



TDHCA Governing Board Meeting Transcript from November 7, 2024

10:00 a.m. Central Time

Texas Capitol Extension, Hearing Room E1.012

1100 Congress Avenue, Austin, TX 78701

1 [00:00:00.720] - Leo Vasquez

2

3 Here's my clock. Is that right? Good morning. I'd like to call to
4 order the meeting of the Governing Board of the Texas Department
5 of Housing and Community Affairs. It is 10:07 in the morning of
6 November 7, 2024. It's been a great week in the United States and
7 the state of Texas, hasn't it? We'll continue it with this meeting.
8 Start out with the roll call. Mr. Marchant?

9

10 [00:00:28.790] - Kenny Marchant

11

12 I am here.

13

14 [00:00:29.880] - Leo Vasquez

15

16 Ms. Farias?

17

18 [00:00:30.610] - Anna Farias

19

20 Here.

21

22 [00:00:30.980] - Leo Vasquez

23

24 Mr. Thomas?

25

26 [00:00:31.710] - Ajay Thomas

27

28 Here.

29

30 [00:00:32.070] - Leo Vasquez

31

32 Mr. Harper?

33

34 [00:00:32.800] - Holland Harper

35

36 Here.

37

38 [00:00:33.160] - Leo Vasquez

39

40 Ms. Conroy?

41

42 [00:00:34.140] - Cindy Conroy

43

44 Here.

45

46 [00:00:34.680] - Leo Vasquez

47

48 And I am here. So we have a quorum. As usual we start the meetings
49 with the pledges, which will be led by Mr. Wilkinson. And we're
50 going to do a little adaptive work here on this. Because this
51 building, this room, does not have an American flag. Thus, we will
52 start out.

53

54 [00:01:04.180] - Bobby Wilkinson

55

56 I pledge allegiance to the flag of the United States of America,
57 and to the republic for which it stands, one nation under God,
58 indivisible, with liberty and justice for all. Honor the Texas
59 flag; I pledge allegiance to thee, Texas, one state under God, one
60 and indivisible.

61

62 [00:01:45.970] - Leo Vasquez

63

64 Always be flexible. This brings us straight to our consent agenda.
65 Are there any items listed on the consent agenda as posted that a
66 board member or member of the public wishes to move to action?
67 Hearing, none. Seeing none, I will entertain a motion on the
68 consent agenda.

69

70 [00:02:07.810] - Anna Farias

71

72 Mr. Chairman, I move the board approve items 1 through 11 as
73 described and presented in the respective board action request and
74 reports.

75

76 [00:02:18.090] - Holland Harper

77

78 Second.

79

80 [00:02:19.770] - Leo Vasquez

81

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

84

85 [00:02:23.960] - Board Members

86

87 Aye.

88

89 [00:02:24.440] - Leo Vasquez

90

91 Any opposed? Hearing None. Motion carries. Moving right along to
92 our executive Director's report.

93

94 [00:02:34.850] - Bobby Wilkinson

95

96 Not a whole lot this time. So just a few items in compliance. Just
97 last week we promoted Robert Moore to the role manager of
98 Compliance Subrecipient Monitoring. He has 14 years of community
99 action program and department funded housing program experience.
100 Of that, the last seven has been with the department. And the last
101 two as a senior monitor in the Compliance and Subrecipient
102 Monitoring division. His experience in weatherization is great
103 benefit to the department and our network of subrecipients. In
104 legislative affairs. Things are heating up in the legislative world
105 as we near the start of the next regular session in two months. At

106 this moment we have staff over at Senate Local Government
107 testifying about our implementation of House Bill 2071, the PFC
108 cleanup bill, and our multifamily bond program. Next week I will
109 be testifying before the Senate Health and Human Services Committee
110 on their interim charge of protecting vulnerable Texans in
111 emergencies. Chair has asked me to speak about how we monitor our
112 senior multifamily properties in the wake of a natural disaster
113 and how closely we track any damage that may have occurred,
114 subsequent repairs and conditions of the tenants. Also next week,
115 prefiling of legislation begins for the 89th regular session.

116 So Michael Lyttle and his shop will be tracking that closely.
117 And we'll keep you informed of anything important or pressing.
118 We've already been in discussions with several offices regarding
119 possible legislation they will file which could impact our
120 programs. So things are gearing up. This is the end of my
121 prepared remarks. But I'm happy to answer any questions.

122

123 [00:04:09.600] - Leo Vasquez

124

125 Okay. Any board members have questions for Mr. Wilkinson? I trust
126 you're going to be on top of the. Assisting the legislators with
127 the legislative process.

128

129 [00:04:21.600] - Bobby Wilkinson

130

131 Yes. I mean, you know, no advocacy, just. Just a resource, Right?

132

133 [00:04:25.070] - Leo Vasquez

134

135 Absolutely.

136

137 [00:04:26.060] - Bobby Wilkinson

138

139 Some of it's a little pie in the sky, like I'm going to get you a
140 billion dollars. It's well made, well met.

141

142 [00:04:33.490] - Leo Vasquez

143

144 Okay. Yeah. Just letting people know this is a much smaller room
145 than we're used to, so come on, let's go ahead and use these front

146 rows. I will make an effort to have people raise their hands if
147 they're planning on speaking on an agenda item when we come up.
148 So. Yeah and try not to stand in front of the cameras. I'm sure
149 these guys will tell you. Okay, moving right along to item 13 on
150 the agenda. Presentation, discussion, and possible action
151 regarding the issuance of a Determination Notice for 4% Housing
152 Tax Credits for Creek Bend Apartments in San Antonio. Ms. Morales.
153 Right?

154

155 [00:05:22.180] - Leo Vasquez

156

157 Okay. So are we doing this later or?

158

159 [00:05:25.390] - Bobby Wilkinson

160

161 Yeah, so let's skip over it.

162

163 [00:05:28.270] - Leo Vasquez

164

165 Okay. We're around 13. Go back to. So is that 13, 14 and 15. We're
166 gonna, bear with us. Right now there's a house hearing which Bobby
167 was requested to be at, and we said, can we send some other folks?
168

169 [00:05:43.390] - Bobby Wilkinson

170

171 I mean, we let them know we're having a hearing at the same time.
172

173 [00:05:46.910] - Leo Vasquez

174

175 We scheduled our meeting,
176

176

177 [00:05:48.040] - Bobby Wilkinson

178

179 like a year ago.
180

180

181 [00:05:51.230] - Leo Vasquez

182

183 So there may be some other adjustments in this schedule, but we
184 will hit everything as posted. 16, yes? Rosalio here? All right,
185 we're jumping ahead. Item 16 on the agenda. Presentation,

186 discussion, and possible action regarding a Material Amendment to
187 the Housing Tax Credit Application, changes to the ownership
188 structure, and a waiver of 10 TAC §11.9(b)(2)(A) for Avanti Legacy
189 del Sol. Mr. Banuelos.

190

191 [00:06:22.500] - Rosalio Banuelos

192

193 Good morning. Rosalio Banuelos, Director of Asset management.
194 Avanti Legacy del Sol received a 9% housing tax credit award in
195 2023 for the new construction of 84 units, all of which are low
196 income units for the elderly and Brownsville, Cameron County. The
197 applicant has now requested approval for a material amendment to
198 the application, changes to the ownership structure and a waiver
199 related to the requirement to have a historically underutilized
200 business or HUB in the ownership structure of the General Partner.
201 The applicant also requested approval for reallocation of tax
202 credits under force majeure, but his request will be presented in
203 a separate item. The development will have a single 3 story U
204 shaped building and the proposed changes to the application include
205 a reduction to the size of all units which will result in a
206 reduction of 3.03% or 2,146 square feet in the net rental area.
207 Going from 70,719 square feet to 68,573 square feet. There will

208 also be a 34.7% or 8,775 square feet decrease in the common area.
209 Going from 25,290 square feet to 16,515 square feet. Other proposed
210 changes to the architectural design include, but are not limited
211 to, a reduction from 30% masonry on the exterior to approximately
212 10% masonry, removal of all balconies, reduction of the number of
213 parking spaces from 110 including 16 carports to 90 parking spaces
214 with no carports, removal of one of the two elevators and removal
215 of the pool. To be replaced by more affordable outdoor amenities
216 such as picnic area and a bocce ball court. The applicant indicates
217 that due to increased construction costs, increased borrowing
218 costs and increased property insurance expense, the requested
219 changes are necessary to maintain feasibility. In addition to the
220 changes to the design, the applicant is requesting approval for
221 changes to the ownership structure of the development, which
222 requires a waiver of the provision of the QAP that specifies that
223 the HUB is required to have an ownership interest in the General
224 Partner. The applicant is seeking to add a special limited partner
225 and move the HUB from the General Partner to the newly formed
226 special limited partner. Brownsville Housing Opportunity
227 Corporation will replace the HUB as the sole member of the new
228 General Partner. It should also be noted that one of the original
229 members of the General Partner will no longer be in the ownership

230 structure. The requested changes to the ownership structure will
231 improve the financial feasibility of the development by providing
232 a property tax exemption. However, the application for the
233 development received two points because the development was
234 structured to include a HUB in the ownership structure of the
235 General Partner of the owner. The proposed change to the ownership
236 structure would result in the development no longer meeting the
237 requirements for the points because the HUB will no longer be in
238 the structure of the General Partner. The applicant requests
239 approval for a waiver of this specific requirement and to allow
240 the development to continue to qualify for the two points with the
241 HUB and the ownership structure of the special limited partner.
242 The HUB would continue to be required to meet all other
243 requirements in the QAP and this revised ownership requirement
244 would be codified and bode well for the development. The applicant
245 submitted a letter of continued support from State Representative
246 Erin Elizabeth Thomas and resolution number 2023-016 from the City
247 of Brownsville passed on August 20, 2024. Which also states the
248 city's continued support for the development. The development was
249 re-underwritten with proposed amendment and revised financial
250 information. The analysis supports no change to the tax credit
251 allocation and demonstrates that the development remains feasible

252 with the proposed changes. Additionally, staff reviewed the
253 original application and scoring documentation against this
254 amendment request and concluded that with the exception of the
255 waiver, none of the changes would have affected the scoring or
256 selection of the application in the competitive round. Staff
257 recommends approval of the application amendment, the waiver
258 request, and the changes to the owner structure of the development.
259 And I'm available for any questions.

260

261 [00:10:13.530] - Leo Vasquez

262

263 Okay. On the structure with the limited. Special limited partner.
264 That conforms to what we've been doing with many other restructures
265 like that.

266

267 [00:10:24.690] - Rosalio Banuelos

268

269 Correct.

270

271 [00:10:25.260] - Leo Vasquez

272

273 So there's nothing special. Okay. No problem with that part. Does
274 the city. I guess are there any restrictions on how many parking
275 places per unit were. Are required or not? Because they're reducing
276 a bunch.

277

278 [00:10:44.580] - Rosalio Banuelos

279

280 It is my understanding, but even with the reduction, they're still
281 meeting local code. He development has 84 units, and they would
282 have 90 parking spaces available.

283

284 [00:10:54.020] - Leo Vasquez

285

286 So there's no like 1.5 requirement or something like that. It just
287 take it as zero.

288

289 [00:11:02.480] - Rosalio Banuelos

290

291 I am not sure.

292

293 [00:11:04.360] - Leo Vasquez

294

295 Hang on. We'll get to the quick.

296

297 [00:11:05.540] - Bobby Wilkinson

298

299 Yeah, we. We have a standard, but if there's a local standard, we.

300

301 [00:11:08.470] - Rosalio Banuelos

302

303 Local code would trump. I'm not sure what the requirement from the

304 city is.

305

306 [00:11:14.840] - Bobby Wilkinson

307

308 So theoretically, if city of Austin goes no parking but we ride

309 bikes? Would be like okay.

310

311 [00:11:19.260] - Leo Vasquez

312

313 Well that would be awesome.

314

315 [00:11:21.630] - Bobby Wilkinson

316

317 Yeah.

318

319 [00:11:22.400] - Leo Vasquez

320

321 All right. Okay. But. Okay. All right. The other part that kind of
322 gave me a little pause. So there were. Do we know how many stories
323 this is? 3 story. And they're taking out one of the elevators?

324

325 [00:11:39.650] - Rosalio Banuelos

326

327 Yes.

328

329 [00:11:41.090] - Leo Vasquez

330

331 Do we have any kind of ADA type of compliance issues that. What
332 happens when that one elevator breaks down and there's little old
333 ladies in walkers who can't get up to their units? I mean maybe,

334

335 [00:12:03.030] - Bobby Wilkinson

336

337 It meets the requirements even with one elevator.

338

339 [00:12:03.920] - Leo Vasquez

340

341 Even with just one elevator.

342

343 [00:12:07.770] - Rosalio Banuelos

344

345 It's an elevator.

346

347 [00:12:09.020] - Leo Vasquez

348

349 Okay.

350

351 [00:12:09.380] - Bobby Wilkinson

352

353 So an elevator is required in an elderly development, but we don't

354 have a requirement for a second elevator.

355

356 [00:12:15.590] - Leo Vasquez

357

358 I'm just curious what happens when that one elevator breaks down
359 and there's like one elevator company in the tri-county area that
360 can come and fix it. And this is particularly in my mind because
361 I'm moving into a place that only has one elevator. I don't care
362 because I can walk the stairs. But it's like what happens if that
363 elevator is out? We don't have any. My question I guess more
364 general. Do we have any sort of requirements on this? Does the
365 program state it?

366

367 [00:12:58.860] - Bobby Wilkinson

368

369 I mean there's very strict compliance. If they're meeting the
370 compliance for whatever the code is, the ADA compliance and it'll
371 tell you exactly what they've got to do. So if their architect
372 finds that it can only do one elevator then it would be one
373 elevator.

374

375 [00:13:14.120] - Leo Vasquez

376

377 Well, they could do two because they had it.

378

379 [00:13:16.020] - Bobby Wilkinson

380

381 They had two,

382

383 [00:13:16.660] - Leo Vasquez

384

385 But they're taking one out. So again I'm just curious if there's

386 anything that we're accidentally approving here that just doesn't

387 make sense, especially for an elderly.

388

389 [00:13:28.540] - Rosalio Banuelos

390

391 From staff's perspective the property would be inspected for

392 physical conditions. If the elevator is out, it would be a finding

393 for that. But in terms of an accessibility requirement, I am not

394 aware of anything that would be problematic for them to have only

395 one elevator.

396

397 [00:13:43.880] - Holland Harper

398

399 Mr. Banuelos, what is the maximum fee for GC for the for the
400 general conditions and the fee for the contractor according to 10
401 TAC, do you remember?

402

403 [00:13:53.550] - Rosalio Banuelos

404

405 It's 14% collectively.

406

407 [00:13:54.800] - Holland Harper

408

409 And then for the developer?

410

411 [00:13:57.000] - Rosalio Banuelos

412

413 15%.

414

415 [00:13:57.430] - Holland Harper

416

417 So on this sheet it says 15.04. Have you all addressed that? Under
418 the Applicants Cost Basis items. It's not enormous amount of money
419 but it's not in line.

420

421 [00:14:16.620] - Rosalio Banuelos

422

423 So on that line item, for the developer fee.

424

425 [00:14:20.060] - Holland Harper

426

427 Yes sir,

428

429 [00:14:20.600] - Rosalio Banuelos

430

431 There's the applicant cost which would be the \$2,352,000. Then the
432 TDHCA cost which is slightly lower at 2,345,643. That would be the
433 reduction over the for the amount over the excess, I believe.

434

435 [00:14:37.250] - Holland Harper

436

437 Thank you.

438

439 [00:14:44.330] - Leo Vasquez

440

441 One last question. Do we have any concern about the continued
442 financial viability of the developer? Given that this name pops up
443 a whole lot on our agenda recently and including today's.

444

445 [00:15:08.040] - Rosalio Banuelos

446

447 We reviewed the development itself from a developer perspective we
448 don't look at the entire portfolio or the developer as a whole.
449 The development was considered to be feasible with proposed
450 changes. So this deal itself would work. But overall, speaking for
451 the developer or a review of the developer was not done. It is not
452 part of the Process.

453

454 [00:15:36.220] - Bobby Wilkinson

455

456 Yes, we've seen, you know, other Avanti projects have difficulty,
457 but in context, I mean, we've had many developers have issues the
458 last couple years. So I don't know that it's especially worrisome.

459

460 [00:15:49.430] - Leo Vasquez

461

462 Okay, Mr. Marchant?

463

464 [00:15:52.590] - Kenny Marchant

465

466 I just have a question about the two points that got taken away on
467 the scoring. Am I right about that? Did I hear that right?

468

469 [00:16:03.790] - Rosalio Banuelos

470

471 We are asking for a waiver for those points to remain in the
472 application. The points would have been lost with the HUB not being
473 in the general partner structure. The HUB will remain in the
474 ownership structure of the development, but it will just be under
475 the special limited partner. And the request is for a waiver. That
476 would allow the development to continue to qualify for the points
477 having the HUB under the special limited partner.

478

479 [00:16:30.570] - Kenny Marchant

480

481 I guess my question is, would there have been another project
482 approved had this two been taken off? Would that have faulted
483 someone up above?

484

485 [00:16:45.020] - Rosalio Banuelos

486

487 It is my understanding that that would have been the case at least.
488 The score for this development was tied with four other
489 developments in the area application. So they went to a tiebreaker
490 at that point, and they ended up getting the award. So the two
491 points would have cost the award, potentially for this development.

492

493 [00:17:04.070] - Kenny Marchant

494

495 So what we, we are in effect doing is by waiving this we bump the
496 next person in line from. If this were to drop out, they would
497 step up and they would get them decisions bigger than one elevator,
498 two elevator.

499

500 [00:17:23.000] - Rosalio Banuelos

501

502 Correct. I don't know what the waiting list would have been at
503 that time if it would have ended up within the region or if it.

504

505 [00:17:31.230] - Kenny Marchant

506

507 Is it possible that we have somebody that can answer that?

508

509 [00:17:46.870] - Cody Campbell

510

511 Is this a previous year award?

512

513 [00:17:47.200] - Rosalio Banuelos

514

515 It's a 2023.

516

517 [00:17:47.227] - Leo Vasquez

518

519 Mics are hot.

520

521 [00:17:47.380] - Kenny Marchant

522

523 Oh, perfect.

524

525 [00:17:50.390] - Leo Vasquez

526

527 By the way, for everyone to know, I have this nifty little iPad

528 looking thing where I can turn on and off your microphone.

529

530 [00:17:56.900] - Cody Campbell

531

532 Fantastic.

533

534 [00:17:57.780] - Leo Vasquez

535

536 I'm looking forward to using it sometime today.

537

538 [00:18:01.540] - Cody Campbell

539

540 Cody Campbell, Director of Multifamily programs for the
541 department. So, Mr. Marchant, had the credits been returned the
542 same year that they were allocated, there would have been somebody
543 in line waiting for those credits. The waiting list expires at the
544 end of the year every year. And so that person who was previously
545 waiting in line no longer has an active application. However, if
546 for whatever reason these credits do come back to the department,
547 they would go to this year's waiting list.

548

549 [00:18:26.600] - Cody Campbell

550

551 Okay, thank you for that answer. I appreciate it.

552

553 [00:18:28.670] - Bobby Wilkinson

554

555 I'd also add that, we don't know if that next person in line, if
556 that had been returned, if they would be here asking for the same
557 thing. Which is, you know, to waive the two points from the HUB to
558 change the ownership structure to get the property tax. We've done
559 this for like I don't know how many deals now.

560

561 [00:18:48.760] - Kenny Marchant

562

563 Am I concerned that this would be a systemic thing that someone
564 would begin to use in gaming the system in years future? And has
565 it happened before and should we allow it to happen again? You
566 can't answer that.

567

568 [00:19:05.110] - Leo Vasquez

569

570 Yeah, I think that was a rhetorical. Is this the two-point scoring
571 item for this? Is that QAP? Is that statutory? Is that.

572

573 [00:19:15.480] - Rosalio Banuelos

574

575 It's QAP

576

577 [00:19:16.250] - Bobby Wilkinson

578

579 QAP.

580

581 [00:19:17.330] - Leo Vasquez

582

583 Are we cleaning up? I guess we'll get to that at the end of the
584 meeting here.

585

586 [00:19:20.730] - Bobby Wilkinson

587 We don't have anything about HUB in the QAP.

588

589 [00:19:24.210] - Leo Vasquez

590

591 Well. Or should we. Can we at this point change to add these
592 special limited partnership format just as an ability to still get
593 the points?

594

595 [00:19:38.970] - Bobby Wilkinson

596

597 I think it's a little late for us to do that today because we
598 didn't publish it that way. But we can staff draft next time. Yeah,
599 why not? Just allow the structure.

600

601 [00:19:52.380] - Leo Vasquez

602

603 They're doing it anyway. Okay. That's.

604

605 [00:19:56.620] - Kenny Marchant

606

607 I don't recall. I mean, in the time I've been here, do you recall
608 us having a similar situation? And that'd be two years.

609

610 [00:20:05.780] - Rosalio Banuelos

611

612 We have done a few transactions where the HUB is moving over to a
613 special limited partner and I believe there have been some
614 development, hence where the score would have affected the award.
615 So I don't believe that this is the first development that would
616 have been in this situation.

617

618 [00:20:18.610] - Kenny Marchant

619

620 Okay. Thank you.

621

622 [00:20:25.600] - Leo Vasquez

623

624 Okay. Do any board members have further questions for Mr. Banuelos
625 or want to ask the developer applicant any specific questions? So
626 staff is making this recommendation?

627

628 [00:20:41.630] - Rosalio Banuelos

629

630 Yes, staff is recommending the changes.

631

632 [00:20:46.010] - Leo Vasquez

633

634 Would anyone care to make a motion on. This is item 16 of the
635 agenda.

636

637 [00:20:56.470] - Ajay Thomas

638

639 Mr. Chairman. I move the board grant the requested waiver of 10
640 TAC §11.9(b), regarding HUB ownership and interest, as well as the
641 requested amendment to the housing tax credit application
642 ownership structure for Avanti Legacy Del Sol for the reasons and
643 is conditioned and described in the board action request
644 resolutions and associated documents on this item.

645

646 [00:21:17.430] - Leo Vasquez

647

648 Thank you. Motion made by Mr. Thomas. Is there a second?

649

650 [00:21:22.243] - Holland Harper

651

652 Second.

653

654 [00:21:22.360] - Leo Vasquez

655

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

657

658 [00:21:26.948] - Board Members

659

660 Aye.

661

662 [00:21:27.470] - Leo Vasquez

663

664 Any opposed hearing? None. Motion carries. Thank you. Are we
665 letting him go? Yes. Okay, so continuing the 17th. Someone let me
666 know when Teresa. Okay. Item 17 of the agenda. Presentation,
667 discussion, and possible action on recommendation to adopt an
668 Agreed Final Order assessing an administrative penalty relating to
669 Rosemont at Meadow Lane, and a Final Order of debarment for Evan
670 J. Hunden, David B. Ratliff, and Michael Volz . Ms. Stremmler.

671

672 [00:22:02.350] - Sascha Stremmler

673

674 Good morning, Chairman Vasquez. Members of the board, Sascha
675 Stremmler here today in my capacity as Assistant General Counsel to
676 present item 17 concerning an agreed administrative penalty for
677 Rosemont and Meadow Lane and a final order of debarment for Evan
678 J. Hunden, David B. Ratliff and Michael Volz. The property consists
679 of a 264-unit development located in Dallas which is subject to a
680 land use restriction agreement signed by a prior owner in 2004 in
681 exchange for a housing tax credit allocation to construct and
682 operate the property. Evan J. Hunden, David B. Ratliff and Michael
683 Vols control Rosemont Meadow Lane Manager, LLC which is the sole
684 member of Rosemont Meadow Lane Apartments, LLC. I will refer to
685 them collectively as the responsible parties. The 2023 Uniform

686 Physical Standard inspection of the property resulted in a score
687 of 47 out of 100. With 256 deficiencies cited, including 131 level
688 3 deficiencies which are the most severe. Just for reference, for
689 the most recent round of inspections performed by the department,
690 less than 1/2 of 1% of all inspections done by TDHCA score of 50
691 or below. The responsible parties failed to timely submit
692 corrective documentation despite being granted extensions by the
693 Department.

694

695 [00:23:20.540] - Sascha Stremmler

696

697 The failure to submit corrective documentation for any of the 256
698 deficiencies resulted in an administrative penalty referral. After
699 referral to Enforcement Committee, responsible parties submitted
700 partial corrective documentation, but some events of noncompliance
701 were still unresolved at the time of the informal conference which
702 took place on July 30, 2024. Before you today is an agreed final
703 order assessing an administrative penalty regarding the failure to
704 submit corrected documentation for \$15,000 as well as final orders
705 of debarment for the responsible parties for repeated violations
706 in the portfolio. 10 TAC § 2.401(e)(2)(A), provides for mandatory
707 debarment for repeated violations in a portfolio when 50% or more

708 of the actively monitored developments under the control of the
709 responsible parties have been referred for an administrative
710 penalty in the last three years. At Exhibit 2 of your board
711 materials is a chart showing the Department's analysis of
712 responsible parties' control of actively monitored developments
713 which concludes that Mr. Ratliff controls seven actively monitored
714 developments, Mr. Volz controls seven and Mr. Hunden controls five
715 of those developments. Four actively monitored developments have
716 been referred for an administrative penalty in the last three years
717 which exceeds the 50% threshold. Which warrants mandatory
718 debarment under the rules.

719

720 [00:24:42.150] - Sascha Stremmler

721

722 If you'll indulge me, I do have to go a little further into the
723 weeds about actively monitored developments because it is the basis
724 under which the responsible parties assert that they have not met
725 the 50% threshold which triggers debarment. 10 TAC §2.102, defines
726 an actively monitored development as a development that within the
727 last three years has been monitored by the Department. Either
728 through a UPC inspection, an INSPIRE inspection, an on-site or
729 desk file monitoring review, an affirmative market plan review, or

730 written policies and procedures review. To determine if a
731 development is actively monitored for the purposes of the debarment
732 rule, TDHCA reviews each property in the ownership portfolio for
733 1. The control start date, which is typically the purchase date.
734 2. Whether a monitoring report or other deadline has been issued
735 to the responsible parties for a physical inspection, a file review
736 or marketing or policy review in the past three years. 3. Whether
737 there was an administrative penalty referral during the past three
738 years under the responsible party. Responsible Parties asserted in
739 their formal conference and their written appeal, and I presume in
740 person today, that because they had two properties in their
741 portfolio that received compliance closeout letters after they
742 took over ownership of the properties that those closeout letters
743 rendered the two properties actively monitor developments.

744

745 [00:26:06.800] - Sascha Stremmler

746

747

748 This would effectively lower the percentage of properties referred
749 for the administrative penalties below the 50% threshold for the
750 responsible parties. The two properties in question are Costa
751 Almedena and Brookside Gardens. Both of these properties were

752 inspected by the Department, received inspection reports and had
753 all noncompliance corrected under prior ownership. Staff feels
754 that this question of the closeout letter is a bit of a red herring
755 as these are form letters that are sent out by the Department after
756 all compliance issues have been corrected and no response is
757 requested or further action from the owners. Costa Almedena was
758 inspected in July 2021 with all events of noncompliance corrected
759 by the prior owner in October of 2021. Responsible parties
760 purchased the property in December of 2021. TDHCA issued a closeout
761 letter regarding the past inspection and corrections in March 2022,
762 but required no further action or response on the owner's part.
763 Brookside gardens was inspected April 2022 with all events of
764 noncompliance corrected by the prior owner June 6, 2022.
765 Responsible parties purchased the property June 22, 2022. TDHCA
766 issued a closeout letter regarding the past inspection and
767 corrections in October 2022, but it required no further action or
768 response on the owner's part.

769

770 [00:27:31.600] - Sascha Stremmler

771

772 In essence, the responsible parties would like to get credit for
773 corrections made under prior owners in order to bolster their

774 numbers to prevent triggering the 50% debarment threshold. The
775 Department has concerns about what precedent this may set. For
776 instance, if other owners realize they are nearing the 50%
777 threshold, they can purchase additional properties in good
778 standing with the Department to add to their portfolio, essentially
779 buying a prior owner's good compliance history to prevent ever
780 reaching that threshold. This goes against the intention of the
781 rule. There is no required minimum or maximum debarment term. The
782 Enforcement Committee reached its recommendation based on material
783 factors outlined under 10 TAC §2.401(j), which is detailed in your
784 materials. Also of note, Mr. Volz and Mr. Ratliff were previously
785 referred to the Enforcement Committee for debarment in 2022. Which
786 was dismissed by the committee at the time due to a variety of
787 factors, including because they were new owners of the Department,
788 all noncompliance had been resolved and the owners proposed a good
789 plan to keep it from happening again. But the Department did
790 reserve the right to consider future debarment under 10 TAC
791 2.401(e)(2)(A) if there were additional future administrative
792 penalty referrals. The Enforcement Committee recommends approval
793 of the order of debarment for Evan J. Hunden, David B. Ratliff and
794 Michael Volz for a period of two years. The Enforcement Committee
795 also recommends approval of the agreed final order for an

796 administrative penalty in the amount of \$15,000. I am available
797 for questions.

798

799 [00:28:58.350] - Leo Vasquez

800

801 Couple questions come to mind. Why only two years? Why not more?

802 It sounds like there's a pattern of noncompliance.

803

804 [00:29:09.660] - Sascha Stremmler

805

806 The Enforcement Committee felt like this was enough to kind of,

807 they have other properties in the portfolio. It was enough time

808 for them to. The point of debarment is to make sure that they are

809 regrouping, making sure they're in control and managing their

810 properties well. And so they felt like a two-year period was enough

811 time for them to kind of regroup, get their affairs in order before

812 they would be allowed to apply for additional funds with the

813 Department. But of course the board has discretion to raise or

814 lower that number.

815

816 [00:29:39.800] - Leo Vasquez

817

818 Mr. Marchant?

819

820 [00:29:42.600] - Kenny Marchant

821

822 This is maybe a stupid question and I'm happy to take
823 responsibility for a stupid question. What happens to their tax,
824 their tax credits? In this case, who is receiving the tax credits?
825 As they own these. Were the tax credits transferred to them?

826

827 [00:30:04.930] - Sascha Stremmler

828

829 So they, they have resyndicated six properties in 2023. So I
830 believe for those they would be receiving those. But I think this
831 particular property had not been resyndicated. So for this property
832 I believe they were with the prior owner.

833

834 [00:30:19.570] - Kenny Marchant

835

836 So debarment does not affect them continuing to receive their tax
837 credits?

838

839 [00:30:25.470] - Sascha Stremmler

840

841 Right? It doesn't. it just prevents them from applying for more
842 funding from the Department during that period of debarment.
843 Because we want to make sure this is. This is to make sure that
844 they are taking accountability for the properties and making sure
845 they're able to effectively manage those properties in their
846 portfolio before they would be able to get any additional.

847

848 [00:30:43.830] - Kenny Marchant

849

850 Would they be allowed to be in another deal as a limited partner?
851 Does this debarment prevent them from having their name show up on
852 anything that comes across your desk?

853

854 [00:30:59.330] - Sascha Stremmler

855

856 I believe so. For any applications that they. I believe they check.
857 They would check in the organizational chart.

858

859 [00:31:04.250] - Kenny Marchant

860

861 So if one of them was a limited partner on another deal?

862

863 [00:31:09.630] - Sascha Stremmler

864

865 Right. And that's why it's that individuals. Because it's not for
866 this particular management company or LLC, it's for the individuals
867 in the LLC.

868

869 [00:31:19.990] - Kenny Marchant

870

871 And you're saying two years. Could it be reworded to say until.
872 Until such time the applicant reapplies, but not less, not sooner
873 than two years. So that?

874

875 [00:31:35.870] - Sascha Stremmler

876

877 I don't believe so. It has to be a defined period of time for
878 department.

879

880 [00:31:41.590] - Kenny Marchant

881

882 Thank you.

883

884 [00:31:43.310] - Anna Farias

885

886 Mr. Chairman, I have a question. Did you say you found 51

887 deficiencies or 151.

888

889 [00:31:50.160] - Sascha Stremmler

890

891 I believe it was 256.

892

893 [00:31:57.270] - Kenny Marchant

894

895 Could that have been one deficiency in every unit? The same

896 deficiency in every unit?

897

898 [00:32:04.230] - Sascha Stremmler

899

900 I believe they do a sampling of units, but each deficiency is
901 given. It is marked as a separate.

902

903 [00:32:10.260] - Kenny Marchant

904

905 Yeah, what I meant was like if a vent hood didn't work in any of
906 the units. Right. There were 260 units. Would that be 260
907 violations, or would that just be one violation?

908

909 [00:32:21.860] - Sascha Stremmler

910

911 I believe it'd be one per.

912

913 [00:32:29.220] - Beau Eccles

914

915 I believe each deficiency stands on its own. So theoretically it
916 could be that. But I. Are the deficiencies included with this board
917 action?

918

919 [00:32:38.370] - Sascha Stremmler

920

921 Yes, they're outlined in the materials.

922

923 [00:32:45.890] - Leo Vasquez

924

925 My only other concern or question is were any deficiencies, kind
926 of health safety, life safety that should have been. Do we refer
927 anything to the local health authorities and groups giving
928 certificates of occupancy and things like that?

929

930 [00:33:05.850] - Sascha Stremmler

931

932 So if you look in the materials, it does outline which ones are
933 health and safety violations. There were a number of them. A lot
934 of them were like exposed wiring, exposed wiring near water, those
935 kinds of things. Also, just to note, they do actually have city of
936 Dallas has filed a lawsuit against the development for code
937 enforcement violations and they have a temporary injunction
938 currently.

939

940 [00:33:31.000] - Leo Vasquez

941

942 Okay. And that's. I guess this is more of a big picture question
943 than just this particular one. But you know, our referral process
944 to local authorities who have more direct enforcement
945 capabilities, authority. I mean, are we doing that when we
946 encounter the exposed wires and their examples.

947

948 [00:33:52.360] - Sascha Stremmler

949

950 I don't believe the department works with the local authorities,
951 but the local authorities. So they're two separate, different. We
952 have our own inspections and our own rules that we're reviewing
953 when we're doing compliance, and the city has the code that they're
954 enforcing. I know the city of Dallas's lawsuit also is a large
955 part of it is about criminal activity which is not something which
956 is not a standard that we review in our compliance inspections.

957

958 [00:34:17.400] - Leo Vasquez

959

960 I just think it was probably before you were, you were on board.
961 Remember it was Galveston that there was some development that
962 would just?

