# TDHCA Governing Board Meeting Transcript* from February 6, 2025

*10:00 a.m. Central Time*

*The University of Texas at Austin*
*Thompson Conference Center, Room 1.110*

*2405 Robert Dedman Drive, Austin, TX 78712*

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| **BOARD MEMBERS:** | LEO VASQUEZ, III, CHAIR |
| | KENNY MARCHANT, VICE CHAIR |
| | ANNA MARIA FARIAS |
| | AJAY THOMAS |
| | HOLLAND HARPER |
| | CINDY CONROY |

**SPEAKERS:**

Bobby Wilkinson

Megan Sylvester

Rosy Falcone

Cody Campbell

Michael Ash

Connor Jones

Rosalio Banuelos

Tim Smith

**Leo Vasquez III (0:00:02):**
It is exactly 10:00 a.m. in the morning.  I would like to call to order the meeting of the governing board of the Texas Department of Housing and Community Affairs, as what it says, 10:00 a.m. on February 6, 2025.  We will start out with the roll call.  Mr. Marchant?

**Kenny Marchant (0:00:18):**
I'm here.

**Leo Vasquez III (0:00:19):**
Ms. Farias.

**Anna Maria Farias (0:00:20):**
Here.

**Leo Vasquez III (0:00:20):**
Mr. Thomas.

**Ajay Thomas (0:00:21):**
Here.

**Leo Vasquez III (0:00:22):**
Mr. Harper.

**Holland Harper (0:00:23):**
Here.

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

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

**Leo Vasquez III (0:00:26):**
We are all here.  We have a quorum.  As usual, we will start out the meeting with Bobby leading us in the pledges.

**Bobby Wilkinson (0:00:37):**
I pledge allegiance to the flag of the United States of America and to the republic for which it stands, one nation under God, indivisible, with liberty and justice for all.  Honor the Texas flag.  I pledge allegiance to thee, Texas, one state under one God, one and indivisible.

(background conversation)

**Leo Vasquez III (0:01:04):**
All right.  So welcome back to the Thompson Conference Center.  We do have a little bit more elbow room this time, so this is a good thing.  And also, I guess I'd be remiss to not recognize our Counsel for the day.  Megan Sylvester is here, so keep me out of trouble.  Starting out with the consent agenda.  Are there any items which any board member or member of the public would like to move items from consent to action?  Okay.  Hearing none, I will entertain a motion on the consent agenda.

**Anna Maria Farias (0:01:54):**
Mr. Chairman, I move the Board approve items 1 through 10 as described and presented in the respective Board Action Request and reports.

**Leo Vasquez III (0:02:05):**
Thank you.  Motion made by Ms. Farias.  Is there a second?

**Ajay Thomas (0:02:10):**
Second.

**Leo Vasquez III (0:02:10):**
Seconded by Mr. Thomas.  All those in favor of approving the consent agenda, say aye.

**All Board Members (0:02:15):**
Aye.

**Leo Vasquez III (0:02:16):**
Any opposed?  Hearing none.  Motion carries.  This may turn out to be a world record meeting time today.  There are a couple items getting pulled from the agenda.  Just a reminder, you know, we have -- there's no dais.  We have the microphone up here.  If you are going to speak on an agenda item, please come up to one of these front chairs up over here so I -- I'll know that you want to speak.  So with that, Mr. Wilkinson will give us his executive director's report.

**Bobby Wilkinson (0:02:52):**
Yes, sir.  Not too much to report this time as we just had our last meeting a few weeks ago.  Activity

surrounding legislative session is heating up. Been called to Capitol for a few meetings, some -- visiting some delegations from Laredo and Dallas. Laredo was actually city government. Dallas was a, like an employment conglomerate of nonprofits. I've had several phone calls with members about bills. Met with Senator West yesterday regarding possible legislation on the Two-Mile concentration rule. It's actually going to be Senator Eckhardt's bill, but he has a strong interest in the rule. He was the creator of it. Next Wednesday, I'll be testifying on our agency's budget before the Senate Finance Committee. I'll ask Mr. Lyttle to provide you all a link in case you want to watch online. Not expecting fireworks, but if you ever watch Senate Finance, sometimes there will be discussions about everything but your budget. So, you know, we haven't been in the papers lately, so I'm not -- I'm hoping we're not going to have -- going to have a hard time, that it'll be easy. Committees, committees in Senate have been named and we expect Speaker Burrows to name House committees next week. So the hearing schedule should be ramping up quickly. I don't know if we'd mentioned this before, so it's not House Urban Affairs as our oversight committee. They combined Urban

