSBG discretionary funds are programmed for specific activities, which were previously approved by the Board in the CSBG state plan. For 2026, 400,000 was approved for a reentry assistance program allowing nonprofit and local government organizations to assist previously incarcerated individuals obtain rental housing through landlord incentives, security deposit payments and other reentry activities related to housing which would assist them in clearing one of the primary hurdles for reentering the community. That is to obtain rental housing.

Clients will have to be able to afford the rent and expenses of a rental unit and this program would help them with the lease application fees, deposits, and even some damage coverage if necessary. The intent is to provide landlords an incentive to rent their units to previously incarcerated individuals, who have a difficult time finding units to rent.

The landlord would receive an upfront payment of up to $1,500 for a six-month lease or $2,000 if they sign a 12-month lease. The rent cannot exceed 125 percent of fair market rent and the unit must pass a basic inspection. Further requirements and details are in the NOFA. This program is now entering its third year.

Staff and subrecipients always looking to improve upon the program met before the drafting of this NOFA and made a few adjustments to further incentivize landlords to rent to previously incarcerated individuals. Those adjustments are; extending the time frame for which individuals are eligible after exiting prison from 24 months to 36 months, increasing the number of allowable months for rental assistance from three months to four months, and allowing subrecipients to pay up to four months in rental arrears assistance to prevent potential formal eviction for applicable clients.

With that staff is recommending approval of this item and is seeking your approval to release this NOFA for 2026 CSBG discretionary funds for reentry activities. And if you have any questions, I'll do my best to answer them.

Leo Vasquez III (2:10:01):
Thank you, Mr. Reid. This area is near and dear to my heart with the prior board that I served on for 12 years, TDCJ, and this is a really important service. I

mean, the reentry just makes a huge, huge difference for...

Gavin Reid (2:10:18):

Agreed

Leo Vasquez III (2:10:19):

Reducing re-offending. And let's make sure we advertise this is, get the word out as much as possible on it. Do any board members have questions for this item of the agenda? If not, I'll entertain a motion on Item 28 of the agenda.

Anna Maria Farias (2:10:40):

Mr. Chairman, I move the Board approve the release of a notice of funding availability for 2026 reentry activities, all as described, conditioned, and authorized in the Board action request, resolutions, and associated documents on this item.

Leo Vasquez III (2:10:59):

Motion made by Ms. Farias. Is there a second?

Kenny Marchant (2:11:02):
Second.

Leo Vasquez III (2:11:03):
By Mr. Marchant. All those in favor say aye.

All Board Members (2:11:05):
Aye.

Leo Vasquez III (2:11:08):
Any opposed? Hearing none, motion carries. Thanks, Gavin.

Gavin Reid (2:11:09):
Thank you.

Leo Vasquez III (2:11:11):
Item 29, presentation, discussion, and possible action on the 2026 to 2027 Ending Homelessness Fund Biennial Plan.

Rosy Falcon (2:11:23):
Good afternoon.

Leo Vasquez III (2:11:24):

Go on, go ahead.

Rosy Falcon (2:11:25):

Good afternoon, Chair, Board members. Rosy Falcon, Manager of Homeless Programs. I'll be presenting today the '26/'27 Ending Homelessness Fund Biennial Plan, or EH Plan, for your consideration and approval.

This plan outlines how we intend to use voluntary contributions collected from Texans through vehicle registrations to support local efforts to combat homelessness across the state. The EH Fund, or Ending Homelessness Fund, was established by the 85th Texas Legislature in 2017 through House Bill 4102, allowing Texans to voluntarily contribute when registering their vehicles.

These contributions are collected by counties, sent to the comptroller, and administered by the Department as its trustee. By rule, the Department is required to publish a biennial plan describing how the funds will be used. The 2627 EH plan is our first biennial plan under this program. It provides a clear framework for program design, funding priorities, and the process for distributing funds to eligible entities.

As of August 31, the Department holds roughly $310,000 in EH fund balances, with roughly 218,000 expected over the next year in the biennium. Because this fund is supported entirely by voluntary contributions, this balance will grow gradually over time. It is important to note that all of these funds will be used for program implementation. The Department is now retaining any funds for administrative use.

This biennium, the EH plan prioritizes funding applications that plan to use the funds for the operating costs of HOME ARC-funded non-congregate shelters. These shelters will be built using a one-time federal dollars, but lack dedicated operational funding. So the EH Fund's resources will help cover staffing, utilities, and maintenance, ensuring that these facilities remain open and serving Texans spirits and homelessness. This targeted use maximizes the impact of limited funds and preserves critical shelter capacity across the state.

If any funds remain after the priority projects are funded, staff is proposing to potentially provide these funds to current ESG or HHSP subrecipients. They would however have to be counties or municipalities that are currently providing TDHCA, ESG, or HHSP funds. Upon Board approval, staff will publish the plan and issue a notice of funding availability to begin awarding these funds.

These plans, we believe, insures transparent strategic use of voluntary contributions, leverages federal investments, and supports local partners in maintaining critical shelter capacity for Texans experiencing homelessness.

Staff is recommending that Board approve the '26/'20 EH Fund biennial plan and authorize the executive director to implement it. This concludes my prepared remarks, but I'd be happy to answer questions.

Leo Vasquez III (2:14:40):
Great. Thank you, Ms. Falcon. So this fund builds up when people re-register their vehicles.

Rosy Falcon (2:14:48):
Correct.

Leo Vasquez III (2:14:48):
And just check that little box saying donate a dollar to the...

Rosy Falcon (2:14:52):
To homeless efforts, yes. That is where we get this funding.

Leo Vasquez III (2:14:54):
So everyone in this room can easily contribute. Check that little box and help build this.

Rosy Falcon (2:15:02):
Yes. Yes. So typically if we go from inception, we estimated about $18,000 a month is what the contribution is, but if we focus it on maybe like the last four or

five years, it's about $20-some thousand. For the 218, we use the more conservative option just because it is voluntarily contributions and so that fluctuates. But yes, when you fill out your registration, all the little boxes that they ask you, one of those, that's where this money comes from.

Leo Vasquez III (2:15:31):
Great. Does anyone have questions for Ms. Falcon? So everyone here check the box. Is there a motion on Item 29 of the agenda? Sorry.

Anna Maria Farias (2:15:49):
Mr. Chairman.

Leo Vasquez III (2:15:50):
Okay. Ms. Farias.

Anna Maria Farias (2:15:52):
I move the Board approve the proposed 2026/2027 Ending Homelessness Fund biennial plan, all as described, conditioned, and authorized in the board action request, resolutions, and associated documents on this item.

Holland Harper (2:16:09):

Second.

Leo Vasquez III (2:16:10):

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

All Board Members (2:16:14):

Aye.

Leo Vasquez III (2:16:15):

Any opposed? Hearing none, motion carries. Thanks, Rosy.

Okay. Item 30. Presentation, discussion, and possible action on an appeal from the City of Slaton related to a denial of draw request submission and de-obligation of funds for HOME Homeowner Reconstruction Assistance activity.

Ms. Versyp.

Abigail Versyp (2:16:41):

Good afternoon, Chair, members of the Board. Today, I'm presenting an appeal submitted by the City of Slaton related to HOME Homeowner Reconstruction Assistance activity number 53727. The appeal concerns the City's request to be allowed to submit a reimbursement draw after the expiration of its household commitment contract.

The City of Slaton entered into a household commitment contract, HCC, for a HOME HRA with TDHCA, came effective July 8, 2024, and has a one-year term which expired on July 7, 2025. The HCC was executed under their RSP agreement and that outlines the administrative framework and compliance requirements for HOME activities.

Under the terms of the agreement, cost for the project could only be incurred during that one-year term. In addition, there's a 60-day grace period after the contract expires during which the administrator may submit request for reimbursement. For this activity, that 60-day period ended on September 5, 2025.

On June 9, 2025, about a month before the end of their contract, our staff sent a reminder to the City and to their contracted credit administrator, South Plains Association of Government, or SPAG. The notification outlined a couple of dates. First, the expiration of the HCC. Second, the deadline to submit the reimbursement request. It also stated that any costs incurred after July 7th wouldn't be eligible for reimbursement.

The reminder did not result in a request for an extension and the 60-day grace period elapsed. On September 8th, after both the contract and the grace period expired, we sent a follow-up notice requesting submission of a project completion report. When they later, when SPAG, the consultant, later attempted to submit a reimbursement request in the Housing Contract System, or HCS, the system automatically prevented that submission because it's programmed to block any draw requests submitted more than 60 days after the expiration date.

Following the system lockout, SPAG staff contacted TDHCA to ask why the draw couldn't be submitted. We reviewed the file and confirmed that both the HCC and the grace period had expired. We did not find any record of communication or request for extension from either the City or SPAG received prior to that date. Because of this, we did have to advise them that the only way to seek further consideration for reimbursement would be through a formal appeal.

The City, through SPAG, submitted a formal appeal of staff's decision to the executive director on October 15th. The appeal was considered timely and it was reviewed. After review of the appeal, Executive Director had to issue a denial on October 20, 2025.

The denial was based on the fact that the contract had expired under its own terms and the TDHCA did not have the authority to grant extensions or accept reimbursement requests after a contract has expired unless there is an established meeting of the minds prior to expiration, which essentially means that both parties were operating under the understanding that the contract would continue, but the formal process to extend the contract did not occur on time.

Following this denial, the City of Slaton submitted their board appeal on October 24th, which is what we're hearing today. The appeal submitted raise several points and I'll summarize those quickly for you.

First, the City cited issues of communication and understanding. SPAG noted that TDHCA staff had advised them that they could submit a single draw for all costs, including retainage once the project was complete rather than submitting progress draws. They referenced this email communication from September 18th as evidence of this guidance. However, those emails actually related to two different activities under the same reservation agreement, which had not yet expired. For those activities, requests for amendments were submitted and approved timely. This was not the case for activity 53727.

Second, they noted that when they reached out in October to inquire about the draw submission, TDHCA staff informed them that an appeal would be necessary. That statement is accurate. Staff confirmed that an appeal was the only remaining option, but this occurred about a month after the 60-day deadline had already passed.

Third, SPAG acknowledged that staff turnover within their organization may have impacted their performance. They explained that the SPAG staff member initially assigned to the project left employment and that a replacement was hired in May 2025. TDHCA provided training to that new staff member on April 24, 2025, specifically addressing draw requests and HOME administrative requirements.

Fourth, the appeal cited external delays including vandalism at the site, pest infestation, a series of severe weather events that postponed construction completion until mid-September. However, no amendment request to extend the construction completion deadline was submitted before the expiration date and the appeal doesn't state that a contract extension was requested.

Finally, the City stated that SPAG had already uploaded reimbursement documentation into the system and believed that that the funds were not at risk. TDHCA system timestamps show that those uploads occurred on October 7, 2025, more than a month after the September 15 deadline. Staff have gone ahead prior to this meeting and reviewed the attachments and we find that they are incomplete, but under a normal draw circumstance could be corrected as we requested.

We did conduct a full review of the record. This is extremely serious. We looked at all correspondence system logs and the appeal documentation. We found that again, no draw request or extension was submitted before the grace period expired, no communication was received in writing or recorded from a meeting that we can interpret as a request to modify or extend the existing contract, and all parties had been provided timely notice of both the expiration and the reimbursement submission deadlines.

We looked at the HOME rules, we looked at the contractual terms. TDHCA can't reopen or extend a contract after it's expired. We have these rules in place so that we can quickly re-obligate funds in order to meet federal commitment and expenditure deadlines. And in this case, because Texas grant management standards require these terms to be included in a written agreement with a local government entity.

For these reasons, staff recommended denial of the appeal to the executive director, and that decision was upheld. That said, should the Board wish to consider a limited exception in accordance with the Texas grant management standards applicable to this contract, it could do so only if documentation can verify that the activity was completed by October 5, 2025, and only for costs that were incurred prior to July 7, 2025, and that are determined to be HOME eligible expenses. Thank you for your time and consideration, and I'm happy to answer any questions you have.

Leo Vasquez III (2:24:51):

Okay. So that last little part that you added on with those two dates, does it qualify, does any part qualify under that?

Abigail Versyp (2:25:04):
We're not certain because the documentation that was submitted doesn't show us a completed project. And we do have affirmation in the appeal that the project was completed in mid-September prior to that October 5 deadline, but the documentation submitted doesn't demonstrate that the project is complete at this time.

And we don't have anything to verify an eligible project right now. I'm not saying that it doesn't exist, but we just don't have it. And if the project was completed in mid-September, if costs were incurred, which they would have been after July 7th, we wouldn't be able to pay for those costs.

Leo Vasquez III (2:25:44):
Okay. But if it was completed in mid-September, we could have the flexibility or option to pay for expenses incurred before July 7th.

Abigail Versyp (2:25:59):
Yes.

Leo Vasquez III (2:26:00):
Okay. Because right now, my understanding of reading materials, we are statutorily, the rules that we're operating contract, well, under the contracts and rules that we're operating under, we don't have the flexibility to grant a total waiver, but we have the flexibility, possibly to do this kind of partial waiver; is that right?