963

964 [00:34:25.580] - Bobby Wilkinson

965

966 Sandpiper Cove, maybe?

967

968 [00:34:28.960] - Leo Vasquez

969

970 Sandpiper Cove. That sounds the right word. I mean just when we.

971 I just want to ensure that the department when we are doing these

972 types of inspections and we find these violations aren't just

973 technical administrative things, that those are important too.

974 That's but not to diminish those. But at the same time that we are

975 having some mechanism to actively refer our findings to these local

976 health departments or building code departments so that someone

977 who can do something about these does something about them.

978

979 [00:35:09.620] - Kenny Marchant

980

981 Does the simple two-year debarment. If they have other properties

982 that are in some stage of noncompliance or not, what is the

983 ultimate penalty? I mean if they've received the penalty what will

984 motivate them to clean up other issues? Since they've already
985 received two-year debarment.

986

987 [00:35:36.930] - Sascha Stremmler

988

989 I mean they can still be referred for additional administrative
990 penalties for any other compliance violations for any other
991 developments during this time period. So I would presume they would
992 want to get those fixed so that they can when their department
993 period has ended, they could you know apply for additional tax
994 credit. They did resyndicate six properties in 2023. So they are
995 seems actively trying to correct.

996

997 [00:36:04.940] - Kenny Marchant

998

999 So really, we haven't given them the ultimate penalty.

1000

1001 [00:36:11.060] - Sascha Stremmler

1002

1003 Yeah, well the penalty. The penalties are per the development
1004 really the department, the debarment is separate from a penalty
1005 for non-compliance at a development.

1006

1007 [00:36:21.900] - Anna Farias

1008

1009 Mr. Chairman. Sir, in this one I think we're really only seeing
1010 part of the problem. In addition to 256 deficiencies. Of course
1011 we're just seeing the housing aspect. But you also brought up
1012 Dallas and the criminal activity. Now oftentimes sir, what people
1013 will say is well we could have gone to fix it, but we're afraid.
1014 So there's, you know, we're only seeing half of it and it's obvious
1015 that there's a lot more to it and I think on TV we've seen a lot
1016 of that. So that I think there's a lot more than just 256
1017 deficiencies. Thank you.

1018

1019 [00:37:10.260] - Leo Vasquez

1020

1021 Okay, this is in agreed final order. So I assume that the applicant
1022 or his representatives don't really have anything that they must
1023 share with Us. But you're welcome to share with us if you want to,

1024 please come up. And we were about to vote on the agreed final
1025 order.

1026

1027 [00:37:33.510] - Barry Palmer

1028

1029 So, Mr. Chairman, Barry Palmer with Coats Rose. The agreed final
1030 order is on the \$15,000 fine. The developer is in agreement with
1031 that. The debarment 2-year debarment is not an agreed final order.

1032

1033 [00:37:56.080] - Leo Vasquez

1034

1035 Oh, so we can increase that? Is that what we're saying? Okay. All
1036 right, I'm sorry. Continue. I thought this was agreed.

1037

1038 [00:38:02.560] - Barry Palmer

1039

1040 Okay, Kim, you want to start?

1041

1042 [00:38:07.100] - Michael Volz

1043

1044 I can start again.

1045

1046 [00:38:09.660] - Leo Vasquez

1047

1048 Say your name for the record again.

1049

1050 [00:38:11.620] - Michael Volz

1051

1052 Hi, my name is Michael Volz. I'm with DEV CO, as the CFO. We
1053 believe that the debarment is a disproportionate response to the
1054 issues at hand. The administrative penalties imposed on DEV CO in
1055 22 included UPCS referrals, but also included less severe issues
1056 that were focused on reporting deadlines. For example, the penalty
1057 for the Mondello stemmed from a missed deadline for submitting
1058 corrective documentation after a file monitoring report. Once
1059 courtesy follow up was made the documentation was provided the
1060 same day and the penalty referral was closed. Following the
1061 resolution of these penalties, DEV CO successfully passed 10
1062 subsequent reviews across its portfolio. The penalty at Meadow
1063 Lane was due to failing to meet specific timeframe for addressing
1064 physical deficiencies. Although the deadline was not met, a recent
1065 September inspection, Inspire inspection, on the anniversary of

1066 the original one showed a passing Inspire score and confirm that
1067 the outstanding issues have been resolved. As a result of the
1068 passing inspection, we do not meet the standard for the mandatory
1069 debarment code that is required for two consecutive failing Inspire
1070 scores. DEV CO is actively investing in improvements at Meadow
1071 Lane, including significant capital expenditures and a change in
1072 property management.

1073

1074 [00:39:26.310] - Michael Volz

1075

1076 Those efforts are reflected in the substantial improvement in our
1077 Inspire score. We ask the board to consider the full context of
1078 DEV CO's efforts when evaluating these penalties. DEV CO has
1079 demonstrated a commitment to affordable housing by investing
1080 millions of dollars in the resyndication and renovation of seven
1081 properties. In particular, the investments made recently in Meadow
1082 Lane underscore dedication to improve even our most challenging
1083 property. Given that, you know, many of these penalties were
1084 earlier in the past, some of which were more administrative in
1085 nature. Coupled with the fact that this would be a non-mandatory
1086 debarment, we believe a debarment here would be an excessive
1087 penalty.

1088

1089 [00:40:06.460] - Leo Vasquez

1090

1091 Do we have a timer in the room? Okay, we do. Okay, we do have one.

1092 So there's no lights, but you all will hear the buzz. Also, we

1093 didn't do the Eccles rule, so I entertain a motion to have public

1094 comment at today's meeting.

1095

1096 [00:40:23.690] - Kenny Marchant

1097

1098 I make a motion to receive public input.

1099

1100 [00:40:27.139] - Anna Farias

1101

1102 Second.

1103

1104 [00:40:27.220] - Leo Vasquez

1105

1106 Okay. Motioned by Mr. Marchant, Second by Ms. Farias.

1107

1108 [00:40:30.870] - Leo Vasquez

1109

1110 All in favor say aye.

1111

1112 [00:40:32.144] - Board Members

1113

1114 Aye.

1115

1116 [00:40:32.630] - Leo Vasquez

1117

1118 Hearing none opposed. Motion carries. Let's continue on.

1119

1120 [00:40:36.670] - Kim Spinney

1121

1122 Sure. Hi, my name is Kim Spinney. I am also with DEV CO. I'm the

1123 Director of Asset Management. As Michael noted, since we have been

1124 under the three year.

1125

1126 [00:40:46.540]

1127

1128 Buzzer

1129

1130 [00:40:47.350] - Leo Vasquez

1131

1132 Sorry.

1133

1134 [00:40:50.620] - Sascha Stremmler

1135

1136 In 2022, we do acknowledge that we're 10 monitoring reviews. During
1137 that period, seven were corrected in a timely manner. One was
1138 referred for the administrative penalty, which is Meadow Lane, and
1139 then two are pretending corrective actions. Meadow Lane, stemming
1140 from recent inspection in September of this year and Plainview,
1141 which had its findings closed out on October 3rd of this year. Of
1142 those 10 reviews, only one has escalated to the penalty status of
1143 Meadow Lane and that was related to the physical deficiencies. The
1144 other review findings were administrative in nature and more so
1145 related to timing of submitting corrections as opposed to
1146 substantial deficiencies. As mentioned before, we did have an
1147 informal conference on debarment with the TDHCA on July 30th of
1148 this year. At that time we had asked the agency to postpone their

1149 decision on our debarment until that next Inspire inspection at
1150 Meadow Lane, which would allow us the opportunity to showcase our
1151 commitment to the asset and improvement of that prior score. At
1152 that time, we expected the inspection to occur at the end of
1153 September and we received notice in September that that would occur
1154 on the 26th. That inspection was successfully held on the 26th of
1155 September. We improved our score by 28 points to a 75.2 and we
1156 believe that that score would weigh favorably in the debarment
1157 decision. We did receive the agency report the next day on
1158 September 27th and immediately begin working on any of the life
1159 safety matters. Which I want to point out were significantly
1160 reduced from last year, I believe to under 10 from the variety of
1161 Level 3 inspections that were noted. Over the course of the past
1162 year. Since we had received our initial failing inspection last
1163 September, we recognize that the prior property manager was not
1164 shepherding the property and paying attention to the items that
1165 they should have as what was required for a 264-unit property. We
1166 began discussions to replace the management company last year and
1167 after several months of interviewing different firms and
1168 determining who would be the best partner for us, we chose Asset
1169 Living, who does business as Alpha Barnes on the affordable side.
1170 As our partner. We requested that the lender consent to this

1171 management change in June of this year and they receive that
1172 consent in August and we issued a notice of termination. Asset
1173 Living took over management of our property on October 1st and in
1174 that short amount of time, they were able to prioritize turning 70
1175 of the 114 vacant units that the prior management company neglected
1176 to turn. Or notify ownership of the depth and necessary work that
1177 was required to turn these units upwards of \$50,000 per unit. Which
1178 DEV CO has invested over \$3 million this year alone to achieving
1179 that goal. In the short time that Asset Living has been the
1180 manager, they've been able to lease 20 units, which is a
1181 demonstration in the market that not only existing residents, but
1182 new applicants are encouraged to find their home at Meadow Lane.
1183 They've been able to successfully make great strides with the city
1184 of Dallas as well as part of that temporary injunction.

1185

1186 [00:43:53.870] - Leo Vasquez

1187

1188 Go ahead, Mr. Marchant.

1189

1190 [00:43:54.970] - Kenny Marchant

1191

1192 How many total projects do you have where the financing was
1193 approved by this board?

1194

1195 [00:44:03.030] - Kim Spinney

1196

1197 So in Texas we have 10. Not all of them are tax credit syndicated.
1198 Seven of the 10 are.

1199

1200 [00:44:09.400] - Kenny Marchant

1201

1202 Great. Are all the any of those other seven in trouble and no
1203 complaints, nothing with the agency?

1204

1205 [00:44:18.540] - Kim Spinney

1206

1207 No. And I would say that the seven that we've syndicated all either
1208 closed last year or this year. And we work with a variety of very
1209 reputable capital partners and who have all worked with DEV CO in
1210 a private capacity as well, given that we manage over 70
1211 properties.

1212

1213 [00:44:33.650] - Kenny Marchant

1214

1215 I thought I heard you say that there were other properties that
1216 they had violations on.

1217

1218 [00:44:43.860] - Sascha Stremmler

1219

1220 They were only referred for an administrative penalty. For the
1221 Rosemont at Meadow Lane. They have had. They have had multiple
1222 referrals, you know, in the past, but the only active one at the
1223 time of the enforcement committee hearing was for Rosemont at
1224 Meadow Lane for the 2023 inspection.

1225

1226 [00:44:58.780] - Kenny Marchant

1227

1228 There are no other active referrals for that?

1229

1230 [00:45:01.970] - Sascha Stremmler

1231

1232 Not this time.

1233

1234 [00:45:06.100] - Leo Vasquez

1235

1236 Mr. Hobbs?

1237

1238 [00:45:08.750] - Barry Palmer

1239

1240 My name is Barry Palmer.

1241

1242 [00:45:10.300] - Leo Vasquez

1243

1244 Palmer, I'm sorry.

1245

1246 [00:45:15.210] - Barry Palmer

1247

1248 Coats Rose Law firm and we represent DEV CO. DEV CO specializes in

1249 preserving affordable housing. Their business model is to acquire

1250 tax credit properties that have completed their initial 15-year

1251 compliance period and to recapitalize the properties with bond

1252 financing and 4% tax credits. This allows for a major renovation

1253 of the properties in the range of 50 to 80,000 per unit. And most

1254 importantly, it commits the properties to remain as affordable

1255 housing for an additional 30-year period. Developers like DEV CO
1256 serve in an important public policy interest by working towards
1257 preserving affordable housing rather than allowing it to convert
1258 to market rate housing. DEV CO has acquired 10 tax credit
1259 properties in Texas so far and they have resyndicated seven of
1260 those properties and invested over \$87 million in improvements.
1261 DEV CO has had some compliance issues. They have not been as
1262 diligent as they should have been on compliance reporting. This
1263 was primarily caused by their third-party management company,
1264 which has since been replaced. They've only had one property that
1265 has had serious physical deficiencies. And as it relates to that
1266 property, they've spent over \$2.3 million this year and over \$8
1267 million since 2021 to address those deficiencies, which have all
1268 now been addressed. The TDHCA's rule says the developer can be
1269 debarred if over 50% of their properties that are actively
1270 monitored have been subject to a referral for administrative
1271 penalty. Here there have been four properties referred out of ten
1272 properties they own. The reason staff calculates that they meet
1273 the 50% requirement is they are not counting two properties that
1274 DEV CO owns because the properties were last inspected prior to
1275 their acquisition. DEV CO has owned these properties in one case
1276 for three years and in the other case for two and a half years.

1277 And there's nothing in the rule that defines actively monitored to
1278 mean the properties that TDHCA has inspected while you own them.
1279 The rule states that you're actively monitored if the development
1280 has been inspected within the last three years by the TDHCA, either
1281 by a physical inspection or a desk file monitoring review. Both of
1282 these properties meet that definition. TDHCA should not be
1283 penalizing DEV CO when because of the fact that the properties
1284 haven't been inspected in the last couple of years and because
1285 they meet the threshold of having less than 50% of their properties
1286 being referred for enforcement. We suggest that rather than a
1287 debarment, that the board impose a probationary period to await
1288 the results of the two properties that staff is saying are not
1289 actively monitored or any alternative to increase the monetary
1290 fine being levied as opposed to a department.

1291

1292 [00:48:49.500] - Bobby Wilkinson

1293

1294 Sasha, we've been talking about the argument on the size of the
1295 portfolio right now. Actively monitored, and over 50%. That
1296 triggers what in the rule like a mandatory debarment?

1297

1298 [00:49:01.540] - Sascha Stremmler

1299

1300 Yeah. The language says shall, it shall be referred for department.

1301

1302 [00:49:05.180] - Bobby Wilkinson

1303

1304 Well, say we buy the argument on less than 50%, does that prevent

1305 the board from debarring? They still have the authority to debar?

1306

1307 [00:49:14.960] - Sascha Stremmler

1308

1309 Correct.

1310

1311 [00:49:15.670] - Bobby Wilkinson

1312

1313 Okay, so it's sort of moot.

1314

1315 [00:49:18.205] - Sascha Stremmler

1316

1317 Right

1318

1319 [00:49:18.250] - Bobby Wilkinson

1320

1321 Okay, thanks.

1322

1323 [00:49:19.680] - Leo Vasquez

1324

1325 Ms. Farias?

1326

1327 [00:49:21.220] - Anna Farias

1328

1329 Mr. Chairman, what I keep hearing is, we acquired this affordable
1330 housing. We acquired tax credits. We acquired. I keep saying the
1331 same thing over and over again. There's a very simple sentence,
1332 safe, decent, and affordable. Yeah, you can acquire a lot, but a
1333 lot of these, Mr. Chairman, they're not safe or decent. So what's
1334 the point? We're quibbling with. I'm a retired lawyer, so I don't
1335 want to sound like a lawyer. I have seven properties, but you only
1336 check two, so it's not 50%. Well, I can see why they don't. like
1337 lawyers, but I'm retired, so that's it. But talk about safe and

1338 decent. That is the whole purpose of this, of our job. And I think
1339 you know which way I'm going to vote. If you want five years? I
1340 will give you five years.

1341

1342 [00:50:20.320] - Barry Palmer

1343

1344 So in response to that, you know, DEV CO acquires tax credit
1345 properties that have already gone through their initial 15-year
1346 compliance period plus some. So these properties are typically
1347 close to 20 years or more old by the time they've acquired them
1348 and have been run down from usage and need substantial capital
1349 infusions. And that's what they have done is resyndicated them and
1350 raise substantial amounts of capital to put in and rehabilitate
1351 these properties, spending in some cases \$80,000 a unit to rehab
1352 the units. So these are not brand-new properties that they're
1353 acquiring.

1354

1355 [00:51:10.130] - Kenny Marchant

1356

1357 Are these penalties? Calendar, would it start today and then go
1358 two years or is it round, is it two years of applications for
1359 rounds?

1360

1361 [00:51:19.860] - Sascha Stremmler

1362

1363 It would be two years from the date the order is signed, which is.
1364 Would be today.

1365

1366 [00:51:26.460] - Kenny Marchant

1367

1368 And would that preclude them from participating for two rounds?

1369

1370 [00:51:34.260] - Sascha Stremmler

1371

1372 I believe it depends on what kind of credits they're applying for
1373 in terms of the cycles.

1374

1375 [00:51:41.260] - Kenny Marchant

1376

1377 And be debarred from any credit, 4% or 9%?

1378

1379 [00:51:45.300] - Sascha Stremmler

1380

1381 Right, yeah. It's just the application cycle periods for 4%, 9%

1382 are different. So.

1383

1384 [00:51:50.050] - Kenny Marchant

1385

1386 Okay.

1387

1388 [00:51:52.660] - Holland Harper

1389

1390 Can you go back to the. You have a statement in the packet here.

1391 The 2022 debarment referral should have been a wake up call, but

1392 the promise changes from 2022 were not fully implemented. Can you

1393 elaborate on that for a moment?

1394

1395 [00:52:06.500] - Sascha Stremmler

1396

1397 So in the 2022 debarment referral, they were up for debarment for

1398 the same issue, having over 50% in a portfolio. And at that time

1399 I was not present. From what I understand, they offered a plan
1400 that showed how they were, more properly manage the properties and
1401 make sure that everything was in compliance. And that particular
1402 one was everything had been corrected at the time of the, of the
1403 enforcement committee meeting. And they were also relatively new
1404 to Texas and to TDHCA. So the enforcement committee felt like they
1405 were. This would be like, oh, hi here, you're here in Texas. These
1406 are the rules. And now you follow them. And then, and just to kind
1407 of. This rule only came out in 2021 where it was the 50% of actually
1408 modern developments would be referred for debarment. And it's
1409 significant only a handful of properties have been referred for
1410 this. Significant that they've been referred twice under this rule.

1411

1412 [00:53:08.000] - Holland Harper

1413

1414 Thank you very much.

1415

1416 [00:53:09.680] - Barry Palmer

1417

1418 But since that 2022 incident, the DEV CO has been inspected by
1419 TDHCA 10 times. Seven times it's been passing. One property, this

1420 one in Dallas had a lot of problems. The other two are still in
1421 process. But you know, they passed their inspections, you know,
1422 most of the time since the 2022 problem.

1423

1424 [00:53:39.180] - Leo Vasquez

1425

1426 Sasha, let me ask you, is the department, you and your team
1427 convinced that the developer is indeed investing substantial
1428 amounts of dollars to rectify these problems?

1429

1430 [00:53:54.260] - Sascha Stremmler

1431

1432 Yeah, I believe so. The enforcement committee meeting, I believe
1433 they told us they spent a little over \$2 million fixing up the
1434 issues at this property.

1435

1436 [00:54:05.000] - Kim Spinney

1437

1438 That was in this year alone. And since that meeting, since that
1439 meeting, we've invested probably an average of \$500,000 a month on
1440 unit turn work, exterior and community improvements, as well as

1441 security. We have security seven days a week. We have gated
1442 entrance; we have a robust security monitoring system. So we are
1443 doing what we feel is the appropriate measure to regain control of
1444 this property. And all the measures with replacing the management
1445 company, our on-site partner, as well as the DEV CO team being
1446 very committed to this asset.

1447

1448 [00:54:39.610] - Leo Vasquez

1449

1450 Okay, when is the next scheduled reinspection?

1451

1452 [00:54:46.250] - Sascha Stremmler

1453

1454 So this property compliance put them on an annual inspection
1455 schedule. So they just had one in September 26, 2024. So the next
1456 one would be in September of 2025, I believe.

1457

1458 [00:54:59.010] - Leo Vasquez

1459

1460 Are we able to do it more frequently, say in six months rather
1461 than in a year?

1462

1463 [00:55:03.290] - Sascha Stremmler

1464

1465 I believe so.

1466

1467 [00:55:06.010] - Leo Vasquez

1468

1469 And then my next question is, does the board have the ability to
1470 say We'll do the two year debarment suspended until pending the
1471 result of the next, the next inspection and if it improves, then
1472 fine. If it doesn't, then pay it.

1473

1474 [00:55:35.820] - Beau Eccles

1475

1476 May I say something?

1477

1478 [00:55:37.900] - Leo Vasquez

1479

1480 Let's get this answer here first. That's even an option.

1481

1482 [00:55:41.500] - Beau Eccles

1483

1484 I think that from a procedural standpoint, it would be more
1485 rational to table the debarment itself rather than issue an order
1486 of debarment and then try to suspend that order.

1487

1488 [00:55:56.580] - Sascha Stremmler

1489

1490 I believe in the debarment we did a few months ago, we gave, I
1491 think that was a five year debarment. But after two years they
1492 would have the chance to come to the board and ask you reinstated
1493 based on the status, properties, etc.

1494

1495 [00:56:09.820] - Beau Eccles

1496

1497 So that would be something, that is something we have done before,
1498 the ability to seek reinstatement after a different term. But that
1499 was enacting the debarment by the board as opposed to suspending
1500 the actual order of debarment.

1501

1502 [00:56:27.710] - Leo Vasquez

1503

1504 Mr. Marchant, you have any thoughts?

1505

1506 [00:56:32.080] - Kenny Marchant

1507

1508 No sir. I'm ready to vote.

1509

1510 [00:56:37.000] - Leo Vasquez

1511

1512 Okay. Do any other board members have thoughts? I am. If they are
1513 indeed investing the funds to fix everything. I could be persuaded
1514 to not do an immediate debarment or table it or that portion will
1515 defer to the feeling of the rest of the board.

1516

1517 [00:57:05.250] - Kenny Marchant

1518

1519 I would be Mr. Chairman. I'd be willing to second amendment a
1520 motion that would debar bar them for two years. Allow them to be
1521 eligible after one year to have it reconsidered if they had. If
1522 the department said they had done what they needed to be
1523 reinstated.

1524

1525 [00:57:28.500] - Leo Vasquez

1526

1527 And that's similar to what Mr. Eccles just said that. The five
1528 years down to two. If they show they did. This will be a two year
1529 down to one and basically just eliminates it from the next.

1530

1531 [00:57:41.040] - Kenny Marchant

1532

1533 But if they don't perform, they won't be eligible.

1534

1535 [00:57:44.270] - Leo Vasquez

1536

1537 Yeah, sure.

1538

1539 [00:57:47.700] - Holland Harper

1540

1541 Mr. Chairman, I think I can solve this.

1542

1543 [00:57:53.100] - Leo Vasquez

1544

1545 Mr. Holland.

1546

1547 [00:57:54.410] - Holland Harper

1548

1549 I move the board approve the agreed final order assessing
1550 administrative penalty for noncompliance against the Rosemont
1551 Meadows Lane apartments, issue a final order debarment for a term
1552 of two years with the option for appeal after one year against
1553 responsible parties. Evan J. Hunden, David B. Ratliff, Michael
1554 Vols. All as described authorized and conditioned in the board
1555 action request resolution associated documents with this item. The
1556 intent of that is if they do what they were supposed to do they
1557 can come back within one year and come before this board. For an
1558 appeal of that of that debarment.

1559

1560 [00:58:27.690] - Kenny Marchant

1561

1562 I second that second amendment if it's a proper I mean motion.

1563

1564 [00:58:31.730] - Beau Eccles

1565

1566 The concept of appeal is a little bit sticky on this. If you mean
1567 with the option to seek reinstatement upon showing of satisfaction.
1568 Then it's up to you to determine what are they satisfying.

1569

1570 [00:58:48.620] - Holland Harper

1571

1572 Let me be. Let's see if I can make clear. So we're going to start
1573 back at. For the term of two years, with the staff's review and
1574 compliance of their existing properties they may be reinstated
1575 after one year against the responsible parties. Does that help
1576 you?

1577

1578 [00:59:09.930] - Beau Eccles

1579

1580 It does. Do you want them to come back before the board to seek
1581 reinstatement? Because it is a board order.

1582

1583 [00:59:17.250] - Holland Harper

1584

1585 If they meet the obligations of staff. They're welcome. We will
1586 save these people time.

1587

1588 [00:59:25.010] - Leo Vasquez

1589

1590 That makes sense to me. I mean there's no reason why if they've
1591 done it and the staff is going to recommend yes, they did, they're
1592 compliant. Why have you come all the way here and do all this?

1593

1594 [00:59:36.540] - Holland Harper

1595

1596 I take that back. Bring them to the board. That way it takes the
1597 pain off the staff.

1598

1599 [00:59:40.490] - Kenny Marchant

1600

1601 And it can be on a consent agenda. Since we previously agree,

1602

1603 [00:59:45.320] - Holland Harper

1604

1605 I'm having to write this down to get this. All right. Councilor,
1606 do you have a recommendation for us?

1607

1608 [00:59:56.960] - Leo Vasquez

1609

1610 I don't think we have to put the and on the consent agenda. But
1611 you're right.

1612

1613 [01:00:03.400] - Beau Eccles

1614

1615 I believe Mr. Harper; your suggestion is a final order of debarment
1616 for a term of two years.

1617

1618 [01:00:11.350] - Holland Harper

1619

1620 Reinstatement at one?

1621

1622 [01:00:13.440] - Beau Eccles

1623

1624 Subject to the responsible parties' ability to seek reinstatement
1625 after one year upon showing of satisfaction of all outstanding
1626 deficiencies.

1627

1628 [01:00:38.090] - Kim Spinney

1629

1630 Would it be that we need to respond to that one open order within
1631 the timeframe? Which I think is December 26th of this year. As the
1632 pending corrective action period or would we give credit to the
1633 fact that our score already increased 28 points from last year to
1634 this year as a significant showmanship of improvement?

1635

1636 [01:00:57.910] - Leo Vasquez

1637

1638 I don't think we should be bragging that we.

1639

1640 [01:01:00.150] - Kim Spinney

1641

1642 No, I know I do. I do want to recognize though that the score did
1643 improve.

1644

1645 [01:01:01.190] - Sascha Stremmler

1646

1647 They still have like a 90-day corrective action period to fix the
1648 deficiencies that were cited in September. So assuming they have
1649 corrected all the deficiencies at that time, and I would say
1650 assuming they have a passing score, they will have a September
1651 2025 inspection. Assuming those two standards are met. I would say
1652 that would make sense to.

1653

1654 [01:01:24.510] - Kenny Marchant

1655

1656 But we're looking to you during that year they're disbarred to
1657 bring this board back a recommendation, we'll put on consent agenda
1658 that they're good.

1659

1660 [01:01:35.520] - Sascha Stremmler

1661

1662 Yes.

1663

1664 [01:01:36.040] - Kenny Marchant

1665

1666 Okay, thanks. That way they'll only miss a year of true activity.

1667

1668 [01:01:43.430] - Holland Harper

1669

1670 Chairman do you want to reread this, or you think you got it?

1671

1672 [01:01:47.650] - Leo Vasquez

1673

1674 I think I got it. Do we legally have it?

1675

1676 [01:01:53.250] - Beau Eccles

1677

1678 Well, just one more clarification. If we're saying that after a

1679 year and this is, this is what I'm struggling with. What is the

1680 standard that the board wants to see them to have satisfied?

1681

1682 [01:02:08.370] - Holland Harper

1683

1684 They meet the condition; they meet the subject to all the

1685 requirements in 10 TAC that they have met the objective of

1686 compliance with the board and their properties are in good shape.

1687

1688 [01:02:19.540] - Beau Eccles

1689

1690 Means a passing score just on this property September 1st?

1691

1692 [01:02:24.840] - Board Members

1693

1694 All properties.

1695

1696 [01:02:26.300] - Beau Eccles

1697

1698 Okay. So no outstanding issues in one year would be subject to
1699 reinstatement by the board.

1700

1701 [01:02:34.810] - Holland Harper

1702

1703 I think I'm gonna read this again so we have it very clear.

1704

1705 [01:02:36.960] - Beau Eccles

1706

1707 Okay.

1708

1709 [01:02:37.470] - Holland Harper

1710

1711 I move the board approve the final agreed order assessing
1712 administrative penalty for noncompliance to Rosemont Meadow Lane
1713 apartments and issue a final order of debarment for a term of two
1714 years. With reinstatement after one year upon satisfactory
1715 compliance of all properties. Against responsible parties of Evan
1716 J. Hunden, David B. Ratliff and Michael Volz. All as described
1717 authorized and conditioned in the board action request resolution
1718 and associated documents and orders on this item.

1719

1720 [01:03:08.680] - Kenny Marchant

1721

1722 Second.

1723

1724 [01:03:12.370] - Sascha Stremmler

1725

1726 May we also have an administrative, agreed order for the \$15,000
1727 administrative penalty that that.

1728

1729 [01:03:19.370] - Leo Vasquez

1730

1731 That was in there, assessing administrative penalty for
1732 noncompliance,

1733

1734 [01:03:22.400] - Sascha Stremmler

1735

1736 Right!

1737

1738 [01:03:23.060] - Leo Vasquez

1739

1740 Yeah, it was the. And was the change. Okay, so the motion made by
1741 Mr. Harper as detailed, seconded by Mr. Marchant. All those in
1742 favor say aye.

1743

1744 [01:03:42.280] - Board Members

1745

1746 Aye.

1747

1748 [01:03:42.830] - Leo Vasquez

1749

1750 Any opposed Hearing None. Motion carries. Okay. Good. Discussion.

1751 We still in order on 18. Okay. Okay. Moving to item 18 of the

1752 agenda. Presentation, discussion, and possible action on order

1753 proposing the repeal of 10 TAC Chapter 23, Single Family HOME

1754 Program, and orders proposing new 10 TAC Chapter 23, Single Family

1755 HOME Program Rules, and directing their publication for public

1756 comment in the Texas Register.

1757

1758 [01:04:29.990] - Abigail Versyp

1759

1760 Good morning, board members. I'm Abigail Versyp, Director of Single

1761 Family and Homeless Programs. The item I'm presenting today is a

1762 repeal and replacement of the Single-Family Home Program rules.

1763 These rules govern the administration of HOME Homeowner

1764 reconstruction, Contract for Deed, Tenant Based Rental Assistance,

1765 homebuyer assistance with new construction, and single-family

1766 development. Each of these home activities share a federal funding

1767 source, the HOME Investment Partnerships Program. However, each of

1768 these activities is distinct and fills a specific need for

1769 affordable housing spanning from monthly rental subsidy to

1770 homeownership and beyond. Including demolition and replacement of
1771 single-family housing already owned by families, but that's unsafe
1772 and dilapidated. Prior to the rule draft presented to you today,
1773 SFHP Single Family Homeless Program staff conducted a series of
1774 roundtables with program stakeholders that included local
1775 governments, nonprofits, builders, and consultants. Based on the
1776 feedback from the initial roundtable that we held, we drafted a
1777 rule and presented two more roundtables. One in person for those
1778 that were able to come to Austin, and one virtually so that we can
1779 ensure good attendance statewide. The bulk of the discussion was
1780 centered around the existing construction cost limits, and the
1781 feedback we received from all the stakeholders was that we needed
1782 to raise these limits, but we also needed to ensure that we were
1783 still maximizing the impact of the program. So raising them all
1784 the way to the HUD limits for all activities was not advised by
1785 stakeholders or staff. We worked with the stakeholders to come up
1786 with reasonable increases and to make sure that projects that need
1787 additional funding for accessibility features and aerobic septic
1788 systems would still be able to utilize the program in addition to
1789 extra funding specific to environmental management mitigation.
1790 Because HUD and FEMA have recently changed some floodplain risk
1791 mitigation requirements that make the other caps not really

1792 workable. Other major updates to the rule include a reorganization
1793 of some sections such as moving on threshold application
1794 requirements, cost limits, and building design requirements to
1795 subchapter B instead of them being scored scattered across multiple
1796 subchapters. We also recommended that since costs were increasing,
1797 an increase to threshold financial capacity of an applicant was
1798 necessary to ensure that they have access to capital for
1799 reimbursement or prior to reimbursement from the program. We also
1800 expanded access to the single-family development program to all
1801 eligible developers and let the NOFA who would be eligible. Rather
1802 than restricting the use of these funds to CHDO under the CHDO set
1803 aside. This allows us to broaden the use of home funds in the event
1804 the development of single-family housing for home ownership is
1805 prioritized in our upcoming consolidated plan. Updates for Tenant
1806 Based Rental Assistance include expanding the use of HUDs Small
1807 Area Fair Market rents to all areas for which those rents are
1808 published, rather than restricting this to metropolitan areas
1809 only. And specifically stating that late fees are not an eligible
1810 program cost as this has been a source of confusion for some of
1811 our TDRA administrators. With that I'm prepared for questions about
1812 the rule as proposed.

1813

1814 [01:08:09.170] - Leo Vasquez

1815

1816 Thank you, Abigail. Can you tell me explain a little bit more about
1817 the cash reserves?

1818

1819 [01:08:15.410] - Abigail Versyp

1820

1821 Yes, absolutely. So cash reserve requirement is what we require
1822 from an applicant when they apply. They need to show that they
1823 have unrestricted cash of a certain amount of money, depending on
1824 the activity, because the HOME program is reimbursement. So we
1825 need to make sure that they have some capacity to pay for costs in
1826 advance prior to requesting reimbursement from the department.
1827 This is usually shown through audited statements with an
1828 unrestricted net balance of whatever that amount may be. Sometimes
1829 they submit a line, a verification of a line of credit in that
1830 amount. That's more typical for nonprofits than units of local
1831 government. So it's just to ensure they have some cash in the bank
1832 to pay for expenses before reimbursement.

1833

1834 [01:09:00.390] - Leo Vasquez

1835

1836 Okay, and then a little bit more clarification on the TBRA programs
1837 and the language regarding the small area fair market rents.

1838

1839 [01:09:19.760] - Abigail Versyp

1840

1841 Sure. I think that's a pretty exciting change in the rule. It seems
1842 small, but it's a pretty big impact. So HUD several years ago
1843 started publishing instead of a fair market rent, which is how we
1844 which is a part of the calculation to determine how we how much
1845 subsidy we pay per month for a family receiving tenant based rental
1846 assistance. It used to be county by county, so anywhere in, let's
1847 say Williamson County Regardless of what area of Williamson County
1848 you were in, we used one amount of money to determine how much
1849 subsidy you'd get. Right now we use HUD's small area fair market
1850 rent only in metropolitan areas. And. And what the small area fair
1851 market rent does is it breaks down that money not at a county wide
1852 level, but zip code, by zip code, by zip code, by zip code. And
1853 it's grown from certain areas in certain metro areas. Like
1854 initially it was just San Antonio and Dallas, but now it appears
1855 that HUD is publishing these small area fair market rents
1856 statewide. So what this does is it allows families to move to a

1857 higher quality unit, maybe with higher quality schools in their
1858 same county, without experiencing an increase of their out-of-
1859 pocket rent. So the rent matches the neighborhood more than the
1860 regular fair market rent.