Affairs, County Affairs, and like a Border Economic Committee into a new House IGR, Intergovernmental Relations so that'll -- that'll be our new oversight committee. And finally, I, as the chairman posted on LinkedIn, I was given the honor of being named to the Affordable Housing Advisory Council for the Federal Home Loan Bank of Dallas. They try to -- Thank you. Thank you. They try to rotate --

(Applause.)

**Bobby Wilkinson (0:04:52):**

It's -- it covers a five-state district, Texas, Arkansas, Louisiana, Mississippi, and New Mexico. The Advisory Council's 14 representatives from state, community, and non-profit organizations. They try to always have at least one state HFA ED from one of the member states as on the Advisory Council. So Texas is up. It's my turn. They were appointed by the Bank's board and advisory board on affordable housing and economic development issues. They're actually having, they're -- the first meeting I was going to go to is sitting in Finance on the 12th. So I'm missing my first meeting. They understand that's -- that's something that can't -- can't be controlled by, a, you know, mere -- mere bureaucrats like myself, you know, in the Senate.  That concludes my report and I'm happy to answer any questions members may have about the Department.

**Leo Vasquez III (0:05:43):**
Great.  Thank you, Bobby.  Are there any -- does anyone have questions for Mr. Wilkinson and his report?  Very good.  Keep us updated on the excitement in the big -- big pink building.  Okay.  Moving on to item 12. Presentation, discussion, and possible action on the election of governing board officers for the upcoming biennium pursuant to the Texas Government Code Section 2306.030.  This is actually a kind of required formality that, as we have to annually or biannually?

**Megan Sylvester (0:06:20):**
Every two years.

**Leo Vasquez III (0:06:21):**
Every two years.  Okay.  All right.  Every other year. As far as officers go, the chairman, myself, is appointed by and designated by the governor, so that

vote's already been taken care of. But we have the vice chair position and then a secretary position that currently we have --

**Bobby Wilkinson (0:06:45):**
And assistant secretary.

**Leo Vasquez III (0:06:47):**
And assistant -- oh, there you go. And assistant secretary. We currently have Mr. Marchant serving as vice chair and then secretary, which basically means you have to sign a lot of different documents. We have Beau Eccles, as -- has been our secretary for -- well, he can do it well, it's very convenient to have him. And then the assistant secretary we have is Mr. Lyttle, Michael Lyttle. And I recommend we just continue with that slate of officers going forward for this next cycle. Is there any questions from the Board members? Are there --

**Cindy Conroy (0:07:28):**
I asked him if he still wanted to be vice chair, and he said --

**Leo Vasquez III (0:07:31):**
No, I asked him too.  I -- I cleared it.  Don't worry.

**Cindy Conroy (0:07:36):**
Like, how do you want me to vote here?  Like, just, like, who needs me to --

**Kenny Marchant (0:07:40):**
As long as they give me the commissioner's parking place over there?

**Leo Vasquez III (0:07:45):**
That's right.  Yeah.

**Cindy Conroy (0:07:45):**
And a red Nissan.

**Leo Vasquez III (0:07:46):**
Yeah.  I did not ask Lyttle, so I don't know if that's --

**Bobby Wilkinson (0:07:49):**
Part of his job description.

**Leo Vasquez III (0:07:51):**
Okay. All right.

**Michael Lyttle: (0:07:52):**
Make our Board meetings great again.

**Leo Vasquez III (0:07:53):**
We'll -- we will volunteer him. Okay. I will entertain a motion on item 12 of the agenda.

**Anna Maria Farias (0:08:02):**
Mr. Chairman, I move that we retain the same chair, vice chair, secretary, and other officers that we presently have for consistency.