Beau Eccles (2:26:35):
With a bunch of caveats. We don't have anything in front of us right now to say that we could pay anything under this contract.

Abigail Versyp (2:26:44):
Yeah, that's correct.

Leo Vasquez III (2:26:44):
Okay. But if next meeting, they give us this exact documented detail proving it was done and...

Holland Harper (2:26:53):
About 150K.

Leo Vasquez III (2:26:55):
Yeah, 150,000 total.

Holland Harper (2:26:56):
So 150K.

Leo Vasquez III (2:26:58):
Yeah.

Beau Eccles (2:27:00):
Yeah. We also have no idea how much of that would have been expended by July the 7th.

Leo Vasquez III (2:27:05):
Okay. Right now, here, today we don't, but I assume by next month we could have that in...

Cindy Conroy (2:27:11):
But I'm just curious why they don't have that information. I'm just...

Leo Vasquez III (2:27:15):

Yeah. Well, you mean it wasn't asked for or wasn't submitted.

Cindy Conroy (2:27:20):

Well, I wonder why it wasn't submitted if it was...

Abigail Versyp (2:27:23):

We do have this, Mayor Shaw is here today, as well as two employees of SPAG.

Leo Vasquez III (2:27:38):

Okay. Well, I guess let's hear from the appellant, is it?

Beau Eccles (2:27:43):

Sure.

Leo Vasquez III (2:27:43):

Okay.

Abigail Versyp (2:27:45):
Do you need a motion?

Leo Vasquez III (2:27:46):
No, not yet. Let's see who wants to speak on behalf of Slaton.

Abigail Versyp (2:27:51):
Okay. So you just write your name here.

Clifton Shaw (2:27:57):
All right. Thank you, Chairman, Board members, I appreciate you letting me speak today. My name is Clifton Shaw. I am the mayor of the City of Slaton, the town of 6,000. We have used the program in the past. It was with different people. It has been a tremendous benefit to the City of Slaton. We've been able to clean up some areas in town, get people housing that basically were living in uninhabitable conditions.

The requirements for this program are pretty severe, and the people that qualify are really not living very well. It's allowed us to clean up areas within the town. We have worked real hard in straightening out the city's financial issues. Three years ago, we were having a hard time making payroll. Today, according to the auditors, we're on the right path and doing real well.

We hope to continue the relationship with TDHCA. Again, like I said, it's been a beneficial program to us. This particular time, we had some serious issues with the company that was doing our workforce, decided they were no longer interested in doing the work at all and totally dropped out of the program. It left us scrambling to find somebody which SPAG agreed to pick up for us. They hadn't done the program in a few years, so it was learning experience for them also.

But the other issue was that when Mr. Wilson, City Manager Wilson, was getting the portal set up for him to get into the system, for some reason or another, TDHCA had decided to make a different portal that we didn't know about or had any access to, so all the emails he was getting was going through this other portal that we knew nothing about.

So through this whole process, through no fault of our own, mostly, we feel like we deserve to be considered for reimbursement on this one project. Ms. Gonzalez does have her house. I might not have chosen her paint color, but it is a nice house and she's in good shape. So thank you.

Leo Vasquez III (2:30:37):
Thank you, Mayor.

Chelsey Baldivia (2:30:54):
Good afternoon. I am Chelsey Baldivia with the South Plains Association of Governments. I am the director of Regional Services and Economic Development. I just want to say that SPAG has had a long and successful history of working with TDHCA. However, our last project was over 10 years ago, so this was a new experience for me as well.

While this is not a program we've handled recently, we chose to take on the City of Slaton's project because we believed deeply in the program's value, especially for our small and rural communities we represent across the

15 county region. So we're a council of governments for our region. Our role extends beyond consulting for grant projects. However, we see programs like the HRA as opportunities to build regional resilience, serve our member cities, and improve lives of citizens.

Since beginning work on this project, several other communities in our region have actually expressed interest in the program, so despite this rough experience, there are some positive outcomes. They've seen how impactful it can be for both residents and the community redevelopment in cities.

When SPAG inherited the project, it had already been underway for some time under a previous consultant. Unfortunately, the files we received were outdated and noncompliant, some homeowners had even passed away, others have withdrawn, most documentation needed extensive updates to meet TDHCA standards, so we spent quite a bit of time working through that with each homeowner that was still alive and interested in the program.

We did essentially have to rebuild quite a bit of the documentation and try to ensure that each file met compliance and that every step aligned with TDHCA requirements. It was a lengthy, detailed process. It was complicated by staffing changes within SPAG multiple times. But also, we did have a staff change with program specialists at TDHCA as well, so that I think added fuel to the fire trying to explain that history and keep everybody in the loop.

Throughout this process, we did work closely with TDHCA. We participated in multiple trainings, that is true, both in-person and online. We held regular calls and Teams meetings to clarify compliance expectations and confirm next steps. Our intent was always to ensure accuracy and transparency and partnership throughout every stage. Again, this is really beneficial for our entire region.

And the missed deadline was an administrative oversight, but it was not due to negligence or lack of communication. We did have ongoing calls. It occurred amid-these ongoing transitions, not to mention delays in construction due to severe weather conditions, vandalism, issues with their contractor.

And so while the team's focus remained on correcting prior deficiencies, maintaining compliance throughout all of this, the denial creates challenges not just for the City of Slaton's budget, but also for the confidence of small communities who have looked into participating in the program. They hear about this and it makes them a little nervous to participate.

We took on this effort because we believe in the mission of the program, the good it brings to citizens and neighbors alike. I respectfully ask that you consider the full context of the project when we did receive it and the work we did put in. And I promise you, we've all lost sleep over this. We care about Ms. Gonzalez and her family and the City of Slaton.

Our commitment has always been to serve with integrity, diligence, and regional pride and to ensure this program begins to bring lasting benefits to communities like Slaton. So thank you for your time.

Leo Vasquez III (2:34:19):

Mr. Eccles.

Beau Eccles (2:34:22):

If I could just ask a question.

Chelsey Baldivia (2:34:24):

Absolutely.

Beau Eccles (2:34:25):

With no disrespect, and especially not to SPAG or the City of Slaton. Help me out and help the Board out. You've submitted and thus have read the household commitment contract, the HOME administrator agreement, and know about the termination date or the end date of the contract, July 7, 2025, and grace period to submit of September 5, 2025. How can we pay you using HOME funds for under an expired contract?

And when we're talking about meeting of the minds, what document, what written communications can we point to when we're audited and they say, why did you pay expenses that were not under a contract or were under an expired contract? What can we do? Tell me how this Board can give you what you're asking for despite the plain wording of the contract and the fact that this is an expired contract.

Chelsey Baldivia (2:35:43):

I was not a part of the direct conversation. It was not written. However, I would like to invite Ms. Demenica Prince to explain the conversations that did occur with the TDHCA staff member. I can give a little background.

We have a concurrent project with another city in our region. And so each time we discussed that contract, we discussed both in those timelines. And so there was a conversation about this timeline and this reimbursement work class that occurred.

Beau Eccles (2:36:08):

Okay.

Demenica Prince (2:36:12):

Good afternoon. Demenica Prince, South Plains Association of Governments. I definitely want to address your question, but if I may present first. Thank you for this opportunity to speak to you today on behalf of the City of Slaton. Again, my name is Demenica Prince and I am the program specialist with SPAG that served as the primary administrative consultant for the City of Slaton. I was a staff that transitioned finally into the role about mid to late April.

When I began working on this program and concurrent programs that we were administering, the challenges that were present due to the staff turnover and were the primary reason for the staff turnover were cumbersome. There were multiple deficiencies that needed to be cured and honestly the focus was on that to ensure that we remain compliant and to ensure that those deficiencies were cured.

Specifically, the conversation that was had was discussing the fact that we did not want to get pulled into this vortex of receiving a deficiency and sending it back in the 14-day wait period and sending it back, and that continued to happen multiple times. The conversation specifically was let us cure this, see the appropriate way and the proper way to submit these draws and then we will complete Slaton's within the one draw minus the final retainage draw.

And unfortunately that was not documented in written communication, but I think that it can definitely be inferred by the documentation that we gave stating that the initial conversation was late June regarding the draws and then there was no submission until October.

I wanted to highlight that point, that because we operated and then I operated under the understanding that this oversight, about this oversight, this was not due to negligence or disregard in any way as much as it was an oversight that we were not aware that we had missed the deadline. The initial email communication was sent, I have seen that documentation, but we had several conversations after that notice and even an amendment requested as TDHCA staff stated.

Under no circumstances or at any time was it mentioned, hey, by the way, you all are also past the due date on this activity because we specifically inquired what the status was and where we were on each activity that was presented.

While yes, construction was delayed, I wanted to speak specifically to the cause of the delay to show that there were justifiable and unavoidable causes for construction not being completed by July. The attachments provided show in detail the 13 major weather events that occurred from January until June of the same year, from flooding to literal multiple tornado touchdowns, winter storms, and these events were the primary reason for the delay. In addition to these delays, the properties experienced vandalism at this residence specifically resulting in repair and additional measures to ensure safety.

I think that with all of that being said, the homes are beautifully constructed. This was definitely not due, I think that the staff can attest to they have been in constant communication with us. And so while there is no written record, I think that it can be inferred that we were doing our due diligence to remain in compliance.

We're not an outside advertising or consulting firm that's looking for profit. We're COG. Our executive director, the mayor, myself, we had an intimate ceremony giving the keys to this resident, not for publicity, but because we believe in regional resilience, aiding the communities. And our executive director would have been here, Kelly Criswell. She is at a Federal Home Loan Bank meeting, otherwise she would have been present. It's near and dear to our hearts. We love this program, and I spent hours, nights attempting to cure this.

Leo Vasquez III (2:40:35):

Okay. Ms. Prince, so when was it finished?

Demenica Prince (2:40:39):

It was finished, the construction itself was finished August the 15th. My understanding is that we cannot officially declare until the certificate of completion is finished by the city, which was not done until, I believe, mid-September, and that was due to scheduling. The mayor, the city manager.

Leo Vasquez III (2:40:58):
Okay. All this happened before October 5th.

Demenica Prince (2:41:01):
Correct.

Leo Vasquez III (2:41:03):
Okay.

Bobby Wilkinson (2:41:05):
And you'll have lots of expenses before July 7th that could be paid, right?

Demenica Prince (2:41:09):
The vast majority of expenses are before July 7th.

Bobby Wilkinson (2:41:12):
Maybe just not the paint.

Leo Vasquez III (2:41:15):

Okay. Go ahead, Mr. Marchant.

Kenny Marchant (2:41:81):

In answer to our counsel's question, which is the question, we can talk about it for a long time, but what is within our power to do, period, because I'm ready to do it.

Beau Eccles (2:41:37):

I think that it would be the Board finding that there was at least a meeting of the minds between TDHCA and SPAG to increase the time of the reimbursement period, which means that expenses that are submitted now, for those prior to the expiration of the contract on July the 7th could be reimbursed.

Kenny Marchant (2:42:08):

And that'd be defensible in an audit?

Beau Eccles (2:42:11):

Yes. Based on this finding.

Leo Vasquez III (2:42:17):
Okay. And I'm...

Kenny Marchant (2:42:20):
Yeah. I'm just asking a question.

Leo Vasquez III (2:42:22):
On board with that. After Ms. Versyp's, that said, caveat. Again, fundamentally, I feel for all of y'all's issues and changes and turnovers and everything, but frankly, that's not our problem. It's not TDHCA's problem.

I can also understand how a $150,000 hit on the City of Slaton's budget is probably painful, very painful, but if we have a sort of middle grounds, just being reasonable, that the intent, we understand the intent was, or I feel the intent was there to do it right, and you did complete the project.

I'd be willing to entertain the motion where we accept the extension of payment for costs documented incurred before the end of the contract. And if there's any difference in there, Mr. Mayor, I'd negotiate with SPAG saying, you guys said you knew what you were doing on this. Reimburse us for the difference. Give us credit on our bill for the difference. I don't know what...

Beau Eccles (2:43:42):
That's not legal advice from the Chairman.

Leo Vasquez III (2:43:44):
That's not legal, that's private sector business consultant advice. That's what I would do with my clients. Does anyone have problems with that? Okay. Mr. Harper. Yeah.

Holland Harper (2:44:02):
Mayor and members of SPAG, we're here to provide some mercy for you, but the truth of the matter is this is not, didn't follow the contract, so therefore there's liability. He spent a lot of time saying there wasn't liability, but there is liability.

You hear us give mercy all the time to consultants. We give mercy because we want to do the right thing. Y'all kind of screwed up. We're going to clean some of this up. Let's not happen again. Go do good work make the world a better place.

Anna Maria Farias (2:44:44):

Mr. Chairman, I feel very comfortable compromising. I do come from a small town, population 9,000. Crystal City, Texas. And one of the things that I always argued was small rural communities do not have the advantages that the big cities have with the consultants and technology, and there's always a turnover.