1861

1862 [01:10:47.520] - Leo Vasquez

1863

1864 So it's just breaking it down per zip code?

1865

1866 [01:10:50.150] - Bobby Wilkinson

1867

1868 Right. It's a more minor level breakout.

1869

1870 [01:10:52.970] - Leo Vasquez

1871

1872 Computers and everything. Nowadays, it's a lot easier.

1873

1874 [01:10:55.800] - Abigail Versyp

1875

1876 Right, yeah. And you know, it used to be just such a few small
1877 areas, but now they're published for every zip code in Texas. So
1878 we want to take advantage of that.

1879

1880 [01:11:02.740] - Leo Vasquez

1881

1882 Great. Do any other board members have questions from Ms. Versyp
1883 on this item? Any public comment on this item? Okay. Hearing none.
1884 I will entertain a motion for item 18 of the agenda.

1885

1886 [01:11:20.580] - Cindy Conroy

1887

1888 I move the board approve the proposed repeal of 10 TAC Chapter 23
1889 and the proposed new 10 TAC Chapter 23, concerning the Single-
1890 Family HOME Program for publication in the Texas Register for
1891 public comment. All as described, conditioned, and authorized in
1892 the board action request resolutions and associated documents on
1893 this item.

1894

1895 [01:11:43.490] - Holland Harper

1896

1897 Second.

1898

1899 [01:11:44.190] - Leo Vasquez

1900

1901 Thank you. Motion based on Ms. Conroy, seconded by Mr. Harper. All

1902 those in favor say aye.

1903

1904 [01:11:48.760] - Board Members

1905 Aye.

1906

1907 [01:11:49.330] - Leo Vasquez

1908

1909 Any opposed? Hearing none. Motion carries.

1910

1911 [01:11:51.870] - Abigail Versyp

1912

1913 Thank you.

1914

1915 [01:11:52.270] - Leo Vasquez

1916

1917 Thank you, Abigail. Still staying in order?

1918

1919 [01:11:56.910] - Leo Vasquez

1920

1921 Okay. All right. Number 19 of the agenda. Presentation, discussion,
1922 and possible action on an order adopting amendments to 10 TAC
1923 Chapter 10, Uniform Multifamily Rules, Subchapter i, Public
1924 Facility Corporation Compliance Monitoring §10.1103 Reporting
1925 Requirements and directing to be published for adoption in the
1926 Texas Register. Ms. Hammond.

1927

1928 [01:12:27.770] - Amy Hammond

1929

1930 Hello. Hello. Chairman, Board Members. Mr. Wilkinson. I'm Amy
1931 Hammond, Manager of Compliance Monitoring. The next item on your
1932 agenda is the possible action on adopting amendments to the Public
1933 Facility Corporation Compliance Monitoring rule. I'll be using PFC
1934 when referencing Public Facility Corporations for the remainder of
1935 this presentation. Only 10 TAC §10.1103 Reporting requirements
1936 went out for public comment. The public comment period was from
1937 August 9, through September 9, 24 entities provided public comment

1938 and are available with department response and the board materials.
1939 During the 88th legislative session, House Bill 2071 was enacted
1940 and amended Texas Local Government Code 303 with an effective date
1941 of June 18, 2023. I will be referring to this as the act for the
1942 remainder of this presentation. Per the Act, PFC developments
1943 acquired, approved, or occupied prior to the effective Date are
1944 governed by the law in effect at the date that that PFC was approved
1945 by a corporation or sponsor. The act included language that
1946 required all PFC developments to submit an audit report to the
1947 Department. However, PFC developments that are predate the Act,
1948 the audit report requirements will be satisfied by simply
1949 demonstrating its eligibility to continue under the former law.
1950 But must fully address the requirements of 303.046 (b)(2), that
1951 identifies the difference in rent charged for income restricted
1952 units and the estimated market rents that could be charged for
1953 those units without restrictions.

1954

1955 [01:14:12.370] - Amy Hammond

1956

1957 The first audit report was due to be submitted June 1, 2024.
1958 10.1103 reporting requirements as written did not clearly outline
1959 this requirement was applicable to all PFC developments that are

1960 not specifically excluded by the Act. This rule change codifies
1961 that language in the Act. The Department was requesting that all
1962 PFC multifamily residential developments that did not submit by
1963 June 1, 2024, be allowed to submit a required audit report no later
1964 than December 1, 2024, based on overwhelming public comment. This
1965 first reporting deadline for PFC developments not previously
1966 included in the rule will be extended from December 1st to December
1967 15th, 2024. In addition, the Executive Director may grant a one
1968 time discretionary extension of 30 days for good cause during the
1969 first reporting period only. The Department must receive this
1970 written extension request by December 15, 2024, at 5:00pm Central
1971 Standard Time. Please note this is a one time extended deadline
1972 and possible extension request. Per the Act all reports will be
1973 due to the department by June 1 each year with no exceptions
1974 beginning June 1, 2025. To date, the department has reviewed and
1975 published 14 audit reports on its website. We have also received
1976 five engagement letters with reports to be followed. Additionally,
1977 the Department has created a new audit workbook for the PFC
1978 developments initiated prior to June 2023. Please note that the
1979 PFC multifamily developments that are required to report to the
1980 Department do not have any TDHCA funding and the Department does
1981 not collect any fees for these audit reviews. Staff recommends the

1982 approval of the adoption of the amendments to the Public Facility
1983 Corporation Compliance Monitoring Rule and I'm happy to answer any
1984 questions.

1985

1986 [01:16:21.320] - Leo Vasquez

1987

1988 Okay, so to recap, summarize, we're making a one time extension
1989 exception because the rules were unclear?

1990

1991 [01:16:34.400] - Amy Hammond

1992

1993 Correct.

1994

1995 [01:16:34.860] - Leo Vasquez

1996

1997 On the time limit.

1998

1999 [01:16:35.956] - Amy Hammond

2000

2001 Correct

2002

2003 [01:16:36.100] - Leo Vasquez

2004

2005 After this one time initial report. Basically it's going to go
2006 back to.

2007

2008 [01:16:42.150] - Amy Hammond

2009

2010 That hard deadline of June 1st.

2011

2012 [01:16:45.820] - Leo Vasquez

2013

2014 Okay. Well, first, do board members have questions on this item?
2015 Just want to make it clear that we're on top of the PFC reporting
2016 issues and we're taking this very seriously as a department. And
2017 I guess on the big picture, it'll be interesting to see in the
2018 next legislative session how much additional clarification gets
2019 brought to the to the subject area from the legislature.

2020

2021 [01:17:20.310] - Amy Hammond

2022

2023 Agreed.

2024

2025 [01:17:21.030] - Leo Vasquez

2026

2027 Okay. All right. Does anyone care to make a motion on item 19 is
2028 due. Oh. Do we have some public comment first? I'm sorry. Thank
2029 you. Thank you. Please, if anyone has public comment, raise your
2030 hand. Remember to come in and introduce yourself and what
2031 organization you're with. You have three minutes, but you don't
2032 have to use them all.

2033

2034 [01:17:47.680] - Kirk Presley

2035 Thank you. Good morning. My name is Kirk Presley and I'm with Ojala
2036 Partners. Ojala Partners is a Dallas based developer of workforce
2037 and affordable housing all across the state of Texas. And we were
2038 one of the over 20 groups that supported a letter asking the TDHCA
2039 to reconsider the rule change to chapter 10 that was proposed.
2040 These rules were only first adopted in February, and we believe
2041 the TDHCA in error is reinterpreting HB 2071, only 8 months after
2042 we believe they got it right. The law, HB 2071 had three sections
2043 0421, which was new requirements to approve a new PFC, 2, minimum
2044 standards for any new PFC, and 3, audit requirements for new PFCs.

2045 Which is 0426 (b) the specific section at issue today. Section
2046 0426 (b) specifically says that that section only applies to
2047 developments to which 0421 applies. 0421 a section of law about
2048 approving new developments. How could it apply to old developments
2049 that have already been approved? We believe it is a mistake to
2050 make these changes to chapter 10. And the law as it stands
2051 currently correctly interprets HB 2071. We also believe it is most
2052 egregiously a mistake to implement them with a due date now in
2053 only a few weeks. I beg the board not to commit an unforced error
2054 on this issue and to leave the rules that we adopted only eight
2055 months ago in place. Thank you.

2056

2057 [01:19:31.660] - Bobby Wilkinson

2058

2059 We think we've done the right thing, and we want these reports
2060 before the legislative session, not after. So that's why, December.

2061

2062 [01:19:41.390] - Leo Vasquez

2063

2064 We understand the implementation rollout and the detail of how the
2065 laws and legislation was presented. It was unclear. We're trying
2066 to help add clarity While giving some flexibility in this. So.

2067

2068 [01:19:56.430] - Kirk Presley

2069

2070 Thank you.

2071

2072 [01:19:56.940] - Leo Vasquez

2073

2074 Thank you for your comment. Are there any other public comments on
2075 this agenda item? Chairman, do I get a motion yet? No, I'm asking
2076 for a motion on item 19 of the agenda.

2077

2078 [01:20:12.940] - Anna Farias

2079

2080 Mr. Chairman, I move the board approve for adoption the amendments
2081 to 10 TAC administrative code. Registered all as described
2082 conditioned, let me go back. Administer the Code Chapter 10,
2083 Section 10.1103 Reporting Requirements and published the amended
2084 rule for adoption. In the Texas Register. All is described

2085 conditioned and authorized in the board action request resolution
2086 and associated documents on this item.

2087

2088 [01:20:53.410] - Leo Vasquez

2089

2090 Motion made by Ms. Farias. Is there a second?

2091

2092 [01:20:55.610] - Ajay Thomas

2093

2094 Second, Mr. Chairman.

2095

2096 [01:20:56.500] - Leo Vasquez

2097

2098 Second by Mr. Thomas. All those in favor say aye.

2099

2100 [01:20:59.280] - Board Members

2101

2102 Aye.

2103

2104 [01:20:59.770] - Leo Vasquez

2105

2106 Any opposed hearing, none. Motion carries. Moving on to item 20 of
2107 the agenda. Presentation, discussion, and possible action
2108 regarding material amendments to previous 9% Competitive Housing
2109 Tax Credit Applications to award State Housing Tax Credits and
2110 approval of the waiting list for 2024 State Housing Tax Credit
2111 Applications. Mr. Goldberger.

2112

2113 [01:21:31.650] - Josh Goldberger

2114

2115 Good morning, Chairman, Members of the Board. Josh Goldberger, 9%
2116 program manager. Item 20 concerns our inaugural awards of state
2117 housing tax credits to 9% and applicants. In 2023, the department
2118 was authorized by the legislature to allocate a new funding source,
2119 a credit against state insurance and franchise taxes. The enacting
2120 legislation established an annual credit ceiling of \$25 million a
2121 year. It's important to note that unlike federal credit, this
2122 figure represents the total 10-year value of homes available. The
2123 legislation also established \$85 million, one year priority set
2124 aside expressly to assist existing 9% deals that received an
2125 allocation of credits in 2021 or 2022. For this cycle, the
2126 remaining 20 million has been distributed evenly between 20, 24,

2127 9% and 4% applicants. Data before you today solely concerns state
2128 housing tax credit awards to 9% applicants. Staff has recommended
2129 a total of nine awards of which four are prior year applications
2130 applying for priority allocations and five are 2024, 9% applicants.
2131 The nine recommendations reflect commitments of \$14,675,000. These
2132 were not the only 9% applicants for state credits. The Department
2133 received requests for more state housing tax grants than were
2134 available for both 2024, 9% applicants and previously awarded
2135 deals. The authorizing legislation allows the Department to create
2136 a metric to prioritize applications in years in which the program
2137 was oversubscribed. In 2024, the department chose to prioritize
2138 applications proposing the most additional low-income units for
2139 households at or below 30% of area median income relative to their
2140 request amount. Applicants for the state credit met this priority
2141 by converting units previously proposed in their original
2142 application for 60% or so to 30%. So they're not necessarily
2143 constructing new units but making already proposed units more
2144 affordable. The initial state tax credit award was made to the
2145 applicant with the lowest request amount per additional units
2146 provided. Subsequent awards were made using the same metric until
2147 the department could no longer fund a full credit request.
2148 Collectively, the nine awardees committed an additional 262, 30%

2149 units to be competitive for the award. Since only full credit
2150 requests were to be funded, \$325,000 remains available and will be
2151 carried forward to next year's ceiling pending any changes to the
2152 award list. The awards before you will be processed as material
2153 amendments. To add the state tax credit as a source, increase the
2154 number of 30% units and revise all necessary exhibits. In addition
2155 to the list of awards, staff has also included a waiting list of
2156 eligible applications that have not been terminated or withdrawn,
2157 ranked in descending order of priority. This concludes my
2158 presentation. I'm happy to answer any questions you may have.

2159

2160 [01:24:37.490] - Leo Vasquez

2161

2162 Okay, thanks, Josh. These are a. It's a one-year tax credit. It's
2163 not this year times 10.

2164

2165 [01:24:48.680] - Josh Goldberger

2166

2167 It is not this year times 10. The total value of the ceiling is
2168 \$25 million. So they will be getting their request amount over 10

2169 years, but. Yes, that's correct. That's the total value of what we
2170 are distributing.

2171

2172 [01:25:03.500] - Leo Vasquez

2173

2174 They will be getting their total value over 10 years?

2175

2176 [01:25:06.090] - Josh Goldberger

2177

2178 In 10 year increments that add up to the request amount that is
2179 reflected on the award.

2180

2181 [01:25:13.260] - Leo Vasquez

2182

2183 So for simple math, if it was a million dollars of credits of
2184 state. State credits?

2185

2186 [01:25:18.310] - Josh Goldberger

2187

2188 It would be a hundred thousand a year.

2189

2190 [01:25:21.120] - Leo Vasquez

2191

2192 It'd be 100,000 a year.

2193

2194 [01:25:25.990] - Bobby Wilkinson

2195

2196 Yeah. I didn't write the bill. And there will be changes sought by

2197 the industry.

2198

2199 [01:25:36.710] - Anna Farias

2200

2201 Okay,

2202

2203 [01:25:37.470] - Leo Vasquez

2204

2205 okay, thank you for that clarification. Okay. These are stacked

2206 sort of on already. The federal tax credits.

2207

2208 [01:25:52.200] - Josh Goldberger

2209

2210 Correct.

2211

2212 [01:25:53.080] - Leo Vasquez

2213

2214 And what we're doing is, by this, we're trying to get as many of
2215 the 30% AMI units as possible. So groups are converting higher AMI
2216 units down to the 30%.

2217

2218 [01:26:08.910] - Josh Goldberger

2219

2220 262 units. Yes, that's correct.

2221

2222 [01:26:11.550] - Leo Vasquez

2223

2224 Okay, that's. That's great. And we are anticipating additional
2225 clarifications and tweaks to the state program in this legislative
2226 session. Do any board members have questions on this agenda item
2227 for Mr. Goldberger or do any members of the public have comments
2228 they wish to share with the board hearing? None. I'll entertain a
2229 motion on item 20 of the agenda.

2230

2231 [01:26:47.320] - Holland Harper

2232

2233 I move the board approve the recommended list of applications for
2234 final certification of state Housing Tax Credits in the 2024 state
2235 Housing Tax Credit waiting list. All is described, conditioned and
2236 authorizing the board action request resolutions and associated
2237 documents on this item.

2238

2239 [01:27:00.480] - Leo Vasquez

2240

2241 Motion made by Mr. Harper,

2242

2243 [01:27:04.510] - Ajay Thomas

2244

2245 Second.

2246

2247 [01:27:04.880] - Leo Vasquez

2248

2249 Second by Mr. Thomas. Okay, all those in favor say aye.

2250

2251 [01:27:09.068] - Board Members

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2252

2253 Aye.

2254

2255 [01:27:09.230] - Leo Vasquez

2256

2257 Any opposed? Hearing none. Motion carries.

2258

2259 [01:27:11.890] - Josh Goldberger

2260

2261 Thank you.

2262

2263 [01:27:13.890] - Leo Vasquez

2264

2265 Okay, what am I on now or I understand is this section where
2266 someone's being pulled from today's agenda.

2267

2268 [01:27:20.160] - Bobby Wilkinson

2269

2270 Next page 21 is going ahead.

2271

2272 [01:27:22.580] - Leo Vasquez

2273

2274 Okay, 21, we're still going ahead. Item 21 of the agenda.
2275 Presentation, discussion, and possible action on a request for
2276 return and reallocation of tax credits under 10 TAC §11.6(5)
2277 related to Credit Returns Resulting from Force Majeure Events for
2278 3300 Caroline. Mr. Campbell. Silver tongue Devil, convince us why
2279 we're supposed to do this again. Good morning.

2280

2281 [01:27:48.510] -Cody Campbell

2282

2283 Well, I have good news for you. Several more have been kicked to
2284 next month this morning, but not this. It feels very strange to be
2285 sitting down. My name is Cody Campbell. I'm the director of
2286 multifamily programs for TDHCA. As Mr. Vasquez just said, this
2287 item concerns a request to extend the placed in service deadline
2288 for 3300 Caroline which proposes 149 units in Central Houston.
2289 This development was initially awarded tax credits in 2020 and
2290 received its first extension in 2022. Their current deadline to
2291 Place in service is the end of this year. This request is somewhat
2292 unique as the development is 98% complete with a current completion
2293 date of December 5th. The remaining items needed to place in

2294 service involve some pipe work for the developments of urgency
2295 generator, some plumbing work on the water main and the issuance
2296 of the development's certificate of occupancy. Because
2297 construction is scheduled to be completed so close to deadline and
2298 the developer has requested that a three month extension be allowed
2299 should become necessary. If the board approves this request, then
2300 staff will not execute that extension unless it becomes apparent
2301 that the development will not meet its deadline. If the next two
2302 months go according to plan and development places in service
2303 timely, then no extension will be necessary, and none will be
2304 executed. Staff recommends approval of this item and I'm happy to
2305 answer any questions that you have.

2306

2307 [01:29:09.790] - Leo Vasquez

2308

2309 Okay, so this particular force majeure request has specific dates.
2310 We're not pending other financing that we hope to get in city or
2311 jurisdiction. Local jurisdiction approvals. This is almost done.

2312

2313 [01:29:23.140] - Cody Campbell

2314

2315 Yes, sir.

2316

2317 [01:29:23.740] - Leo Vasquez

2318

2319 And just in case, let's get the law tracked. Okay. That's a force
2320 majeure I can get behind. Do any board members have questions on
2321 this item? Do any members of the public wish to make a comment on
2322 this item? If not, I'll entertain a motion on item 21 of the
2323 agenda.

2324

2325 [01:29:41.040] - Ajay Thomas

2326

2327 Mr. Chairman, I move the board grant the request of treatment under
2328 an application of the force majeure rule 3300 Caroline. With the
2329 placed in service deadline of March 31, 2025. All is described,
2330 conditioned, and authorized in the board action request resolution
2331 and associated documents on this item.

2332

2333 [01:29:58.250] - Anna Farias

2334

2335 Second.

2336

2337 [01:29:58.890] - Leo Vasquez

2338

2339 Thank you. Motion made by Mr. Thomas. Seconded by Ms. Farias. All

2340 those in favor say aye.

2341

2342 [01:30:03.439] - Board Members

2343

2344 Aye.

2345

2346 [01:30:03.610] - Leo Vasquez

2347

2348 Any opposed hearing? None. Motion carries.

2349

2350 [01:30:05.900] - Cody Campbell

2351

2352 Fantastic.

2353

2354 [01:30:06.610] - Leo Vasquez

2355

2356 Okay, so before I announce.

2357

2358 [01:30:08.930] - Cody Campbell

2359

2360 Sure.

2361

2362 [01:30:09.210] - Leo Vasquez

2363

2364 What's on the agenda, whether we are pulling from the agenda.

2365

2366 [01:30:12.650] - Cody Campbell

2367

2368 The next two are going to be brought to the December meeting when

2369 they'll be a little more fully baked and ready to go. The next one

2370 will be here today. Number 24, Burkburnett Royal Gardens.

2371

2372 [01:30:20.980] - Leo Vasquez

2373

2374 Okay, so we are pulling items 22 and 23 from this month's agenda.

2375 Item 24. Presentation, discussion, and possible action on a

2376 request for return and reallocation of tax credits under 10 TAC

2377 §11.6(5) related to Credit Returns Resulting from Force Majeure
2378 Events for Burkburnett Royal Gardens

2379

2380 [01:30:46.540] - Cody Campbell

2381

2382 Thank you, Mr. Vasquez. This development proposes the construction
2383 of 80 units in Burkburnett. It was first awarded credits and HOME
2384 funds from the department in 2022. The board granted an extension
2385 in 2023. And because of that, the development has a placement
2386 service deadline of December 31, 2025. After award, the development
2387 had a phase two environmental review which presented significant
2388 complications related to potential groundwater contamination which
2389 required significant mitigation efforts. As part of that
2390 mitigation, the groundwater had to be monitored for period of one
2391 year during which the environmental clearance for the development
2392 could not be issued. Of note, with HOME funds, if you are required
2393 to get an environmental clearance, you cannot do anything with the
2394 site until that clearance is obtained. If you do purchase the site,
2395 take down the land, do any site work that's considered to be a
2396 choice limiting action federally, and you are then rendered
2397 ineligible for those funds. So it is a pretty significant roadblock
2398 to not have this environment clearance. The applicant has worked

2399 with TCEQ since that time to obtain the necessary documentation
2400 clearing groundwater so that they can get their environmental
2401 clearance. This documentation was initially anticipated to be
2402 received in April of this year. Then in October, when they
2403 submitted this request, stated they were going to have it by
2404 October 24th. But that's now been pushed out an additional 30 days
2405 by TCEQ. Once the letter was received, the applicant can finalize
2406 their environmental clearance and move forward with closing on
2407 financing the land and commencing construction. Unfortunately,
2408 until that letter is in hand. They can't do that. They have
2409 requested the extension based on the extensive delays that they've
2410 had in no further action required letter from TCEQ. Staff does
2411 recommend approval of this item and I'm happy to answer the
2412 questions you may have.

2413

2414 [01:32:33.880] - Holland Harper

2415

2416 Mr. Campbell, can you give me some color of why we went through a
2417 Phase one, then they needed a Phase two and the developer did not
2418 realize that they had issues.

2419

2420 [01:32:42.100] - Cody Campbell

2421
2422 Certainly. So the QAP requires that they submitted phase one with
2423 their application. If a phase two is required, then they are
2424 required to certify that they will have that phase two completed
2425 before they close on their litigation recommended by that Phase
2426 two report before they submit their cost certification. I'm not
2427 sure that they anticipate it having issues with the ground water
2428 as part of the Phase one.

2429
2430 [01:33:07.530] - Holland Harper

2431
2432 Can you get will you give some color on what the issue is in the
2433 phase two?

2434
2435 [01:33:11.530] - Cody Campbell

2436
2437 It is there was potential contamination with the ground water.

2438
2439 [01:33:16.530] - Holland Harper

2440
2441 MTB? Do you know what it was?

2442

2443 [01:33:18.970] - Cody Campbell

2444

2445 Unfortunately I did not. Off the top of my head I did ask developers

2446 from here today in case you have any questions.

2447

2448 [01:33:26.370] - Leo Vasquez

2449

2450 They are here in back. Can you go over the timeline again for us

2451 on I guess when we expected the first TCEQ, when they were going

2452 to do the report and the 30 day delay?

2453

2454 [01:33:40.580] - Cody Campbell

2455

2456 Certainly I'd be happy to that. They also provided a written

2457 timeline if you're more of a visual person. So they got their award

2458 in July. They were required to get their Phase two, which I believe

2459 was done in September of 2023. I'm sorry, September of 2022 they

2460 completed their Phase two and that was when they discovered that

2461 they were going to have to have the mitigation that required

2462 monitoring the ground wire for a year. That was completed in

2463 September of 2023, at which point that report was compiled and
2464 submitted to TCEQ. They had anticipated having that review in hand.
2465 I believe that's on the next slide. Yes, in April of 2024. And
2466 unfortunately there have just been delays in getting that closeout
2467 letter from TCEQ ever since.

2468

2469 [01:34:27.360] - Leo Vasquez

2470

2471 So you are satisfied that it is the delays from TCEQ that are all
2472 of this? That if they had just put it delivered in April or whatever
2473 it was sure we'd be six months ahead and not have to necessarily
2474 do this.

2475

2476 [01:34:50.840] - Cody Campbell

2477

2478 That is correct. So they submitted everything necessary for their
2479 environmental clearance except for that final letter from TCEQ
2480 once that clearance is ready. We've already awarded the HOME funds.
2481 Staff has been monitoring this because we've had a loan that we're
2482 waiting to close on it. And it really has been hinging on this
2483 letter for months at this point.

2484

2485 [01:35:07.930] - Leo Vasquez

2486

2487 Okay, so after this, do we have any indication the letter that's
2488 eventually going to be received from TCEQ? Have they informally
2489 said, hey, no problem, we're just, we'll get it out to you.

2490

2491 [01:35:20.950] - Cody Campbell

2492

2493 So the most recent date was October 24th, that was kicked 30 days.
2494 And I have not gotten any correspondence that indicates that
2495 there's an issue that they're, you know, not wanting to issue. I
2496 think it's just delays of getting it out the door it out the door
2497 is my understanding of the situation.

2498

2499 [01:35:37.240] - Leo Vasquez

2500

2501 Okay. And then every other piece of, said the HOME loan is approved
2502 just pending signing. Once we get this.

2503

2504 [01:35:46.380] - Cody Campbell

2505

2506 That is. That is correct. So we're limited in how much we can do
2507 without that environmental clearance. But the loan has been
2508 approved. They've been giving us updated documents. I will say
2509 that this is a very experienced developer. This is not a brand new
2510 operation. And so I am inclined to believe that they have done
2511 everything that they could to get this out as quickly as they can.

2512

2513 [01:36:06.380] - Leo Vasquez

2514

2515 Okay, maybe we should. Let me. I would love to have a
2516 representative from the developer come give us a short recap on
2517 what we're potentially waiting for. What happens, why we're not
2518 going to hear from you again if we approve this.

2519

2520 [01:36:27.020] - Michael Beard

2521

2522 I actually have a really good answer.

2523

2524 [01:36:28.870] - Leo Vasquez

2525

2526 All right, remember, sign in, introduce yourselves, and your mic's
2527 off.

2528

2529 [01:36:45.710] - Michael Beard

2530

2531 Michael Beard, BETOC Consulting and Mr. Chair, to directly answer
2532 your first question, the proposed changes to the 2025 QAP
2533 effectively gives the last bite at the Apple for force majeure. If
2534 we don't close this transaction in 2025, unless that language has
2535 changed, we're locked out from an additional kick of the can down
2536 the road. So that's, that's the first thing I wanted to kind of
2537 say. As it relates to TCEQ. It's been over a year delay. They have
2538 come back with comments. We actually had to resubmit the report,
2539 I believe in August with additional comments. They've kicked down
2540 the can 30 days for the response. And we do believe in the
2541 foreseeable future we're going to get a letter permitting us to
2542 start with construction. And once that's obtained, we will be able
2543 to submit that final piece for the environmental review to be
2544 closed out and us to officially start closing this transaction
2545 with TDHCA.

2546

2547 [01:37:51.450] - Holland Harper

2548

2549 What is the issue with the property?

2550

2551 [01:37:54.430] - Leo Vasquez

2552

2553 Well, I'm sorry, sir, introducing yourself.

2554

2555 [01:37:58.670] - Hassan Chamseddin

2556

2557 I'm Hassan Chamseddin, with HKC and Associates. We are the
2558 environmental consultant for the property. After they did the Phase
2559 two, we did the initial investigation and prepared the big report
2560 for the TCEQ. There was some contamination in the soil. Which is
2561 deep and it's not an issue that we propose to do a geotechnical
2562 barrier on the top. It's not a big deal about it. The issue with
2563 the ground water,

2564

2565 [01:38:28.200] - Holland Harper

2566

2567 What is the contamination?

2568

2569 [01:38:29.660] - Hassan Chamseddin

2570

2571 It's hydrocarbons related to the property. It was part of a big
2572 refinery that ended its operation in the 1970s. So we did the
2573 groundwater monitoring initial one, and there was one compound,
2574 barium, which is a metal native to the. Soil that exceeded the
2575 level. The action level is 2.1. And so we did it the first time.
2576 we did it the second time. We are at 2.4 out of 400 compounds. We
2577 only have barium exceeding the limit. At 2.4 compared to 2.1. So
2578 what we are proposing, we told the city of Burkburnett they have
2579 in the rule a prohibition of use of groundwater. And we did a
2580 drinking water well survey. There isn't any wells affecting it. So
2581 the TCEQ, we propose to them. To put a geotechnical barrier for
2582 the soil and for the groundwater that is to do a long-term
2583 monitoring that every six months we will collect samples. Until
2584 this barium drops to below the 2.1. They will give us closure. So
2585 we requested from them to give. Us a conditional closure so that
2586 they can start their construction and move with the property and
2587 every six months for a period of two years to collect the water
2588 sample to prove that it's stable. Decreasing it's not a problem.
2589 Although from the beginning it's not a problem because the city
2590 does not allow. The use of groundwater.

2591

2592 [01:40:18.240] - Leo Vasquez

2593

2594 Okay, so that was Mike. Just so to clarify, we're not. There's no
2595 wells on this property for the drinking water?

2596

2597 [01:40:24.880] - Michael Beard

2598

2599 No. Its bureaucratic red tape is what we're running into. We're
2600 literally not going to tie into the water. But we can't get it
2601 without checking the boxes for TCEQ.

2602

2603 [01:40:35.350] - Hassan Chamseddin

2604

2605 Now the TCEQ, they want to make sure. Now how sure they want to be
2606 sure, I don't know. But there isn't source.

2607

2608 [01:40:45.690] - Leo Vasquez

2609

2610 They have not given you a indication whether the letter that we're
2611 expecting that we expected already that,

2612

2613 [01:40:55.850] - Hassan Chamseddin

2614

2615 They are late on it. They are late on it like 30 days and now they
2616 extended it for another 30 days because the TCEQ, they. Are
2617 remodeling the whole complex, the environmental complex, they are
2618 doing remodeling on it. So everybody is working from his home. And
2619 it's a little bit disarray. Over there to get things on time.

2620

2621 [01:41:21.360] - Michael Beard

2622

2623 We would love to be able to speak on TCEQ's behalf, but
2624 unfortunately, they haven't given us any sort of assurances to
2625 meeting their promised response timelines at this point. Hopefully
2626 soon, but unfortunately, it's taken much longer than we had already
2627 were hoping it would be resolved by.

2628

2629 [01:41:37.950] - Leo Vasquez

2630

2631 When is the promised state of the letter if there is,

2632

2633 [01:41:42.090] - Hassan Chamseddin

2634

2635 I have here a response. This is from their website that the
2636 reports, we submitted them on 8-22-24, August 22nd, and their first
2637 response should be 10-25 and we never received it. And their second
2638 response is 11-24. So I don't know if we will get them by the end
2639 of the year or they are going to kick it through January. I don't
2640 know. It's, you know, they request stuff, we do it, we submit it
2641 to them. And now we sit and wait three, four months for them to
2642 respond.

2643

2644 [01:42:21.210] - Kenny Marchant

2645

2646 But this is your last extension. This doesn't happen. Regardless
2647 of what doesn't happen,

2648

2649 [01:42:31.010] - Michael Beard

2650

2651 If we don't get this extension before December 20, of this year,
2652 this deal effectively dies. Which has had a lot of work put into
2653 it both from our standpoint. The agency standpoint like was read

2654 up. It's already been awarded funds; it's already got a committed
2655 investor. This is just a chicken before the egg issue that we can't
2656 get past. Once we do, we're hopeful we can move forward with this
2657 quickly with closing with the agency as the only permanent lender
2658 in this transaction with locked in rates. So the model should not
2659 really move much at this point.

2660

2661 [01:43:16.240] - Leo Vasquez

2662

2663 So if we were to approve this extension, there's nothing else
2664 pending that you all need from any outside authority other than
2665 this TCEQ letter?

2666

2667 [01:43:29.370] - Michael Beard

2668

2669 No. We won't mean we would need to get the agency to stamp off on
2670 our submitted environmental package for clearance to actually be
2671 able to get the notice to proceed. But once we have that and we
2672 complete the closing process with an FDL team. No, it's a fully
2673 baked transaction at that point.

2674

2675 [01:43:49.010] - Leo Vasquez

2676

2677 One more general question just to understand and there's a reason
2678 behind the question. Do you do any environmental work in the
2679 Houston region?

2680

2681 [01:44:01.720] - Hassan Chamseddin

2682

2683 I did few.

2684

2685 [01:44:02.920] - Leo Vasquez

2686

2687 But do you have any current big projects that you've been working
2688 on as the environmental.

2689

2690 [01:44:07.040] - Hassan Chamseddin

2691

2692 No, because we are based in Dallas. We do. We did all our. Most of
2693 our work is Texas, North Texas.

2694

2695 [01:44:15.430] - Leo Vasquez

2696

2697 Okay. I just want to make sure there wasn't any particular
2698 newsworthy project in Houston area that you're the environmental
2699 consultant. All right. Mr. Harper, you have a question?

2700

2701 [01:44:26.860] - Holland Harper

2702

2703 Of curiosity, you chose this asset, this property. You went through
2704 the Phase one. You failed the Phase one. That triggered the Phase
2705 two. You moved forward with the asset and the application. When
2706 did you know that you had barium problems or when did you
2707 obviously. What was the trigger that you decided to keep moving
2708 forward with this piece of property?

2709

2710 [01:44:47.790] - Michael Beard

2711

2712 So for clarification, this is the second asset that this developer
2713 has in Burkburnett. The brand new elementary school was literally
2714 built right across the street from this plot of land. So, you know,
2715 in the 70s, it did operate as a small, you know, refinery, which
2716 is not uncommon in that area. But that was in Phase one. Said

2717 additional groundwater studies need to be performed. Phase two, we
2718 did perform those. But the fact of the matter is the location
2719 outside of this one little hiccup is an amazing location for family
2720 development in Burkburnett because the parents, kids, can
2721 literally walk right across the street to the brand new school.
2722 And we felt pretty confident that since that brand new school was
2723 in close proximity to this and they had to go through TCEQ
2724 clearance as well, that it wasn't an insurmountable hurdle. Its
2725 just time has been not on our side.