**Holland Harper (0:08:13):**
Second.

**Leo Vasquez III (0:08:18):**
Motion made by Ms. Farias. Seconded by Mr. Harper. All those in favor say aye.

**All Board Members (0:08:20):**
Aye.

**Leo Vasquez III (0:08:24):**

Any opposed?  Hearing none, motion carries.  Thanks, Mr. Marchant.  Okay.  Item 13 of the agenda.  Presentation, discussion and possible action on State Fiscal Year 2025 Youth and Young Adult Homeless Program awards, including a request to waive 10 TAC Section 7.6A.  Ms. Falcone.

**Rosy Falcon (0:08:46):**

Good morning.  Good morning, board members.  My name is Rosy Falcon, Manager of Homeless Programs.  Today I'll be presenting the award recommendations for the Youth and Young Adult Homeless Program.  To give a little bit of background, during the regular session of the 88th Texas Legislature, Senate Bill 30 was passed.  It appropriated a million dollars in general revenue for the Department to create and implement a program aimed at supporting homelessness services for youth and young adults in Fort Bend County.  The goal of this program is to fund housing and critical services for individuals 24 years of age or younger to help prevent homelessness.
On April 11, 2024, the Board approved the release of the Youth and Young Adult Homeless Program Notice of Funding Availability or a NOFA.  And in response to this NOFA,

we received applications from Building Up the Community and Resources Inspiring Success and Empowerment or RISE. Building up the Community, Inc., plans to use the funding to provide a transitional housing with wraparound services for homeless youth, specifically, the youth that's -- that is exiting or aging out of foster care. RISE aims to use the funding for a rapid rehousing program. Each of these organizations requested a million dollars each for their respective projects.

The Department carefully evaluated both applications based on each organization's experience in serving homeless youth, shelter services, providing transitional housing, counseling, and education services. After a thorough consideration, Staff determined that funding both proposals would be the most beneficial approach for these funds. The transitional housing project addresses the immediate needs of homeless youth while preparing them for permanent housing. The rapid rehousing program will complement this effort, providing a pathway to long-term stability for the youth that we serve. Based on these organizations' varying experiences with administering Homeless Programs, Staff is recommending today that we fund these projects totaling $800,000 as we detailed in attachment A of your board materials. As part of this request, Staff is also seeking a waiver of 10 TAC 7.6A, which mandates that all data for persons served be entered into the Homeless Management Information System or HMIS, or a comparable database for those organizations serving domestic violence survivors or providing equal services. Given the limited scope of this program and the cost of obtaining an HMIS license, we are requesting a waiver to avoid unnecessary costs and complexities which will help us serve the population more effectively. We propose to replan an initial contract term for these awards to be 12 months beginning March 1st of 2025. With that, thank you for your time and I'm happy to answer any questions you may have.

**Leo Vasquez III (0:11:57):**
Okay. Thank you for that presentation and introduction. I have two questions. So even though we are not requiring this complete detailed database, we are still going to get reports back from the awardees, the organizations, to help us see what they did with this and what the results were.

**Rosy Falcon (0:12:24):**
Right. Yes. So HMIS, most Homeless Programs, especially those funded by HUD, they're mandated to enter all of the information into this universal database that a lot of the CoCs and other homeless providers utilize in order to be able to serve sort of as a one-time coordinated entry hub, so a -- an applicant or household can go at once and be better matched with services around that area. What we are going to do based on the limited availability of these funds is we are still going to require some sort of data recording or database, but it will be based on the Department's internal housing contract system. So we will still be capturing some demographics, people served, projects, outcomes month to month and then throughout the year as well.

**Leo Vasquez III (0:13:07):**
Okay. Yeah. That's important to make sure we're tracking the efficiency of this government program. And my other question, so remind us what the source is of the funds that we're awarding.