But at the same time, whenever you deal with federal monies, you just have to really read everything. And all right, so I hate computers, and maybe I would have been terrible in your little city not reading what the new instructions sent. But from now on just read everything and when in doubt, call to the TDHCA.

Clifton Shaw (2:45:37):

Yes, ma'am. And of course, I wasn't mayor and we had a different organization doing our processing the documents and stuff for us at the time. This has been a learning experience most definitely. The bureaucracy and the red tape that you go through just to get a portal together to get on the program is something to behold. But we do appreciate anything you can do for us.

Holland Harper (2:46:08):
Mr. Chairman, you ready.

Leo Vasquez III (2:46:10):
Mr. Harper, entertain a motion.

Holland Harper (2:46:13):
I move the Board approve the appeal by the City of Slaton, all as described in the board action request, resolutions, and associated documents and item for the staff to work out the details in their execution.

Anna Maria Farias (2:46:25):
Second.

Leo Vasquez III (2:46:27):
Is that sufficient?

Beau Eccles (2:46:28):
Just to see if this is meeting what your motion is that it's partially granting the appeal of Slaton and to the extent that the city can demonstrate that the project that's at issue was completed during the month of September of 2025 and can demonstrate that there were expenses that were incurred on this project prior to or on July 7, 2025, that they may be reimbursed. That's what I felt you should say.

Leo Vasquez III (2:47:20):
That's the motion I heard.

Holland Harper (2:47:22):
I move the Board approve the appeal by City of Slaton with cost to July 7th of 2025.

Leo Vasquez III (2:47:35):
With having the...

Holland Harper (2:47:37):
Based on completed project.

Leo Vasquez III (2:47:39):
By before October 5th.

Holland Harper (2:47:42):
Before October 5th. So help us God.

Anna Maria Farias (2:47:45)
I second.

Leo Vasquez III (2:47:48):
Motion made by Mr. Harper. Still seconded by Ms. Farias.

Anna Maria Farias (2:47:5w):
Yes.

Leo Vasquez III (2:47:52):
Okay. All those in favor say aye.

All Board Members (2:47:53):
Aye.

Leo Vasquez III (2:47:55):
Any opposed? Hearing none, motion carries.

Kenny Marchant (2:47:57):
Mr. Chairman, I'd like to ask staff a question.

Leo Vasquez III (2:40:0o):
Sure.

Kenny Marchant (2:48:01):
Do you feel like there's any way that you can handle, do you feel like this brought up some deficiencies or shortfalls in the system and is there a way for our part of it to scream bloody murder, you're close to your deadlines. Please don't miss your deadlines? Just I'm not casting doubt on how you handled it, but...

Abigail Versyp (2:48:30):
We all walk this fine line of we need to send enough email, but not too much email because if you hear from us every day you're going to start to deleting. But I

do think we can definitely start a 90-day reminder, a 60-day reminder, and then our 30 day-reminder notice.

Kenny Marchant (2:48:50):
I don't know that it would have made any difference, but...

Abigail Versyp (2:48:52):
No. I don't know that it would have either, but you never know, that might have been the one.

Kenny Marchant (2:48:56):
Yeah. And I'm not trying to put an extra burden on you or pass any down on you.

Abigail Versyp (2:49:02):
We have a fairly good, our program manager is able to automate email coming from a staff member to the listed persons on our contract.

Kenny Marchant (2:49:10):
Okay. Thank you.

Beau Eccles (2:49:11):

But that's also on each activity, right?

Abigail Versyp (2:49:13):

Correct. That's on each activity.

Beau Eccles (2:49:14):

So that's why if there are a number of activities, you're getting a zillion emails.

Abigail Versyp (2:49:19):

That's correct. Yeah. If the city has 10 activities set up, they're going to get just a constant barrage of emails.

Kenny Marchant (2:49:26):

Okay. Just to comment, not to compel you to anything.

Abigail Versyp (2:49:31):

Anytime something like this happens, we know the impact on a small community. I'm from a tiny town. I'm from Stanford, Texas. They can't afford $150,000, so we will work on that as a goal.

Leo Vasquez III (2:49:47):

Okay. Great. Thank you. Moving on. Item 31 of the agenda. Presentation, discussion, and possible action on the adoption of the repeal of TAC Chapter 11 concerning the housing tax credit program qualified allocation plan, adoption of new 10 TAC Chapter 11 concerning the same and directing the publication for adoption in the Texas Register following the statutory opportunity for gubernatorial acceptance, revision, or rejection. Mr. Campbell.

Cody Campbell (2:50:21):

Thank you, Mr. Vasquez.

Leo Vasquez III (2:50:23):

What's this QAP thing?

Cody Campbell (2:50:24):

Yes. Again, Cody Campbell, Director of Multifamily Programs for the division. This is the approval of the qualified allocation plan. We last discussed this at the September board meeting. We put the QAP out for public comment. We've received that comment. We have made revisions and today you are approving that QAP to be sent to the Governor, who may then approve, reject, or modify it. And, all told, I think this is going to be a pretty concise presentation because we didn't make too many changes from what you saw in September.

Leo Vasquez III (2:50:57):

Yeah. But Tracey just came up here in the front.

Cindy Conroy (2:50:59):

There are a lot of people lining up behind you, I'm sorry.

Cody Campbell (2:51:03):

I said the presentation would be short, not the discussion. As reflected in your board book, we got 41 comments, which is actually, unfortunately not accurate. We got 43. Two of those were caught in the Department's spam filter and did not make it to your inbox. So I would like to publicly apologize to Justin Meyer and Patricia Murphy, whose comments didn't make it into the board book.

I'm very proud during my tenure in this position that these kinds of administrative mistakes have not happened. So I'd like to reassure the Board that this is not the start of the trend that you need to be concerned about. We are working with our IS Division to make sure that this does not happen again, but we are taking this very seriously.

While I would not try to minimize that, the small upside there is that their comments were mirrored substantially in other comments. So it's not as though the arguments that they were presenting were not provided to you in the board book, their individual comments didn't make it in, unfortunately.

Once you approve this today, like I said, we will send it to the Governor, who will hopefully approve it, but may also deny it, and we'll figure out what to do if that ever happens. And just briefly, to go over the changes that have been made since then and then one recommended change that we have from a conversation that

I had with Josh recently. And I've only got looks like four or five things.

Last week, the comptroller of Public Accounts in Texas issued a notice that they were no longer going to be issuing, at least for the time being, new certificates for historically underutilized businesses, or HUBs. Just as a quick reminder, those are businesses that are owned by members of certain minority groups. And historically, the QAP has provided under the sponsor characteristics scoring item two points to developments that include a HUB as part of the ownership structure.

Because the comptroller is no longer issuing HUB certificates, staff has recommended striking that scoring item from the QAP. We can revisit this if they ever start reissuing HUB certificates, but as it stands, I don't really see any practical way for us to administer the scoring item.

If we leave it in, what we will in effect have is a closed environment where limited number of people who manage to get on the last helicopter out of Saigon are able these points and everyone else is excluded. We find that to be an undesirable outcome. And so we recommend striking the scoring item.

Also under sponsor characteristics, we discussed much of this QAP development cycle that we will be incentivizing entities that pay full property taxes. To balance that out, we had added an option for developments that include a public housing authority because most would have a tax exemption. We're recommending adding to that exception housing facility corporations. We got a, I'm sorry, housing finance corporations. We got a significant number of comments requesting that we do that. We don't really see much downside to that. So we recommended that change in this draft.

Under the tiebreaker section, we previously had a sentence that said that a single location with multiple amenities on it couldn't be used for more than one amenity. So just as a quick reminder, the tiebreaker that we're discussing the Board's priority based on the proximity of the development site to certain community amenities, such as a park or library.

We still have the prohibition in here that you cannot use a school campus's facilities as a playground. But we did remove the prohibition on using one site for multiple features because several people submitted good examples of a single site that had, for example, a library and a park on it. We felt that that was compelling to strike that sentence, and so those will be allowed to be used in the tiebreaker moving forward.

We, at the last meeting, discussed adding a minimum score to the QAP. We had started at 150. The overwhelming majority of the comments that we got requested 120 as the minimum score, and so that's what we've proposed as the change.

And then an interesting concept that we discussed and added to the QAP is that there is now a prohibition on a developer that has a single development for which multiple force majeures have been granted from coming back in and getting new funding until that development places in service. At the Board's recommendation, we added a CAP.

Bobby Wilkinson (2:55:21):

I think people are having a hard time hearing you. Were you on?

Cody Campbell (2:55:23):

I'm sorry. Okay.

Leo Vasquez III (2:55:24):

Or just speak up and say...

Bobby Wilkinson (2:55:26):

Get down in there.

Cody Campbell (2:55:27):

All righty. And so that prohibition was added to the QAP. At the Board's recommendation, we added a caveat that if the development places in service by the time awards are made, then no harm, no foul, you are able to get your award. What we wrote into the QAP is that the cutoff for that would be the July meeting at which awards are made.

Josh talked to me a little bit about that, and we probably would recommend that we bump that up to maybe the May board meeting rather than the late July board meeting. The reason for that is that if somebody ends up being ineligible and they wish to appeal that determination of ineligibility, that would give us time to hear that out before the final July board meeting. It would also prevent situations where we're scrambling mid-July to determine if someone's going to get a certificate of occupancy or not.

So just to give us a little bit more assurance, we would recommend moving that to the main board meeting. That is not written into the QAP. That is something that will be added after this. But aside from that, we recommend the QAP as presented, and I'm happy to answer any questions that you may have.

Leo Vasquez III (2:56:32):

Anyone have questions? Looks like we have a number of comments.

Kenny Marchant (2:56:37):

I have just one question about the HUBs.

Cody Campbell (2:56:39):

Certainly.

Kenny Marchant (2:56:40):

So because Kelly made the proclamation he was no longer issuing the certificates, that in itself does not change this multitude of statutes in place that call for HUB consideration.

Cody Campbell (2:57:01):

So there are no statutes that require HUB consideration in the QAP.

Kenny Marchant (2:57:06):

In your QAP.

Cody Campbell (2:57:07):

So we have requirements to consider nonprofits, but not HUBs. And nonprofits have been left untouched.

Kenny Marchant (2:57:13):

All right. And I'm just asking the question of the Board, do we want to put some kind of contingent language in there in case? So we're just saying this QAP, we're not considering HUBs, period.

Cody Campbell (2:57:28):

That is staff's recommendation.

Kenny Marchant (2:57:29):

And if that gets over, if the next comptroller or he has a different thought process or court tells him you got to start doing it again, then we're just sitting out one year.

Cody Campbell (2:57:42):

Yes, sir. That's good. That would be it.

Kenny Marchant (2:57:48):

Okay.

Leo Vasquez III (2:57:52):
Who wants to comment or who would like to speak first? Audrey.

Audrey Martin (2:58:00):
All right. Good afternoon, everyone. I'm Audrey Martin with Purple Martin Real Estate. I'm going to try to get signed in here. First, I wanted to just thank you all for all the consideration and the time and the effort that's gone into this year's QAP development process. I know it's a lot. You guys received a lot of public comment and I just want to let you know you're, that's all, really appreciate it.

I have one comment to make today. I am making this comment on my behalf and on behalf of the Houston Housing Authority and Fort Worth Housing Solutions, which is Fort Worth's housing authority. I'd like to ask the Board's consideration to make one revision to the QAP before it's finalized. This is related to the new language prohibiting cash outs on identity of interest transactions, which now is proposed to apply only to 9 percent competitive housing tax credit developments.

The request is to add an exemption from this requirement for developments that are sponsored by housing authorities or their affiliates. And the reason for this is that housing authorities reinvest the proceeds, the sales proceeds, or transfer proceeds from the sale of their real estate into other affordable housing activities.

And so an example of when this may come up is in a HUD choice neighborhood transaction, which you guys have seen some of in recent years. So those are always multi-phase redevelopment projects that are completed by the housing authority, and in all cases they increase the number of units in a given location, affordable units in a given location.

The exemption is important because GAP financing is limited really in general, and so when a housing authority is able to generate some funds based on the appreciation of an asset that's already in its portfolio, that can be a valuable source of funds that can be used for future affordable housing development, or activities rather. So we just wanted to see if the Board might consider adding an exemption. And you have received written comment to this effect.

The written comment suggested that the way the language could be implemented is that the exception be applied to applications in which a housing authority or its affiliate is in the ownership structure and applications that are entitled to an allocation because they are using HUD choice neighborhood funds, which again are funds used by the housing authority for their redevelopment projects. So that's the comment today. Thank you all again for your consideration.

Leo Vasquez III (3:00:55):
Okay. Thank you, Audrey.

Tracey Fine (3:00:58):
It's the same topic.

Leo Vasquez III (3:00:59):

It's the same topic. Yeah, please. And then different twist on it.

Tracey Fine (3:01:05):

Different twist.

Leo Vasquez III (3:01:05):

And I think you're about to take us down the rabbit hole of concern that I think that Audrey's comments make.