2726

2727 [01:45:48.170] - Leo Vasquez

2728

2729 Okay. I have a proposed solution. We're just stretching, or you
2730 want time? Okay. All right. Okay. This our approval on the
2731 extension. There's no outside financial institution waiting to get
2732 this approval before they can close their documents. It's just us.
2733 So. And this needs to be approved. The extension needs to be
2734 approved before December 20 or so, which is after our next meeting.
2735 So is there any reason. And we expect the letters from the TCEQ in
2736 the next couple weeks. And I imagine if this was my development,
2737 I would be ringing their doorbell every day to get that. Is there
2738 any reason why we can't just table this until next meeting? And

2739 then if we have that letter in hand approving it all, which it
2740 sounds like it will be, but if we can just get them to it, we could
2741 just put it back on the agenda. I mean, this will be a consent
2742 approval only because it's the extension at that point.

2743

2744 [01:47:01.440] - Cody Campbell

2745

2746 Sure. From Staff's perspective, I don't believe there's any issue
2747 with going that direction.

2748

2749 [01:47:07.380] - Michael Beard

2750

2751 The only concern I have is TCEQ just hasn't given me any
2752 inclination that they aren't going to possibly attempt to kick
2753 this down the can again, or kick this down the road another 30
2754 days, especially with the holidays. We've got two holidays between
2755 now and the next time. And I just don't want to come back up next
2756 month and not have any additional information outside of what's
2757 been presented today, I do understand the concern for kicking the
2758 can down the road. But I guess from maybe our standpoint is what
2759 would y'all do if TCEQ had not responded next month and we're still

2760 in the same position? Would it really change Y'all's perspective on
2761 this if that pattern were true?

2762

2763 [01:48:00.440] - Bobby Wilkinson

2764

2765 Because your deal falls apart if you don't get your force majeure
2766 by December 20, but not necessarily if you don't get your TCEQ
2767 letter by December 20, is that correct?

2768

2769 [01:48:08.600] - Michael Beard

2770

2771 If we don't get our force majeure by next month, this deal is dead
2772 either way. So if we don't get the TCEQ letter by two weeks from
2773 now, we won't have anything new to report next month other than
2774 we're still in the same.

2775

2776 [01:48:22.900] - Bobby Wilkinson

2777

2778 If you got your force majeure today, it gives you more time, it
2779 doesn't really matter for the TCEQ letter requires it.

2780

2781 [01:48:29.230] - Michael Beard

2782

2783 Right. And I guess what I'm saying is if the language holds true
2784 in the QAP, we get this force majeure. We don't close, we're dead
2785 in the water next year either way. Because the new force majeure
2786 language requires that you close on construction before you're
2787 even eligible to consider for a force majeure in the future. Isn't
2788 that correct? So effectively.

2789

2790 [01:48:53.570] - Kenny Marchant

2791

2792 You don't get the letter; you're not going to get the deal done.

2793

2794 [01:48:56.460] - Michael Beard

2795

2796 If we don't get the letter, the deal is going to naturally collapse
2797 is kind of what I'm saying. Yeah. So this just buys this time for
2798 not having to come back up, bring back the environmental consultant
2799 if you have. It's just kind of, I don't know, it seems the logical
2800 thing since it will nationally implode if we don't get the letter.
2801 And then we just let staff know.

2802

2803 [01:49:22.390] - Leo Vasquez

2804

2805 Do you all know who the state representative is for that area?

2806

2807 [01:49:27.640] - Michael Beard

2808

2809 I would have to look back. I knew them when we, when we applied a
2810 couple years ago, but I have to look to see who they are right
2811 now.

2812

2813 [01:49:41.300] - Leo Vasquez

2814

2815 Well be happy to hear other opinions from the board, but to me
2816 it's this department. The board has been continuously, continually
2817 asked, not just by you guys, but project after project to have us
2818 be the ones who give extensions in hopes of something happening
2819 with some other group at some other time down the down in the
2820 future. In this particular case, y'all are saying. I'm hearing
2821 that. I understand it's kind of out of your hands.

2822

2823 [01:50:21.170] - Michael Beard

2824

2825 I mean, we're hopeful. But I can, I just can't speak for TCEQ.

2826

2827 [01:50:26.420] - Leo Vasquez

2828

2829 I would just suggest being the squeakiest wheel possible at TCEQ

2830 and start if this deal is going to die on or, after our December,

2831 if we don't have this approved by our December 8th meeting,

2832 whatever the next meeting is. I think that there are other

2833 advocates in the area who want this, and they could be pounding on

2834 TCEQ in the same way you all are, or that I'm assuming that you

2835 are. This might encourage you to be even more persistent with them.

2836 I'm just.

2837

2838 [01:51:06.800] - Kenny Marchant

2839

2840 What circumstance, excuse me? What circumstance would you get into

2841 if they came back with remedial plan?

2842

2843 [01:51:17.730] - Michael Beard

2844

2845 So to what?

2846

2847 [01:51:19.120] - Kenny Marchant

2848

2849 And it was contingent on this remediation?

2850

2851 [01:51:22.330] - Michael Beard

2852

2853 Yeah. So the possible, most the quickest path forward at this point
2854 is for them to issue a letter for us to proceed with a conditional
2855 ability to start construction with two years of additional
2856 monitoring of what wells that we aren't going to use. That seems
2857 to be the path they're going to give the least amount of heartburn
2858 for issuing very quickly. We just.

2859

2860 [01:51:49.940] - Kenny Marchant

2861

2862 And that would be a sufficient letter?

2863

2864 [01:51:53.090] - Michael Beard

2865

2866 We are confirming with TDHCA's environmental staff that they will
2867 accept that as part of the environmental review, especially given
2868 the fact we aren't going to tie into the groundwater. And we have
2869 not heard back yet because this is very new information, we
2870 received from TCEQ. But assuming we can get that letter in the
2871 very near future, we're hopeful that that should solve the problem
2872 with kind of this copy of it.

2873

2874 [01:52:15.660] - Kenny Marchant

2875

2876 You could get it resolved with our staff that they would accept
2877 that letter?

2878

2879 [01:52:18.680] - Michael Beard

2880

2881 Correct. We've already posed the question. Staff and Lora can
2882 speak.

2883

2884 [01:52:25.790] - Leo Vasquez

2885

2886 So even if they, if TCEQ gave you a letter saying just we need to
2887 keep monitoring for two years, does that allow you to start
2888 construction?

2889

2890 [01:52:40.040] - Michael Beard

2891

2892 Yes.

2893

2894 [01:52:40.420] - Lora Myrick

2895

2896 Yes.

2897

2898 [01:52:40.810] - Leo Vasquez

2899

2900 Okay, so that's that we wouldn't have to wait another two years.

2901

2902 [01:52:44.040] - Lora Myrick

2903

2904 That is correct, yes.

2905

2906 [01:52:47.120] - Leo Vasquez

2907

2908 Laura, do you want to add some. Introduce yourself?

2909

2910 [01:52:49.190] - Lora Myrick

2911

2912 Yes, absolutely. Lora Myrick with BETCO Consulting. I am the one
2913 that reached out to TDHCA to make sure that if we were to receive
2914 a conditional approval conditioned upon the two years of additional
2915 monitoring, that we could start construction. What I wanted to do
2916 is I reached out to environmental staff at TDHCA to kind of, okay,
2917 we're getting this letter. What do you environmental staff need
2918 from TDHCA this conditional letter? A certification from the owner
2919 that they will continue that monitoring for two years. Do you wish
2920 to see those reports? So I have not heard back from TDHCA staff
2921 yet, but we were trying to work to ensure that as we're getting
2922 information. We are piping it over to TDHCA's environmental staff.
2923 I will say with the comment earlier, I have gone actually to TCEQ
2924 and sat there in a lobby that as was mentioned earlier in disarray
2925 and just not moved until I've gotten what I needed. It has been
2926 difficult. It took me three months to get what I needed. So we are
2927 prepared to go back and say there I guess, and I'll take my lunch

2928 and sit there and wait for someone to get us the letter. Because
2929 we have waited for a long period of time for this letter and they
2930 keep telling us yes, we're going to give you the letter. There's
2931 never been a no, there's a problem. No, we can't do this. There's
2932 another thing that's come up. What it's been is yes, we're going
2933 to get you the letter. Yes, we're going to get you the letter.
2934 It's probably on somebody's desk or it's just we're not sure. But
2935 if we do need to. I know how to be a squeaky wheel and I am happy
2936 to do that because I know that we are so close, and I can see the
2937 light at the end of the tunnel. But I did want to confirm that
2938 yes, I have reached out to TDHCA staff about the conditional letter
2939 to start construction.

2940

2941 [01:54:48.670] - Leo Vasquez

2942

2943 Thank you. I'm happy to entertain the motion. My thought would be
2944 table until next month.

2945

2946 [01:54:55.350] - Holland Harper

2947 I move the Board grant the requested treatment under the
2948 application of Force Majeure to Burkburnett Royal Gardens. All is

2949 described, conditioned, and authorized in the board action request
2950 resolution and associated documents on this item.

2951

2952 [01:55:14.650] - Anna Farias

2953

2954 Second.

2955

2956 [01:55:16.090] - Leo Vasquez

2957

2958 Motion made by Mr. Harper. Seconded by Ms. Farias. All those in
2959 favor say aye.

2960

2961 [01:55:22.250] - Board Members

2962

2963 Aye.

2964

2965 [01:55:22.630] - Leo Vasquez

2966

2967 Any opposed? Note my abstention.

2968

2969 [01:55:26.330] - Michael Beard

2970

2971 Thank you, so much.

2972

2973 [01:55:26.780] - Leo Vasquez

2974

2975 So 5-1, get them to get it done. Okay. I am having somebody
2976 whispering in my ear saying we need to back to 14, get out of order
2977 because the critically important Ms. Morales is back in here. But
2978 she's got to leave pretty soon here. So we're going to go Back to
2979 items 14 on the agenda, correct?

2980

2981 [01:55:59.680] - Bobby Wilkinson

2982 14. No, no 13.

2983

2984 [01:56:03.560] - Leo Vasquez

2985

2986 Item 13 on the agenda. Presentation, discussion, and possible
2987 action regarding the issuance of a Determination Notice for 4%
2988 Housing Tax Credits for Creek Bend Apartments in San Antonio. Ms.
2989 Morales.

2990

2991 [01:56:18.540] - Teresa Morales

2992

2993 Good afternoon, Teresa Morales Director of Multifamily Bonds. Item
2994 13 includes the issuance of a determination notice for Creek Bend
2995 Apartments. This is a 4% tax credit application where the private
2996 activity bonds will be issued by a local issuer the San Antonio
2997 Housing Trust, PFC. Normally, consideration of the issuance of a
2998 determination notice would not come before the Board. As part of
2999 the adoption of the streamline approach to local issuer 4% tax
3000 credit transactions in April of 2021, staff reserved flexibility
3001 on bringing these applications to the board if there were letters
3002 of opposition that were received and a desire of those individuals
3003 to address board directly or if a waiver of a QAP requirement was
3004 requested. The decision to issue a determination notice is before
3005 you because of letters of opposition that have been received from
3006 several from several elected officials as well as members of the
3007 community. Creek Bend Apartments proposes the new construction of
3008 312 units in San Antonio. Serving general population households at
3009 30%, 60% and 70% of the area median income. The application was
3010 submitted in July and while it has been under review, there have
3011 been opposition letters received from State Senator Donna

3012 Campbell, State Representative Mark Dorazio, Bexar County
3013 Commissioner Grant Moody and Dr. John Chapman, Superintendent for
3014 Comal ISD. Several letters of opposition have also been submitted
3015 from individual members of the community. The applicant also
3016 submitted a letter in response to some of that opposition. All of
3017 these letters are included in your board package. Staff has
3018 completed the program underwriting and compliance reviews and
3019 deems the application to have met the QAP requirements and is
3020 therefore recommending that a determination notice in the amount
3021 of \$4,972,498 and 4% housing tax credits be issued.

3022

3023 [01:58:22.270] - Leo Vasquez

3024

3025 Okay, so this is a 4% deal where we are not the bond issuer.

3026

3027 [01:58:27.970] - Teresa Morales

3028

3029 Correct.

3030

3031 [01:58:28.860] - Leo Vasquez

3032

3033 And again on 4% deals is not a competitive award. It's check all
3034 the boxes, dot all the i's, cross all the t's. The department
3035 automatically has to approve it. Well, I'm sure there are some
3036 exceptions as to if we deem something wasn't true or something
3037 like that.

3038

3039 [01:58:54.690] - Bobby Wilkinson

3040

3041 Yeah, we can't say like you have to vote staff recommendation
3042 necessarily. But yeah, it's. It's pretty much not quite ministerial
3043 but close.

3044

3045 [01:59:05.560] - Leo Vasquez

3046

3047 So as it's presented to us and this is still just a 4% determination
3048 saying if you get all your other stuff done and come back to us
3049 with your cost certification, then we establish the actual bond
3050 amount or the tax credit amount.

3051

3052 [01:59:29.150] - Teresa Morales

3053

3054 Correct. There is no legal requirement that a determination notice
3055 be issued. It's deemed by the industry to be a comfort letter of
3056 sorts that they can provide to their business partners indicating
3057 that the state allocating agency has looked at their application
3058 and has deemed it to have met the QAP requirements relating to
3059 threshold eligibility, underwriting, compliance and have
3060 determined a preliminary amount of tax credits that they could be
3061 eligible to receive. But then on the back end, when it comes back
3062 for cost certification, that's when we shore up, based on actual
3063 cost, the actual number or amount of 4% credits.

3064

3065 [02:00:07.090] - Leo Vasquez

3066

3067 Okay, so if anyone's trying to stop this project from proceeding
3068 forward, this isn't the right department that actually stops it.
3069 We're just, again, it's. If we were doing the bonds or doing other
3070 loan direct loans and stuff like that, maybe. But on the 4% notice,
3071 they're checking the boxes. We say, yes, you're eligible because
3072 you check the boxes.

3073

3074 [02:05:00.940] - Teresa Morales

3075

3076 In a way, we are a party to the transaction by allocating the or
3077 issuing a preliminary amount of credits to be eligible for.
3078 Typically in this type of situation, what I've done is refer
3079 individuals to the issuer. They're required to hold a public
3080 hearing to meet federal law. That is really the opportunity for
3081 individuals to make their comments known to the issuer, who is
3082 really the largest portion of the funding stack.

3083

3084 [02:06:31.570] - Leo Vasquez

3085

3086 Do any board members have questions for Ms. Morales on this? I'll
3087 get to public comment here in a second.

3088

3089 [02:06:38.930] - Kenny Marchant

3090

3091 Does the board have the authority to say no? Don't give them the
3092 comfort letter.

3093

3094 [02:06:46.880] - Beau Eccles

3095

3096 Yes.

3097

3098 [02:06:49.480] - Leo Vasquez

3099

3100 Do we need to support that?

3101

3102 [02:06:50.640] - Kenny Marchant

3103

3104 Basically, that's what you're asking us?

3105

3106 [02:06:52.220] - Leo Vasquez

3107 No, that's what the other speakers are about to ask us.

3108

3109 [02:06:55.370] - Teresa Morales

3110

3111 Staff is recommending that the determination notice be issued.

3112

3113 [02:06:59.610] - Kenny Marchant

3114

3115 If you give the comfort letter?

3116

3117 [02:07:01.360] - Teresa Morales

3118

3119 Correct.

3120

3121 [02:07:02.210] - Beau Eccles

3122

3123 And that's because the application has met everything in our rules

3124 that it says it has to be.

3125

3126 [02:07:09.460] - Teresa Morales

3127

3128 Correct.

3129

3130 [02:07:10.190] - Kenny Marchant

3131

3132 And the reason for the appearance is to just inform us of what's

3133 going on in the sense.

3134

3135 [02:07:18.850] - Teresa Morales

3136

3137 Correct. Correct. Transparency.

3138

3139 [02:07:20.390] - Kenny Marchant

3140

3141 Okay.

3142

3143 [02:07:21.990] - Leo Vasquez

3144

3145 Okay. If any members of the public wish to address the board on
3146 this, please come forward and sign in on the sheet and then
3147 identify who you're with. I'm curious, are there going to be
3148 multiple speakers here? okay.

3149

3150 [02:07:44.100] - Mason Brand

3151

3152 Good afternoon. I'm Mason Brand, a retired Marine Corps officer,
3153 a husband and father of two children, and I live in the area. We
3154 have 5,256 signatures on our Change.Org petition accounting
3155 against this project. This is supported by the strong letters of
3156 opposition from Representative Dorazio, Senator Campbell, Bear

3157 County Commissioner, Grant Moody, and even Comal I.S.D.
3158 Superintendent Dr. John Chapman. There's no school busses provided
3159 in this area. There's no sidewalks on highly dangerous Borgfeld
3160 Drive. Should the future children in these apartments walk to
3161 schools in the heat, the rain, the cold, or the shoulders of highly
3162 dangerous Borgfeld Drive during peak traffic hours with this twist,
3163 this turns, and his blind spots? The two driveways planned for
3164 this project are subject of highly dangerous vehicular blind spots
3165 being presented from the frontage road onto Borgfeld Drive, with
3166 blind spots brought on both sides of the steep hill in front of
3167 the project. People are going to be put at an unacceptable
3168 increased risk for traffic accidents at this location because of
3169 this traffic quagmire. Additionally, our parents will not stand
3170 for San Antonio City via busses coming in and out of our local
3171 Comal I.S.D. schools. When there can be no guarantee that criminal
3172 elements will not end up on these public bus routes and into our
3173 campuses. This is supported Dr. Chapman's letter. The
3174 environmental site assessment reeks of poisoning any future
3175 occupants of these apartments. The 37-acre property runs all
3176 downhill on a steep grade slope northward immediately into Cibolo
3177 Creek, a contributing zone to the Edwards Aquifer you mentioned
3178 the Houston Housing Authority being raided in October by the FBI

3179 and HUD, Inspector General's office, because a similar project was
3180 planned on top of toxic ash that was deemed acceptable. Although
3181 the Creek Bend Environmental Site Assessment remarks, some of these
3182 toxin levels are acceptable, three are not marked acceptable, and
3183 none of these should be marked acceptable as it's right next to
3184 Cibolo Creek. As an example, polychlorinated biphenyls are highly
3185 carcinogenic and can stunt reproductive system development in
3186 adolescents. There's also a radon gas being emitted from the
3187 ground, according to the report. This property basically was used
3188 as a landfill, and now we know that TCEQ is conducting an
3189 investigation into this property. Pedcor and the San Antonio
3190 Housing Trust should have had the environmental site assessment
3191 performed before they purchased the property. I thank you for your
3192 time.

3193

3194 [02:10:12.220] - Leo Vasquez

3195

3196 Mr. Brand, thank you for being here. Thank you for your persistent
3197 communications. They have been reaching the Department and the
3198 board. Again, as I was trying to explain before, and that works
3199 with the same thing with the Houston project you referenced.
3200 Unfortunately, the way the tax credit process works, this

3201 particular type of tax credit and the process we're not the right
3202 group that can stop this. All those other bond issuers and
3203 financiers, and TCEQ, and those are the groups that can do it. If
3204 this was a 9% application, all those factors brought up could
3205 really have impact. But unfortunately, the way this is right now,
3206 we're not the, there's not a whole lot of leeway that we can do
3207 unless we start breaking some rules. Mr. Marchant?

3208

3209 [02:11:09.640] - Kenny Marchant

3210

3211 Is the property zoned for the purpose they're intended to use it?

3212

3213 [02:11:14.750] - Mason Brand

3214

3215 My understanding is it was rezoned when they convinced the property
3216 owner to allow the city to rezone it for multifamily housing. Then
3217 once that was completed, they then purchased the property.

3218

3219 [02:11:28.980] - Kenny Marchant

3220

3221 It's in the Comal district?

3222

3223 [02:11:31.020] - Mason Brand

3224

3225 To be accurate, because I know not all of you may be familiar with
3226 that area, this is in Northern Bexar County. The city of San
3227 Antonio annex 1,000 feet to the left and 1,000 feet to the right
3228 of 2D1, mostly against people's will. Prior It's hard to House
3229 Bill 347 passing. Either way, the circumstances exist as it is.
3230 The area is zoned for Comal independent school districts, and
3231 there's a long history behind why other school districts in that
3232 area did not provide schools in Northern Bexar County.

3233

3234 [02:12:01.880] - Kenny Marchant

3235

3236 I understand what I'm... I'll get right to my question. I'm sorry.
3237 It's zoned apartment. If they weren't seeking 4% credits that we
3238 basically are given that responsibility by the federal government,
3239 they could build an apartment complex. They're just a market
3240 apartment complex.

3241

3242 [02:12:28.820] - Mason Brand

3243

3244 Sure. Our community Our community would still be opposed to it.

3245

3246 [02:12:31.540] - Kenny Marchant

3247

3248 I understand that.

3249

3250 [02:12:31.970] - Mason Brand

3251

3252 Yes, sir.

3253

3254 [02:12:33.570] - Kenny Marchant

3255

3256 I totally understand that, but I'm trying to get that straight in
3257 my mind.

3258

3259 [02:12:37.850] - Mason Brand

3260

3261 Yes, sir.

3262

3263 [02:12:38.610] - Kenny Marchant

3264

3265 Us saying no doesn't stop apartments from going there.

3266

3267 [02:12:42.900] - Mason Brand

3268

3269 No, because the city of San Antonio has rezoned the property for
3270 multifamily housing, and our community would be opposed to the
3271 project regardless.

3272

3273 [02:12:52.340] - Kenny Marchant

3274

3275 I understand. Thank you.

3276

3277 [02:12:55.680] - Leo Vasquez

3278

3279 Okay. Thank you. Again, we appreciate your comments. Again, Teresa,
3280 staff's recommendation is just to issue the determination of this
3281 at this time, correct?

3282

3283 [02:13:05.530] - Teresa Morales

3284

3285 That's correct.

3286

3287 [02:13:06.710] - Leo Vasquez

3288

3289 Okay. Anyone care to make a motion on... Oh, do we... Well, the
3290 motion is asking for staff's determination to bring up the issue
3291 that's in. Anything else you say could only work against? Okay.

3292 Anyone care to make a motion?

3293

3294 [02:13:30.710] - Cindy Conroy

3295

3296 I move the board to approve the issuance of a determination notice
3297 for 4% Housing Tax Credits for Creek Bend Apartments. All is
3298 described, conditioned, and authorized in the board action
3299 request, resolution and associated documents on this item.

3300

3301 [02:13:44.040] - Holland Harper

3302

3303 Second.

3304

3305 [02:13:44.600] - Holland Harper

3306

3307 Motion made, by Ms. Conroy, seconded by Mr. Harper. All those in

3308 favor say, Aye.

3309

3310 [02:13:48.000] - Holland Harper

3311

3312 Aye.

3313

3314 [02:13:48.550] - Ajay Thomas

3315

3316 Aye.

3317

3318 [02:13:48.690] - Leo Vasquez

3319

3320 Any opposed?

3321

3322 [02:13:50.510] - Kenny Marchant

3323

3324 Mr. Chairman, I'd like to be shown as abstaining.

3325

3326 [02:13:54.820] - Leo Vasquez

3327

3328 Okay, so Five-Four.

3329

3330 [02:13:56.500] - Anna Farias

3331

3332 No. Mr. Chairman, my vote is no.

3333

3334 [02:14:01.020] - Leo Vasquez

3335

3336 Four in favor.

3337

3338 [02:14:04.130] - Holland Harper

3339

3340 Four, one, one.

3341

3342 [02:14:05.390] - Leo Vasquez

3343

3344 One opposed, one abstention. Motion carries. All right. Thank you
3345 all. So new. Ms. Morales is up in another legislative hearing, so
3346 we're going to go out of order again. That jumps us back to 25. Is
3347 that correct? Anyone see the numbers? So we are pulling at this
3348 point. Can anyone else do the presentation? We are pulling 25
3349 through 30. Okay. So items 25 through 30 are being pulled from
3350 today's agenda. Just scanning ahead here to see where we are. Okay,
3351 so we're back to 31, the agenda for everyone. Presentation,
3352 discussion, and possible action on a request for return and
3353 reallocation of tax credits under 10 TAC §11.6(5) related to Credit
3354 Returns Resulting from Force Majeure Events for Avanti Legacy Del
3355 Sol. We're back.

3356

3357 [02:14:05.390] - Josh Goldberger

3358

3359 Item 31. Hello again. Item 31, Concerns: Avanti Legacy Del Sol, an
3360 84-unit elderly development in Brownsville. Originally awarded in
3361 2023, the project has been delayed by a funding gap caused by
3362 increased interest rates and unfavorable credit pricing. In order
3363 to remain feasible, the applicant has extensively redesigned the
3364 project and introduced an affiliate of the Housing Authority of
3365 the City of Brownsville into the ownership structure. These items

3366 were presented to this board earlier today as a material amendment.
3367 While these changes are expected to offset the financial shortfall,
3368 they have extended the project's pre-development and construction
3369 timelines. The applicant now expects to close in early December
3370 and start construction in February with a 16-18-month schedule.
3371 With this timeline, the project should place in service during the
3372 summer of 2026, but to provide a buffer of several months, the
3373 applicant is requesting a full year extension of the place in
3374 service deadline to December of 2026. Staff recommends approval
3375 and representatives of the development are present should you have
3376 any specific questions.

3377

3378 [02:16:49.590] - Leo Vasquez

3379

3380 Okay. Let me know if we need to have the applicant representatives
3381 talk. What else is pending for approvals on this project?

3382

3383 [02:17:04.320] - Josh Goldberger

3384

3385 Nothing from the Department.

3386

3387 [02:17:05.640] - Leo Vasquez

3388

3389 Okay. What outside the Department? Funding?

3390

3391 [02:17:10.320] - Josh Goldberger

3392

3393 No funding that I'm aware of. I don't believe they're permit ready

3394 quite yet, but I know that they've submitted that.

3395

3396 [02:17:17.660] - Leo Vasquez

3397

3398 Okay, but there's no big structural financing that-

3399

3400 [02:17:20.740] - Josh Goldberger

3401

3402 Nothing that's been related to me now.

3403

3404 [02:17:22.000] - Leo Vasquez

3405

3406 More from the local jurisdictions?

3407

3408 [02:17:25.050] - Josh Goldberger

3409

3410 Yes. And the applicant can correct me on that, but nothing of that
3411 nature has been related to us in the request.

3412

3413 [02:17:29.560] - Leo Vasquez

3414

3415 Let's have Mr. Flores come up here to speak.

3416

3417 [02:17:32.650] - Henry Flores

3418

3419 Commission, Chairman, Members, thank you for the opportunity. I
3420 represent the partnership as now the special limited partner given
3421 the adoption of the previous motion.

3422

3423 [02:17:40.440] - Leo Vasquez

3424

3425 Who are you?

3426

3427 [02:17:41.140] - Henry Flores

3428

3429 I'm Henry Flores. I'm the President of Madhouse Development. In
3430 response to your questions, we are prepared to close. We've
3431 actually established a closing date, not in early December, but
3432 December 20th. Representatives of the new owner are present, the
3433 CEO for the Brownsville Housing Authority, as well as the CFO for
3434 the housing board, Miguel Lourta. We submitted actually for our
3435 permits. We're hoping to get a permit back in the next couple of
3436 days and then be able to close on December 20th. But we have a
3437 confirmed closing date. Our investor and our lenders have been
3438 selected and are in place already.

3439

3440 [02:18:16.970] - Leo Vasquez

3441

3442 You got the investors in?

3443

3444 [02:18:18.570] - Henry Flores

3445

3446 The Royal Bank of Canada is the investor and Stiller Bank out of
3447 Houston is the bank, is the lender.

3448

3449 [02:18:24.180] - Leo Vasquez

3450

3451 Okay, but they have everything approved?

3452

3453 [02:18:25.900] - Henry Flores

3454

3455 Yes, sir. We've gone to committee, and we're approved.

3456

3457 [02:18:28.740] - Leo Vasquez

3458

3459 So Are you in the process of already getting the docs papered up
3460 yet? I assume so.

3461

3462 [02:18:36.660] - Henry Flores

3463

3464 I don't know that definitively. I would hate to not answer it
3465 correctly.

3466

3467 [02:18:41.120] - Alyssa Flores

3468

3469 Good afternoon. My name is Alyssa Flores with Madhouse Development.

3470 I have been the lead project manager on this deal, but senior is

3471 correct. We are getting loan docs this week, hopefully tomorrow.

3472 Our limited partnership agreement is supposed to come in next week.

3473 A draft, I'm sorry.

3474

3475 [02:19:00.340] - Leo Vasquez

3476

3477 Okay. There's nothing left for some committee to approve or the

3478 city housing authority to approve?

3479

3480 [02:19:06.640] - Henry Flores

3481

3482 No, that's correct. Everything's been approved. The housing

3483 authority has taken the official action. The city has reviewed the

3484 matter and concurred with the support of us. The Both the lender

3485 and the investor have gone to committee and approved.

3486

3487 [02:19:18.220] - Leo Vasquez

3488

3489 If all this stuff comes together on December 20th, you're just
3490 waiting for city permits before you can start breaking grounds?

3491

3492 [02:19:26.500] - Henry Flores

3493

3494 That's correct. Yes, sir.

3495

3496 [02:19:28.090] - Holland Harper

3497

3498 Mr. Flores.

3499

3500 [02:19:28.840] - Leo Vasquez

3501

3502 I'm sorry. Mr. Harper.

3503

3504 [02:19:30.110] - Holland Harper

3505

3506 So I look at your schedule here. These credits were issued to you
3507 in '23, is that correct? Yes, sir. That's correct. I don't see any
3508 activity on your schedule until the earliest date is 6/1/2024.

3509 Before? What happened before that? Can you speak to that?

3510

3511 [02:19:48.020] - Alyssa Flores

3512

3513 That's a good question. And really, when we created that timeline,
3514 it was not necessarily to look at the begin dates, but to look at
3515 the end dates. We did start development early in 2023. We started
3516 the zoning process. Actually, the site was zoned. We started the
3517 plat process, the design process, all in 2023. We got drawings
3518 done by the fall of 2023. Preliminary pricing came back. We had to
3519 go back and redesign. So that was all in the fall of 2023. 2024,
3520 we did our redesign. We started our flat entitlement process with
3521 the city based on the new site plan and have since been trying to
3522 get through our entitlements and our permit process and get our
3523 lender lined up.

3524

3525 [02:20:30.320] - Henry Flores

3526

3527 I would point out, Mr. Harper, that the redesign resulted in that
3528 amendment request and some things that were changed in the
3529 property, and that has been approved already.

3530

3531 [02:20:41.990] - Holland Harper

3532

3533 I would request that you're going to ask for Force Majeure. I've
3534 asked about, I don't know, four months ago for timelines. Present
3535 your story better than we started in June.

3536

3537 [02:20:59.670] - Alyssa Flores

3538

3539 Sure. That's fair.

3540

3541 [02:21:00.310] - Henry Flores

3542

3543 No, absolutely. We'll note that for the future. We actually
3544 received three allocations in that particular year where we were
3545 able to close one. These two would have resulted in perhaps a unit
3546 reduction, and we did not want to reduce units. There's this
3547 tremendous demand for elderly housing in Brownsville, which is why
3548 we chose to partner with the local housing authorities. There's
3549 two items. They present two Force Majeure. The second deal, even
3550 though that hasn't been presented, is also going to involve

3551 ownership change. We're bringing the Cameron County Housing
3552 Authority to that transaction.

3553

3554 [02:21:30.810] - Leo Vasquez

3555

3556 Mr. Marchant?

3557

3558 [02:21:32.000] - Kenny Marchant

3559

3560 Does this granting a Force Majeure Force majeure influence your
3561 closing?

3562

3563 [02:21:40.020] - Kenny Marchant

3564

3565 No, sir.

3566

3567 [02:21:41.060] - Kenny Marchant

3568

3569 So that we can... Once you've closed, then we can have a meeting
3570 and grant the Force Majeure.

3571

3572 [02:21:47.480] - Alyssa Flores

3573

3574 You know why we're here today is for RBC, honestly. Our investor
3575 does not like to close without confirmation that you've received
3576 your Force Majeure.

3577

3578 [02:21:57.900] - Kenny Marchant

3579

3580 So, it is contingent on us.

3581

3582 [02:22:00.070] - Henry Flores

3583

3584 Yes, I misanswered the question. Yes, sir. It is a request from
3585 RBC because if we do the math, it's going to take us past the
3586 deadline. They want a four-month margin of error for construction.
3587 Construction in Texas is running long on almost every single
3588 transaction, not just ours, but everybody.

3589

3590 [02:22:15.210] - Kenny Marchant

3591

3592 Okay, so back to my original question. Your closing is contingent
3593 on us giving you Force Majeure?

3594

3595 [02:22:23.180] - Alyssa Flores

3596

3597 Yes,

3598

3599 [02:22:23.180] - Henry Flores

3600

3601 Yes, sir. That's correct.

3602

3603 [02:22:24.660] - Kenny Marchant

3604

3605 Or they won't close.

3606

3607 [02:22:26.690] - Alyssa Flores

3608 Correct.

3609

3610 [02:22:26.430] - Henry Flores

3611

3612 That's correct.

3613

3614 [02:22:34.510] - Leo Vasquez

3615

3616 Do any other board members have questions on this?

3617

3618 [02:22:40.880] - Henry Flores

3619

3620 Mr. Chairman, members, thank you.

3621

3622 [02:22:43.480] - Leo Vasquez

3623

3624 Hang on. I thank you either way. One little comment to make on the

3625 let's get the vote or see if we get a motion.

3626

3627 [02:22:54.130] - Anna Farias

3628

3629 Mr. Chairman, I'm ready.

3630

3631 [02:22:55.730] - Leo Vasquez

3632

3633 Ms. Farias.

3634

3635 [02:22:56.960] - Anna Farias

3636

3637 I move the board grant the requested to treatment under an
3638 application of the Force Majeure rule to Avanti Legacy Del Sol.
3639 All is described, conditioned, and authorized in the board action
3640 request, resolution, and associated documents on this item.