**Rosy Falcon (0:13:25):**
Sure, they are state funds. They were added as a supplemental bill to the 88th Legislature's budget. So they are coming from general revenue.

**Leo Vasquez III (0:13:31):**
Okay. So we don't have to necessarily worry about the uninterrupted supply of federal funds on this particular --

**Rosy Falcon (0:13:40):**
Yes. Correct.

**Leo Vasquez III (0:13:41):**
Okay. Great. Great.

**Bobby Wilkinson (0:13:42):**
Right. So every session we have, the General Appropriations act and a supplemental that kind of tops off the current, you know, current biennium and this was, frankly, a mystery earmark in the supplemental, so.

**Leo Vasquez III (0:13:52):**
Well, it's a welcome.

**Bobby Wilkinson (0:13:55):**

Well, give us more.  Sure.

**Leo Vasquez III (0:13:57):**

Do any board members have questions for Ms. Falcone?  If not, I'll entertain a motion on item 13 of the agenda.

**Ajay Thomas (0:14:09):**

Mr. Chairman, I move the Board approve the requested waiver of 10 TAC Section 7.6, and award the State Fiscal Year 2025 Youth and Young Adult Homeless Program Awards, all as described, conditioned, and authorized in the Board Action Request, resolutions, and associated documents on this item.

**Leo Vasquez III (0:14:26):**

Motion made by Mr. Thomas.  Is there a second?

**Holland Harper (0:14:30):**

Second.

**Leo Vasquez III (0:14:30):**

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

**All Board Members (0:14:33):**
Aye.

**Leo Vasquez III (0:14:34):**
Any opposed?  Hearing none, motion carries.  Thank you, Rosy.  Okay.  Items 14 and 15 have been pulled from this month's agenda, correct?

**Bobby Wilkinson (0:14:46):**
Yes.

**Cody Campbell (0:14:47):**
That is correct.

(Background conversation.)

**Leo Vasquez III (0:15:00):**
So moving on to item 16, presentation, discussion and possible action on a loan approval and a request for return and reallocation of tax credits under 10 TAC Section 11.65 related to credit returns resulting from force majeure events for Parkside on Carrier.  Mr. Campbell, why is this in front of us?

**Cody Campbell (0:15:21):**

Good morning.  Well, as Mr. Vasquez just said, this item concerns a loan approval and force majeure request for Parkside on Carrier, which is a proposed 30-unit senior development in Grand Prairie.  The development received its initial award of tax credits in 2021 and then received a supplemental allocation of credits in 2023. Because of the second allocation of credits, the current deadline to place in service is the end of this year. Since our last underwriting, total development costs have increased by 41 percent, which brings them up to about $13.8 million, the majority of which comes from an increase in building costs.  The development has also seen an increase in financing costs and a reduction in equity pricing from $0.89 per credit to $0.85 per credit.  To address the funding gap created by these changes, the applicant applied for this loan under our 24 -- 2024-3 TCAP RF NOFA last year, which was specifically released to assist developments in this situation.  The Department is now recommending that a loan in the amount of $5 million be approved, which will carry a 2 percent interest rate and will be fully repayable.  This loan will replace most of the existing permanent loan and the lower interest rate will allow the deal to remain financially feasible. As is required by the NOFA the existing developer fee will not increase with this approval. This item also requests approval for treatment under the force majeure rule for the development in order to allow construction to complete and the development to place in service. I have confirmed with the applicant that the land has been acquired and the site is permit-ready and because we are in first lien position on this deal, we anticipate the closing be relatively smooth.

Staff recommends approval of this item and I'm happy to answer any questions. Although I do have two bits of good news that I'd like to give you before I wrap up. First, we have the two items that Mr. Vasquez pointed out that were pulled from today's agenda that will likely be coming back in March. Those are also from the same developer, JES Dev Co. Once those are heard and voted on by the Board, to my awareness, that is the extent of the universe for force majeure requests for these old deals. I can't promise no 2024s are going to show up. It's possible when we get closer to the end of the year that some of the 2023 deals that are going to be pushing up against their place in service deadline might come in and request extensions.  But to my current awareness, that is the entire universe of the old deals that are going to be requesting extensions.