Tracey Fine (3:01:14):

Okay. Good afternoon. I'm Tracey Fine with National Church Residences. And I have similar comments on the cash out, but from a different perspective. And I am your number one proponent of no cash out. But for us, we're not seeking cash out. We're seeking reimbursement of funds that we have had to put into our development and notes and cash advances.

Similar to the housing authorities, when we acquire a property, we acquire it with a piece of debt or a mortgage, but that mortgage almost never covers the entirety of that acquisition. So we only always have a note that we add to acquire this property in our pipeline and that is my pipeline that I'm going to work on in order to get tax credits. When I close all my tax credits, I'm able to get reimbursed for that note that we put in, we have evidence of putting it in, either a settlement statement or our audit or whatever it is evidence of this notes, and at the closing we pull that note back out and then we recycle it into the next transaction.

I have done this now with seven awards in 9 percent here in Texas, preserving almost 500 units. I did provide some language in my comments to allow related party notes or advances that are evidence to be repaid and that is reimbursement and not the cash out.

The other incidents that we will do a cash advance or a note is in the event we have an aging property and there's a really big critical repair and the reserves can't cover that critical repair. So we are a good owner and developer manager, we will front that money, we will pay for that capital repair, but we also anticipate that we will get reimbursed for it at some point in the future.

My fear is, we're very responsible manager, but an owner, but other developers that have no ability to get repaid for that advance, they're not going to do it. They're not going to cover that repair.

Audrey asked for some exemptions to this language and another exemption that would get us there is to exempt nonprofit general partners from being able to be repaid from related party debt. We are a nonprofit. We're not pocketing the money. It's not getting distributed to our principals. It is literally going into the next project. I really appreciate you listening to me today. Thank you.

Leo Vasquez III (3:03:55):
Tracey, are you talking about at the 15-year mark when it's being refinanced?

Tracey Fine (3:04:02):
No.

Leo Vasquez III (3:04:03):

Or are you talking about the initial closing?

Tracey Fine (3:04:05):

So what we, at the initial closing. What we'll typically do is we'll find an owner that has an affordable housing property and they don't have the skill set to take it through a renovation and tax credit process or it's no longer their mission. We'll find people that started with seniors and now they want to focus on children.

And actually one of the main reasons why I can't cover the entire acquisition with debt is because when I close into my tax credit project after an award, I assume the debt that I acquired that property with, and I didn't have a big piece of debt because on all my HUD properties, these are all HUD properties, they're tax exempt when I initially acquired them and I'm just holding them.

But when I acquire them to the tax credit entity, they become for-profit and they are therefore real estate, have a real estate tax liability. And if I over leverage my debt, my financing doesn't work, so I have to make my debt small enough to assume that I'm going to pay real estate taxes in the future with the tax credit award. Otherwise, I take a bigger piece of debt and I would have to put my million-dollar parent note to acquire the property.

Leo Vasquez III (3:05:23):
Okay. Well, go ahead.

Kenny Marchant (3:05:25):
Don't most people call that an equity?

Tracey Fine (3:05:27):
No. It's done with a note. Some of these properties we've had for 20 years or, some of them are just a few years, but unlike prior comments where they've held these assets for a really long time and they built all this equity into them, we're not asking for that equity to be taken out because that's would be a cash out. We

are literally showing we put in a million dollars or whatever the amount is...

Kenny Marchant (3:05:57):
And took a note.

Tracey Fine (3:05:58):
And we took a note,

Kenny Marchant (3:05:59):
Instead of calling it equity.

Tracey Fine (3:06:00):
There's one difference that we, there are some properties that are called PRACs (phonetic) and it's a specific type of head property and they are not allowed to have notes on them until you go through this really complicated process and then you can take a note.

So on those, sometimes they're labeled differently to get around the head rules, but they are all technically notes and we have evidence, whether it's an audit, whether it's a settlement statement of these advances and we are trying to get reimbursed so we can tee it up for the next portfolio that we want to renovate and preserve.

Leo Vasquez III (3:06:38):

Okay. Because I think the intent that we're looking at is that cash out using tax credits at 15-year refinancing and such. I don't believe it's aimed at you put in some money, money up front to get the deal to the finish line or start line.

Kenny Marchant (3:07:07):

Yeah. Whether it's a note or a second or some kind of obligation the property owes to somebody, when you come to a closing, in that initial closing, are you taking a note at the closing table?

Leo Vasquez III (3:07:26):

It's almost like taking out the construction financing.

Tracey Fine (3:07:28):

When we acquire a property that we don't own, and this is not through a tax credit closing, it's just like, this is a property, and I want to, I kind of wait till the QAP hits that property. I'm like, this one I'm going to go for this year. Now this one finally is going to score.

So initially when I acquire it from a seller and I hold it, that is when I'm putting in my million dollars or, or whatever the number is. And then when I get my tax credit award and I close it into my limited partnership agreement, it becomes a for-profit entity, at that time I pay back myself the note that I...

Holland Harper (3:08:04):
So soft cost. Financing for soft cost to get you ready to go, right?

Tracey Fine (3:08:08):
It's not necessarily soft cost though because, like I reduced the mortgage I took because I knew I was going to pay real estate taxes and I'm assuming my debt, and so I couldn't have my debt payment to be too high when I have my real estate taxes because then I wouldn't have a financially feasible transaction.

Kenny Marchant (3:08:25):

What percentage of projects do we ever see that that would be the case?

Tracey Fine (3:08:31):

I'm looking at three applications this year and all three have them. Last year, I got three awards and two of them have, four of them have, no. So it was three awards over four properties and two or three of my properties have them. It is very common.

Kenny Marchant (3:08:45):

Yeah. Going back to the Chairman's comments, I think our goal was to keep people from taking massive equity payouts after a 15-year...

Tracey Fine (3:09:01):

I'm trying to differentiate a reimbursement versus a cash out equity. And so I'm clearly able to show that we put this money in. I'm not asking to be reimbursed.

Leo Vasquez III (3:09:14):

In your case, you're talking about putting in a million and just taking back that million. It's not that, hey now it's...

Tracey Fine (3:09:18):

Yeah. We would prefer we do add in, in my comments I asked for a market interest rate. Typically, we have it at AFR 5 or 6 percent or something like that because we could take those funds and we could invest it somewhere else and we could get a return. So our notes do have interest rates and in my public comment it would be great to be able to pay ourselves back four years of interest, but, sorry.

Tim Smith (3:09:50):

Tim Smith, Hoke Development Services. To give maybe a point of clarification. The difference between being reversed for capital you put in versus cashing out on appreciation of the property, like all of a sudden the market value has gone up and now you're cashing out on that, that's kind of the way we interpret the Board that was wanting to stop.

But the way that's worded, sometimes people can interpret it well, you can't get paid back and that's for money you put in or pursuit cost, acquisition costs. We just wanted to clarify.

Kenny Marchant (3:10:22):
To me, that was never the intent.

Leo Vasquez III (3:10:25):
Yeah, no.

Kenny Marchant (3:10:26):
To prohibit what she's talking about.

Leo Vasquez III (3:10:28):
I think of this, again, I think a good analogy or is a construction loan that gets taken out by a permanent loan.

Leo Vasquez III (3:10:37):
We're not saying you can't pay off the construction loan. But let’s

Kenny Marchant (3:10:45):
Do you feel like the, what kind of language would you put in there to clarify that?

Leo Vasquez III (3:10:49):
Okay. Or is there another, is this a comment on the same subject?

Brad McMurray (3:10:53):
The exact same thing. A little bit different perspective.

Leo Vasquez III (3:10:55):
Okay. Let's hear all the twists on it here then.

Brad McMurray (3:10:59):
My name is Brad McMurray. I'm with Prospera. We're a nonprofit housing provider. I ditto to what Tracey was saying. We're a little bit different. But just to give you another example of how an affordable housing provider should be exempted from this some more like the PRAC and all these other acronyms.

LIPRA is a program that was basically created because back in the day, the project-based Section 8, nobody wanted to deal with it. You couldn't take money out of it if you were a for-profit developer, and so they were just giving the keys back. So HUD said, hey, we'll let nonprofits take over. And oh, by the way, these liens that are owed to HUD, if you will commit to 50 years of affordability, we'll turn that loan over to you.

So when we come in to redevelop our existing portfolio that provides basically rent based on your income, so not just affordable rent, but rent based on what you can afford to pay, and they're falling apart and we go through the at-risk program, we get paid back that money. It's not a big equity thing. It's not a big windfall for us. We put everything back into our programs that provide affordable housing. There's no bonus to me working for them or to our board of directors.

And so it's very clear to me that with what your intent that you're describing, that you would want to do what's been suggested for housing authorities as well as for nonprofits by saying when you have a, and you could qualify based on an affordable housing, nonprofit affordable housing provider, not just a nonprofit that's a 501(c)(3), but in their exemption status that they actually do affordable housing. That way, you're not taking out the source of income that actually allows us to do what we're doing. Thank you.

Leo Vasquez III (3:12:43):

Yes. Thank you. Mr. Campbell.

Cody Campbell (3:12:49):

So in response to all the comments that you've just heard, I think that they're very reasonable. We drafted language in advance, anticipating those comments and anticipating that the Board might be sympathetic to them.

Leo Vasquez III (3:12:59):

Yeah. You got to speak up. Yell, yell.

Cody Campbell (3:13:00):

Okay. All righty. So again, we had anticipated that these comments might come and so we've drafted language that would be responsive to them both to exempt housing authorities from this cash out language, similar to the way the USDA finance deals already are.

And then in response to Ms. Fine's comments and the subsequent comments, what we would add into the definition of, or where we explain what a cash out is, is just language that says that related party predevelopment notes could also be repaid at closing, which I believe...

Tracey Fine (3:13:35):

But it's not predevelopment.

Brad McMurray (3:13:38):

That doesn't address anything,

Cody Campbell (3:13:40):

Well, it doesn't address the nonprofit exemption. That is correct, but it does...

Leo Vasquez III (3:13:44):

Well, it's not necessarily predevelopment. It could be acquisition costs, right?

Cody Campbell (3:13:49):

That's true. So we could change that to related party notes and it sounds like Brad might have an issue with that and I'll let him explain to us the problem there. But we could very easily add the related party notes being paid at the closing table, very easily.

Kenny Marchant (3:14:07):

And the notes should, you don't want to create an artificial note. The notes have to be substantiated by some expense.

Cody Campbell (3:14:17):

Sure. Capital expenditure award acquisition...

Kenny Marchant (3:14:22):

I don't know. I'm just saying to you. If they just say a note manager's fee and stuff like that, but that doesn't address this other issue. So that addresses her issue.

Cody Campbell (3:14:38):

Yeah. So it sounds like Mr. McMurray's preferred solution here would be an exemption for nonprofit housing providers rather than pecking out related party notes.

And the consequences of doing it that way, I guess we could do both, but the consequence of doing it that way would be that if a for-profit developer had put in some kind of capital expenditure note or some kind of note to cover capital expenditures prior to re-syndicating the tax credits, they would not be eligible to be repaid. Brad, do you have anything you'd like to add to that?

Brad McMurray (3:15:20):

Cody, I appreciate your consideration. I guess I'm looking at the big picture here because again, I don't want people to go get a big inflated appraisal and then just get a big win windfall. But what we're talking about is this language talks about not at year 15, but in the competitive round, which is going to be when we own a property or another nonprofit owns the property and we're selling it into the partnership, so that's when the price is going to be established.

This is not like a 4 percent where you can just make it as big as you want to. You're only going to get 2 million in credits. So there's no way to artificially inflate it and get use up credits. But what this, by exempting the nonprofits, one of the ways, I don't think we're ever going to be able to create more ability to pay units like with the project-based Section 8 or with the public housing. And we can't make it any cheaper. It's very, very difficult to develop. So we want to preserve what we have.

And we also have another way to provide more affordable housing, which is to recycle people through so they don't stay there forever. That's what nonprofits do. For-profits do an amazing job to provide an affordable place to live, which is key. That's the big difference. But we actually go a little bit further. So what's wrong with helping the nonprofits do this?

By law, we can't just put money in our pockets. We can't pay ourselves a bunch of extra stuff. We're competing with the for-profits that have the ability to donate to campaigns and lobby. We can't do that. So we're all about the same mission, and I think by just excluding us very in general, because you've got a great staff and they're going to want to follow the intent of the QAP and they are going to say well our hands are tied because it doesn't especially exclude that type of lien.

But if you exclude all nonprofit affordable housing providers from this just like you did USA, US whatever, DA, and you're talking about doing for the housing authorities, we're all in the same boat.

Leo Vasquez III (3:17:22):
Okay. I think we all agree the intent is just to not have developers use tax credits to pay for their cash out profit. What Tracey and Audrey and Brad were talking about, I think our intent is to allow that sort

of repayment of their upfront cost. Can we do that? Can we write that?

Bobby Wilkinson (3:18:00):
It's been difficult to do that right now. Do you want to just strike the cash-out thing and try again early next round?