3641

3642 [02:23:14.990] - Leo Vasquez

3643

3644 Is there a second?

3645

3646 [02:23:18.250] - Ajay Thomas

3647

3648 Second, Mr. Chairman.

3649

3650 [02:23:20.160] - Leo Vasquez

3651

3652 Motion made by Ms. Farias to approve. Mr. Thomas, seconds. All
3653 those in favor say, Aye.

3654

3655 [02:23:27.200] - Anna Farias

3656

3657 Aye.

3658

3659 [02:23:27.930] - Ajay Thomas

3660

3661 Aye.

3662

3663 [02:23:30.610] - Leo Vasquez

3664

3665 I think it's Aye. Pardon?

3666

3667 [02:23:32.760] - Kenny Marchant

3668

3669 I'm going to abstain, and I have a comment after.

3670

3671 [02:23:37.350] - Leo Vasquez

3672

3673 Okay.

3674

3675 [02:23:37.800] - Holland Harper

3676

3677 I'm going to abstain also.

3678

3679 [02:23:39.930] - Leo Vasquez

3680

3681 Ms. Conroy, how did you vote?

3682

3683 [02:23:43.820] - Leo Vasquez

3684

3685 For what? Keep me off.

3686

3687 [02:23:44.920] - Leo Vasquez

3688

3689 Okay, all right. So.

3690

3691 [02:23:46.980] - Beau Eccles

3692

3693 Three eyes,

3694

3695 [02:23:49.260] - Leo Vasquez

3696

3697 So, three eyes, that's not enough, right?

3698

3699 [02:23:50.960] - Beau Eccles

3700

3701 Correct. That's not going to pass the motion.

3702

3703 [02:23:54.890] - Leo Vasquez

3704

3705 Four eyes and two abstentions?

3706

3707 [02:23:58.260] - Holland Harper

3708

3709 Right.

3710

3711 [02:24:01.030] - Leo Vasquez

3712

3713 Four, zero, one. So motion carries. Okay, Mr. Marchant.

3714

3715 [02:24:06.860] - Kenny Marchant

3716

3717 Yeah, my only comment is that. The year is my... I'd have been
3718 happy to grant them a 90 day or something. So they get closed.
3719 Make it contingent on closing in the year. But I am understanding
3720 his explanation.

3721

3722 [02:24:26.490] - Leo Vasquez

3723

3724 The only comment I want to add, I forget which one of you answered
3725 Mr. Harper when he said, we want to see more detailed timelines.

3726

3727 [02:24:39.300] - Henry Flores

3728

3729 Understood.

3730

3731 [02:24:39.960] - Leo Vasquez

3732

3733 And you all said, Next time.

3734

3735 [02:24:42.120] - Alyssa Flores

3736

3737 There is no next time. We are next.

3738

3739 [02:24:45.780] - Leo Vasquez

3740

3741 That's the right answer.

3742

3743 [02:24:46.670] - Alyssa Flores

3744

3745 We are next.

3746

3747 [02:24:47.510] - Leo Vasquez

3748

3749 We are going to make sure to work as hard as possible.

3750

3751 [02:24:51.540] - Henry Flores

3752

3753 Oh, no, absolutely.

3754

3755 [02:24:52.040] - Leo Vasquez

3756

3757 To make sure there is not a next time.

3758

3759 [02:24:53.760] - Henry Flores

3760

3761 No, as a point of clarity, and again, I apologize for misspeaking,

3762 I was referring to Avanti Legacy Lyon which is coming next month,

3763 and we'll provide a much more expensive timeline for that one.

3764

3765 [02:25:03.780] - Alyssa Flores

3766

3767 And he does say that, but we are next on the agenda.

3768

3769 [02:25:05.990] - Henry Flores

3770

3771 Oh, I guess hopefully we'll be accepted.

3772

3773 [02:25:08.750] - Leo Vasquez

3774

3775 Okay, all right. I guess you all can stay there for now.

3776

3777 [02:25:13.980] - Alyssa Flores

3778

3779 Yes, sir.

3780

3781 [02:25:15.310] - Leo Vasquez

3782

3783 Okay, so item 32 of the agenda. Presentation, discussion, and
3784 possible action on a request for return and reallocation of tax
3785 credits under 10 TAC §11.6(5) related to Credit Returns Resulting
3786 from Force Majeure Events for Candlewood Village. Mr. Goldberger.

3787

3788 [02:25:35.000] - Alyssa Flores

3789

3790 Just kidding. That's not me. I think you skipped one item. Sorry.

3791

3792 [02:25:38.950] - Leo Vasquez

3793

3794 We skipped?

3795

3796 [02:25:39.320] - Josh Goldberger

3797

3798 The number 32.

3799

3800 [02:25:42.550] - Leo Vasquez

3801

3802 We just did it on Legacy Lyon.

3803

3804 [02:25:44.330] - Josh Goldberger

3805

3806 No, they did 31. There's two Avanti Legacy on the agenda.

3807

3808 [02:25:47.770] - Leo Vasquez

3809

3810 That was Avanti Legacy Lyon.

3811

3812 [02:25:49.080] - Beau Eccles

3813

3814 Del Sol.

3815

3816 [02:25:50.000] - Leo Vasquez

3817

3818 Wait, I'm sorry. I see my mistake.

3819

3820 [02:25:53.440] - Anna Farias

3821

3822 No worries. We're never branding again.

3823

3824 [02:25:54.740] - Leo Vasquez

3825

3826 I have multiple windows open. Okay, 32. I apologize. Everything I
3827 said before, except it's for Avanti Legacy Lyon.

3828

3829 [02:26:07.835] - Henry Flores

3830

3831 Del Sol.

3832

3833 [02:26:08.150] - Alyssa Flores

3834

3835 No, Lyon.

3836

3837 [02:26:10.300] - Leo Vasquez

3838

3839 Lyon. L-y-o-n. Mr. Goldberg.

3840

3841 [02:26:14.020] - Josh Goldberger

3842

3843 Yes. Item 32 concerns Avanti Legacy Lyon. Which is an application
3844 in almost identical circumstances as our previous request. This is
3845 also an 84-unit elderly development in Brownsville that is proposed
3846 by the same applicant. Just as Avanti Legacy to Del Sol. A funding
3847 gap required a material amendment. This particular amendment
3848 request just came in a little bit later than the previous force
3849 majeure, so it is still under review by staff, and we are not quite
3850 able to get it to the November meeting. I will say it does appear
3851 to be basically the same proposed changes as the amendment to Del
3852 Sol. Again, these developments are essentially identical. That
3853 will be taken before this board in December, but we were able to

3854 take the force majeure request to this meeting. The request is the
3855 same as the previous item, and again, staff recommends approval.

3856

3857 [02:27:04.070] - Leo Vasquez

3858

3859 So were we separately doing the ownership change?

3860

3861 [02:27:10.650] - Josh Goldberger

3862

3863 The whole material amendment will be taken to the December meeting,
3864 and that will contain the ownership change and all the design
3865 changes. So today is just the force majeure for this particular
3866 project.

3867

3868 [02:27:21.260] - Leo Vasquez

3869

3870 Why aren't we doing this all in the same meeting?

3871

3872 [02:27:23.320] - Alyssa Flores

3873

3874 I can answer that for you. Again, Alyssa Flores is in the Madhouse
3875 development. I represent the developer on this deal. We have a 10%
3876 test deadline of 12/1, and unfortunately, we have to come up before
3877 that 12/1 deadline, and that's why we were today. Otherwise, it
3878 would have definitely been all one agenda item.

3879

3880 [02:27:42.010] - Leo Vasquez

3881

3882 And are we waiting for Are we waiting for other outside groups to
3883 give approvals? What are we waiting for after?

3884

3885 [02:27:51.710] - Henry Flores

3886

3887 No, sir. Again, the primary change between this transaction and
3888 the one that was just previously discussed is that rather than
3889 working with the Brownsville Housing Authority, we're working with
3890 the Cameron County Housing Authority. That's one of the big
3891 changes. The thing that may delay this in probably 30 to 60 days
3892 more than Del Sol is an issue with the utility company. We are at
3893 a location where the Brownsville Public Utility Board and AEP,
3894 another utility provider, overlap. We're going to get our services

3895 from Brownsville Public Utility Board, but they have to request
3896 permission because of the overlap from the Public Utility
3897 Commission. They anticipate that that may delay us up to 60 days,
3898 even though we're calling folks, some friends, to see if we can
3899 get that expedited. It should be a perfunctory review, but
3900 nonetheless, it may delay us another 30 to 60 days. The Del Sol is
3901 scheduled to closed in December. This one is scheduled in January,
3902 but it may step to February, depending on the response of the PUD.

3903

3904 [02:28:52.880] - Leo Vasquez

3905

3906 Board members have questions on this side.

3907

3908 [02:28:55.840] - Anna Farias

3909

3910 I do. Chairman Flores, as I say chairman, because as I recall, you
3911 were the very first chairman at TDCHA many, many months ago. When
3912 I was running-

3913

3914 [02:29:09.630] - Leo Vasquez

3915

3916 It was Edy.

3917

3918 [02:29:10.310] - Henry Flores

3919 That's right, just Edy.

3920

3921 [02:29:15.480] - Anna Farias

3922

3923 I used to run the Housing Authority in Crystal City. Question.

3924 I've seen the quality of elderly housing that the Brownsville

3925 people do, and they look like condominiums. Just top notch

3926 everything, and they're gated. Cameron County. Is it going to be

3927 kinda similar?

3928

3929 [02:29:39.530] - Henry Flores

3930

3931 It's going to be identical.

3932

3933 [02:29:40.780] - Anna Farias

3934

3935 All right.

3936

3937 [02:29:41.380] - Henry Flores

3938

3939 But the plans are very similar. The amendment request is very
3940 similar, if not identical.

3941

3942 [02:29:48.850] - Anna Farias

3943

3944 You know my mantra is safe, decent, and affordable.

3945

3946 [02:29:52.150] - Henry Flores

3947

3948 Absolutely.

3949

3950 [02:29:52.620] - Anna Farias

3951

3952 Safe and decent being overall.

3953

3954 [02:29:54.860] - Henry Flores

3955

3956 Now, Brownsville Housing Authority has done an extraordinary job.
3957 The deal we're doing with them will actually be our We didn't deal
3958 with them. We did one back in 2012. We're part of that portfolio
3959 that you're referencing.

3960

3961 [02:30:06.990] - Leo Vasquez

3962

3963 This is Cameron?

3964

3965 [02:30:08.250] - Henry Flores

3966

3967 Cameron County, yes. In the city of Brownsville, though.

3968

3969 [02:30:11.210] - Leo Vasquez

3970

3971 I'm just happy to see that this group doing a project actually in
3972 Cameron County.

3973

3974 [02:30:15.806] - Anna Farias

3975

3976 They need it.

3977

3978 [02:30:16.940] - Henry Flores

3979

3980 They do.

3981

3982 [02:30:20.680] - Leo Vasquez

3983

3984 Okay. Again, do any other board members have questions on this

3985 side? We're asking for how long is the?

3986

3987 [02:30:26.810] - Josh Goldberger

3988

3989 One year, again. Same thing.

3990

3991 [02:30:27.380] - Leo Vasquez

3992

3993 This one's a full year because we're still waiting another 60 days.

3994

3995 [02:30:31.380] - Henry Flores

3996

3997 That's correct. Yes, sir.

3998

3999 [02:30:37.200] - Leo Vasquez

4000

4001 Anyone care to make a motion?

4002

4003 [02:30:39.400] - Ajay Thomas

4004

4005 Mr. Chairman, I move the board grant the request of treatment under
4006 an application of the force mature rule to Avanti Legacy Lyon. All
4007 is described, conditioned and authorized to the board action
4008 request, resolution, and associated documents on this item.

4009

4010 [02:30:50.006] - Cindy Conroy

4011

4012 I'll second.

4013

4014 [02:30:50.330] - Leo Vasquez

4015

4016 Motion made by Mr. Thomas, seconded by Ms. Conroy. All those in
4017 favor say Aye.

4018

4019 [02:30:56.230] - Board Members

4020

4021 Aye.

4022

4023 [02:30:57.240] - Leo Vasquez

4024

4025 Any opposed?

4026

4027 [02:30:58.031] - Holland Harper

4028

4029 Abstain.

4030

4031 [02:30:58.220] - Leo Vasquez

4032

4033 Abstaining. So Five, Zero, and One. Motion carries.

4034

4035 [02:31:04.940] - Alyssa Flores

4036

4037 Thank you.

4038

4039 [02:31:05.580] - Henry Flores

4040

4041 Mr. Chairman, Members, thank you very much. Thank you.

4042

4043 [02:31:08.630] - Leo Vasquez

4044

4045 I just want to say for the board and the community here, the
4046 importance of not having amorphous, ill, undetermined dates in the
4047 future. This was, in my mind, borderline on... Because the date is
4048 still undetermined when we're going to get those final. I think I
4049 heard approvals, but...

4050

4051 [02:31:39.440] - Kenny Marchant

4052

4053 It'll be bad. Just in general, in timelines.

4054

4055 [02:31:44.680] - Leo Vasquez

4056

4057 Yes, Mr. Harper?

4058

4059 [02:31:47.240] - Holland Harper

4060

4061 Mr. Goldberg, Mr. Campbell. I really want schedules from the time
4062 you were issued to the current. That's a giant years of no activity
4063 does not impress.

4064

4065 [02:31:58.180] - Josh Goldberger

4066

4067 Understood.

4068

4069 [02:32:03.500] - Leo Vasquez

4070

4071 I'm sure speaking for the whole board, we all agree with that.

4072

4073 [02:32:07.250] - Josh Goldberger

4074

4075 Absolutely.

4076

4077 [02:32:08.050] - Leo Vasquez

4078

4079 Okay. 33, correct? 33 on the agenda. Presentation, discussion, and
4080 possible action on a request for return and reallocation of tax
4081 credits under 10 TAC §11.6(5) related to Credit Returns Resulting
4082 from Force Majeure Events for Candlewood Village. Mr. Goldberger.
4083

4084 [02:32:30.550] - Josh Goldberger

4085

4086 All right. Our next two requests concern Candlewood Village and
4087 Country Villa, two applications awarded in 2023 that propose the
4088 rehabilitation of USDA rural development properties. The
4089 circumstances of these two requests are basically identical, but
4090 we will nonetheless take them one by one. Candlewood Village is a
4091 24-unit elderly development originally constructed in 1991. It is
4092 located in Frankston, Anderson County. The project has encountered
4093 significant delays due to difficulties closing the acquisition
4094 transfer of the property with USDA. The applicant has related in
4095 their request that the transfer process was started in February of
4096 2023 before the application was submitted to the Department, and
4097 that the USDA was in receipt of their full application by October
4098 of that year. The applicant has provided a letter from USDA
4099 substantiating this timeline. Indicating that they've been doing
4100 their due diligence here. But nonetheless stating that closing is

4101 not expected until February of next year. It seems that this
4102 process has simply taken longer than usual following a recent
4103 reorganization at USDA. Without finalizing the transfer, the
4104 application cannot meet its 10% test timely and cannot start
4105 construction. Which puts the place in service deadline in jeopardy.
4106 Staff recommends approval of this request. I'm available for any
4107 questions, and again, representatives of the development are
4108 present.

4109

4110 [02:33:56.170] - Leo Vasquez

4111

4112 Do we have a more firm timeline at this point? When do we expect
4113 USDA's final sign off?

4114

4115 [02:34:08.280] - Josh Goldberger

4116

4117 We have a letter from USDA that states February of 2025.

4118

4119 [02:34:14.220] - Leo Vasquez

4120

4121 That's when they expect to issue their final approval?

4122

4123 [02:34:19.060] - Josh Goldberger

4124

4125 That is my understanding, yes.

4126

4127 [02:34:20.810] - Leo Vasquez

4128

4129 But it has not been finally approved as of now?

4130

4131 [02:34:24.470] - Josh Goldberger

4132

4133 I believe so, yes. However, the applicant cannot meet its 10% test
4134 without the force Majeure, which is why we're in this situation
4135 with these two USDA rehabs.

4136

4137 [02:34:36.200] - Leo Vasquez

4138

4139 That's December?

4140

4141 [02:34:37.570] - Josh Goldberger

4142

4143 I believe so, yes.

4144

4145 [02:34:38.610] - Leo Vasquez

4146

4147 Is there anything else that is pending? We extend their time, and
4148 the USDA issues their February letter at that point, is there any
4149 other financing in their city? We're behind this, letters that
4150 need to be done?

4151

4152 [02:35:08.720] - Josh Goldberger

4153

4154 The applicant can speak to specifics, but in the request letter,
4155 this was the sole reason given for the delay of this project.

4156

4157 [02:35:15.210] - Leo Vasquez

4158

4159 Maybe we can hear from the-

4160

4161 [02:35:17.470] - Anna Farias

4162

4163 Mr. Chairman, can I ask for a second? I missed the reason why the
4164 delay at agriculture. What's going on in agriculture?

4165

4166 [02:35:28.160] - Dennis Hoover

4167

4168 Hi, I'm Dennis Hoover, and I represent these two Candlewood
4169 Village, and the facts were the same for Country Villa Apartments.

4170

4171 [02:35:36.570] - Leo Vasquez

4172

4173 I'm sorry, are you a consultant or a developer?

4174

4175 [02:35:39.100] - Dennis Hoover

4176

4177 Owner, developer, manager, builder.

4178

4179 [02:35:43.340] - Leo Vasquez

4180

4181 I understand.

4182

4183 [02:35:43.750] - Dennis Hoover

4184

4185 This is not unusual. I mean since their reorganization where they
4186 disbanded the state offices. Now everything is a regional-
4187 national, this is, I guess, the third time we've been in a force
4188 Majeure on identical USDA rural development properties. I looked
4189 at the last one that we did. From the time you go through it, you
4190 go through application, several months. You go through
4191 underwriting, several months. And then it's handed to the closing
4192 department, which these two are now. And that's everything's done.
4193 Everything's approved. Everything's ready to go. The last one, it
4194 took them six months before they issued closing instructions.

4195

4196 [02:36:41.590] - Leo Vasquez

4197

4198 Them USDA or them TDHCA?

4199

4200 [02:36:44.280] - Dennis Hoover

4201

4202 No, USDA.

4203

4204 [02:36:44.750] - Leo Vasquez

4205

4206 Alright, Thank you.

4207

4208 [02:36:44.960] - Dennis Hoover

4209

4210 So it's not unusual. It's going to continue until something
4211 changes. I don't know. I may be here next year, not on this one,
4212 but on the next year.

4213

4214 [02:36:58.660] - Anna Farias

4215

4216 But, Mr. Chairman, the reason When I asked that, he said, Well,
4217 there's constant refutations. Well, sir, I served in the Feds 25
4218 years, and I went through five different administrations. So that
4219 if they're telling you that you might have it in February,
4220 something is going to happen on the 20th. And even before that,
4221 sir, there's going to be enormous people that are going to be
4222 leaving and reshuffling. And what is guarantee that you're going
4223 to get a letter saying, go. As I said, I've been there four times
4224 when we had to pack and pack, pack and pack. I know exactly what's

4225 happening right now. A lot of packing. A lot of your career people
4226 are trying to come and disappear. But that is reality. That's why
4227 I'm asking, what is that assurance? They're going to give you,
4228 anybody's going to give you a letter in February. If there are a
4229 lot of acting directors, they say, we don't have the authority.
4230 And that's bad. Agriculture has always been bad. I worked at HUD
4231 for 12 years. It was always agriculture who delayed, delayed,
4232 delayed, and now it's going to get worse.

4233

4234 [02:38:18.100] - Leo Vasquez

4235

4236 Thank you for your personal statement.

4237

4238 [02:38:20.330] - Anna Farias

4239

4240 I lived through this, sir. I lived through this. I'm not trying to
4241 work with agriculture. Oftentimes, the only time we were able to
4242 work with them was at Colonia's. And that was because the President
4243 of the United States had the Secretary of HUD call the Secretary
4244 of Agriculture, and they were able to work together for four
4245 months. And that's just reality.

4246

4247 [02:38:48.280] - Bobby Wilkinson

4248

4249 We do have a statutory obligation to award 5% of the ceiling to
4250 USDA deals. So this is going to be a recurring thing. We can't
4251 pull back from USDA rehabs. We have to award. And if USDA is going
4252 to take more than a year to approve something, we'll be doing this
4253 again.

4254

4255 [02:39:08.680] - Dennis Hoover

4256

4257 I hope not. I hope we can get it done in less time, but it's not
4258 happening so far.

4259

4260 [02:39:17.220] - Leo Vasquez

4261

4262 This is not the first time that we've encountered this from the
4263 board. There's got to be some way to mesh the timelines that USDA
4264 requires versus what's in our tax credit cycle. It just it seems
4265 like there's no way that any USDA deal is going to be done in the
4266 timeline of the tax credit requirements. I don't know what the

4267 answer is, except for making USDA more efficient somehow. Send Mr.
4268 Musk over there and see what he can do. Mr. Marchant, did you?

4269

4270 [02:39:55.040] - Kenny Marchant

4271

4272 Is there a statutory reason that they are in the same time frame
4273 that others are? If this is a specific mandatory allotment, can we
4274 say on the specific mandatory allotment for USDA, the timeline
4275 that we granted is a longer timeline?

4276

4277 [02:40:21.240] - Bobby Wilkinson

4278

4279 No, because the timeline for tax credits is federal.

4280

4281 [02:40:25.900] - Kenny Marchant

4282

4283 Okay.

4284

4285 [02:40:27.040] - Leo Vasquez

4286

4287 So it's almost like we're having to do this We know when we issue
4288 it.

4289

4290 [02:40:31.940] - Bobby Wilkinson

4291

4292 Technically, there are no extensions, but we have Force Majeure
4293 as an extension.

4294

4295 [02:40:37.990] - Leo Vasquez

4296

4297 And Force Majeure is something we really can't do anything about
4298 the USDA if they're not responding. And again, obviously, not just
4299 picking on you, but in general, we need to understand that timeline
4300 that it wasn't because the USDA was waiting on the applicant, it's
4301 because the applicant was waiting on the USDA.

4302

4303 [02:40:58.810] - Dennis Hoover

4304

4305 They're just understaffed. They always have been.

4306

4307 [02:41:04.910] - Leo Vasquez

4308

4309 No, again, you're not the first one who's come to us.

4310

4311 [02:41:07.576] - Holland Harper

4312

4313 Mr. Chairman, you ready?

4314

4315 [02:41:08.530] - Leo Vasquez

4316

4317 Yes. Assuming no one wants to speak against this staff's

4318 recommendation? Mr. Harper?

4319

4320 [02:41:17.180] - Holland Harper

4321

4322 I move the board grant the requested to treatment of the

4323 application of Force Majeure rule to the Candlewood Village, all

4324 is described conditioned authorized by the board action request

4325 resolution and associated documents on this item.

4326

4327 [02:41:26.530] - Anna Farias

4328

4329 Second.

4330

4331 [02:41:27.880] - Leo Vasquez

4332

4333 Motion made by Mr. Harper, seconded by Ms. Farias. All those in

4334 favor? Aye.

4335

4336 [02:41:32.703] - Board Members

4337 Aye.

4338

4339 [02:41:33.180] - Leo Vasquez

4340

4341 Any opposed? Hearing None. Motion carries. Okay. Item 30... I can't

4342 read my handwriting. 34 of the agenda. This one should go faster

4343 Presentation, discussion, and possible action on a request for

4344 return and reallocation of tax credits under 10 TAC §11.6(5)

4345 related to Credit Returns Resulting from Force Majeure Events for

4346 Country Villa. Mr. Goldberger.

4347

4348 [02:41:57.440] - Josh Goldberger

4349

4350 Yes. Country Villa is a USDA rehab from the same applicants. The
4351 circumstances are identical to our previous Force Majeure, but
4352 this time we're dealing with a 32-unit development in Freer, Duval
4353 County. Staff, again, recommends approval.

4354

4355 [02:42:13.680] - Leo Vasquez

4356

4357 Okay, so timelines we're all... We're still waiting the same-

4358

4359 [02:42:18.470] - Josh Goldberger

4360

4361 Yes, the letter from-

4362

4363 [02:42:19.830] - Leo Vasquez

4364

4365 Both from the same year?

4366

4367 [02:42:20.660] - Josh Goldberger

4368

4369 Mm-hmm. Both from the same year. The USDA letter referenced earlier
4370 also mentions this application with the same timeline.

4371

4372 [02:42:30.840] - Leo Vasquez

4373

4374 Board members have questions?

4375

4376 [02:42:33.430] - Leo Vasquez

4377

4378 Ms. Farias.

4379

4380 [02:42:34.420] - Anna Farias

4381

4382 I move the board grant the requested a treatment under an
4383 application of the Force Majeure rule to Country Villa. All is
4384 described, conditioned, and authorized in the board action
4385 request, resolution and associated documents on this item.

4386

4387 [02:42:48.590] - Holland Harper

4388

4389 Second.

4390

4391 [02:42:49.250] - Leo Vasquez

4392

4393 Motion made by Ms. Farias, seconded by Mr. Harper. All those in

4394 favor say, Aye.

4395

4396 [02:42:52.870] - Board Members

4397

4398 Aye.

4399

4400 [02:42:53.440] - Anna Farias

4401

4402 Any opposed? Hearing none. Motion, carries.

4403

4404 [02:42:55.840] - Josh Goldberger

4405

4406 Thank you. Sir.

4407

4408 [02:42:58.000] - Leo Vasquez

4409

4410 Item 35 of the agenda. Yes, maybe Ms. Farias, you should unretire
4411 and go back and go clean up the USDA.

4412

4413 [02:43:08.470] - Anna Farias

4414

4415 They don't like me. They don't like me.

4416

4417 [02:43:09.710] - Leo Vasquez

4418

4419 That's the reason for you to be there. Okay, Item 35. Presentation,
4420 discussion, and possible action on a request for return and
4421 reallocation of tax credits under 10 TAC §11.6(5) related to Credit
4422 Returns Resulting from Force Majeure Events for Vista at Thousand
4423 Oaks. Mr. Goldberg.

4424

4425 [02:43:30.110] - Josh Goldberger

4426

4427 Item 35, Concerns Vista at Thousand Oaks, a development to be
4428 constructed in San Antonio. Awarded in 2022, the project's original
4429 and current place in service deadline is December 31st, 2024. This
4430 project was originally slated for completion in September, but

4431 during the property's construction, the builder experienced
4432 material weather issues that resulted in a delay of approximately
4433 54 days. These unexpected weather delays affected early
4434 construction activities such as framing, roofing, and paving,
4435 which have knock-on effects for other trades completing their
4436 subsequent work. The project was then further impacted by a CPS
4437 energy extended installation timeline of meters and other
4438 equipment, resulting in an additional delay of 22 days. Now, this
4439 project is still on track to place in service this year and hit
4440 that original place in service deadline, but with less room for
4441 error due to that two-month delay. To give a little breathing room
4442 and account for potential last minute issues, the applicant has
4443 requested to extend the place in service deadline three months to
4444 March 31st, 2025. Staff recommends approval. I'm available for any
4445 questions and representatives of the applicants are present.

4446

4447 [02:44:43.230] - Leo Vasquez

4448

4449 This one's almost done? It probably will make it, but-

4450

4451 [02:44:46.960] - Josh Goldberger

4452

4453 In all likelihood, yes.

4454

4455 [02:44:48.070] - Leo Vasquez

4456

4457 But just in case, let's give another 90 days?

4458

4459 [02:44:52.580] - Josh Goldberger

4460

4461 Correct.

4462

4463 [02:44:53.930] - Josh Goldberger

4464

4465 Do any board members have questions on this one? Anyone want to
4466 speak against the staff recommendation? Seeing none, I'll
4467 entertain a motion on item 35 of the agenda.

4468

4469 [02:45:07.830] - Kenny Marchant

4470

4471 I move the board grant the requested treatment under an application
4472 of the Force Majeure rule to Vista at Thousand Oaks with a placed

4473 in service deadline of March 31st, 2025. All is described,
4474 conditioned, and authorized in board action request, resolution
4475 and associated documents on this item. That's a word salad.

4476

4477 [02:45:35.520] - Anna Farias

4478

4479 Second.

4480

4481 [02:45:36.870] - Leo Vasquez

4482

4483 Motion made by Mr. Marchant, seconded by Ms. Farias. All those in
4484 favor say Aye.

4485

4486 [02:45:41.840] - Board Members

4487

4488 Aye.

4489

4490 [02:45:42.360] - Leo Vasquez

4491

4492 Any opposed? Hearing none. Motion carries. Item 36 of the agenda.

4493 Presentation, discussion, and possible action on a request for

4494 return and reallocation of tax credits under 10 TAC §11.6(5)
4495 related to Credit Returns Resulting from Force Majeure Events for
4496 The Rushmore. Mr. Goldberger.

4497

4498 [02:46:01.440] - Josh Goldberger

4499

4500 Our final request of the day, item 36, concerns the Rushmore, a
4501 101-unit development in Houston that received an allocation of
4502 housing tax credits back in 2021. The board previously approved
4503 Force Majeure treatment for this development in 2022 and approved
4504 an allocation of supplemental credits in 2023, which extended the
4505 projects placed in service deadline to December of '25. This
4506 project, like many awarded during that period, has struggled to
4507 maintain maintained feasibility amid significant construction cost
4508 increases. The request states that at the time of preparing the
4509 application in 2020, hard costs were anticipated to be \$112,000
4510 per unit. This figure is now projected to be almost \$191,000. A
4511 nearly 70% increase. This is, of course, in addition to rising
4512 interest rates and, as a project in Houston, insurance costs that
4513 have gone from \$425 a unit to \$1800 in the wake of several major
4514 storms. These feasibility issues delayed the project significantly
4515 as the applicant sought out various gap funding to keep the project

4516 alive. This has obviously taken quite a bit of time given the
4517 increases they were dealing with. But with the help of sources
4518 from Harris County and the city of Houston, the applicant has found
4519 a way forward. The project is now permit ready. They are set to
4520 close in weeks, and construction will begin within the month. The
4521 applicant is requesting a one-year extension to the place and
4522 service deadline to December of '26. It does seem that with their
4523 estimated timeline, they should be able to meet this pretty
4524 comfortably. What we're dealing with here is a project that seems
4525 to overcome a lot of hurdles to maintain feasibility and get to
4526 this point. Nonetheless, they have relayed to staff that they are
4527 now ready to get this project built. The staff recommends approval,
4528 and representatives of the development are here should you have
4529 any specific questions.

4530

4531 [02:47:51.700] - Leo Vasquez

4532

4533 Again, this gets to the question of, if we grant Force Majeure,
4534 the extra time, are there any other approvals, financing, city
4535 backing, or anything like that that still need to take place, still
4536 need to be approved?

4537

4538 [02:48:13.390] - Josh Goldberger

4539

4540 I see that. Representatives of the applicant are approaching. They
4541 should be able to talk to that structure and remaining items.

4542

4543 [02:48:20.850] - Barry Palmer

4544

4545 Yes. Mr. Palmer. This Barry Palmer with Coates Rose. We represent
4546 the developer. We have a Closing schedule for November 14th. But
4547 before that, we are going to the Houston City Council on November
4548 13th for final approval of their money. We've been told by the
4549 mayor's office and by the district council member that they are in
4550 support, and they fully expect it to be approved on the 13th. We're
4551 moving forward with closing documents, anticipating a closing. The
4552 county is putting in \$6.8 million into this deal, and they have
4553 deadlines that they have to extend their money. It's ARPA funds
4554 that have to be spent by the end of this year. They are pressuring
4555 us to make sure that we do close in November, and we have everything
4556 in place except your approval and this final city council approval.

4557

4558 [02:49:26.620] - Leo Vasquez

4559

4560 The district council members on board?

4561

4562 [02:49:30.360] - Jordan Finkelman

4563

4564 Yes. Is she supporting?

4565

4566 [02:49:32.970] - Leo Vasquez

4567

4568 Yes, she is. Now that you said something, you can introduce
4569 yourself.

4570

4571 [02:49:37.680] - Jordan Finkelman

4572

4573 Yeah. I'm Jordan Finkelman, Vice President of Development for
4574 Housing Trust Group. Happy to answer any other questions.

4575

4576 [02:49:49.070] - Leo Vasquez

4577

4578 You haven't heard any... Well, you either, have you heard any
4579 grumblings from the council members that anyone wants to tag

4580 something, or they are battling with Mr. Whitmire or anything like
4581 that?

4582

4583 [02:50:04.740] - Jordan Finkelman

4584

4585 All indications are that we are good to go for this 13th meeting
4586 and that we'll have signature pages the same day as well. We should
4587 be able to meet our closing on the 14th.

4588

4589 [02:50:17.130] - Leo Vasquez

4590

4591 Is the Houston Housing Authority involved in the transaction?

4592

4593 [02:50:21.600] - Jordan Finkelman

4594

4595 No .

4596

4597 [02:50:22.580] - Leo Vasquez

4598

4599 Mr. Marchant? If the Council passes it on the 13th, there's a
4600 process whereby anything they pass then has to be ratified at a
4601 following meeting, usually.

4602

4603 [02:50:40.010] - Barry Palmer

4604

4605 Not in Houston.

4606

4607 [02:50:41.340] - Kenny Marchant

4608

4609 Not in Houston?

4610

4611 [02:50:41.920] - Barry Palmer

4612

4613 No.

4614

4615 [02:50:42.370] - Kenny Marchant

4616

4617 Okay.

4618

4619 [02:50:42.300] - Barry Palmer

4620

4621 The delay-

4622

4623 [02:50:43.430] - Kenny Marchant

4624

4625 The lender is willing to accept that vote to proceed to close it.

4626

4627 [02:50:50.030] - Barry Palmer

4628

4629 Right, usually in Houston, there's some time lag between getting
4630 a resolution approved and getting a signed resolution.

4631

4632 [02:51:00.030] - Kenny Marchant

4633

4634 That's what I was referring to.

4635

4636 [02:51:01.530] - Barry Palmer

4637

4638 But because of the time pressure that we're under with the county
4639 to close and spend their money, the mayor has agreed to walk it
4640 through to get signed the same day.

4641

4642 [02:51:15.340] - Kenny Marchant

4643

4644 Wow. Congratulations on that.

4645

4646 [02:51:18.870] - Leo Vasquez

4647

4648 And then I was going to just point out this particular set of
4649 circumstances. I would normally say, let's get all these approvals
4650 before we do the force majeure. But if they don't get the city of
4651 Houston vote approval, and then the county money falls through
4652 because you're not going to get it closed necessarily on the
4653 before, they have to apply those ARPA funds. So our extension
4654 wouldn't make a difference because the deal was going to die
4655 anyway. Basically, right?

4656

4657 [02:51:55.020] - Barry Palmer

4658

4659 Yes, correct.

4660

4661 [02:51:57.740] - Leo Vasquez

4662

4663 Okay, so. Any questions or are you ready to make a motion?

4664

4665 [02:52:05.880] - Holland Harper

4666

4667 I'm ready to make a motion.

4668

4669 [02:52:06.650] - Leo Vasquez

4670

4671 Mr. Harper.

4672

4673 [02:52:08.120] - Leo Vasquez

4674

4675 I move the board grant the requested for treatment of the

4676 application of Force Majeure to The Rushmore. All is described

4677 conditioned and authorized in the board action request,

4678 resolution, and associated documents on this item.