Leo Vasquez III (3:18:08):
No. I want to put it inside. No, see that too often. So what again, any more on your proposed language tweak that's not too far from the original posted?

Cody Campbell (3:18:21):
Sure. We've got three concepts floating around right now and two of them are very easy and one is, we can get there but it's a little bit more complex. So including an exemption for housing authorities and their affiliates, super easy. Including an exemption for nonprofit organizations, as Brad is asking for, also very easy. The repayment of related party notes, it would seem to me that dialing down to capital

expenditures and acquisitions would be the best way to prevent the concern Mr. Marchant has.

Kenny Marchant (3:19:05):
Substantiated. There would be a substantiated.

Cody Campbell (3:19:08):
Sure. And I think that if we add those things here, that addresses everybody's concerns and gets us language that we can live with.

Leo Vasquez III (3:19:17):
I'm good. Are you guys, councilwoman...

Kenny Marchant (3:19:21):
Yeah. If it needs to be narrowed down next year, if it doesn't, if this leaves it too wide open still, then we can narrow it down more next year. I'm comfortable with it, Mr. Chairman.

Leo Vasquez III (3:19:39):
Any objections? Okay. Let's go with that. Where's another set of comments? Or you got over here.

Bobby Wilkinson (3:19:47):

Well, she stood up first.

Abby Taktow (3:19:50):

Been here for a while. Good afternoon, board members. My name is Abby Tatkow and I'm part of the development team for O-SDA Industries. We're a 9 percent developer in Austin and DFW regions. I'm speaking today in regards to the modifications to the staff QAP draft to Section 11.302(E)(6) that would include fees paid to an organization to achieve a sales tax exemption in the general contractor fees.

We feel strongly that the Board should consider striking this language because the nonprofit GC fee has served an invaluable role in our ability to both operate and bring new affordable housing to fruition, and one that lies wholly outside of fees paid to our construction team. On the development side, the sales tax savings realized by a nonprofit GC can be substantial, and in an environment where we are turning over every rock to identify GAP financing sources, this is one of the creative solutions we've identified.

For example, in our 2024 deals, construction costs without the nonprofit GC would have increased by 250, 400, and $340,000, respectively. This cost savings is substantial and on par with many of the GAP financing sources that we're already exploring. The greater argument for keeping these fees separate is likely on the operational side with our eviction prevention partner, Homeless Housing Support Services Alliance, who also serves as our nonprofit GC.

O-SDA has partnered with HSSA to provide person-centered eviction prevention programming that has resulted in over $100,000 of rental assistance being provided to our residents to keep them housed. With federal, state, and local funding sources drying up, the nonprofit GC provides eviction prevention programming funding to those who need it most.

When I first learned about the nonprofit GC concept, I remember thinking, oh, here's another way that developers have identified to give an already complicated process even more layers of complication, but I see how impactful that process is on bringing down our overall construction budget and reinvesting in our residents. And I ask that you consider that by striking this QAP language that would eliminate this meaningful tool. Thank you.

Patricia Murphy (3:22:12):

Good afternoon. My name is Patricia Murphy. I'm the founder and executive director of Housing Support Services Alliance, and one of the comments that was lost in the spam filter. And I'm here to echo Abby's request that you not include the nonprofit general contractor fee in the definition of general contractor fee.

As Abby said, HSSA has received $131,000 in general contractor fee, and that has gone directly, 100 percent of that money has gone to preventing the eviction of 69 households that are living in existing tax credit properties.

I do apply for grants and I have fundraisers, but this is the main source of funds that I have to run this very effective eviction prevention program. And I ask that you strike that language which puts this source of financing for us in jeopardy. If you have any questions, I'd be happy to answer them.

Kenny Marchant (3:23:14):
I have a question or comment, if I would.

Leo Vasquez III (3:23:16):
Please, go ahead.

Kenny Marchant (3:23:17):
So this money is money the state is not getting and the city is not getting and the transit systems are not getting.

Patricia Murphy (3:23:25):
It is a state sales tax that goes for a very charitable purpose and it's completely blessed by the comptroller and the Attorney General, as this is 100 percent allowed, and there is no state or federal law that would

require TDHCA to include these fees in the definition of general contractor fee. You don't have to do that. And it's completely an approved way for nonprofits to get access to money to do our mission work. Does that answer your question? Does anyone else have any questions? Did I answer them?

Leo Vasquez III (3:24:06):

Okay. So does this apply to only nonprofits or to any organization?

Abby Taktow (3:24:18):

So the way that it works in practice, and y'all may already be familiar with this, but essentially we're able to slot the nonprofit in as the general contractor on our construction documents and on those contracts, which then allows us and any sales tax that our contractor would pay on the construction materials to be waived.

And so that's, as you can imagine, a very substantial number of amount of savings that we receive. And so in exchange for that, that nonprofit general contractor fee is what we compensate for the nonprofit for as part of that savings. So part of it goes to bring down our construction costs, and then the other part goes as a theme to the nonprofit.

Bobby Wilkinson (3:25:03):
Did you mean do they always use a nonprofit? Sometimes I might use like an HFC in that same general contractor spot, right? Not you particularly, but other...

Abby Taktow (3:25:13):
Well, and so in scenarios where we have partnered with an HFC, typically they are going to want that opportunity to get that fee, but our preference is to work with a nonprofit and that's what we've done on our recent jobs.

Bobby Wilkinson (3:25:27):
But the way we've had it written, it would affect public or nonprofits the same way, right?

Cody Campbell (3:25:35):
Tell you that for sure, because if that's,

Bobby Wilkinson (3:25:36):
It's kind of Jeanna's area and she's traveling.

Cody Campbell (3:25:38):
Let's see. Any fees paid to an organization to achieve a sales tax exemption will be included, so,

Bobby Wilkinson (3:25:44):
So we're agnostic in the rule, and they're particularly asking about nonprofit, right.

Lora Myrick (3:25:53):
I won't comment, but I think so. I've already signed in. Hello. Lora Myrick, BETCO Consulting. When I'm looking at this, it seems that they're trying to catch it on the cost cert side. They're trying to see what is the actual contractor fee. And when I'm looking at a cost cert, and I think when I've talked to CPAs, when we're doing a cost cert, that fee that goes to the nonprofit organization is considered contractor fee, and that's the bucket that they put it in.

And I believe that it's been happening more and more. In the last cost certs that I have done with TDHCA, they have really drilled down and asked me about that fee. Where is that fee coming from? Where is it going? And the CPA is always putting it in that contractor profit bucket because it seems that that's where it needs to go. And I'm sure everybody's going to throw stuff at me here pretty soon.

But it is a contractor fee and when you are looking at a cost cert, you can't generate credits off of that, and so the haircut is going to come to the developer. But I think I would want confirmation that, for some general contractors who have also called me, we're not asking general contractors to lower their contracting fee to the amount that is being paid to the nonprofit. That's not what's happening. It's something that is being adjusted on the underwriting side once the cost certs are in and that's what they're looking at.

That's what I've experienced with TDHCA, that that is where they're putting it, the CPAs are putting it in the contractor fee bucket. And I think TDHCA is wanting to see that more transparently. I think that's what this is all about. I could be wrong, and I'm sure people are not happy with my comments, but I think this is at cost cert and it's adjustments that underwriting will also make below the line on underwriting reports.

So if I'm wrong about that, great, I'll say okay. Sorry, I'll go back and look at this again. But I think it is on the back end on a cost cert. And I guess it is to the developer, it's going to be the hit because you can't generate credits off of this contractor fee. So I guess if I could get that confirmation that that's what I'm, that's how it's supposed to work, then I think that would help me.

Leo Vasquez III (3:28:43):
Okay. Thanks, Lora. Cody, what do...

Cody Campbell (3:28:48):
Sure. So general contractor fees are limited by the QAP. It's 14 percent. And so any amount that is paid to a nonprofit to achieve the sales tax exemption by

having them as the GC on paper, would necessarily count against that 14 percent when we were doing the upfront,

Leo Vasquez III (3:29:05):

I'm sorry. You said it would not count against the 14.

Cody Campbell (3:29:08):

It would count against 14 percent.

Leo Vasquez III (3:29:08):

Would count.

Cody Campbell (3:29:09):

With the language as written. I don't know why I'm having so much trouble with this microphone. We're almost intimate at this point.

Kenny Marchant (3:29:22):

So that was the intent of the QAP.

Cody Campbell (3:29:25):

That was the intent, correct.

Leo Vasquez III (3:29:29):

And they want it, Abby wants it changed.

Abby Taktow (3:29:33):

I know Lora understands this a lot better than I do. But just one thing I wanted to clarify is that though it is labeled as a fee, essentially, and, y'all again, probably understand this, but essentially, if we don't have the nonprofit involved, our construction costs are going up. So this is not an added cost. It's essentially reducing the construction budget.

Leo Vasquez III (3:30:03):

So what can we do to address or do we need to do... I mean, I even recognizing the concern, do we need to?

Cody Campbell (3:30:11):

This is an incredibly easy issue to go any direction on, which I know is not helpful in your decision making. As a compromise, if the Board was looking for that, what we could do is require that these fees be represented in soft costs on the application, which would give us a year to collect information and present some numbers to the Board about how much these fees actually are.

We could leave it as it is. I think it's pretty easy to make the argument that a fee that you're paying to somebody who is acting as the general contractor on the application should count towards the general contractor fee. Understanding, of course, that this is an arrangement that is financially beneficial to the developments, although, to Mr. Marchant's point, it does reduce taxes paid in the construction. So that is kind of the other thing to consider.

Kenny Marchant (3:31:00):
Plus, aren't they creating another level in the organization specifically just to avoid this tax?

Holland Harper (3:31:08):
That's correct.

Kenny Marchant (3:31:09):
Yeah. It's just a, this is a big paper shuffle and it's just to adjust the numbers. So if we're okay with that,

fine. But I think the intent was to eliminate that, but I'll go with it.

Leo Vasquez III (3:31:29):
So the developer's already getting a benefit by getting no taxes on them. It's on...

Kenny Marchant (3:31:34):
No. They're...

Holland Harper (3:31:35):
They're not paying material taxes.

Leo Vasquez III (3:31:36):
Yeah. So they are getting that benefit. And this request is to have us effectively have a contractor fee of 14 percent plus what we pay the nonprofit.

Cody Campbell (3:31:52):
Correct.

Holland Harper (3:31:52):
Or that it would be included inside that 14, which is introduced as,

Leo Vasquez III (3:31:55):
No. Well, I think I'm hearing it say it's over and above the 14.

Kenny Marchant (3:32:00):
Well, they're extrapolating it.

Leo Vasquez III (3:32:03):
Am I hearing that wrong?

Bobby Wilkinson (3:32:06):
The 2026 draft would have it included in the 14.

Cody Campbell (3:32:10):
That is correct.

Abby Taktow (3:32:10):
Yes.

Bobby Wilkinson (3:32:11):
2025 is not included. They're asking for it not to be included.

Abby Taktow (3:32:4):
Yes.

Kenny Marchant (3:32:22):
I think we leave it the way it is.

Patricia Murphy (3:32:17):
Can I take one more crack?

Holland Harper (3:32:20):
I think we leave it the way it is.

Leo Vasquez III (3:32:24):
Recognizing you're already getting the benefit of the tax exemption.

Patricia Murphy (3:32:31):
Patricia Murphy again. So you know at the beginning of your board book where you have the programmatic impact,

think of it this way; an impact of this structure in housing tax credit deal within the last year has increased the emergency rental assistance by $131,000 and 69 households.

This is a secondary impact from the housing tax credit program that we're putting in jeopardy now. These are really important funds for us nonprofits and it's completely allowable by the comptroller and the attorney general's office. And I ask you not to put this source of funding in risk. Thank you.

Michelle Snedden (3:33:22):

Michelle Snedden with Shackelford. I was not planning on speaking, but I just wanted to clarify one thing that just came up. When the sales tax exemption is being taken advantage of with a nonprofit, the ownership structure does not have to change.

Sometimes a nonprofit might be in the ownership structure and then they're used as the GC, but a lot of the time a nonprofit that has nothing to do with the ownership but its sole mission is to build and construct and develop affordable housing will be used just as the GC in the deal.

And then a lot of the times that fee, which is usually 20 or 25 percent of the savings they literally put straight back into that project in services. So it doesn't always, the GC nonprofit is not always in the ownership structure. I just want to clarify that.

Kenny Marchant (3:34:07):
In fact, that's the point I was making. They're not in the ownership, they're simply inserted to take advantage of this sales tax exemption.

Michelle Snedden (3:34:18):
That's correct, because it does benefit the project, but it's also their mission to put money back into affordable housing. So that's essentially what it's doing. They're obviously a nonprofit. We have deals where it goes straight back into that project for the tenants.

Kenny Marchant (3:34:33):
Not to be argumentative, but that's an extrapolation of what, y'all are bringing up the benefit of that extrapolation. The original QAP was just to include that in the demography.

Leo Vasquez III (3:34:54):
Okay. So I'm hearing the Board leaning towards leaving it as is, as proposed. Is there any objection to leaving it from a board member? And I guess that's Conroy or Farias. If you have no opinion, that's fine.

Anna Maria Farias (3:35:21):
I'm ready to vote.

Leo Vasquez III (3:35:21):
Well, there's no vote. There's no vote. Yeah.

Cindy Conroy (3:35:24):
Yeah. I'm not ready to...

Leo Vasquez III (3:35:25):

Okay. All right. Is there another topic on the QAP that someone wants to talk about?

Ann Lott (3:35:37):

I almost hesitate to come forward. Good afternoon. My name is Ann Lott. I'm the executive director of the Inclusive Communities Project in Dallas, Texas. And I would like to comment on the proposed change to section 11.9 (D)(vii) of the QAP that would make opportunity zones a new scoring item.

The Inclusive Communities Project supports the Department's efforts to stimulate economic growth and development in the most distressed communities in Texas. And housing is certainly an important component that attracts this kind of economic investment.

However, we are concerned about any economic development approach that leads with LIHTC housing if the location is in extremely impoverished communities. And we're concerned because history has shown us that impoverished areas with large concentrations of low-income families do not attract the kind of investment that you're envisioning.

There's no requirement in the QAP that these types of projects be in a concerted revitalization plan. And even the IRS recognizes that when you put a LIHTC unit in a higher poverty area, it needs to be a concerted plan that would support the development and ensure some level of economic development.

I think even we should remember that opportunity zones will not automatically attract opportunity funds. The flow of investment into these opportunities zone is solely dependent on the investors' willingness to commit the funds. And heretofore, what we've seen is that investors interested in opportunity zones don't invest in high-poverty areas. They invest in areas that are experiencing gentrification.

So we are really concerned that history may repeat itself because you may end up with LIHTC housing that is situated in the most impoverished areas, and there will be no investment that follows this housing. And so we just like to recommend that the Board would just strike this provision of the QAP because over 50 percent of the opportunity zones in Texas are located in areas with very low AMIs.

Now I know as soon as I say this, there's going to be a whole lot of developers behind me trying to convince you that this is not a good idea at this point in the game, and I may not get another opportunity to talk with you, but this is really important. And should you decide to move forward with this type of plan and strategy, I would urge you to monitor the social impact that the LIHTCs approved and opportunity zones will bring.

Monitor the number of jobs that are actually created, not the number of jobs promised, but the number of jobs created. Monitor what other investments follow in this community and if it doesn't yield the results that you anticipate, modify the rule before your well-intentioned plan just creates more segregated communities in the most vulnerable areas in Texas. Thank you so much for listening to me.

Leo Vasquez III (3:39:17):

Okay. Thank you.

Erin Hahn (3:39:21):

Good afternoon. My name is Erin Hahn with Texas Housers. And I am here to follow up on Ann's comments and similarly express our concern and opposition to the opportunity zone change in addition to the QAP.

Inserting opportunity zones as a full alternative to the concerted revitalization plan option upends the balance between, or that has existed between the opportunity index and the revitalization plan pathways. It creates a new lowest barrier route to earn the full seven points. One that lacks, like Anna said, the guardrails that were built into the QAP over the past two decades to prevent concentrating developments in high-poverty areas.

Here's what this change will mean in practice; more tax credit properties will be located in census tracts in the lowest quartile by income. About half of the all-opportunity zones in Texas fall into that quartile.

Second, because it's easier to find a property in an opportunity zone than in a low-income tract with a revitalization plan, this change removes incentives for developers to make sure projects in low-income areas are part of that larger revitalization efforts.

Housing tax credit developments in high-poverty areas shouldn't receive full points without that plan in place that outlines real meaningful revitalization. If the LIHTC development is the only investment that's happening, we return to this old pattern of concentrating developments in distressed neighborhoods with no plan for improvement.

And lastly, especially in some rural areas, some opportunity zones were designated to attract broader economic investment, but not specifically to address housing needs. So how housing tax credit developments won't be appropriate in every opportunity zone.

By incentivizing development opportunity zones without requiring that revitalization plan aspect, we risk developments in isolated areas, projects without complementary investment or infrastructure. So in some cases this could mean LIHTC developments near AI data centers, far from jobs services, amenities. We believe it's a step backward from the progress the agency has made since ICP vs. TDHCA.

And also wasn't a change that was discussed in roundtables or considered in preliminary discussions, but added with no written proposal for stakeholders to review or comment on until that feedback was too late. We believe this is a significant change that should be discussed with stakeholders from all angles. And so we would also urge the Board to remove the opportunity zones from the QAP until this issue can be fully explored and vetted. Thank you for your consideration.

Leo Vasquez III (3:42:07):

Okay. Thank you. Okay.

Kenny Marchant (3:42:15):

Can I ask the last lady that spoke?

Leo Vasquez III (3:42:18):
Yes. Ms. Hahn. Erin.

Kenny Marchant (3:42:20):
Where is that information coming from? I've never heard that theory before. At all. Opportunity zones were just an addition to the scoring. It was not...

Erin Hahn (3:42:34):
Opportunity zones, similar to qualified census tracts are areas that have been designated as...

Kenny Marchant (3:42:40):
Well, I know all about opportunity zones, but I've never interpreted opportunity zones to be anything other than plus additions, et cetera. Whoever wrote that that you just read obviously has a completely different view of opportunity zones.

Erin Hahn (3:43:03):
Low-income, high-poverty areas that have been earmarked by the Governor for needing investment, but there's no plan that guarantees that investment will come.

Leo Vasquez III (3:43:13):

So we should abandon those areas altogether. Don't invest in them.

Erin Hahn (3:43:17):

No. No. Our suggestion for an amendment to language was to award the seven points if they're in opportunity zone with a revitalization plan. We don't think we should...

Leo Vasquez III (3:43:320:

So CRPs, period. If there happens to be an overlapping opportunity zone.

Erin Hahn (3:43:37):

Yeah. This change would create a third lower-barrier avenue, from going the opportunity index route or the converted inserted revitalization plan route with a lower barrier to entry. It's going to be easier to find a development in opportunity zone than a development in a lower contract with the revitalization plan. So we're going to be giving away the seven points too.

Kenny Marchant (3:43:58):
But that is a theory, right, that somebody's come up with or is it proven? That's just a, that's your theory, right? That that will happen.

Erin Hahn (3:44:08):
Based on the definitions of opportunity zones, that's what we believe will happen if you open up an avenue for giving away these points.

Kenny Marhcant (3:44:18):
That's never heard before.

Ann Lott (3:44:19):
May I also interject. I don't. It's not a theory. It's not a theory. It's actually happening in other parts of the country. Baltimore, for existence, you have the most impoverished communities where you have nonprofits that have been working on the ground for many, many years designated an opportunity zone, but they are not getting any of the funds for their area because their area is just too poor.

Where the funds are going is to those census tracts that maybe hover at 20 percent, but not census tracts that are hovering at 40 percent. That's what we're saying, saying don't abandon the area, but can you ensure that there is a plan in place to ensure that there's going to be investment that follows the pre-houses that we're going to put on the ground? That's all we're asking. Otherwise you're just concentrating poverty again and exacerbating the problem.

Robbye Meyer (3:45:26):

Robbye Meyer and with Arx Consulting. As most of you all know, I have my foot in many things. I am a member and president of Rural Rental Housing. I'm also a member of TAAHP and I'm a sponsor and supporter of TAFA. I'd like to speak on a couple of different topics today and I'm speaking on behalf of Arx, but I'm also speaking on topics that will affect many of the members of the affiliations that I have.

I'd like to first bring up the topic that we just ended on, the opportunity zones. And I'm not going to totally disagree with Ms. Lott. I would like to have more opportunity to sit down with them and look at exactly what they were talking about and the opportunity zones as a whole, just as the Austin area, and I'll just give you an example.

Just in the immediate Austin area there are 30 tracts, census tracts, that are in opportunity zones. Only 20 percent of those, and there's 30. 6 of those tracts are above the 20 percent poverty rate. All of the other ones are below 20 percent poverty and several of those are in first and second quartile incomes.

So I don't disagree totally, but I also don't agree. And to say you can only do opportunity zones and overlapping CRPs is kind of negating the whole CRP question. So I'd like to leave it in for 2026 and let's discuss it. And I'll be glad to sit down with all of the advocates.

My main issue today is to talk about the striking of the sponsor characteristics and of the HUD participation. I understand the Department's decision of striking that and I get that. But in all fairness to the whole point characteristics, sponsor characteristics, if you're going to strike one portion of it at this point in the game.

We've spent a lot of time on sponsor characteristics this year in the HUB section, expanding the nonprofit portion to add housing authorities and HFCs. And then we also added the tax exemption piece. So to only strike one piece of it seems unfair to everything else.

So my suggestion is to strike the whole, or not strike it, but pause the whole point item so that in fairness to all of them, HUBs as well as nonprofits, and as well as anybody that was going to sign their life away on I'm not going to exit, request a tax exemption, everything pauses for 2026. Let's let the dust settle and get everything together before we just strike a section that has spent a lot of time this year to do that. And that's the biggest part.

One last little thing. On the previous thing where you were talking about the costs for contractors' fees and on soft cost, I agree with Abby. I'd rather just strike that and have a more robust conversation about both of those items. Just with the conversation that was here today, those things weren't brought up in other conversation. I'd rather just have more conversation and let's get to where we can meet the Department's goal for both of those items.

Leo Vasquez III (3:49:11):
Thanks, Robbye. Before we move on to other topics, so opportunity zones, understanding that, you want to speak on opportunity zones also. Okay. Period of consensus, recognizing the concern, but leaving it as presented right now.

Kenny Marchant (3:49:41):
I think it's a complete misinterpretation, but...

Leo Vasquez III (3:49:45):
Okay. All right. So that'd be yes. Okay.

Kenny Marchant (3:49:47):
Yeah.

Sarah Anderson (3:49:49):
Okay.

Leo Vasquez III (3:49:49):
Okay. All right, next.

Sarah Anderson (3:49:50):
Okay. Sarah Anderson, S. Anderson Consulting. I'd like to make a couple of comments about the opportunity zone issues that have been brought up.

I believe that there are already guardrails in place to protect if we're talking about going to high, the fear of us going to high poverty areas. We already have a requirement if you're over a certain poverty, that you have to get a local resolution to allow us to go there.

I would also say in reality, we've already scored maybe 100 sites this year. Very few of them are making its way down to whether or not it's an opportunity zone. And of those, very few are actually of interest because everything's being driven by the tiebreaker, and the tiebreaker is predicated on your distance to schools, libraries, and other amenities that are already in place.

These opportunity zones are just not competitive if they don't have those things in place already. So the fear of us going to someplace where nothing's been built and it's high poverty, just I don't see being borne out by the realities of the other parts of the QAP.

Now, I would agree that if there's a concern, then let's watch it and let's do a report next year. Let's take a look. Let's look at the list where we're getting ready to award and see if there's anything. But right now I don't see any problem.

I would also say we're sort of excited at the concept of the opportunity zone just because of the additional community capital that we may be able to bring in or investments or banks being interested in those areas that we just haven't been able to take advantage of in the past. So I think it's a good thing and we should be, let's leave it in, test it, see how it works out.

But I don't think it's going to be a problem for what we've seen.

Leo Vasquez III (3:51:38):
Okay. Good. Thanks.

Sarah Anderson (3:51:39):
Thank you.

Jonathan Campbell (3:51:45):
Good morning. Jonathan Campbell with LCJ Development. And I'm here to speak in favor of leaving opportunities, can you all hear me? I myself I'm from...

Leo Vasquez III (3:51:56):
Yes. And also just, I think we've already determined we're leaving the language as proposed in for opportunities zones, so unless there's something else that you got.

Jonathan Campbell (3:52:10):
I would put forward an idea to study this concept over time. I have a strong suspicion that projects that are

delivered in opportunity zones are going to be larger in terms of unit count.

And I suspect that land prices and opportunity zones are going to be less expensive and that savings is going to go into the development and you're going to get projects with more units and more square footage. That's just my idea to study that over time.

Leo Vasquez III (3:52:44):
Okay. Thanks, Jonathan. And I think we should assure everyone we agree. We're going to monitor and see how this result goes. And remember, the reason for opportunity zone, we're designating them is to try give incentive to attract more investment.

Bobby Wilkinson (3:53:05):
It's permanent now, right?

Leo Vasquez III (3:53:06):
I think so. I know...

Bobby Wilkinson (3:53:07):

I think more people want to say,

Leo Vasquez III (3:53:08):

Yeah. It's in there, yeah. So let's keep a close eye on it. Does Mr. Arriaga have something to say?

Roger Arriaga (3:53:20):

Yes, sir.

Leo Vasquez III (3:53:20):

Who do you represent?

Roger Arriaga (3:53:23):

I'll make that very clear. Mr. Chairman, board members, Mr. Wilkinson, I'm Roger Arriaga with the Texas Affiliation of Affordable Housing Providers. I have a couple of brief comments, and this is related to the HUB item, not the opportunity zone item.