4679

4680 [02:52:15.775] - Anna Farias

4681

4682 Second.

4683

4684 [02:52:16.720] - Leo Vasquez

4685

4686 Motion made by Mr. Harper. Second is by Ms. Farias. All those in

4687 favor say, Aye.

4688

4689 [02:52:20.000] - Board Members

4690

4691 Aye.

4692

4693 [02:52:21.200] - Leo Vasquez

4694

4695 Any opposed, hearing none. Motion carries. Thank you, guys. Now,

4696 again, just to reiterate for everyone, some of the key factors in

4697 my mind, not that I have to explain myself, but this had specific

4698 dates we need to beat. We know when those approvals are going to

4699 be. It's not maybe, and in this case, if it doesn't get approval,

4700 it's extension is almost moot. You're done, Josh?

4701

4702 [02:52:56.870] - Josh Goldberger

4703

4704 I'm done.

4705

4706 [02:52:57.520] - Josh Goldberger

4707

4708 Okay, thank you.

4709

4710 [02:52:58.350] - Josh Goldberger

4711

4712 Thank you.

4713

4714 [02:53:00.050] - Leo Vasquez

4715

4716 So given what staff we have available, we're moving on to item 37,

4717 which is the last posted item, but we still have a couple of. Okay,

4718 so item 37 of the agenda. Let's keep this nice and short.

4719 Presentation, discussion, and possible action on the adoption of

4720 the repeal of 10 TAC Chapter 11 concerning the Housing Tax Credit

4721 Program Qualified Allocation Plan, adoption of new 10 TAC Chapter

4722 11 concerning the Housing Tax Credit Program Qualified Allocation
4723 Plan and directing their publication for adoption in the Texas
4724 Register following the statutory opportunity for gubernatorial
4725 acceptance, revision, or rejection. Mr. Campbell.

4726

4727 [02:53:56.890] - Cody Campbell

4728

4729 Thank you. I think you just said it all. This item is the QAP. The
4730 board approved the draft QAP at the September meeting, which was
4731 released for public comment, and we received 54 comments on it in
4732 total. After your approval today, the QAP will be transmitted to
4733 the Governor no later than November 15th. The Governor then has
4734 the option to approve, approve with changes, or reject the QAP no
4735 later than December 1st. The QAP in front of you today is
4736 substantially similar to the version that you approved for public
4737 comment in September and introduces no significant new comments.
4738 The changes made to it are largely clerical or administrative,
4739 although a few more substantial changes have been made in response
4740 to public comment, and I'll go over the significant ones of those
4741 shortly. You may recall that staff went through two rounds of QAP
4742 revisions this year, with an informal first draft of a QAP released
4743 for comment earlier this year. Comments were accepted on that early

4744 draft and responsive edits were made prior to the September
4745 meeting. Of the 54 comments that were received, many focused on a
4746 small number of issues in the QAP. The item that received the most
4747 public comment by far was the Quantity of Low-Income Units scoring
4748 item. Just as a brief refresher, the department saw a drastic
4749 decline in the number of units produced during the pandemic. In
4750 response to get to this, the 2024 QAP included a new scoring item
4751 that awarded points to applications that proposed a number of low-
4752 income units that exceeded the average produced between the 2022
4753 and 2023 rounds. The item provides a number of options to score
4754 points, with the most common options being for applications that
4755 provide either 10% or 20% more units than the average. Commenters
4756 overwhelmingly requested that these thresholds be lowered to 4%
4757 and 6%. Staff believes that this is a drastic decrease from what
4758 is currently in the QAP and instead has suggested lowering those
4759 thresholds to 9% and 18%. I anticipate that there will be a
4760 significant amount of public comments on this item. Moving on from
4761 that, you may recall that there was a significant amount of
4762 discussion at the September meeting concerning the at-risk and
4763 USDA set-asides. Each year, 15% of our credit ceiling must go
4764 towards developments that are at-risk of losing affordability.
4765 One-third of this set-aside is reserved for developments that

4766 receive assistance from USDA, although these USDA developments may
4767 also qualify for the remaining 10% of the funding that's available.
4768 Without getting too far into the weeds, the disagreement heard at
4769 the September meeting largely focused on whether or not these USDA
4770 developments were taking up much of that 15% set aside. Staff has
4771 made responsive updates to the QAP that we believe strikes a good
4772 compromise, and we do anticipate that we'll continue this
4773 discussion for the 2026 QAP. This is the shortest QAP presentation
4774 that I've ever given this board. I know that we've all spent a lot
4775 of time and energy on this document, but the result is that we've
4776 got a set of rules that most people seem to be mostly okay with.
4777 As previously mentioned, I do anticipate that there will be a lot
4778 of public comments on one or two items, but overall, I consider
4779 this to be this to be one of the more successful QAP revisions
4780 that we've done, and I'm happy to recommend that you approve it.

4781

4782 [02:57:06.230] - Leo Vasquez

4783

4784 Thank you, Cody. Just to help manage expectations, who in here is
4785 wanting to make public comment on this? Okay. Have you coordinated
4786 with each other so you're not coming up here and saying the exact

4787 same thing to the extent possible. Let's make sure we do this in
4788 order.

4789

4790 [02:57:38.530] - Bobby Wilkinson

4791

4792 Tallest to shortest.

4793

4794 [02:57:44.730] - Kenny Marchant

4795

4796 Was his recommendation that we adopt the lower numbers? Is that in
4797 the QAP?

4798

4799 [02:57:51.990] - Leo Vasquez

4800

4801 In this version that's presented, as it's in the fourth one.

4802

4803 [02:57:54.250] - Cody Campbell

4804

4805 That is correct, yes, sir.

4806

4807 [02:57:57.320] - Leo Vasquez

4808

4809 Okay, we're going to start with a random top I have a topic here,
4810 and if you all... I'm just asking if you have a... If you're just
4811 speaking on the same topic, I want you to come up next so we can
4812 group you all together. So please... Okay. Please endeavor to keep
4813 your comments short. I'm still going to set the Timer at three
4814 minutes, but you don't have to use the full three minutes. I have
4815 my little thing that I'm looking forward to cutting off your
4816 microphone. Wrap up after that thing goes. I really want to do
4817 that. I hope Emily talks long. So please introduce yourself.
4818 Proceed. Let us know which part of the talk you want to speak on.

4819

4820 [02:58:47.040] - Karsten Lowe

4821

4822 Absolutely. Good afternoon, Board. My name is Karsten Lowe, and
4823 I'm with JPI. I'm also the QAP Co-Chair for TAAHP this year. And
4824 today, as you'll hear from a number of our colleagues, we are going
4825 to be speaking on the quantity of low low-income housing units. I
4826 would like to start by thanking staff for a phenomenal draft. I
4827 mean, throughout, we've had a lot of discourse and conversation,
4828 and we do feel overall and overwhelmingly, the QAP is in a good

4829 place and in a good direction for 2025. But the One area that we
4830 do as an industry feel that there is some room to gain is on this
4831 quantity of low-income units scoring. TAAPH is of the opinion that
4832 the best affordable housing units are the ones that are being built
4833 and the ones that are being lived in by Texans. We are also of the
4834 opinion competitive tax credits are a limited resource and should
4835 be used to maximize affordable housing in Texas. But to do so, the
4836 deals have to be financially viable. See, this Quantity of Low-
4837 Income Unit point item did come about in this 2024 program cycle,
4838 and it was under the 20% and 10% program thresholds for the
4839 overwhelming amount of applications. It was a core concern of TAAHP
4840 back when this was first appeared in the 2024 cycle. It has been
4841 a issue for us even when we spoke before you back in June in our
4842 large presentation. And it still remains a core concern of the
4843 industry today. And a big reason of that is you are virtually
4844 obligated to take these points. And I know it sounds like you have
4845 the option but let me clarify what I mean by that. Developers often
4846 spend upwards of \$100,000 to take the risk to submit an application
4847 for this program. We understand that that is a part of playing in
4848 this business. But if you are trying to spend this money and take
4849 that level of risk, you have to be cognizant about what are your
4850 chances you think of scoring a competitive application. And so

4851 developers are often pit against one another, trying to obtain a
4852 scoring or winning application. And so to take that-risk, you have
4853 to be able to maximize those points. So it often takes a matter of
4854 figuring out how to make a capital stack work. And oftentimes,
4855 these developers are maxing out the housing tax credit request
4856 amount, and they're maxing out the amount of debt they can request
4857 as a party to this. But enabled to make those deals work, they're
4858 often reliant on soft funding sources and tax exemptions as a means
4859 to either get more debt or find ways to fill in that capital stack
4860 to make the quantity of units they committed to achievable. Today,
4861 before you, there were 16 force mature requests on the agenda, and
4862 though I know we didn't cover all of them, each deal has their own
4863 unique reasons for making that request. The issue still remains
4864 that there are still challenges for these deals to get done. We
4865 believe, as an industry, that having these thresholds so high
4866 forces developers to try and take those points in order to make
4867 these deals work. See, the economic realities of these deals is
4868 you're hitting that maximum credit ceiling. And so that's why, as
4869 an industry, we felt that the 4% and 6% request are suitable for
4870 this year based upon the numbers. Now, I'd like to introduce Rachel
4871 Thomas-Philips to speak about the economic impacts.

4872

4873 [03:01:59.690] - Rachel Thomas-Philips

4874

4875 Good afternoon. As he said, my name is Rachel Thomas-Philips, and
4876 it's a little bit different of a perspective. I am with Regions
4877 Affordable Housing, so I'm one of the financing partners. So today,
4878 what I'm hoping to share with you guys is my perspective on the
4879 financing environment for these affordable transactions, as well
4880 as my observations of the trends and the impacts of projects that
4881 are structuring themselves so that they meet these minimum unit
4882 thresholds. Starting with the... I'm I move this. Starting with
4883 the current financing environment. Equity pricing has decreased 4
4884 to 5 cents per credit just in the past year. This is with no
4885 anticipation of increase in the foreseeable future. What that means
4886 is on a per on a deal basis, there's a reduction in equity of
4887 approximately a million dollars. That's assuming a full allocation
4888 of 2 million. That's right off the bat. The first mortgage debt
4889 proceeds available to the project have declined. That's for reasons
4890 such as inflation, operating expenses are higher. We've talked
4891 about insurance, that's higher, and interest rates, of course.
4892 Construction costs, they're stable as a current, which is great,
4893 but it's at a higher baseline per unit construction cost amount.
4894 The bottom line is projects awarded and developed today as compared

4895 to even a year ago need higher transaction equity allocations to
4896 have just the same amount of equity dollars invested. Debt
4897 available to cover the cost is lower today than it has been. At
4898 the same time, cost of construction and financing have increased.
4899 That basically means that to construct a project that is on par
4900 with what it has been in the past, it's taking more financing
4901 resources. So despite all that, we are seeing developers elect
4902 these points and structure their developments. So what that's
4903 resulting in is the financing process is no longer on the 9%
4904 streamlined financing process. It used to be a simple financing
4905 stack that you could guarantee was going to go from award to
4906 closing in a short time period. That is no longer the case. They're
4907 coming to us and there are gaps that need to be filled that are
4908 being filled in ways such as additional soft sources, restructuring
4909 the ownership to bring in a partner that will bring in a tax
4910 abatement. Those things, the soft sources, a lot of times the
4911 schedule for awarding those is not in sync with the tax credits.
4912 So ultimately for us, what is a really big red flag is the timeline
4913 for these projects. They're becoming more complex, less
4914 streamlined, and there's really a concern about the two-year
4915 federal place in service deadline. As you've heard earlier today,
4916 investors stop and take a look when they're reaching that place,

4917 getting close to that place in service deadline. We need a cushion.
4918 Unsecured equity partners are putting in capital dollars, and they
4919 have to feel comfortable that at the end of the day, tax credits
4920 are going to be delivered. Thank you.

4921

4922 [03:05:12.730] - Sarah Andre

4923

4924 Hello. I am Sarah Andre, and I am a consultant and developer in
4925 the tax credit world. I am going to try to boil down for you to
4926 what Rachel just said as it impacts one specific deal. I'm using
4927 a specific project in Houston, so it's not made up. It's not
4928 theoretical. In 2022, I had 108-unit development in Houston. It
4929 cost \$22.5 million to develop. And we paid for that with a \$4.7
4930 million loan, \$17.5 million in equity, and there was a very small
4931 percentage of the capital stack, 2%, a little under 2%, which was
4932 deferred developer fee. And in case you don't know what a deferred
4933 developer fee is, that's a paycheck that takes 15 years to arrive.
4934 So it can be painful. It can be fine if it's small. In 2024, this
4935 exact same 108-unit development now costs \$26.2 million, \$4
4936 million, a 17% increase. And the mortgage that it generated only
4937 increased by 0.1%, a whopping \$74,000. And that is in my model, I
4938 kept the operating expenses the same as they were in 2022. The

4939 operating expenses, as you just heard, are not the same. If I do
4940 increase those operating expenses, well, even if... Hold on, before
4941 I get to that. So this 2024 deal, exactly the same as the 2022
4942 one, you've now got a gap of \$3.2 million, which cannot be paid
4943 out of the deferred fee. That's not just a paycheck that doesn't
4944 arrive. That's a paycheck that never arrives. And not just that,
4945 it wouldn't meet TDHCA criteria for financial feasibility, not to
4946 mention any lender or equity provider. So now let's talk about the
4947 impact of actual expenses on that same project. Now the gap goes
4948 to \$4.8 million. We lose a million in loan proceeds. We lose
4949 \$600,000 in equity pricing. I might have been overly generous with
4950 my equity pricing, but I tried to give best case scenario. So now
4951 let's see what happens when you add 10%. I'm not even going to add
4952 20% because that is out of the question. 10% more units. And the
4953 reason I got to all this was because I was sitting around for
4954 clients trying to noodle and go, well, is this viable? Can you buy
4955 this land? Can we make it work? So when you add 10% more units to
4956 that 108-unit development, you now have a \$6.2 million dollar hole.
4957 So yes, we are going to go and try to seek tax abatement, soft
4958 money that, as you heard today, doesn't line up. So that is how
4959 these impacts one feel. Bottom line, you just can't buy as much as
4960 you used to be able to buy with the same amount of money.

4961

4962 [03:08:36.440] - Leo Vasquez

4963

4964 Thank you, Sarah. So anyone else on this section have a?

4965

4966 [03:08:43.280] - Robbye Meyer

4967

4968 Yes. Robbye Meyer, I'm with Arx Advantage and also speaking for
4969 TAAHP. I'm actually addressing the whole point category. Karsten
4970 actually started on that. As I've said before, many times, the
4971 points, you say you don't have to take the points, but as you know,
4972 we do have to take the points. Last year, I gave you a baseball
4973 analogy that we had to swing the bat. I think everybody remembers
4974 that, that we're there. But we were in the World Series last year,
4975 so that would make sense. But we do. We have to take every point.
4976 It doesn't matter. When I source sites for my clients, I look for
4977 sites that will score max. If they don't score max, I throw them
4978 out the window and we move on. I'm looking for sites now that score
4979 the max and I can get the closest to the tie breaks, because that's
4980 what I'm competing for, is the tie breaks and who can I beat in
4981 the tie breaks? And then we all end up on top of each other. So

4982 score is not a matter of an option. It's a requirement for us to
4983 be able to compete with each other. I'm also on a member of the
4984 TAAHP QAP committee. We spent a long time on this item, and we
4985 went back and forth of what was a reasonable percentage because we
4986 knew we weren't going to say it can go away. That wasn't going to
4987 be an option. We looked to see what could be a reasonable
4988 percentage that you all could accept to increase the units, not
4989 have a decrease in units, you could still get an increase in units,
4990 but that we could still make a viable development work. The four
4991 and six was a reasonable amount that we really thought that we
4992 could move forward with as an industry, and that's what we brought
4993 to you. I ask that you also be reasonable and accept our request.

4994

4995 [03:10:51.900] - Leo Vasquez

4996

4997 Thank you. Ms. Robbye.

4998

4999 [03:11:00.160] - Justin Meyer

5000

5001 Justin Meyer, Arx Advantage. I'm also speaking in support of
5002 TAAHP's comments. Chairman Vasquez, I know that you're a fan of

5003 ditto, and I'm here before you bringing all the force that my ditto
5004 can bring to bear. It's critical to note that we in the development
5005 community deeply want to provide as many housing units as possible.
5006 That incentive already exists outside of this point category. The
5007 very real issue that we're continuing with is the shrinking capital
5008 stack. We have less resources in order to make these units
5009 possible. We have increased interest rates, decreased credit
5010 pricing, increased costs, and a tax credit resource that isn't
5011 growing at a rate suitable to have a commensurate increase in the
5012 unit production at the level this point item is going to require.
5013 We're asking for the change in this point category to what is
5014 already a barely tenable 4% and 6%. This is an increase over the
5015 present unit production rate, which is already unsustainable for
5016 all the reasons that we've so carefully laid out. This point
5017 category at the described levels and the board materials is going
5018 to require creative solutions on the part of the development
5019 community and ultimately result in solutions like requesting
5020 property tax exemptions, which has already been pointed out. The
5021 most egregious part of this is that none of this type of creative
5022 capital structuring should be required in healthy 9% transactions.
5023 Thank you.

5024

5025 [03:12:33.610] - Leo Vasquez

5026

5027 Thank you, sir.

5028

5029 [03:12:33.840] - Emily Abeln

5030

5031 Good afternoon, Emily Abeln with Brinshore development. I'd like
5032 to quote Mr. Marchant from earlier, where he said, Is this a
5033 systemic problem? When you were talking about the rule that was
5034 creating an adverse consequence, an unintended consequence. That's
5035 exactly what this rule is doing. I'd like to just point out that
5036 in 2024, this rule was introduced to increase the number of units.
5037 I want to tell you what's going to happen because you don't yet
5038 see it in front of you, but we see it and we feel it. Next year,
5039 you are going to get a title wave of waiver requests, Force Majeure
5040 requests, amendment requests. Because everyone, and I have a deal
5041 in 2024, everyone, for the most part I can imagine, does not have
5042 a feasible deal because they are oversized with these additional
5043 units. Some credits have already been returned, which is extremely
5044 unusual to get credit returns this early. The rest of us are
5045 scrambling to find soft sources and figure out a way to make this
5046 deal work. We're optimists by nature. The only way that we could

5047 get the credits to begin with was to take the point. Here we are
5048 trying to figure out how to make it work. It's going to take time,
5049 and it's going to take soft sources, both of which are severely
5050 constrained. Keeping this rule really inhibits our ability to
5051 deliver the units in a timely manner because it takes so much more
5052 effort to get those units on the ground. We can play out the
5053 scenario of, okay, well, we're just going to stop allowing Force
5054 Majeure. We're not going to grant waivers. That's fine. You just
5055 go to the next oversized, infeasible deal on the list, and we start
5056 the cycle over again. At the end of the day, no units get developed
5057 when we could have been developing units all along, and we could
5058 have rightsized them from the beginning. As was astutely noted in
5059 the last board meeting, creating effective policy is best achieved
5060 by collaborating with the folks who are charged with the
5061 development of these units. We are your boots on the ground
5062 partners telling you this is not tenable. Please, at best or at
5063 worst, go to the 4% and 6% that we have provided. It's still not
5064 tenable, but we wanted to give something. Yeah, I soothsaying for
5065 next year. Yes, sir?

5066

5067 [03:15:20.990] - Holland Harper

5068

5069 Do you think that if we eliminated this rule, that we would stop
5070 the soft money given the cost, the increase in interest rates,
5071 increasing construction, increasing increase in taxes and increase
5072 in insurance that's in the market today?

5073

5074 [03:15:33.620] - Emily Abeln

5075

5076 You are absolutely correct. The gap exists no matter what. The
5077 problem is it just makes the gap that much larger. It makes it
5078 that much harder. Whereas you have a municipality that has maybe
5079 two or three million to give to it, and I'm from Houston, so that's
5080 the circumstance we're in. But you've got a \$10 million gap. Now
5081 you've got to figure out some other way. There's just no way to
5082 dumb down the build enough to make it financially feasible. It's
5083 taking an existing large gap and exacerbating it.

5084

5085 [03:16:05.910] - Bobby Wilkinson

5086

5087 What about the availability of self-funding? We have less than we
5088 did a year ago. I assume ARPA is going away. We just talked about
5089 that. Is that the case for-

5090

5091 [03:16:14.760] - Emily Abeln

5092 Absolutely. The state really enjoyed the benefit of a windfall
5093 post Harvey, and that created so many units. You noticed that those
5094 deals closed faster because they were able to... They could meet
5095 the readiness deadline because lots of additional funding was
5096 infused into those. All of that has evaporated. Here we are with
5097 very little funds to chase to fill these gaps.

5098

5099 [03:16:47.240] - Leo Vasquez

5100

5101 Thank you, Ms. Abeln.

5102

5103 [03:16:55.700] - Kathryn Saar

5104

5105 Hi, Kathryn Saar, Chair of the QAP Committee. I just wanted to
5106 wrap up TAAHP's comment on this particular scoring item. We've
5107 heard a lot about how 9% program has historically been a very
5108 streamlined process. It has a very simple execution because it
5109 doesn't have a lot of soft funding or additional partners, tax
5110 exemptions. All of these things that increase our timelines. In

5111 this inflationary environment that we've been in for over the last
5112 several years, we've had to adapt and bring in all of these extra
5113 things, and it does increase our timelines. You can see that in
5114 the levels of Force Majeure requests that you've been seeing over
5115 the last several months. Frankly, for the last several years, I
5116 think that this scoring item will perpetuate that timeline unless
5117 this board says no. If you start denying these things. As Emily
5118 said, those units don't get developed because you're going to go
5119 to the next deal in line. Which is going to have the exact same
5120 problem. Then you're going to have to take the credits back again
5121 and reallocate them. This scoring item helps perpetuate that
5122 extended time period. It incentivizes us going and getting tax
5123 exemptions, which I know is not something that we want to be doing
5124 for a program that has historically been able to sustain itself.
5125 TDHCA's underwriting box for these developments is very small.
5126 Which is why we only have the ability to size the units upfront,
5127 and we have to size our debt within a 1.15 to a 1.35 DCR. That's
5128 a really small box. When insurance increases dramatically, then
5129 we're way upside down. The only option we have is to go seek a tax
5130 exemption. We came to this scoring item trying to provide a
5131 compromised solution that would meet the objective of the state,
5132 which is to increase the unit production over what we currently

5133 have and what we've seen without over-extending these deals to
5134 where they're just not financially viable anymore.

5135

5136 [03:19:29.990]

5137

5138 Last year, we went to the governor's office with a 2.5% and 5%
5139 benchmark request, and now we've come up to 4% and 6%. I just don't
5140 think there's a lot more room to go up in this environment where
5141 we have decreasing equity pricing. The energy credits that are in
5142 the market today are eating up all of the capacity that investors
5143 have for tax credits. It's putting deflationary pressure on LIHTC
5144 credit pricing. Again, we request that the 4% and 6% is what you
5145 adopt, and we thank you very much for all of your work on the QAP.
5146 Again, we're very happy with where it is, but for this item. Thank
5147 you.

5148

5149 [03:20:19.340] - Leo Vasquez

5150

5151 Yeah, hang on. I'm assuming you're wrapping up the groups?

5152

5153 [03:20:24.680] - Kathryn Saar

5154

5155 Yes, that's the official comment.

5156

5157 [03:20:27.210] - Leo Vasquez

5158

5159 All right. One thing I want everyone to just I think about when we
5160 were talking about what Force Majeure were approved today versus
5161 which ones were, I think were pulled off the agenda today. We
5162 weren't awarding any more money to anybody.

5163

5164 [03:20:44.080] - Kathryn Saar

5165

5166 Agreed.

5167

5168 [03:20:44.650] - Leo Vasquez

5169

5170 I mean, it was the end. There were timelines that were pretty
5171 narrow or defined rather than ill defined, and or needing more
5172 money or more approvals someday, maybe, we hope.

5173

5174 [03:21:00.510] - Kathryn Saar

5175

5176 Understood.

5177

5178 [03:21:00.510] - Leo Vasquez

5179

5180 Those weren't approved. The ones that they fit into a certain
5181 criterion to make that verbal. Now, more directly to the
5182 percentages that we're asking to increase. Reading between the
5183 lines, I'm hearing that the responsible developers won't overstep
5184 and try to take a bigger bite. They won't reach these higher
5185 percentages to try to get the points and then later come back. So
5186 you're saying that because everyone's on the same playing field on
5187 this. Right? I mean, all the applicants are going to have to
5188 they're being scored on the same criteria.

5189

5190 [03:21:47.330] - Kathryn Saar

5191

5192 That's correct.

5193

5194 [03:21:47.990] - Leo Vasquez

5195

5196 So if some of them have more equity in their deals and are able to
5197 increase, get that 9% or 18%, they can... They'll get They'll get
5198 the points. What I'm hearing you all say is that there's going to
5199 be groups that say, Oh, I'm not going to win the award if I don't
5200 stretch, even though I know I can't afford it because I don't have
5201 enough equity in the deal or other sources that So is that really
5202 the internal debate that you all are saying, Well, some of these
5203 guys are going to go ahead and go for the points?

5204

5205 [03:22:23.640] - Kathryn Saar

5206

5207 Yes.

5208

5209 [03:22:24.560] - Leo Vasquez

5210

5211 Even though they can't have a viable deal.

5212

5213 [03:22:27.600] - Kathryn Saar

5214

5215 Yeah, and I think you're starting to see some of I hope that those
5216 credits come back because the unit counts are not achievable. I am

5217 obviously not going to name names, but I know of specific deals
5218 that are very much underwater and are trying like hell to figure
5219 out a way to make it work. Because, again, this is a resource
5220 that's highly competitive, and we all are going after it. But there
5221 are a lot of us in the in the room that we had applications that
5222 we couldn't make these unit counts work, and we did not submit
5223 those applications because we knew that we couldn't achieve those
5224 unit counts. It would be unfair for you to grant relief for the
5225 people that did take the points at a later time when they wouldn't
5226 have received to those allocations without the points. I think
5227 maybe Sally can speak to this. We ran through the list and looked
5228 at how many of the applicants took the points. In the vast majority
5229 of the regions, you pretty much had to take the point to get the
5230 award.

5231

5232 [03:23:56.410] - Leo Vasquez

5233

5234 Mr. Kelly, would you like to?

5235

5236 [03:23:58.780] - Nathan Kelley

5237

5238 Touch on just a couple of things, Chair. Kathryn and I are-

5239

5240 [03:24:03.470] - Leo Vasquez

5241

5242 Your name for the record.

5243

5244 [03:24:03.960] - Nathan Kelley

5245

5246 Nathan Kelley with Blazer, President of TAAHP. We're competitors

5247 at the end of the day, and this is a competitive process. We both

5248 feel like we can go to the city of Houston or any other municipality

5249 in which we're working and win those soft dollars. But ultimately,

5250 those soft dollars are limited. We are going to elect to take those

5251 points and then go try to work our soft dollars. But that's not

5252 going to be the case for every deal. I was privileged to be invited

5253 to testify in front of the local government committee this morning,

5254 and the comptroller walked through the report that they published

5255 in August. And ultimately, a lot of the discussion that was had

5256 was focused on supply. Supply is the issue. And speeding units to

5257 the market is the way that we solve the supply issue. As has been

5258 noted, this particular point scoring item slows our ability to get

5259 supply to the market. We have to that complicate the transactions
5260 through the partnership structures that have historically not been
5261 a part of the 9% program. We have to seek soft dollars that have
5262 historically been reserved for the 4% program, not the 9% program.
5263 It causes us to add time to the cycle, come back to you all on
5264 multiple occasions, and at the end of the day, exacerbates that
5265 timeline to deliver that supply. To your point, you all weren't
5266 allocating any more dollars. You were allocating time to the Force
5267 Majeure requests that we're here today. But that's the issue. That
5268 additional time to deliver those units ultimately is what continues
5269 to compound our affordability problem and supply problem. What we
5270 are trying to work towards is a middle ground that gets us to
5271 delivering those units as we've promised under a structure that
5272 has historically been efficient and that we feel like works for
5273 every everybody at the end of the day.

5274

5275 [03:26:01.620] - Kathryn Saar

5276

5277 In Texas, we allocate our credit six months into the year. In other
5278 states, they're allocating their '25 in '24. So that they have the
5279 full two years for purposes of place and service. We don't do that
5280 in Texas because of statutory reasons. That's not something that

5281 you all can change. But it does eat into that time. That's why
5282 it's been so necessary in the past that 9% tax credits be quickly
5283 deployable and not have these complicated structures.

5284

5285 [03:26:41.350] - Nathan Kelley

5286

5287 We talk about these complicated partnerships leadership
5288 structures, but ultimately, the result of that is a tax exemption
5289 and a loss of tax revenue to a local municipality. There was a lot
5290 of discussion at local government regarding tax exemptions related
5291 to what I would consider non-housing tax credit financed property.
5292 These tools have long been used to finance housing tax credit
5293 finance communities, rightly so. But they've largely not been used
5294 to finance 9% housing tax credit deals. I would love not to
5295 complicate the issue from a political perspective by adding on
5296 additional deals claiming tax exemptions that are ultimately going
5297 to raise the hair of smaller municipalities and give them another
5298 incentive not to support the development of affordable housing
5299 using the 9% Housing Tax Credit.

5300

5301 [03:27:37.970] - Holland Harper

5302

5303 Mr. Blazer, would you be interested in... I'm just going to throw
5304 this out here. Let's say, magically, this went away. The 4, the 6,
5305 the 10, the 25. So on. When I look up here and I sit in all these
5306 applications and I see non-taxable assets because we put in the
5307 housing development in there, that's not the best for those cities
5308 and municipalities long term. Would you be interested in a penalty
5309 if you did that? It doesn't seem fair for the development. It's
5310 punishing the developers. But I feel like we're in a race for all
5311 these soft dollars and to remove cost and the easiest cost to get
5312 out of is to pay taxes, which is not long term the best for the
5313 community to pay for roads, sewer, water, infrastructure, police
5314 forces, and all the rest.

5315

5316 [03:28:26.110] - Nathan Kelley

5317

5318 Like I noted, a 9% Housing Tax Credit program has largely to
5319 produce taxable assets in its history. If the removal of this
5320 scoring item gets us back to a framework wherein, we're not having
5321 to request tax exemptions on 9% housing tax rate finance
5322 communities, I think that would be fantastic. Do I think there
5323 needs to be a penalty associated with claiming an exemption? No.

5324 I mean, ultimately, a developer has to come back before you all
5325 with a partnership structure in order to get that amendment.

5326

5327 [03:28:58.700] - Holland Harper

5328

5329 If you did not take soft money inside that?

5330

5331 [03:29:03.420] - Nathan Kelley

5332

5333 Soft money is available to bridge the gaps. Ultimately, what you're
5334 saying is you need a deal that has a clean capital stack in order
5335 for you to award tax credits to it. Unfortunately, I don't know
5336 that there's a way to regulatorily mandate bringing clean capital
5337 stacks to you in an application. I mean, the other policy
5338 priorities that are driving specific sites while they've been
5339 opened up are still going to, in certain markets, mandate expensive
5340 sites or complicated construction or other elements that a
5341 municipality may want to invest money in in order to see housing
5342 go somewhere.

5343

5344 [03:29:49.770] - Kathryn Saar

5345

5346 To that point, sorry. If we didn't have these arbitrary unit counts
5347 that we were trying to get, we could bring you clean capital stocks
5348 that didn't have these complicated tax exemptions or lots of
5349 different layers of soft funding. If we could size the deal up
5350 front based on the available capital we have, then we wouldn't
5351 need to go out and seek all of these other things after the fact.

5352

5353 [03:30:18.900] - Holland Harper

5354

5355 Thank you. Mr. Marchant did you have a comment?

5356

5357 [03:30:22.130] - Kenny Marchant

5358

5359 I think that along the lines of what he's talking about. We, I, do
5360 not want these taxes lost. In your capital stack, you can preclude,
5361 you can take out the tax exemption in exchange for-

5362

5363 [03:30:51.720] - Kathryn Saar

5364

5365 But it would cost units.

5366

5367 [03:30:54.450] - Kenny Marchant

5368

5369 Well, in exchange for not having, as you call, unrealistic unit
5370 demands.

5371

5372 [03:31:06.000] - Kathryn Saar

5373

5374 Yeah.

5375

5376 [03:31:07.060] - Nathan Kelley

5377

5378 Ultimately, it's a function of how much debt the NOI on the
5379 property is creating, correct? If you're paying taxes, you have
5380 lower NOI, which means you can support less debt. If you have zero
5381 taxes, you can greater NOI, you support more debt. That balances
5382 that capital stack. But what I think I hear you saying is we don't
5383 want the loss of tax revenue. Ultimately, I would argue that's up
5384 to the municipality to decide whether or not they want to give up
5385 that tax revenue in the support of developing housing.

5386

5387 [03:31:37.020] - Kenny Marchant

5388

5389 It is in a perfect world.

5390

5391 [03:31:38.113] - Nathan Kelley

5392

5393 Right.

5394

5395 [03:31:38.230] - Kenny Marchant

5396

5397 But in a world where we're setting the criteria for the point for
5398 the scoring. I don't think it's illegal for us to have criteria
5399 for scoring that protects the tax base. In my opinion, that's
5400 pretty much the only I would be willing to think about not having
5401 some incentive for unit production.

5402

5403 [03:32:09.970] - Kathryn Saar

5404

5405 In reality, we don't need a point incentive to produce the maximum
5406 number of units that our capital stock can provide. We, as
5407 developers, want larger developments because they're more

5408 efficient to run, they carry higher debt levels, they're just
5409 better overall financially when you have more units that produce
5410 revenue. Having a point incentive doesn't really produce the units
5411 that you're looking for. It creates an artificial lower limit on
5412 what you're awarding credits for. What we're saying is that that
5413 limit is too high, that floor is too high in today's economic
5414 environment.

5415

5416 [03:32:59.160] - Nathan Kelley

5417

5418 Yeah, ultimately, we're going to size the unit count on the
5419 affordable side in a way that gets us to the credit allocation
5420 amount that makes the math work. That means we have to push more
5421 affordable units into the deal, but to a point. Because once that
5422 math is allocating more affordable units as the point structure
5423 currently requires that isn't generating credits. Then you're
5424 paying for those with debt and the income generated from those
5425 units that aren't supported by credits is not sufficient enough to
5426 pay for the debt that you're having to take out to finance them.