First, TAAHP does support the perspective of our colleagues like Robbye, who just represented with rural rental and several of the other organizations that we both participate in, particularly where the HUB participation comes into play.

While responsible for certifying HUBs, the action by the comptroller kind of presumes legislation because it is in state law that they operate this program. So it seems like it's presumably what's going to happen. We fully think that's likely going to happen and it'll be all put through the next legislative process.

But the legislative process is long and arduous and we don't know what's ultimately going to happen. And as Mr. Marchant said earlier, there's other kind of variables in the mix. And so as Robbye had stated, we are supporting the concept of a pause of the sponsor characteristics section rather than a removal of one piece of it, mostly for fairness, but also because of the real time impacts.

Further, a pause of the entire item would preserve the original language and allow more time for clarification, which allows us, as an industry, a little bit of more time to digest the impacts of the action and how we might make recommendations into the future.

Now, in addition to that, I just got off a phone call because my compliance committee that works on everything on the post side of things is very concerned about not knowing anything more than the pronouncement of the Comptroller's Office. We have concerns that it is as much about compliance as the QAP, mostly because existing owners will have compliance issues where HUBs and LURAs are concerned.

So even though we understand that the QAP is not the same as compliance, we hope that the agency will certainly consider some action or some clarification about how compliance will be dealt with on existing deals that are already in play, not the prospective ones moving forward. So that is the essence of my comment.

But I do want to take just a minute to thank TDHCA staff. We know you put yeoman's work into this, you take all the time to take all these comments. And we do appreciate the Board's consideration of all of our comments throughout this entire process. Thank you. That is my comment.

Leo Vasquez III (3:55:48):
Yeah. Thanks, Roger. And I think I can speak for the Department in that if rules or regulations change to where there are no HUBs or there is no certification, we're going to have to suitably amend our rules to reflect that reality.

Roger Arriaga (3:56:12):
Absolutely, because...

Leo Vasquez III (3:56:13):
And we do recognize that.

Roger Arriaga (3:56:14):
Existing deals have certification requirements that expire, which if they are not able to reget the...

Leo Vasquez III (3:56:20):
Exactly. We obviously have to recognize that.

Roger Arriaga (3:56:22):
Absolutely.

Kenny Marchant (3:56:23):
Is the comptroller the only authority that can issue a HUB designation? Don't do the COGs do that?

Leo Vasquez III (3:56:28):
I believe so, it was not...

Kenny Marchant (3:56:30):
Aren't COGs all, isn't that one of the...

Bobby Wilkinson (3:56:33):
As far as we're concerned, I think maybe cities might have their own process. I don't know though, yeah.

Leo Vasquez III (3:56:36):
Yeah. There are some local certifications. City of Houston, you can register the DD or something like that.

Kenny Marchant (3:56:40):

Council of governments have, or Texas council of governments issues, so my fear is...

Leo Vasquez III (3:56:47):

But it's a state designations HUB that we refer to.

Kenny Marchant (3:56:50):

I got you. Okay.

Roger Arriaga (3:56:51):

Thank you.

Leo Vasquez III (3:56:52):

Yep. Mr. McMurray.

Brad McMurray (3:56:58):

Hello. Brad McMurray with Prospera. With all due respect to Roger and to the Texas Affiliation of Affordable Housing Provider, of which I'm a board member, I have to disagree. And the reason is I'll be very transparent. It's about, again, the same story of nonprofits.

Now, I'm certainly open to the idea that you don't strike the language for the HUBs if that's a totally different deal, but I don't see a solution as putting a pause on the entire scoring item. And the reason for that is because nonprofits were given those points before HUBs. HUBs were added afterwards. You've added two more categories this year, so it's a changing thing over time. It's been in place for a long time.

But selfishly, we, are working with for-profit developers and the only reason they're willing to work with us and not pay us a fee, but to share in the developer fee to advance our efforts, which again, I think we're aligned on those, is because of those two points. If you put a pause on that whole category, there's no reason to work with us.

Leo Vasquez III (3:58:08):
I don't think you mean us being a nonprofit.

Brad McMurray (3:58:11):
Correct.

Leo Vasquez III (3:58:13):
Okay. I don't think we've talked about...

Brad McMurray (3:58:14):
Well, I'm just rebutting the idea that you put a pause on the whole scoring credits.

Leo Vasquez III (3:58:18):
No. I think the HUB is specifically towards HUBs that might not be able to get...

Brad McMurray (3:58:23):
And I misunderstood, so it didn't carry as much weight as I thought it would, so I appreciate it.

Leo Vasquez III (3:58:26):
Okay. All right. Okay. Hurry, hurry. Just get the...

Cody Campbell (3:58:37):
That's all the public comment. This is about to be the easiest list of changes I think I've done since I've been here.

Beau Eccles (3:58:45):

Then talk faster.

Cody Campbell (3:58:46):

Okay.

Leo Vasquez III (3:58:47):

And speak up. And speak up. Speak up.

Cody Campbell (3:58:49):

Prior to publishing, the changes that staff, as we understand, will need to make are for the cash out, specifically, we will exempt nonprofits, we will exempt housing authorities and their affiliates, and we will allow for the repayment of related party notes for capital expenditures and acquisition costs.

And then we talked about this at the very beginning under the ineligibility for a single developer having one development with multiple force majeures, we will move back that requalification date from the July board meeting to the May board meeting to allow for any appeals to be heard. That's it.

Kenny Marchant (3:59:28):
Chairman, are you ready for a motion?

Leo Vasquez III (3:59:31):
Yes, I am. Mr. Marchant, would you care to make a...

Kenny Marchant (3:59:32):
I move the Board approved the repeal of 10 TAC Chapter 11 and approve the adoption of the new TAC Chapter 11 as presented at this meeting, including the changes noted during the presentation specifically, reference any changes made to language that differs from posted versions of the rule. These both have asterisks by them.

Beau Eccles (4:00:00):
That means whatever Cody just said.

Leo Vasquez III (4:00:00):
What he just said with that.

Kenny Marchant (4:00:03):
To be delivered to the Governor no later than November 15, 2025 for his review, revision, and approval and thereafter be published in the Texas Register for adoption, all as authorized and expressed, and subjected subject to the conditions in the board action request on this item.

Cindy Conroy (4:00:22):
I second.

Holland Harper (4:00:22):
Second.

Leo Vasquez III (4:00:25):
I'll give the motion to Ms. Conroy. All those in favor say aye.

All Board Members (4:00:30):
Aye.

Leo Vasquez III (4:00:31):

Any opposed? Hearing none, motion carries. Let's get this to the governor.

Cindy Conroy (4:00:38):

It's a Cody show.

Leo Vasquez III (4:00:39):

Oh, Cody, you're still here.

Cody Campbell (4:00:40):

Yes.

Leo Vasquez III (4:00:42):

All right. Moving on to Item 32 of the agenda. The rest of this should go faster, right? Presentation, discussion, and possible action on a request for return and reallocation of tax credits under 10 TAC Section 11.6(5) related to credit returns resulting from force majeure events for Freedom's Path at Kerrville.

Cody Campbell (4:01:04):

Thank you, Mr. Vasquez. And to save you a little bit of reading here in just a minute, Item 34, so not this one, but the item two items from now has been pulled and will be coming back to a later meeting. So that's 34 for Sherry Pointe, but...

Leo Vasquez III (4:01:19):

Okay. But 30 is still on?

Cindy Conroy (4:01:21):

Yeah, 32.

Cody Campbell (4:01:24):

Correct.

Leo Vasquez III (4:01:23):

I'm sorry, 32. 32.

Beau Eccles (4:01:25):

Item 34 is pulled?

Cody Campbell (4:01:27):
Yes, sir. That should be the one for Sherry Pointe. And we are on 32, which is about Freedom's Path at Kerrville. These next couple should be very quick. This is a 2024 9 percent housing tax credit award that proposes the new construction of 52 units in Kerrville.

This specific development is supportive housing that is targeted for veterans at risk of homelessness. It is to be located on land owned by the VA. This is being developed by an organization called Solutions for Veterans. I recently had the opportunity to go to a ribbon cutting for one of their properties in Waco that is just incredible. They really do build these things and they are as great as you can imagine that they could be.

Unfortunately, there is a lot of government involved in getting a project like this done and this happens to include the VA. Right now they are waiting on the final approval of the lease from the VA, without which they cannot close and which has been delayed several times this year and is not being aided by the current government shutdown.

The developer has requested this force majeure to allow them to extend their 10 percent test so that they don't lose their credits here in about a month. Staff does recommend approval on this. The developer, Mr. Craig Taylor, has sent us communications with the VA, so I know that he's working on this diligently. It's just on pause for now recommend approval and I'm happy to take any question that you may have.

Leo Vasquez III (4:02:53):
Yeah. So this is, like you said, working through the VA system, and...

Cody Campbell (4:02:26):
That's exactly right. Yes, sir.

Leo Vasquez III (4:02:57):
And there's all kinds of extra complications. So this, I understand it's outside of their control. Does anyone

have questions on this item for Mr. Campbell? If not, I'll entertain a motion on Item 32.

Anna Maria Farias (4:03:16):
Mr. Chairman, I move the Board approve the requested treatment under an application of the force majeure rule to Freedom's Path at Kerrville with a new placed in-service deadline of December 31, 2027, all as described, conditioned, and authorized in the board action, request resolution, and associated documents on this item.

Leo Vasquez III (4:03:41):
Motion made by Ms. Farias. Is there a second?

Holland Harper (4:03:46):
Second.

Leo Vasquez III (4:03:46):
Seconded by Mr. Harper. All those in favor say aye.

All Board Members (4:03:49):
Aye.

Leo Vasquez III (4:03:49):

Any opposed? Hearing none, motion carries. Item 33. Presentation, discussion, and possible action on a request for return and reallocation of tax credits under 10 TAC Section 11.6(5) delayed credit returns resulting from force majeure events for multiple housing tax credit awardees from the USDA set-aside. Mr. Campbell.

Cody Campbell (4:04:11):

Thank you, Mr. Vasquez. This item represents 13 developments in total, 11 of which were awarded in 2024, 2 of which were awarded in 2023 and that requested force majeure in 2024 for a similar reason. So currently, they're all on the same timeline.

These are all deals that were funded out of our USDA set-aside. So each year, 5 percent of our 9 percent housing tax credits must go to developments that are funded with USDA funding. Because of the government shutdown, they have not been able to close with USDA, and this has thrown their development timeline off.

They have requested force majeure to accommodate for that time. Almost all of them requested 12 months of additional time. A couple requested 6 months, but realistically, I just don't see that happening. Once USDA reopens, they're going to have this backlog plus everything else that they do that's not funded with tax credits to get to. So I just don't see 6 months being realistic.

Staff does recommend approval on this one again it's as a result of the federal government shutdown. I'm happy to answer any questions that you may have.

Leo Vasquez III (4:05:13):
So it's USDA to begin with, and then the Schumer shutdown tagged on top of that.

Cody Campbell (4:05:19):
Yes, sir.

Leo Vasquez III (4:05:20)
I can't understand why they're behind. Any questions? Anyone care to make a motion?

Holland Harper (4:05:26):
I move the Board approve the requested treatments on the application of force majeure rule, the 13 developments listed in this item with a new placed in-service deadline of December 31, 2027 for each, all as described, specifically conditioned, and authorized in the board action requests and resolution on the associated documents in this item.

Anna Maria Farias (4:05:44):
Second.

Leo Vasquez III (4:05:44):
Motion made by Mr. Harper. Seconded by Ms. Marias. All those in favor say aye.

All Board Members (4:05:48):
Aye.

Leo Vasquez III (4:05:49):
Any opposed? Hearing none, motion carries. Item 34 of the agenda. Presentation, discussion, oh, 34 is pulled. Excellent. We're making great progress.

35. Presentation, discussion, and possible action on a request for return and reallocation of tax credits under 10 TAC section 11.6(5) related to credit returns resulting from force majeure events for Pebble Hills.

Cody Campbell (4:06:15):

Thank you, Mr. Vasquez. And Josh is presenting the next item. I'll save him a little bit of speaking. This item and the next one are functionally identical. This is a 2024 deal that proposes 60 units in El Paso. In the table that I put together for you at the beginning of this item, it identifies this deal as a general deal. It is actually a senior deal. I apologize for that error.

For this deal, they've already closed on their land and submitted for permits, but they lost their investor earlier this year. They have since identified a new investor. Their financing is in place. They are ready to close. Closing is scheduled for December. This one does have a pretty tight construction timeline. It's a

24-month construction timeline, so even with this extension, they're still right up against it.

But this is an experienced developer, and staff has confidence in their ability to get it done. They have requested the force majeure extension due to the loss of their investor earlier this year. Staff does recommend approval, and we're happy to answer any questions that you may have.

Leo Vasquez III (4:07:16):
So you're pretty confident that they're scheduled to closing in December as all the pieces ready to go.