5427

5428 [03:33:44.620] - Kenny Marchant

5429

5430 I understand your argument.

5431

5432 [03:33:48.690] - Bobby Wilkinson

5433

5434 If you're thinking about introducing a point incentive to remain
5435 taxable, I think that would be outside of the lines of what we
5436 could do now as it went out formal comment, but we can explore
5437 that for next round for sure.

5438

5439 [03:34:03.120] - Kenny Marchant

5440

5441 Well, I mean, that would be in exchange for doing a way-

5442

5443 [03:34:06.990] - Bobby Wilkinson

5444

5445 Well, we couldn't.

5446

5447 [03:34:08.040] - Kenny Marchant

5448

5449 I was just trying to explain my thought process.

5450

5451 [03:34:12.560] - Kathryn Saar

5452

5453 I think that is certainly something that the industry wants to
5454 look at the QAP from the top down for 2026. If that's something
5455 that the state wants to incentivize, we don't have a problem with
5456 that necessarily. It's just we have to do it in a way that creates
5457 financially viable developments.

5458

5459 [03:34:35.640] - Kenny Marchant

5460

5461 I'm just speaking for myself.

5462

5463 [03:34:38.000] - Holland Harper

5464

5465 I'm in alignment with Mr. Marchant because if we put a carrot
5466 there... I'm fine. Look at that. It's so funny. If we put a carrot
5467 there to incentivize taxable stuff, something's got to pay for
5468 fire, police, all those things to do that.

5469

5470 [03:34:54.470] - Kathryn Saar

5471

5472 100%.

5473

5474 [03:34:55.150] - Holland Harper

5475

5476 And we've already taken Fed dollars to make this work. It seems
5477 that it seems like we make that work nice, too.

5478

5479 [03:35:04.240] - Nathan Kelley

5480

5481 Yeah, my goal is ultimately for the units that are allocated in
5482 2025 to not have to bring you Force Majeure requests, largely. And
5483 in reality, that may mean that they get started faster than some
5484 of the 2024 deals. Now, hopefully that's not the case. But in a
5485 perfect world, we can take the allocations in July of next year
5486 and be closing those deals in accordance with the readiness to
5487 guidelines.

5488

5489 [03:35:33.250] - Leo Vasquez

5490

5491 Oaky, a couple of things. What I'm hearing you all say is that
5492 you're trying to warn us that the industry is willing to put in
5493 deals, applications to the tax credit process without having any
5494 idea how are we going to pay? How are we going to fund this?

5495

5496 [03:36:02.090] - Nathan Kelley

5497

5498 We always do that in part. We put together budgets on very
5499 preliminary drawings with interest rate assumptions that are 12
5500 months in advance of when the deal is actually going to close and
5501 what that means for equity pricing and everything else. I mean,
5502 each one of these has a significant amount of assumptions that
5503 goes into it, and that being soft dollars that aren't committed at
5504 the time that application is submitted, ultimately. We have to
5505 compete for the credits, but we also have to compete for those
5506 other aspects of the deal, the soft funding and whatever else, if
5507 that's the case. But to your question, yes, everybody's going to
5508 elect those two points, because if they don't, they have no shot.

5509

5510 [03:36:40.940] - Leo Vasquez

5511

5512 You're saying they're already doing it, don't they?

5513

5514 [03:36:42.660] - Nathan Kelley

5515

5516 Yeah, I am saying that. I'm 100% saying-

5517

5518 [03:36:46.418] - Leo Vasquez

5519

5520 This will make it worse.

5521

5522 [03:36:46.490] - Nathan Kelley

5523

5524 It's going to continue what's happening now.

5525

5526 [03:36:51.400] - Leo Vasquez

5527

5528 The Force Majeure that this board has been granting over time

5529 recognizes that federal economic policies and the COVID, all the

5530 truly unexpected, universally problems, were way unforeseen for

5531 developers.

5532

5533 [03:37:23.260] - Kathryn Saar

5534

5535 100%.

5536

5537 [03:37:24.110] - Leo Vasquez

5538

5539 We recognize. As private businesspeople, we recognize.

5540

5541 [03:37:27.910] - Nathan Kelley

5542

5543 Sure.

5544

5545 [03:37:29.020] - Leo Vasquez

5546

5547 What the heck happened. These insurance costs tripling. That type

5548 of thing. Going forward, I don't think any of us really expect

5549 these unexpected shocks to the system that may be coming up. We're

5550 not going to have ramped inflation. The interest rates aren't going

5551 to go sky high. To the contrary, the regulatory environment and

5552 business, the supply chain environment, should actually lower. We

5553 should be seeing lower costs in the near future. We should be

5554 seeing lower interest rates in the near future. That should make
5555 these financing stacks easier to obtain.

5556

5557 [03:38:17.090] - Kathryn Saar

5558

5559 Sure.

5560

5561 [03:38:18.090] - Leo Vasquez

5562

5563 We're not going to have the big ARPA type of huge-

5564

5565 [03:38:20.790] - Kathryn Saar

5566

5567 There's still downward pressure on equity pricing right now because
5568 the equity market is oversubscribed.

5569

5570 [03:38:27.370] - Nathan Kelley

5571

5572 Well, yeah, that aside. Ultimately, like I said, those units are
5573 going to cost more than what the debt is going to be able to fund

5574 because of the income restrictions associated with those extra

5575 units. And so that is going to require us to take a position of
5576 soft funding in that deal. We've said it, there's a limited amount
5577 of that soft funding, but we've got to elect those points in order
5578 to be competitive, and we've got to assume that our deal is going
5579 to win that soft funding. But ultimately, there's limited dollars
5580 to go around.

5581

5582 [03:39:02.320] - Leo Vasquez

5583

5584 Part of the point I'm trying to make is that we recognize there
5585 were these unexpected huge shocks to the system.

5586

5587 [03:39:09.050] - Nathan Kelley

5588

5589 That's not going to happen going forward.

5590

5591 [03:39:10.460] - Leo Vasquez

5592

5593 It's not going to happen going forward. Our approving Force Majeure
5594 that aren't based on those huge shocks through the system, negative
5595 shocks in the system, is going to be, I expect, much more stringent

5596 and much more... We're not going to approve a lot of things that
5597 we did approve because today, and then when you come back in-

5598

5599 [03:39:33.840] - Nathan Kelley

5600

5601 I would expect that the 20-

5602

5603 [03:39:35.490] - Leo Vasquez

5604

5605 We're not going to be approving it.

5606

5607 [03:39:37.580] - Nathan Kelley

5608

5609 I would expect that the force measure request that may come out of
5610 the '24 round or come out of the '25 round, assuming it stays as
5611 it is right now, are going to be related to a failure to obtain
5612 the soft money they thought they were going to get.

5613

5614 [03:39:52.670] - Leo Vasquez

5615

5616 And those deals are going to die. And the credits are going to
5617 die.

5618

5619 [03:39:56.750] - Nathan Kelley

5620

5621 And that's a risk we run.

5622

5623 [03:39:57.440] - Leo Vasquez

5624

5625 We use them to try to get in the next year.

5626

5627 [03:40:00.520] - Nathan Kelley

5628

5629 Understood.

5630

5631 [03:40:00.810] - Nathan Kelley

5632

5633 But ultimately, that's a delay of supply.

5634

5635 [03:40:05.770] - Kathryn Saar

5636

5637 Sure. Again, I think I've said this before. If we don't have this
5638 artificially high unit count, I think that we're at the tail end
5639 of all the Force Majeure requests. But if we continue to mandate
5640 an unsustainable level of units in a capital market that is
5641 declining, we are going to continue to see the Force Majeure
5642 request. You, as a board, are 100% right. You can deny them, but
5643 it does delay that supply getting into the market.

5644

5645 [03:40:38.580] - Holland Harper

5646

5647 How is rent rates in the market in the oversupply of multifamily
5648 private market affected?

5649

5650 [03:40:45.790] - Nathan Kelley

5651

5652 It's not. HUD dictates what our incomes are each year. This year
5653 in the Houston area, that was flat. While my insurance premiums
5654 went up 15%, my real estate tax valuation went up 15%, my incomes
5655 were flat. My net income actually dropped because the city of
5656 Houston's cost of water and sewer increased, and we deduct that

5657 out of our rent. My incomes are declining year over year on my
5658 existing portfolio of properties. But that doesn't-

5659

5660 [03:41:14.180] - Holland Harper

5661

5662 What I'm seeing in the market is the rent rates are not
5663 accelerating as fast as the costs are.

5664

5665 [03:41:20.670] - Kathryn Saar

5666

5667 That's 100% true.

5668

5669 [03:41:21.970] - Nathan Kelley

5670

5671 That's 100% true.

5672

5673 [03:41:22.390] - Holland Harper

5674

5675 I also believe that there's way too many... The multifamily of
5676 private equity went in there and built a ton of stuff, which is
5677 now on a street fight for filling doors.

5678

5679 [03:41:31.620] - Nathan Kelley

5680

5681 In the luxury space, yes, sir.

5682

5683 [03:41:33.850] - Holland Harper

5684

5685 Thank you.

5686

5687 [03:41:35.390] - Bobby Wilkinson

5688

5689 What if the incentive was for total units rather than affordable,
5690 meaning you could use market rate units?

5691

5692 [03:41:40.700] - Kathryn Saar

5693

5694 I think that would be better.

5695

5696 [03:41:43.300] - Nathan Kelley

5697

5698 Yeah, ultimately, I would love to get back to a time where our
5699 average project size was north of 100 units and more, right? We
5700 were developing 170-unit communities wherein 120-25 of those were
5701 affordable and the balance for market rate. That's a more efficient
5702 property at the end of the day. Now, I can tell you the economics
5703 of that time in 2016 and '17 were dramatically different than they
5704 were today, so that unit count is no longer available. But if we
5705 could get to a mixed income framework that ultimately doesn't have
5706 a requirement for affordable units that's getting us over what
5707 those actually produce in credits, then yes, that makes for a more
5708 efficient property at the end of the day.

5709

5710 [03:42:36.850] - Kenny Marchant

5711

5712 Mr. Chairman, what powers does the board have in the subject that
5713 is before us? Is it an amendable? Is it that you're leaving it?
5714 What actions are available to us?

5715

5716 [03:42:56.750] - Leo Vasquez

5717

5718 I believe at this point in the QAP approval process since the
5719 concept is already baked into them. We could use our higher
5720 incentive numbers that we proposed, or we could accept the
5721 industry's arguments and lower the percentage incentives. And all
5722 of this that we do, it's up to the Governor to approve. He could
5723 change it. We could lower it to four and six, and he could put it
5724 back to 15 and 25. There's all kinds of ways. Or we could... I
5725 don't know. Can we eliminate the concept altogether?

5726

5727 [03:43:41.660] - Bobby Wilkinson

5728

5729 I mean, you could change it to zero.

5730

5731 [03:43:43.230] - Kathryn Saar

5732

5733 Yes.

5734

5735 [03:43:43.520] - Bobby Wilkinson

5736

5737 Then you could change the numbers around as much as you'd like. We
5738 cannot introduce new concepts that weren't published for formal

5739 comment. I think even changing it from affordable units to total
5740 units is slight enough.

5741

5742 [03:43:59.710] - Leo Vasquez

5743

5744 I was wondering about that.

5745

5746 [03:44:01.280] - Kenny Marchant

5747

5748 I don't know.

5749

5750 [03:44:02.180] - Bobby Wilkinson

5751

5752 Do you want to give a legal opinion on the fly? Whether he was
5753 watching.

5754

5755 [03:44:06.890] - Beau Eccles

5756

5757 That's quite gray area.

5758

5759 [03:44:08.470] - Bobby Wilkinson

5760

5761 Yeah, there we go.

5762

5763 [03:44:09.200] - Kenny Marchant

5764

5765 So you say that was too far?

5766

5767 [03:44:13.400] - Bobby Wilkinson

5768

5769 No, I think he said that that would be... There's some gray area
5770 there, so that that would be a slight enough of a change. It's not
5771 a totally brand new scoring category or anything.

5772

5773 [03:44:24.250] - Kenny Marchant

5774

5775 So if we... He's determined that he's going to get a blue sky just
5776 a little bit. If we were to put some a substance change in there
5777 and keep the number as the QAP has suggested, and we can always...
5778 In fact, everything they say comes about in the next year, then we

5779 can go back in the next QAP and moderate those numbers, or the
5780 Governor can moderate those numbers.

5781

5782 [03:44:57.310] - Bobby Wilkinson

5783

5784 He can moderate it for 2025. He can change it in the next few
5785 weeks. For us, it wouldn't be until the 2026 QAP. But once you
5786 vote today, there's no additional amendments that we could make.

5787

5788 [03:45:11.270] - Kenny Marchant

5789

5790 Okay.

5791

5792 [03:45:13.670] - Leo Vasquez

5793

5794 We have a number now, right?

5795

5796 [03:45:16.430] - Bobby Wilkinson

5797

5798 The one in there, I thought it was a place holder. The other one
5799 was 9 and 18.

5800

5801 [03:45:21.840] - Leo Vasquez

5802

5803 No, no. I mean, in the QAP, the '24.

5804

5805 [03:45:24.440] - Bobby Wilkinson

5806

5807 The current one, it says, yes, 10% and 20%.

5808

5809 [03:45:30.120] - Leo Vasquez

5810

5811 Do we know how many applications took those points?

5812

5813 [03:45:33.410] - Bobby Wilkinson

5814

5815 Took points.

5816

5817 [03:45:36.330] - Leo Vasquez

5818

5819 Functionally all of them.

5820

5821 [03:45:37.160] - Kathryn Saar

5822

5823 Sally has this in her sheet.

5824

5825 [03:45:39.360] - Bobby Wilkinson

5826

5827 If you were lucky enough to be in a subregion, the competitor would

5828 have to make it might happen.

5829

5830 [03:45:45.810] - Kathryn Saar

5831

5832 That's exactly right.

5833

5834 [03:45:46.810] - Sallie Burchett

5835

5836 Sallie Burchett with Structure Development. Yes, so Kathryn asked

5837 me to look into those numbers, and there were about seven different

5838 categories. But in summary, all the ones in pole position or that

5839 didn't have or any competition. The ones in pole position took the

5840 points. And there was one region, 3R, where neither took the

5841 points. There were two applications, but that was known at pre-
5842 app. And then so there's one deal in six, U. That did not take the
5843 points that is at the bottom out of the money. Basically, everybody
5844 but one took this one category.

5845

5846 [03:46:28.890] - Leo Vasquez

5847

5848 What I'm hearing is they have no idea how they're going to fund
5849 their capital stack.

5850

5851 [03:46:33.480] - Nathan Kelley

5852

5853 I don't have a dog in that hunt, but I would assume that there are
5854 deals out there that did not have a commitment of that soft funding
5855 at the time of application. The city of Houston, for instance, put
5856 forward a NOFA that folks were applying for. Some will get it,
5857 some will not. I believe the deadline for that submission was last
5858 month. I don't know that they've made formal awards, but they're
5859 getting close. You'll know soon enough.

5860

5861 [03:47:01.360] - Kathryn Saar

5862

5863 The other thing was anyone that had soft funds as part of their
5864 initial application to TDHCA. You included a condition in your
5865 underwriting report that those soft funds, a commitment for those
5866 soft funds was due on November 1st, with their carry-over. That
5867 date just passed. I don't think that we know how many of those
5868 people came in with the soft funds and how many did not. I know I
5869 had asked Cody that, but he said that they were still gathering
5870 that information since it was just last Friday.

5871

5872 [03:47:42.900] - Kenny Marchant

5873

5874 So, just let me bounce a concept off of you. Raising the total
5875 number of total units and making the number 510?

5876

5877 [03:48:00.000] - Nathan Kelley

5878

5879 I think the language says low-income units now, so it would be a
5880 simple strike of that, and then the change in the percentage.

5881

5882 [03:48:09.690] - Kenny Marchant

5883

5884 I was just asking.

5885

5886 [03:48:10.160] - Bobby Wilkinson

5887

5888 I believe that's what he's proposing. Go to 5 and 10 and make it
5889 total units rather than just affordable units.

5890

5891 [03:48:16.130] - Kathryn Saar

5892 I think that's much more tenable than what we have now.

5893

5894 [03:48:20.280] - Kenny Marchant

5895 That's just an idea.

5896

5897 [03:48:22.370] - Leo Vasquez

5898

5899 Why not 5 and 10 on affordable units?

5900

5901 [03:48:26.740] - Kenny Marchant

5902

5903 I don't have any opposition to that.

5904

5905 [03:48:29.410] - Leo Vasquez

5906

5907 Because right now it's 10 to 20.

5908

5909 [03:48:31.250] - Cody Campbell

5910

5911 9 and 18.

5912

5913 [03:48:32.880] - Kathryn Saar

5914

5915 Yeah, the QAP was published with nine and 18. But yes.

5916

5917 [03:48:37.380] - Kenny Marchant

5918

5919 And then we'll just experience next year.

5920

5921 [03:48:40.900] - Leo Vasquez

5922

5923 I wouldn't have any objection to going forward with 5 and 10.

5924

5925 [03:48:48.720] - Kenny Marchant

5926

5927 Affordable units.

5928

5929 [03:48:49.310] - Leo Vasquez

5930

5931 Affordable ones. It's not total.

5932

5933 [03:48:52.730] - Kathryn Saar

5934

5935 So the 10% number is still going to be quite high in a lot of

5936 places.

5937

5938 [03:48:58.580] - Leo Vasquez

5939

5940 We recognize that. But everyone's on that, playing for the same

5941 rules.

5942

5943 [03:49:03.320] - Kathryn Saar

5944

5945 They are, but they are also, as Emily said, we're all optimists.

5946 We get the credits and then figure it out.

5947

5948 [03:49:13.930] - Kenny Marchant

5949

5950 I'll be happy to vote on it as its proposed, but I think about it,

5951 Cory, if we don't take that.

5952

5953 [03:49:22.310] - Nathan Kelley

5954

5955 If it were total units, I would argue you could stick with your

5956 original percentages.

5957

5958 [03:49:30.140] - Kathryn Saar

5959

5960 Right.

5961

5962 [03:49:30.800] - Nathan Kelley

5963

5964 Apparently, the community doesn't agree with me, but nobody wants
5965 to do 100 and whatever unit deals these days.

5966

5967 [03:49:38.610] - Kenny Marchant

5968

5969 Somebody said you had a rope.

5970

5971 [03:49:39.920] - Nathan Kelley

5972

5973 Yeah. I'll do that personally, but I'm not speaking on behalf of
5974 TAAHP, apparently.

5975

5976 [03:49:49.830] - Leo Vasquez

5977

5978 We need to start moving this. I think a reasonable compromise would
5979 be to go to 5 and 10, as opposed to 9 and 18. Affordable. Does any
5980 board member have an objection to that?

5981

5982 [03:50:15.450] - Holland Harper

5983

5984 Can we bring Mr. Campbell to the floor? Talk to him?

5985

5986 [03:50:21.030] - Leo Vasquez

5987

5988 Sure. Sure.

5989

5990 [03:50:27.860] - Holland Harper

5991

5992 Mr. Campbell, you're part of the argument about the market.

5993

5994 [03:50:32.150] - Cody Campbell

5995

5996 Yes, sir.

5997

5998 [03:50:33.100] - Holland Harper

5999

6000 We could do zero, 5 and 10. If you could do 9 and 18. If you could

6001 do 10 and 20.

6002

6003 [03:50:38.550] - Cody Campbell

6004

6005 Sure.

6006

6007 [03:50:39.610] - Holland Harper

6008

6009 You live this fight every day.

6010

6011 [03:50:41.210] - Cody Campbell

6012

6013 Yes.

6014

6015 [03:50:41.410] - Holland Harper

6016

6017 Have a recommendation?

6018

6019 [03:50:42.860] - Cody Campbell

6020

6021 So I presumed the TAAHP's request, it would be zero and 5. I was

6022 surprised when 4 and 6 came in. It's not much higher than what I

6023 expected, but it is a little bit higher. I've got numbers, if you'd

6024 like actual numbers, as to what these things look like.

6025

6026 [03:51:01.370] - Holland Harper

6027 We'd love the demo.

6028

6029

6030 [03:51:02.380] - Cody Campbell

6031

6032 Sure. I had this printed out, and it is conveniently on my desk in
6033 the office. I was frantically calculating things on my phone and
6034 scribbling them down. Just to give you an example, in what's a
6035 good region. Region, 7, let's use Austin as an example. Our
6036 baseline average is 86.7 units. The existing 20% threshold put you
6037 at 102 units. The 18% threshold put you at 100, so it's a reduction
6038 of about two units. Not super meaningful. 6% brings us down to 92
6039 units. It's a pretty big dip. That being said, it is higher than
6040 the average, which when we initially discussed this item with
6041 staff's concern was how do we catch this falling knife? Terrible
6042 analogy. But how do we catch the number and keep it from dropping
6043 further? From staff's perspective, as long as we continue to
6044 increase above those really, really low numbers that we saw in the
6045 pandemic, I think that we've achieved the goal that we were trying

6046 to hit. So 4 and 6% does get us there. If the industry is
6047 representing that they can do that without having to ask for a ton
6048 of Force Majeure and without having to get all these tax exemptions
6049 at the staff level, I think we can get comfortable with that.

6050

6051 [03:52:15.510] - Holland Harper

6052

6053 Then what do you think the effect would be on 5 and 10 versus 4
6054 and 6?

6055

6056 [03:52:19.540] - Cody Campbell

6057

6058 5 and 10, including market rate units or?

6059

6060 [03:52:23.140] - Holland Harper

6061

6062 No, just affordable.

6063

6064 [03:52:24.490] - Cody Campbell

6065

6066 Just affordable. That would not seem to be significantly higher
6067 than the 4 and 6 that's proposed, as we've seen. Just a couple of
6068 percentages only makes a few units difference. For 5 and 10 is a
6069 very nice round number that makes me feel good.

6070

6071 [03:52:41.950] - Holland Harper

6072

6073 Then in the next QAP, when we do this. I'm sorry, this is summer,
6074 I just couldn't make the travels. I want us to really think about
6075 how do we incentivize not taking all this soft money.

6076

6077 [03:52:55.060] - Cody Campbell

6078

6079 Sure.

6080

6081 [03:52:55.200] - Holland Harper

6082

6083 Because I don't think it's long term best for these municipalities.
6084 It puts weird structures together, which I know what they're doing
6085 to get that accomplished.

6086

6087 [03:53:06.020] - Cody Campbell

6088

6089 Certainly.

6090

6091 [03:53:07.020] - Holland Harper

6092

6093 Thank you, sir.

6094

6095 [03:53:08.420] - Cody Campbell

6096

6097 Understood.

6098

6099 [03:53:13.040] - Holland Harper

6100

6101 Mr. Chairman, we have a motion ready.

6102

6103 [03:53:15.240] - Leo Vasquez

6104

6105 Well, okay.

6106

6107 [03:53:17.220] - Bobby Wilkinson

6108

6109 I would like to just further comment on other things on the QAP,
6110 and then in the end, someone will make a motion mentioning this 5
6111 and 10% of the verbal change and any other possible change that we
6112 might.

6113

6114 [03:53:31.790] - Leo Vasquez

6115

6116 Okay. It seems like the board has a consensus on how it doesn't
6117 make everyone completely happy, but it should make you a lot
6118 happier than 8 and 20, or 9 and 18. So I think we make an ultimate
6119 motion. We're going to go with the 5 and 10. Affordable. I don't
6120 see any objections someone jumping up and down from the board who
6121 hasn't vote. Okay, let's move to the next topic, which was the
6122 other-

6123

6124 [03:54:13.750] - Cody Campbell

6125

6126 The other topic in my presentation the at-risk and USDA
6127 qualifications. I'm not sure if there's any comment on that
6128 specifically.

6129

6130 [03:54:29.040] - Robbye Meyer

6131

6132 Robbye Meyer with Rural Rental Housing, and I don't think Ms. Fine
6133 and I are going to fight over this, hopefully. I do want to
6134 appreciate staff's recommendations in the QAP of allowing us to
6135 hopefully clarify all of this in legislation this next round. I do
6136 have two things. You did put it in there that, Pick a horse. I'm
6137 fine with that. I can live with that language. One thing with
6138 picking a horse, if you do have a USDA-financed application that
6139 chooses to compete in at-risk, I do ask that in the application,
6140 they be able to identify themselves as a USDA application for all
6141 the other entities or items in the QAP that have exemption
6142 purposes. That's really that part. Ms. Fine and I actually talked
6143 about this yesterday on the elimination of USDA getting the second
6144 bite at the apple. If they are eligible for at-risk, and I'm not
6145 talking competing purposes, but before at at-risk, if everything
6146 is already awarded, if there is funds left over in at-risk, it's
6147 a very limited resource for preservation activities. And if you

6148 have a USDA application that still is eligible for at-risk, we
6149 would ask that you allow them to use up that resource before you
6150 sweep it in to statewide collapse, because it is very limited
6151 resource for preservation activities. Everything else would be
6152 awarded, but if there is a USDA application that does fit in that
6153 category, allow it to be used at the end of the day after all the
6154 other at-risk applications have been awarded. I think Ms. Fine
6155 agrees with that, but I'll let her acquiesce to it. I thank you.

6156

6157 [03:56:36.000] - Leo Vasquez

6158

6159 Thank you, Robbye. Does anybody else want to?

6160

6161 [03:56:51.160] - Tim Smith

6162

6163 Hi, I'm Tim Smith with Hope Development Services. I'll just do
6164 ditto of what Robbye said, but just to back up that, to ensure
6165 that after all the at-risk developments have been funded, that per
6166 statute, USDA is a part of that, that that money goes to any
6167 unfunded USDA deals above the 5% on the sweep. Then just a
6168 confirmation from Cody that USDA deals that are competing in the

6169 at-risk set aside will be treated via the rules with the special
6170 treatment that USDA deals are for underwriting and other things.

6171

6172 [03:57:28.570] - Cody Campbell

6173

6174 I think that's reasonable. Josh, do you think it's going to be
6175 hard to work with that?

6176

6177 [03:57:31.770] - Josh Goldberger

6178

6179 Okay.

6180

6181 [03:57:32.470] - Cody Campbell

6182

6183 Yeah. We have to sell these people. It's not just us.

6184

6185 [03:57:39.180] - Tracey Fine

6186

6187 Tracey Fine, National Church Residences. It's just one comment on
6188 the treating of the USDA deals differently with their exceptions
6189 and the at-risk set aside. There are a lot of underwriting

6190 exceptions. I don't have any problems with that. There is one thing
6191 I do think the QAP identifies it clearly enough that you can't do
6192 it in at-risk, and that is an It might not even happen this year.
6193 That deals that are USDA that are in urban areas are allowed to
6194 pick rural. It gives it a path for either CRP or opportunity
6195 points. That's an unfair advantage if a USDA application is
6196 competing and at-risk and they're able to do that. I do think
6197 there's some language that is set in the QAP. It's item B under
6198 the USDA set aside language. I just ask that. I think that's a
6199 good guardrail, but I think it could be a questioned too.

6200

6201 [03:58:36.370] - Leo Vasquez

6202

6203 Okay. Thank you, Tracey.

6204

6205 [03:58:45.460] - Michael Beard

6206

6207 I promise I'll be quick. Michael Beard, BETCO Consulting. We did
6208 provide preliminary comment related to one of the adjustments in
6209 the RAF, where they've now created priorities that limit all the
6210 credits available in a sub-region. Only 50% can go towards

6211 rehabilitation developments, both in urban and rural. This
6212 effectively has blocked out historic rehabilitation in all but the
6213 major metroplexes. Going forward with that rule, which might be an
6214 unintended consequence. Just want to make sure everyone's aware
6215 that as it's read, you will never see another rehabilitation
6216 development in historic. Specifically regions like five, four, you
6217 might in four, but three, two, one, they're all going to be blocked
6218 out unless no one else ever applies. So just wanted to make sure.

6219

6220 [03:59:46.770] - Leo Vasquez

6221

6222 So for these most recent comments, so far there isn't any specific
6223 request change to we had in the document?

6224

6225 [03:59:56.450] - Cody Campbell

6226

6227 I believe there was from Robbye and Tim. So within the at-risk set
6228 aside, the first 5%, which is a third of the set aside, is limited
6229 to USDA applications. The remaining is for at-risk applications,
6230 and a USDA application can qualify as at-risk. This is so insane
6231 to try and explain. It makes me feel like a crazy person. So, an

6232 application could, in theory, qualify for both of those. But what
6233 we've seen over the last couple of years is that USDA has been
6234 taking up a significant amount of that 15%, which means very few
6235 of our at-risk dollars are going to non-USDA urban deals. What we
6236 have proposed in the QAP is that an application that qualifies for
6237 both has to choose to either compete in USDA or at-risk. Tim and
6238 Robbye have requested clarifying language in the QAP that if we
6239 get through all of the at-risk applications and there is money
6240 remaining in that 15% set aside, that applications that were
6241 submitted under the USDA set aside that would otherwise qualify
6242 for at-risk be eligible to get those dollars. I hope that made
6243 sense. I find it to be a very reasonable request.

6244

6245 [04:01:05.240] - Bobby Wilkinson

6246

6247 Do you actually need language for that, or is that just how you
6248 would interpret?

6249

6250 [04:01:08.560] - Cody Campbell

6251

6252 I do think that we would need to tweak the language that we have
6253 slightly, but we can do that very easily. We could add a checkbox
6254 to the application that says, we're not competing in at-risk, but
6255 if there's any at-risk money left over, we do believe that we
6256 qualify for it. That would be pretty easy.

6257

6258 [04:01:21.380] - Holland Harper

6259

6260 Why did the speaker last minute say that that would affect rural
6261 deals specifically?

6262

6263 [04:01:26.050] - Cody Campbell

6264

6265 Sure. Mr. Beard spoke about a different rule that concerns the
6266 limit on credits that can go to rehabilitation developments in a
6267 sub-region. This was added, I believe, two years ago to help
6268 facilitate new construction over rehabilitation. So that is a very
6269 intended aspect of it. The issue that we run into is that in sub-
6270 regions that only have enough money to fund one deal, which is
6271 going to be a lot of our rural sub-regions, because no more than
6272 50% of the credits can go to rehabs, it does effectively mean that

6273 unless nobody else ever applies or unless there's only one
6274 application in that and it is rehab, that we won't fund a rehab.
6275 Because if you have two competing applications and one's new
6276 construction and one is rehab, we can only fund one of those. Only
6277 50% of the credits can go to a rehab, which means by default it
6278 would go.

6279

6280 [04:02:11.730] - Holland Harper

6281

6282 It would be rehab at an existing asset or would it be rehab I have
6283 a previous credit deal? Let me put a scenario at a place.

6284

6285 [04:02:20.420] - Cody Campbell

6286

6287 Sure, please.

6288

6289 [04:02:20.930] - Holland Harper

6290

6291 We'll say that Anna here has a deal that she wants to rehab it
6292 after 15 years or 20 years for the number is. Where you have a

6293 historic, I'm sure that you're going to turn from X, Y, Z into
6294 low-income housing. Those two separate assets?

6295

6296 [04:02:37.960] - Cody Campbell

6297

6298 Sure. The historic building that is not housing that you are
6299 turning into a rehab that's considered adaptive reuse under the
6300 QAP. And adaptive reuse is considered new construction. But if it
6301 is a historic deal that you are rehabilitating its existing housing
6302 that you are rehabilitating as housing, that would be considered
6303 a rehabilitation. You would hit that 50% limit.

6304

6305 [04:03:01.770] - Leo Vasquez

6306

6307 So if I heard you correctly on the, Take Your Horse, USDA, or at-
6308 risk, the works get done there, so you have that. Or then, if there
6309 are still funds available in the 15%, you can then change that
6310 designation to the other when we go at-risk and then you didn't
6311 get the award, but still 15%, you could then change it to USDA.

6312

6313 [04:03:38.710] - Cody Campbell

6314

6315 Right. In the situation-

6316

6317 [04:03:39.870] - Leo Vasquez

6318

6319 You're applying for both. Here's how you get considered as.

6320

6321 [04:03:42.470] - Cody Campbell

6322

6323 Exactly.

6324

6325 [04:03:43.600] - Leo Vasquez

6326

6327 I find it very reasonable.

6328

6329 [04:03:46.330] - Cody Campbell

6330

6331 Sure.

6332

6333 [04:03:47.190] - Leo Vasquez

6334

6335 Reasonable idea.

6336

6337 [04:03:48.220] - Cody Campbell

6338

6339 Sure.

6340

6341 [04:03:49.410] - Leo Vasquez

6342

6343 Anyone have questions on that concept or problems with it?

6344

6345 [04:03:53.540] - Holland Harper

6346

6347 Sir, would you say that again, please? I'm sorry.

6348

6349 [04:03:56.290] - Leo Vasquez

6350

6351 Are you kidding or not?

6352

6353 [04:03:56.760] - Holland Harper

6354

6355 The concept.

6356

6357 [04:03:57.450] - Leo Vasquez

6358

6359 Okay. Again, so the concept of you can apply under that. There's

6360 15 %-

6361

6362 [04:04:06.140] - Cody Campbell

6363

6364 Of the ceiling.

6365

6366 [04:04:07.430] - Leo Vasquez

6367

6368 At the ceiling, yeah, for either USDA or at-risk. If you qualify

6369 for both, you have to pick one of them in your initial application.

6370 So let's say you pick USDA, and you don't get the award. If there

6371 are then still funds available under that 15% cap, you can then

6372 say, well, let me go at-risk. And then if there's funds available-

6373

6374 [04:04:36.210] - Cody Campbell

6375

6376 If there's funds for me, that is correct.

6377

6378 [04:04:37.370] - Leo Vasquez

6379

6380 I can throw a second bite at it. It's still that limited.

6381

6382 [04:04:43.110] - Cindy Conroy

6383

6384 It's just one application, two opportunities.

6385

6386 [04:04:45.540] - Leo Vasquez

6387

6388 Correct.

6389

6390 [04:04:46.050] - Cindy Conroy

6391

6392 Should one not make it.

6393

6394 [04:04:47.580] - Cody Campbell

6395

6396 Correct. If they qualify for both and everyone who came in for
6397 that second part has already been funded. That's correct.

6398

6399 [04:04:56.690] - Leo Vasquez

6400

6401 Yeah, it makes sense. Good idea. Okay, what's the next concept
6402 that we're looking at?

6403

6404 [04:05:03.750] - Kenny Marchant

6405

6406 Now with the motion incorporated?

6407

6408 [04:05:08.990] - Cody Campbell

6409

6410 Historically, what's happened is when the board is prepared to
6411 make a motion, I go over the changes as I understand them that the
6412 board would like to hear, and then you read your motion and say,
6413 plus everything Cody just said. Yeah.