Cody Campbell (4:07:24):
That is what they have represented to us and I don't think that they would have waited this long if they weren't coming to us with something pretty sure.

Leo Vasquez III (4:07:33):
Okay. So we have some certainty, some confidence in their time frames.

Cody Campbell (4:07:37):
Yes, sir.

Leo Vasquez III (4:07:38):
Okay. Does anyone else have questions on item...

Cindy Conroy (4:07:41):
I'm going to abstain.

Leo Vasquez III (4:07:43):
Oh, okay.

Cindy Conroy (4:07:44):
I'm making sure, I'm not sure if we finance them or not, so I'm just going to abstain, they get an answer fast enough from my office.

Leo Vasquez III (4:07:51):
Nope. No worries. Okay. Would anyone care to make a motion on, do you have a question or a motion.

Anna Maria Farias (4:08:01):
Motion.

Leo Vasquez III (4:08:01):
Ms. Farias.

Anna Maria Farias (4:08:03):
I move the Board approve the requested treatment under an application of the force majeure rule to Pebbles Hills with a new placed in-service deadline of December 31, 2027, all as described, conditioned, and authorized in the board action request, resolution, and associated documents on this item.

Holland Harper (4:08:23):
Second.

Leo Vasquez III (4:08:24):
Motion made by Ms. Farias. Seconded by Mr. Harper. All those in favor say aye.

Board Members (4:08:29):
Aye.

Leo Vasquez III (4:08:30):
Any opposed? Hearing none. And let the record reflect that Ms. Conroy abstained from the vote. Thanks, Cody.

36. Presentation, discussion, and possible action on a request for return and reallocation of tax credits under 10 TAC section 11.6(5) related credit returns resulting from force majeure events for Meadow View. Mr. Goldberger.

Josh Goldberger (4:08:52):
Afternoon. Josh Goldberger, 9 percent Program Manager. Cody mentioned earlier that this is a functionally identical request. So I'm going to keep it very brief. This was proposed by the same applicant as the previous item. It just happens to be located in Homestead Meadows South, which is a place in El Paso County.

Same situation, otherwise lost their investor equity placement got delayed, but it's now almost in place with that 24-month construction timeline, they're going to miss the current deadline by quite a bit. So the request is the same, a 12-month extension. And staff recommends approval.

Leo Vasquez III (4:09:30):
Okay. So this development also has a confidence in the date that they're closing in December.

Josh Goldberger (4:09:38):
Yes. And they provide the same date as the other project.

Leo Vasquez III (4:09:43):
Okay. So either everything's going to go really well or these guys are both going to blow up together, right? Any other questions for this?

Cindy Conroy (4:09:51):
I will abstain again.

Leo Vasquez III (4:09:53):
Okay. Noted. Motion on Item 36.

Kenny Marchant (4:09:5):

I move the Board approve the requested treatment under an application of the force majeure rule to Pebble Hills with a new placed in service...

Leo Vasquez III (4:10:07):

Meadow View.

Kenny Marchant (4:10:09):

I'm down at Meadow View now. Same words before, Meadow View with a new placed in-service deadline of December 31, 2027, all as described, conditioned, and authorized in board action request, resolution, and associated documents on this item.

Anna Maria Farias (4:10:28):

Second.

Leo Vasquez III (4:10:29):

Motion made by Mr. Marchant. Seconded by Ms. Farias.
All those in favor say aye.

Board Members (4:10:32):
Aye.

Leo Vasquez III (4:10:33):
Any opposed? Hearing none, motion carries.

Cindy Conroy (4:10:37):
I didn't, I abstain.

Leo Vasquez III (4:10:38):
Noting that Ms. Conroy abstained on that last vote.

Cindy Conroy (4:10:43):
Thank you.

Leo Vasquez III (4:10:44):
Item 37. Presentation, discussion, and possible action on request for return and reallocation of tax credits under 10 TAC Section 11.6(5) related to credit returns resulting from force majeure events for Pinehurst Villas.

Josh Goldberger (4:10:58):

Item 37 concerns Pinehurst Villas, a 60-unit development to be completed in Pinehurst, which is in Orange County. The project was award housing tax credits in 2022 and was approved for force majeure treatment in '23, making the current placed in-service deadline December 31, 2025.

The development began construction in early '24 with substantial completion originally planned for July of this year. Since construction started, there have been a total of 139 weather delays which have caused the construction completion date to be extended to December 3rd, shortly before the current deadline.

The development is now nearing the point where it needs to be electrified. However, the owner has incurred substantial delays with the energy provider Entergy. Delays significant enough that the owner filed a grievance with the Public Utility Commission in Texas. The process is now moving forward, but they are still unable to fully estimate Entergy's timeline.

To account for these delays, the owner requested a seven-month extension establishing a new placed in-service deadline on July 31, 2026. While staff does not dispute the circumstances of these delays, we could not recommend that proposed date. This is because the owner has a National Housing Trust Fund loan from the Department. These funds have a expenditure deadline of July 30th that we need to account for.

To ensure everything is buttoned up and finalized to meet that deadline, this project will really need to place in service by May 30th. We've discussed this with the applicant. They're comfortable moving forward with that date. It'll be a little tight, but everyone involved is confident that we can make it work. So staff again recommends approval of an extension to May 30, 2026, roughly five months. Representatives of the development are present should you have any specific questions and I am also available.

Leo Vasquez III (4:12:43):

I'll just ask him. So the electricity programs or problems are already, they're resolved.

Jeff Beckler (4:12:53):
Yes.

Leo Vasquez III (4:12:54):
Okay. Okay. Come introduce yourselves.

Jeff Beckler (4:12:58):
Jeff Beckler, representing Pinehurst Villas, LLP. Yes, we suspect power by Thanksgiving. And one of the big hangups was the elevator because this is a 55 and up. We've since purchased that elevator. There was a long lead time for that elevator, approximately six weeks. We currently have it, paying to store it every day. We suspect power by Thanksgiving. So we are ready to rock and roll. We're 70 percent complete, but we have no issues with the May 30th deadline.

Leo Vasquez III (4:13:32):
Okay.

Jeff Beckler (4:13:33):
Yeah.

Leo Vasquez III (4:13:33):
Great. Any other questions for Josh or Jeff? If not, I'll entertain the motion on Item 37.

Holland Harper (4:13:42):
I move the Board approve the requested treatment of the application force majeure rule for Pinehurst Villas with a new placed in-service deadline of May 30, 2026, all as described, conditioned, and authorized in the board action request, resolution, and associated documents in this item.

Anna Maria Farias (4:13:56):
Second.

Leo Vasquez III (4:13:57):
Motion made by Mr. Harper. Seconded by Ms. Farias. All those in favor say aye.

Board Members (4:14:01):
Aye.

Leo Vasquez III (4:14:01):

Are you voting? She's not even paying attention.

Cindy Conroy (4:14:09):

I knew I would get through this one.

Leo Vasquez III (4:14:10):

38 on the agenda. Presentation, discussion, and possible action on a request for return and reallocation tax credits under 10 TAC Section 11.6(5) related to credit returns resulting from force majeure events for Red Oaks.

Josh Goldberger (4:14:25):

Item 38 concerns Red Oaks, a 70-unit development to be completed in Austin. The project was awarded housing tax credits in 2022 and was approved for force majeure treatment in '23, making the current deadline to placed in service December 31st of '25.

The project began construction in August of last year with a 15-month schedule. The owner originally anticipated substantial completion by early November, about two months in advance of the deadline. While the development is about 73 percent complete, it experienced several delays during construction that have added about a month to the schedule and puts the deal in jeopardy of missing the placed in-service deadline.

The request cites a range of issues including new federal HVAC regulations under the EPA's AIM Act, which require design changes, some unexpected City of Austin infrastructure permitting delays, a few weather-related days, and electric utility scheduling backlogs with Pedernales Electric Cooperative.

While none of these issues individually created a significant delay, collectively they have moved the target date for substantial completion by 33 days to December 9, 2025, only a few weeks before the deadline. The applicant remains optimistic that they will hit this date and complete construction timely, but they have little room for error. In abundance of caution, they have requested a six-month extension to June 30, 2026.

I will note that the owner is also in the process of finalizing a material amendment to account for some design changes. We do not have all the associated documentation yet and it is unlikely we will be able to present that to the Board before the end of the year since the force majeure request can't wait until 2026. We are taking it now instead of waiting until both items are ready. But I just wanted to provide that context as you'll be seeing this development again sooner or later, but that's not on the agenda today we're just discussing the extension.

Leo Vasquez III (4:16:16):
How material will be that amendment?

Josh Goldberger (4:16:18):
So I've only taken a cursory look at it, but it seems to be mostly to change the bedroom mix a little bit, add a few more two-bedrooms and threes and then seems to be design changes to the building that resulted in their rate numbers switching it up which caused the material. But again, we haven't reviewed it thoroughly and don't have a staff recommendation.

Leo Vasquez III (4:16:36):

Okay. But this right here, they may finish in time but this will just give them some time...

Josh Goldberger (4:16:40):

That is correct. This is a precautionary one.

Leo Vasquez III (4:16:42):

Okay. Great. Any questions? Any motions on Item 38?

Anna Maria Farias (4:16:48):

I move the Board approve the requested treatment under an application of the force majeure rule to Red Oaks with a new placed in-service deadline of June 30, 2026, all as described, conditioned, and authorized in the board action request, resolution, and associated documents on this item.

Holland Harper (4:17:08):

Second.

Leo Vasquez III (4:17:09):
Motion made by Ms. Farias. Seconded by Mr. Harper. All those in favor say aye.

All Board Members (4:17:13):
Aye.

Leo Vasquez III (4:17:13):
Any opposed? Hearing none, motion carries. And the final numbered comment, Item 39. Presentation, discussion, and possible action on a request for an extension of a previously approved deadline to place in service for 3606 Cockrell Hill. Mr. Goldberger.

Josh Goldberger (4:17:34):
Item 39 concerns 3606 Cockrell Road Living a 120-unit mixed income development to be located in Dallas. The development received an award of 9 percent credits in 2024 and was approved for force majeure treatment in June of this year, but with an earlier deadline to place in service than is federally allowable.

As a result, the current deadline is June 30, 2027. The request states that all parties were on track to close in October, but the federal shutdown beginning on October 1, 2025, has delayed closing due to the FHA financing of the deal. HUD had previously advised the owner that a firm commitment was imminent, but since it was not issued before the shutdown, the applicant is delayed indefinitely until the government opens.

The other states that all parties continue to work diligently and once operations resume, the firm commitment is expected within a week. Rate lock and closing are expected to follow 30 days. Originally, this project was on schedule to meet the June 30th deadline with about a 90-day cushion. But because that reopening timeline is uncertain, the ability to meet that deadline is kind of in jeopardy.

The owner has requested an additional six months to accommodate the delay, extending the placed in-service deadline to December 31st. So again, this is still within the federally allowable deadline for the new carryover, so this item isn't force majeure recycling of credits. That's why the name was slightly different. It just represents a request to extend the six-month extension already approved by the Board earlier to April here. Staff recommends approval and the developer is present should you have any specific questions.

Leo Vasquez III (4:19:12):
Okay. Well, this is clearly a Schumer shutdown, right? Okay. Issue. Okay. Y'all agree that's how we should characterize it. Okay. All right.

Anna Maria Farias (4:19:20):
All right.

Leo Vasquez III (4:19:21):
Okay. Any questions for this item? If not...

Holland Harper (4:19:24):
I move the Board...

Leo Vasquez III (4:19:25):
Okay. A motion.

Holland Harper (4:19:27):
I move that the Board approve the requested further extension within the federally allowable period of the placed in-service deadline to 3606 Cockrell Hill, with a new placed in-service deadline of December 31, 2027, all as described, conditioned, and authorized the board action request, resolution, associated on this item.

Anna Maria Farias (4:19:44):
Second.

Leo Vasquez III (4:19:44):
Motion made by Mr. Harper. Seconded by Ms. Farias. All those in favor say aye.

All Board Members (4:19:48):
Aye.

Leo Vasquez III (4:19:49):
Any opposed? Motion carries.

Josh Goldberger (4:19:51):
Thank you.

Leo Vasquez III (4:19:52):

The Board has addressed the posted agenda items. Now is the time of the meeting when members of the public can raise issues with the Board on matters of relevance to the Department's business or make requests that the Board place specific items on future agendas for consideration. Is there anyone who would like to provide public comment at this time?

Seeing none, the next scheduled meeting of the Governing Board of the TDHCA is at 10 a.m. on Thursday, December 12, 2025 and we will be back at the Greer State, the Highway Building, TxDOT Building, at 125 East 11th Street. No. It says December 12th.

Michael Lyttle (4:20:39):

Well, that information is incorrect.

Leo Vasquez III (4:20:41):

Who provided me this incorrect information, Beau? I'll fix it. December 11th, Thursday, December 11th at the Greer Building, TxDOT. Okay. With that, thank you, everyone, for your participation. It is 2:38 and we are adjourned.

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