6414

6415 [04:05:21.500] - Leo Vasquez

6416

6417 What he said.

6418

6419 [04:05:24.080] - Ajay Thomas

6420

6421 As Cody, described.

6422

6423 [04:05:30.710] - Jonathan Campbell

6424

6425 Hi, good morning. Good afternoon. I mean, I'm sorry. We skipped
6426 lunch. I'm Jonathan Campbell. I'm with LCJ Development here as
6427 part of the Rural Rental Housing Contingency. I wanted to bring up
6428 a new topic which was discussed in the last board meeting, but I
6429 wanted us to put some more gray matter into considering this before
6430 it gets enacted. I'm rising today to speak in favor of increasing
6431 the leveraging factor from 9% to 10%, which is in the latest draft
6432 of the staff QAP. But I think that in the last board meeting, there
6433 was an add-on to that that was added whimsically that I think we
6434 should deliberate more on. Which was to only allow for projects
6435 that are less than 50 units to earn that higher 10% factor. What
6436 that's going to do is it is going to create greater financial

6437 feasibility, more equity for smaller projects. I was looking at
6438 three different scenarios for the next round. I've got a 40-unit
6439 deal I can look at. I've got a 60-unit deal that I can look at.
6440 Right now, the line is drawn at 50%, so this is almost equally
6441 distributed above and below that threshold. I've got a 100-unit
6442 deal that I can look at. Right now, the most financially infeasible
6443 project is the 60-unit deal because of this metric. So north of 50
6444 units, the project is going to earn \$120,000 per unit in net
6445 equity. Below the threshold, it's going to be \$140,000. So that
6446 \$20,000 per unit difference is going to get baked into the real
6447 estate fundamentals of the transaction. Smaller projects are going
6448 to have a premium to them, which runs counter to real estate
6449 fundamentals, real estate theory, economies of scale. You want
6450 more units. You want as big as project as you can get. Smaller
6451 projects have more risk. If this is enacted and it becomes a new
6452 precedent that the agency is going to put its thumb on the scales
6453 to create greater financial feasibility for smaller projects, is
6454 going to concentrate agency resources, industry resources, into
6455 higher risk properties.

6456

6457 [04:08:13.750] - Leo Vasquez

6458

6459 Cody, correct me if you will, the intent of what we were trying to
6460 do is to give more opportunity to the smaller rural projects.

6461

6462 [04:08:25.450] - Cody Campbell

6463

6464 Sure. If I could just give a little background for folks who might
6465 not be I'm not as familiar with the leveraging scoring category.
6466 There's a scoring category in the QAP for leveraging of private
6467 resources, I believe. It awards points if your tax credit request
6468 amount is below a certain percentage of your total development
6469 cost. Historically, that number has been set at 9%. What we've
6470 seen over the last couple of years because things are so expensive,
6471 especially debt, and I have to shift my thinking when I think about
6472 a rehab, a rehab costs what you have available to spend on the
6473 rehab. If you have \$9 million, that's how the rehab is going to
6474 be. If you have \$10 million, you're going to do a \$10 million
6475 rehab. As debt has gotten more expensive, the available capital to
6476 spend on these rehabs has gone down, and that has pushed that 9%
6477 into an amount that's so small that it threatens the financial
6478 feasibility of those really small developments. What we proposed
6479 at the September meeting is that for USDA deals, because they are
6480 the ones that have been affected so far by this squeeze, that we

6481 go up to 10% for that leveraging. Upon further discussion, I think
6482 where the room landed is that because small deals are most
6483 affected, then that benefit should only be given to deals below a
6484 certain unit count. I think we landed on 50, which is what is in
6485 the QAP right now. I do believe that there is something to what
6486 Mr. Campbell was saying, no relation, by the way. That you could
6487 have the unintended consequence of incentivizing small deals
6488 because there's a little bit more leveraging available for them.
6489 That could be something that the board could consider. But that is
6490 the reasoning behind it, is that because small deals are the most
6491 effective, then small deals should be the only ones to get that
6492 benefit.

6493

6494 [04:10:07.330] - Jonathan Campbell

6495

6496 Rural rental developers will always try to do scatter-side deals
6497 where possible. They will try to put smaller deals together to
6498 create some economies of scale, as long as they can point up. We
6499 want to do that. We try to do that. Every single year, we're
6500 looking to try to scoop small deals to create an economies of
6501 scale. This disincentivize us from We're not doing that. It

6502 incentivizes us just to do single stand-alone one-off projects,
6503 not assemble them.

6504

6505 [04:10:40.810] - Leo Vasquez

6506

6507 Could this be just a quirk in your actual... These projects that
6508 you're comparing that the bigger one happens to be less affordable
6509 than the smaller one?

6510

6511 [04:10:52.360] - Jonathan Campbell

6512

6513 I think what I hear you saying is there is a donut that gets
6514 created. So the donut starts with the 50-unit threshold right now,
6515 and then the donut ends once you get out of the economies of scale
6516 that gets brought on by bigger projects. I don't know where that
6517 is exactly. This is a new concept. My gut says it's somewhere
6518 around 70 to 80 units. Your economies of scale pick up where the
6519 financial feasibility is overcome by that drop in equity. Does
6520 that address your question?

6521

6522 [04:11:25.870] - Leo Vasquez

6523

6524 I'm just wondering if in this particular case, you're not comparing
6525 apples to apples. Just that the smaller project, in this case,
6526 truly is, just happens to be a better project.

6527

6528 [04:11:39.300] - Jonathan Campbell

6529

6530 Well, when the agency puts its thumb on the scale to ensure that
6531 there is going to be a \$20,000 a unit difference in the amount of
6532 equity. That does translate into the transaction. When sellers
6533 start to realize that they are going to start asking for more. So
6534 not all of this is going to go into the sticks and bricks, so to
6535 speak, of the rehab. There is going to be an awareness that if
6536 you're below 50 units, and by the way, 50 units bifurcates the
6537 USDA supply pretty evenly. You're going to have a dramatic
6538 difference between 49-unit deals and 51-unit deals, and that is a
6539 good chunk of the USDA supply.

6540

6541 [04:12:28.810] - Bobby Wilkinson

6542

6543 John, did you get a formal comment on this? Or off your language?

6544

6545 [04:12:31.900] - Jonathan Campbell

6546

6547 I believe Rural Rental provided a letter in written comment.

6548

6549 [04:12:37.990] - Bobby Wilkinson

6550

6551 What our response in that, to what our position was?

6552

6553 [04:12:41.730] - Cody Campbell

6554

6555 I remember responding to this, but essentially the reasoned

6556 response was that the intention of this was to help out these small

6557 deals that are being squeezed. I believe that the Rural Rental

6558 Houser's Association, their request was just to strike that 50-

6559 unit limit, so to leave the increase in leveraging available.

6560

6561 [04:13:01.060] - Kenny Marchant

6562

6563 What's the 50-unit limit?

6564

6565 [04:13:04.330] - Jonathan Campbell

6566

6567 The 50-unit limit only allows for projects that are less than 50
6568 units to get that 10% leveraging factor, that additional 10% equity
6569 award. So to speak. Perhaps a compromise could be that USDA is
6570 just exempt from this. If there are projects that want to compete
6571 in the at-risk and we want to provide incentives, I don't want to
6572 speak for the entire at-risk, but perhaps a compromise could be
6573 that USDA is exempt from this.

6574

6575 [04:13:32.610] - Cody Campbell

6576

6577 The issue that we would run into there is that if we have an
6578 environment where an application can compete both in USDA and at-
6579 risk, and we have separate scoring for USDA and at-risk, we have
6580 created an administrative nightmare for ourselves. And so striking
6581 the 50-unit threshold from this procedurally is more
6582 comprehensible than creating two separate scoring metrics for
6583 separate set asides.

6584

6585 [04:14:01.420] - Leo Vasquez

6586

6587 Again, we can just fundamentally, as I recall us, going down this
6588 path. I thought it was great you're trying to develop bigger rural
6589 properties, but from what I remember I remember from industry staff
6590 saying, it was almost economically infeasible to do the small
6591 projects. So how can we help the small projects? This may be an
6592 unintended consequence.

6593

6594 [04:14:30.480] - Jonathan Campbell

6595

6596 It certainly helps the smaller projects by giving them more equity.
6597 I think raising the bar from 9% to 10% helps that. Let's not
6598 punish, so to speak, projects that are slightly larger than that
6599 threshold.

6600

6601 [04:14:45.530] - Leo Vasquez

6602

6603 Does Tracey have a comment?

6604

6605 [04:14:47.610] - Robbye Meyer

6606

6607 Can I do compromise first? Okay. Robbye Meyer with Rural Rental
6608 Housing, and I got a compromise to the situation, and Tracey and
6609 I talked about it. For this year, for 2025, and then let us revisit
6610 the whole thing for 2026 for a broader ethic. For 2025, if we could
6611 leave the cap in, but apply the cap to... If somebody wanted to
6612 do, say, a scattered site development where you had a 2, 26-unit
6613 deals, two small deals, so it would go with the cap. Have the cap
6614 apply to each development in the scattered site so that it's not
6615 the development site or the application. And we'll put a guardrail
6616 on it, that you can only have two scattered sites so that you can't
6617 bust the cap really high. Now, that does mean that you could have
6618 two 50-unit deals, and you'd have 100 units, but it would have a
6619 guardrail on it, have to be a scattered site, not a Phase one,
6620 Phase two. A true scattered site, and that would be for 2025. We
6621 would revisit the whole thing for 2026, and Tracey and I agreed we
6622 would work together on the whole issue and work out between at-
6623 risk and USDA and how that would affect if that is a compromisable
6624 situation. I think USDA, I understand exactly what Jonathan is
6625 saying. I don't disagree with what he's saying. There's got to be
6626 a workable solution because as rural rental housing, we're the
6627 ones that started this. We asked for the increase because we were
6628 having to give up credits because we're trying to maximize the

6629 rehabilitation and we couldn't get there. Every USDA development
6630 this year gave up credits because of that. A lot of times in at-
6631 risk, they're giving up credits because they hit the \$2 million
6632 mark. It didn't happen for everybody, but they hit the \$2 million
6633 cap anyway. They're giving up credits that way and not necessarily
6634 because of our situation.

6635

6636 [04:17:03.730] - Leo Vasquez

6637

6638 So you're proposing that we could have two scattered sites of 49
6639 units each?

6640

6641 [04:17:11.380] - Robbye Meyer

6642

6643 You could potentially. If you look at the number of units for most
6644 USDA, they're 36 units or less for the majority of them. Now, I
6645 agree with Jonathan. We do have 48-unit deals and 49-unit deals.
6646 We have 60-unit deals and higher. But for the most part, most USDA
6647 deals are small. They're in the middle of nowhere. So you're not
6648 going to have a lot of large complexes out there. So for
6649 developments or developers that are owners that have 24-units over

6650 here, and you got another 36-units over here on the other side of
6651 Texas, they can actually do a scattered site for those two deals.
6652 And that would be a compromise And I'm looking out for rural rental
6653 as a whole.

6654

6655 [04:18:04.040] - Holland Harper

6656

6657 Ms. Meyer, what would the problem be if we just limited the cap of
6658 50 units?

6659

6660 [04:18:09.540] - Robbye Meyer

6661

6662 I will let Ms. Fine get into that. I'm for that, but I understand
6663 the guardrail that Ms. Fine wants to have. And I'm trying to be
6664 compromising here. I'm compromising to that if we can just not
6665 just have it for the whole development site. Because there are a
6666 couple of portfolios that are being purchased in Texas right now.
6667 I'm not party to that, but I know there's portfolios that are out
6668 there. I'm sure that we're going to see some of those part of those
6669 portfolios come in. And they are small deals, and I want them to
6670 have the ability to be able to come in as scattered sites.

6671

6672 [04:18:53.610] - Holland Harper

6673

6674 Mrs. Fine?

6675

6676 [04:18:56.500] - Tracey Fine

6677

6678 Tracey Fine, National Church Residences. Yes, I'm supportive of
6679 Robbye's suggestion of allowing scattered site, two projects doing
6680 a bundle each max 50 units. The reason why I am not supportive of
6681 eliminating the total unit count is, as I've discussed this
6682 previously, is that there's not a guardrail for cash out on
6683 identity of interest transactions. It is allowed. It's not illegal.
6684 Our rules permit it, and it is happening. And so all these
6685 transactions, if you're doing your project, they are all a little
6686 bit different. For example, I might have a \$4 million project, and
6687 it's going to cost me \$4 million to acquire it. And I have \$3
6688 million in debt, and therefore there's only this \$1 million
6689 difference. But some of them have a lot less. So if you have a
6690 little bit of debt or no debt at all, and you acquire that project,
6691 you can get more credit. You pocket that at that difference. That

6692 is what is the cash out. And that's absolutely happening. It
6693 happened last year. One application in particular, I'm guessing,
6694 took about \$400,000 extra in tax credits to cash out. That \$400,000
6695 could have flown through the collapse and funded another deal.
6696 Again, it is allowed. It's not considered abuse the way our rules
6697 are written. When you allow projects to increase leverage, you are
6698 allowing them to take more credits, but there's nothing requiring
6699 us to make those extra credits go to hard cost in construction.
6700 There's not a guardrail for that.

6701

6702 [04:20:40.760] - Leo Vasquez

6703

6704 Okay, but how does that affect this?

6705

6706 [04:20:43.170] - Tracey Fine

6707

6708 Because you can grab more tax credits, but you don't have to use
6709 those tax credits to put in hard cost into your project. You can
6710 cash them out into your pocket.

6711

6712 [04:20:54.450] - Robbye Meyer

6713

6714 Just to Tracey, we haven't had that particular issue in USDA. USDA
6715 has a thumb on that particular item. We haven't had that over in
6716 USDA, and I think that's one of the reasons you're hearing Jonathan
6717 say, just take it out, just I have this applied to USDA. But I
6718 understand Ms. Fine. I understand Jonathan. I'd like to compromise
6719 here and work it out in 2026, however the board's pleasure is to
6720 fix it. And that's either reducing it or do away with it, one or
6721 the other.

6722

6723 [04:21:34.720] - Leo Vasquez

6724

6725 So, we compromise with the allowing scattered site as long as each
6726 scattered site is under the 50. That's sort of a balance for you
6727 two. And then does that partially reach your Jonathan's issue on
6728 being able to... I guess it doesn't really. If you have one-sided-
6729

6730 [04:21:57.690] - Jonathan Campbell

6731

6732 Yeah, it's still going to create a donut. There's still going to
6733 be projects that are not as financially feasible as smaller ones
6734 now.

6735

6736 [04:22:07.010] - Leo Vasquez

6737

6738 I think I understand. I do fully understand what your position is
6739 where you're coming from. But I believe it's been the board's
6740 intent to help these smaller deals and small communities that
6741 there's no way it's going to support a 75-unit deal. From as we've
6742 seen over the years, it's so tough to... Because there's economies
6743 of scale and everything like that. It's tough to go over even a
6744 20-unit deal in something small.

6745

6746 [04:22:43.280] - Tracey Fine

6747

6748 There are some costs that definitely hit the economies of scale.
6749 It cost my... I'm going to pay my attorney the same amount, whether
6750 it's a 25-unit deal or 75-unit deal. I'm going to pay the same
6751 amount for my market statements, pay the same amount for my
6752 appraisals.

6753

6754 [04:22:57.420] - Leo Vasquez

6755

6756 So we need to help the smaller. Smaller deals can't happen.

6757

6758 [04:23:00.780] - Tracey Fine

6759

6760 It's just a counterpoint to the larger deals needing this. Do we

6761 need to introduce the compromise?

6762

6763 [04:23:16.180] - Robbye Meyer

6764

6765 I gave you a compromise. It's really up to the board's discretion

6766 of how you want to do it. If you remove the cap, it will still

6767 work and try to fix it next year. I'm committed to that. However,

6768 we try to fix it going forward, whether that means trying to figure

6769 out a different cap or we try to put other guardrails in next year.

6770 However we do that, Rural Rental Housing is committed to doing

6771 that.

6772

6773 [04:23:38.790] - Leo Vasquez

6774

6775 If we leave it as written up right now, that doesn't give that
6776 extra multi-scattered site.

6777

6778 [04:23:49.930] - Robbye Meyer

6779

6780 Correct.

6781

6782 [04:23:50.410] - Leo Vasquez

6783

6784 But it'll be a lot easier to evaluate the score and everything
6785 like that. And then if there's some way that we can work in some
6786 other things next year, maybe the scattered site, maybe it's
6787 exempting the USDA up to a certain size. There's all kinds of ways
6788 to redo that. It sounds to me like it could be easier. And It's
6789 still reasonable to leave it in this year as we have written up.

6790

6791 [04:24:21.120] - Robbye Meyer

6792

6793 They put a lot more applications in front of you. I mean if you
6794 did the scatter site, the compromise, you'd have less applications,
6795 presumably.

6796

6797 [04:24:29.850] - Jonathan Campbell

6798

6799 I would just caution against accepting the premise entirely. I
6800 think it creates an awkward precedent for the agency to put its
6801 thumb on determining financial feasibility to this degree. I
6802 understand the desire to compromise, but I think there's probably
6803 a better policy-

6804

6805 [04:24:51.070] - Bobby Wilkinson

6806

6807 Wasn't this a rural housing request for us to do this in the first
6808 place?

6809

6810 [04:24:54.580] - Jonathan Campbell

6811

6812 For it to go from 9% to 10. The concept of limiting it to just
6813 projects less than 50 units is what we're objecting to.

6814

6815 [04:25:02.650] - Bobby Wilkinson

6816

6817 You can leave it for one year. See how it goes.

6818

6819 [04:25:10.490] - Leo Vasquez

6820

6821 We've heard over time that we're trying to help these smaller in
6822 slightly infeasible deals or make them feasible. Again, I'm just
6823 not moved to change it.

6824

6825 [04:25:29.900] - Anna Farias

6826

6827 Just one question. I know all about small towns, rural communities
6828 are very small. How many have you done there? There were 50 or
6829 more.

6830

6831 [04:25:42.760] - Jonathan Campbell

6832

6833 Our group focuses on larger projects just because of the economy
6834 of scale. It's easier to manage. We do seek out larger deals where
6835 possible.

6836

6837 [04:25:54.600] - Anna Farias

6838

6839 Are these in rural communities, population is what?

6840

6841 [04:25:59.390] - Jonathan Campbell

6842

6843 Suburban and rural is where we're focused on. Suburban projects
6844 get better attention from the investment and lending community.

6845

6846 [04:26:11.150] - Anna Farias

6847

6848 My only question was about rural communities. Those are small
6849 projects.

6850

6851 [04:26:14.790] - Jonathan Campbell

6852

6853 Most rural projects are going to be less than 50 units. 32 to 48
6854 units is the preponderance of it. Yes.

6855

6856 [04:26:24.850] - Leo Vasquez

6857

6858 Okay. Unless someone on the board feels differently, I would say
6859 we go with it as it's presented right now.

6860

6861 [04:26:34.070] - Robbye Meyer

6862

6863 Thank you.

6864

6865 [04:26:48.240] - Leo Vasquez

6866

6867 So were there other topics that Cody mentioned that he didn't
6868 mention? So I only got two, two changes before we ship it all to
6869 you guys.

6870

6871 [04:27:05.320] - Cody Campbell

6872

6873 That is what I have as well. What I have on my list is adjusting
6874 the thresholds in the quantity of low-income unit scoring item
6875 from 10 and 20% to 5 and 10% but leaving all other language
6876 unchanged. Within the USDA, an at-risk set aside. Adding language
6877 that if we had funded all at-risk deals and we still have remaining
6878 money in that 15% to go back to the USDA set aside and fund deals
6879 that would qualify under the at-risk set aside, had they not been
6880 submitted under the USDA set aside. Both of which I think we can
6881 accomplish very easily in the QAP.

6882

6883 [04:27:39.800] - Leo Vasquez

6884

6885 I would like to entertain a motion on items 37 of the agenda. And
6886 everyone remember, don't run out. We still have 37. So we approve.

6887

6888 [04:27:58.120] - Holland Harper

6889

6890 I make a motion that we set the QAP with just an amendments in
6891 accordance to what Mr. Campbell just stated.

6892

6893 [04:28:07.980] - Anna Farias

6894

6895 Second.

6896

6897 [04:28:09.780] - Leo Vasquez

6898

6899 And that we deliver to the Governor no later than November 15th,
6900 2024, for his review, revision, and approval, and thereafter to be
6901 published in the Texas Register for Adoption. All is authorized,
6902 expressed, and subject to the conditions in the board action
6903 request of this item?

6904

6905 [04:28:29.250] - Holland Harper

6906

6907 Yes, that's exactly what I thought.

6908

6909 [04:28:31.860] - Leo Vasquez

6910

6911 Okay, so motion made by Mr. Harper, seconded by Ms. Farias, subject
6912 to the edits that we've agreed upon. All those in favor say Aye.

6913

6914 [04:28:49.020] - Board Members

6915

6916 Aye.

6917

6918 [04:28:49.490] - Leo Vasquez

6919

6920 Any opposed? Hearing none, motion carries. Thank you, everybody,
6921 for that. But wait, there's more? Okay, so where are Okay, somebody
6922 tell me... 14. 14? Okay, so Item 14 of the agenda. Presentation,
6923 discussion, and possible action regarding a waiver of 10 TAC
6924 §11.101(b)(1)(A)(vii) of the Qualified Allocation Plan (QAP)
6925 relating to the percentage of efficiency and/or one-bedroom units
6926 for Oak Hill Lofts. Ms. Morales, you've had a busy day.

6927

6928 [04:29:46.000] - Teresa Morales

6929

6930 Teresa Morales, Director of Multifamily Bonds. Item 14 includes a
6931 request for a waiver for a property that exceeds the 30% limitation
6932 on efficiency in one-bedroom units. Oak Hill Lofts proposes the
6933 new construction of 90 units in Austin. Of those 90 units, 50 will
6934 be one bedrooms, which comprise 55.5% of the total unit count. A
6935 waiver was previously considered and tabled by the board last

6936 month, pending submission to staff of application exhibits that
6937 reflect a unit mix that does not exceed 34%, one-bedroom units.
6938 The revised application exhibits have been provided and reflect a
6939 unit mix of 33.33% one-bedroom units. Recognizing the discussion
6940 at last month's board meeting and recognizing the proposed change
6941 to the 2025 QAP that increases the efficiency in one bedroom
6942 limitation to 35%. Staff recommends that a waiver of 10 TAC
6943 11.101(b)(1)(A)(vii) be granted.

6944

6945 [04:30:50.780] - Leo Vasquez

6946

6947 So this is what we represented in the last meeting.

6948

6949 [04:30:54.690] - Teresa Morales

6950

6951 Correct.

6952

6953 [04:30:54.680] - Leo Vasquez

6954

6955 They actually have put together the drawings or...

6956

6957 [04:30:59.160] - Teresa Morales

6958

6959 Correct.

6960

6961 [04:31:00.140] - Leo Vasquez

6962

6963 To effect this change?

6964

6965 [04:31:02.330] - Teresa Morales

6966

6967 Yes.

6968

6969 [04:31:02.910] - Leo Vasquez

6970

6971 They're not asking for anything else other than that change.

6972

6973 [04:31:05.310] - Teresa Morales

6974

6975 Correct.

6976

6977 [04:31:05.780] - Leo Vasquez

6978

6979 So the waiver is really at this point up from 30 to 33%.

6980

6981 [04:31:09.890] - Teresa Morales

6982

6983 34%, I think, is where we landed last month because the percentage-

6984

6985 [04:31:16.130] - Leo Vasquez

6986

6987 30 to 33?

6988

6989 [04:31:16.810] - Teresa Morales

6990

6991 Correct.

6992

6993 [04:31:19.800] - Leo Vasquez

6994

6995 And recognizing that we're changing the whole thing to 35%.

6996

6997 [04:31:23.500] - Teresa Morales

6998

6999 Yes.

7000

7001 [04:31:23.860] - Leo Vasquez

7002

7003 So do any board members have questions on this item? Or would Mr.

7004 Thomas, would you like to make a motion?

7005

7006 [04:31:31.220] - Ajay Thomas

7007

7008 Yes, sir. I'll make a motion. Mr. Chairman, I move the board to

7009 grant the requested waiver of 110 TAC §11.101(b) of the 2024

7010 Qualified Allocation Plan relating to the percentage of efficiency

7011 and or one-bedroom units for Oak Hill Lofts, all for the reasons

7012 and as expressly conditioned and described in the board action

7013 request and associated documents on this item.

7014

7015 [04:31:54.330] - Cindy Conroy

7016

7017 Second.

7018

7019 [04:31:55.440] - Leo Vasquez

7020

7021 Motion made by Mr. Thomas, seconded by Ms. Conroy. All those in
7022 favor say, Aye.

7023

7024 [04:31:59.500] - Board Members

7025

7026 Aye.

7027

7028 [04:31:59.720] - Leo Vasquez

7029 Any opposed? Hearing none. Motion carries. Item 15 of the agenda:
7030 Presentation, discussion, and possible action regarding the
7031 Issuance of Multifamily Housing Revenue Bonds, Series 2024A-1 and
7032 A-2, Resolution No. 25-008, an award of Direct Loan funds, and a
7033 Determination Notice of Housing Tax Credits. Ms. Morales.

7034

7035 [04:32:29.090] - Teresa Morales

7036

7037 Item 15 involves the bond issuance for the new construction of 177
7038 units in Seguin serving the general population. The units will

7039 serve households at 50%, 60%, and 70% of the area median income.
7040 The financing structure involves a private placement with New Point
7041 Real Estate Capital. There will be two series of bonds. The Series
7042 A-1 Bonds will be construction to perm with a 17-year term and a
7043 40-year amortization. The Series A-2 Bonds will be construction
7044 only for approximately 32 months. The resolution that's attached
7045 to this agenda item is a little different from what the board
7046 typically sees. Specifically, Exhibit B to the resolution includes
7047 a schedule of possible interest rates in five basis point
7048 increments that correspond to a specific bond amount for the A-1
7049 and A-2 series. The need for this exhibit is due to a limitation
7050 in our governing statute that requires the board to set the
7051 interest rate, bond amount, and maturity date on transactions that
7052 involve unrated debt. For publicly offered bond transactions that
7053 are rated. Statute allows the Department to delegate pricing to
7054 another party, usually the underwriter, and we can adopt a
7055 resolution that includes a not to exceed amount in term. In the
7056 case of Walnut Springs, because rate lock does not occur until a
7057 few weeks prior to closing, it is difficult for the business
7058 partners to lock down a specific bond amount to be issued for each
7059 series. And given the structure, the amount specified in the
7060 resolution is the only amount that we can issue. Effectively, the

7061 way the bond resolution is drafted, it provides flexibility to
7062 land somewhere in the range listed, meet the statutory requirement
7063 for unrated debt, and not unduly delay board approval, and
7064 subsequently, the closing timeline. In addition to the bonds and
7065 the 4% credits, the capital stack also involves a multifamily
7066 direct loan from the Department under the Tax Credit Assistance
7067 Program or TCAP Repayment Funds 2024-3 NOFA. The recommended loan
7068 amount is \$10 million at 2% interest with a 40-year amortization
7069 and a term that mirrors the senior loan of 17 years. With all TDHCA
7070 bond issuances, we are required to hold a public hearing. There
7071 were no attendees at that public hearing for this transaction, and
7072 no letters of support or for opposition have been received. Staff
7073 recommends approval of bond resolution number 25-008 in the
7074 aggregate principal amount of the Series A-1 and Series A-2 bonds
7075 that correspond to be applicable all-in rate for such series as
7076 further specified on Exhibit B of the resolution. Staff also
7077 recommends approval of an award of tax credit assistance program
7078 repayment bonds for \$10 million and a determination notice of
7079 housing tax credits in the amount of \$2,436,232.

7080

7081 [04:35:38.620] - Leo Vasquez

7082

7083 Okay. I know everyone is ready to go, but I actually have some
7084 mathematical questions here. How much is this development supposed
7085 to cost?

7086

7087 [04:35:49.530] - Teresa Morales

7088

7089 \$52.6.

7090

7091 [04:35:51.040] - Leo Vasquez

7092

7093 Okay. \$52.6 million. Harper, Help me out with this. Okay. So
7094 there's \$27 million in bonds.

7095

7096 [04:36:03.880] - Teresa Morales

7097

7098 Correct.

7099

7100 [04:36:05.200] - Leo Vasquez

7101

7102 Plus \$10 million loan.

7103

7104 [04:36:07.250] - Teresa Morales

7105

7106 Correct.

7107

7108 [04:36:08.110] - Leo Vasquez

7109

7110 37. And then \$2.4 million of tax credits, recommended on the

7111 allocation.

7112

7113 [04:36:21.750] - Teresa Morales

7114

7115 Correct.

7116

7117 [04:36:23.160] - Leo Vasquez

7118

7119 You multiply that by 10, it's \$24 million. That's only give 90% of

7120 it. So take off 2% of that, or 10% of that, let's say, roughly \$22

7121 million. So 27 plus, I'm sorry, 27 plus 10, 37 plus 22 is what,

7122 \$59 million?

7123

7124 [04:36:47.380] - Teresa Morales

7125

7126 So perhaps a better way to look at it is in the underwriting
7127 report, which is on page 157 of 1366 in the supplemental board
7128 book. And then also on page 158, if you look at the permanent
7129 sources table, that comes to \$27.9 million. So if you take your
7130 total development cost of 52 and some change and then subtract out
7131 those permanent sources in the capital stack, you arrive at what
7132 is effectively the gap that needs to be filled. Which would be in
7133 the form of the housing tax credits as well as deferred developer
7134 fee. And so under that Conclusions box, you see the total
7135 development cost minus the perm source This leaves us a gap of
7136 about \$24 million. The next box talks about the housing credit
7137 amount and how that is determined. In this case, we're going with
7138 the amount that was requested by the applicant, which still leaves
7139 a gap to fill and reach that \$52, and that gap is coming in the
7140 form of deferred developer fee. So there's about \$4.4 million or
7141 73% of the of the developer fee that's being deferred.

7142

7143 [04:38:26.160] - Leo Vasquez

7144

7145 But do you see my-

7146

7147 [04:38:27.990] - Teresa Morales

7148

7149 There's an amount there that's considered It's considered for
7150 interim only. So it depends on which side you're looking at whether
7151 it's interim or perm. But this section provides a breakdown of how
7152 you get to the 52, which is primarily in the form of deferred fee
7153 and equity.

7154

7155 [04:38:47.710] - Leo Vasquez

7156

7157 So you're right up on saying there's 27 million in bonds.

7158

7159 [04:38:52.820] - Teresa Morales

7160

7161 That is split between perm and construction.

7162

7163 [04:38:57.360] - Leo Vasquez

7164

7165 Okay, so the permanent bond level?

7166

7167 [04:39:00.220] - Teresa Morales

7168

7169 Is 13 and some change.

7170

7171 [04:39:01.550] - Leo Vasquez

7172

7173 It's 13,966.

7174

7175 [04:39:03.550] - Teresa Morales

7176

7177 Correct. It's under the permanent sources on page 157.

7178

7179 [04:39:11.370] - Leo Vasquez

7180

7181 Well, it says new point.

7182

7183 [04:39:13.200] - Teresa Morales

7184

7185 Correct. 13.9 plus the TCAP loan, which will be permanent. Plus

7186 the match and then the note.

7187

7188 [04:39:25.710] - Leo Vasquez

7189

7190 Okay, so \$14 million is permanent part of the \$27 million?

7191

7192 [04:39:30.580] - Teresa Morales

7193

7194 Correct.

7195

7196 [04:39:31.320] - Leo Vasquez

7197

7198 And there's a 13 million construction loan.

7199

7200 [04:39:34.070] - Teresa Morales

7201

7202 Which goes away. That goes away.

7203

7204 [04:39:36.580] - Leo Vasquez

7205

7206 That gets us to where we're looking at.

7207

7208 [04:39:39.320] - Teresa Morales

7209

7210 Correct.

7211

7212 [04:39:40.920] - Leo Vasquez

7213

7214 I'm good. Anyone else?

7215

7216 [04:39:44.360] - Anna Farias

7217

7218 Mr. Chairman, I'm ready to make a motion.

7219

7220 [04:39:47.440] - Leo Vasquez

7221

7222 Please. We're going to entertain the motion.

7223

7224 [04:39:50.570] - Anna Farias

7225

7226 Very well. I move the board approve Inducement Resolution number

7227 25-008 regarding the issuance of tax extent multifamily housing

7228 revenue bonds, approve the issuance of a termination notice for 4%
7229 housing tax credits, and approve TCAP Direct Loan Funds for Walnut
7230 Spring Apartment. All this conditioned and authorized in the board
7231 action request, resolutions, and associated documents on this
7232 item.

7233

7234 [04:40:24.470] - Leo Vasquez

7235

7236 Motion be made by Ms. Farias. Is there a second?

7237

7238 [04:40:26.970] - Holland Harper

7239

7240 Second.

7241

7242 [04:40:27.820] - Leo Vasquez

7243

7244 Second by Mr. Harper. All those in favor say Aye.

7245

7246 [04:40:32.130] - Board Members

7247

7248 Aye.

7249

7250 [04:40:33.170] - Leo Vasquez

7251

7252 Any opposed? Hearing none. Motion carries.

7253

7254 [04:40:35.600] - Teresa Morales

7255

7256 Thank you.

7257

7258 [04:40:36.280] - Leo Vasquez

7259

7260 We'll get to the truth. Okay, the board has addressed the posted

7261 agenda items. Now is the time to meet with members of the public

7262 It can raise issues with the board on matters of relevance to the

7263 department's business or request that the board place specific

7264 items on future agendas for consideration. Is there anyone who

7265 would like to provide public comment at this time? Seeing none.

7266 The next scheduled meeting of the governing board is at 10:00 AM

7267 on Thursday, December 12th, 2024. Currently scheduled in the room-

7268

7269 [04:41:12.030] - Michael Lyttle

7270

7271 We're going to be in this room.

7272

7273 [04:41:13.190] - Leo Vasquez

7274

7275 In this tiny, cozy room, without flags. So we're in E1, E1.012?

7276

7277 [04:41:21.130] - Michael Lyttle

7278

7279 That is next time. With flags.

7280

7281 [04:41:24.190] - Leo Vasquez

7282

7283 With flags next time. So E1.012, in Texas Capital extension. Come

7284 early and you'll get a bonus Audit and the Finance Committee

7285 meeting that proceeds the governing board meeting. So that should

7286 be at 9:30, 9:45? 9:30. Bonus TDHCA. Seeing that there's no other

7287 business, it is 2:43, and we are adjourned.