And the second bit of good news that I'd like to give you is that I had a phone call with this developer yesterday and he told me something that I haven't heard in my entire three years that I've been in this job, which is that they just got updated pricing from their general contractor and it came back better than expected.  That is literally the first time somebody's told me something like that since I've been in this position, so I'm choosing to be optimistic and believe things might be turning around.  That we -- we might finally be rounding the corner.  So anyway, that's good news on that.  Happy to answer any questions that you have but like I said, Staff does recommend approval.

**Holland Harper (0:18:18):**
Mr. Campbell, this asset had a CLOMR on it.  Did it have floodplain issues before it started?

**Cody Campbell (0:18:27):**
I wish I knew the answer off the top of my head to that --

**Holland Harper (0:18:30):**
Looks like they've solved it, but just curious that -- I just --

**Cody Campbell (0:18:33):**
I do have the developer here who would be happy to -- to speak to that.

**Leo Vasquez III (0:18:39):**
Okay.  And as he's coming up, we're going to have an Eccles, Sylvester -- Sylvester -- motion to accept public comment today.  Does anyone so move?

**Ajay Thomas (0:18:53):**
Mr. Chairman, I move that the Board allow for public comment on this agenda item and any other agenda item posted.

**Holland Harper (0:19:03):**
Second.

**Leo Vasquez III (0:19:01):**
Motion made by Mr. Thomas, seconded by Mr. Harper. All those in favor say aye.

**All Board Members (0:19:05):**
Aye.

**Leo Vasquez III (0:19:06):**
Motion passes. We will note for the record Ms. Sylvester's enforcement of Eccles' rule.

**Michael Ash (0:19:14):**
Good morning, Board.

**Leo Vasquez III (0:19:15):**
Please, introduce yourself and --

**Michael Ash (0:19:16):**
Good morning, Board. My name is Michael Ash with JES Dev Co, 1535 Camino Lago, Irving, Texas. In answer to your question, Mr. Harper, I'm not sure if you'd finish it, but, yes, we are adjacent to a city park that is part of the flood -- flood management system, so have

had to make adjustments to the building elevation, parking elevations as part of the design process. We're 99.99 percent through the -- the CLOMR process, had not gotten the final letter, but we expect that weekly.

**Holland Harper (0:19:46):**
And was the asset -- the land was in a floodplain before you started this program, or did it change?

**Michael Ash (0:19:48):**
Yeah. Yes. No, it's -- was -- there's a single-story church there that has been there for years.

**Holland Harper (0:19:53):**
Thank you.

**Leo Vasquez III (0:19:57):**
And I guess I was going to ask Cody, this -- this-- you probably could -- probably answer it better. So are we ready to put shovels in the dirt?

**Michael Ash (0:20:06):**
Yes, we are. The reason I'm hesitating is you're going to hear next -- next month at the Board meeting that

we're bringing in the Grand Prairie Housing Finance Corporation as a nonprofit partner to this to help with the tax exemption, to help make the -- the financing work, but essentially, other than that, in terms of the building itself, yes, we're ready to go.

**Leo Vasquez III (0:20:25):**
So on this project, you're going to have the Grand Prairie Group.

**Michael Ash (0:20:29):**
Yes.

**Leo Vasquez III (0:20:33):**
Is there -- and maybe this is a Cody question, is there a reason why we're then looking at this separate from the -- the other change?

**Cody Campbell (0:20:43):**
It's -- it's really to help us get ahead on things.  As soon as we have the Board's approval, we can start dTFing a contract and have that ready to sign once the -- the Board approves the ownership transfer change.

**Leo Vasquez III (0:20:55):**
What if we don't approve the ownership transfer change?

**Cody Campbell (0:20:56):**
We would not send that contract out for execution.

**Leo Vasquez III (0:21:00):**
And again, this is getting in front of ourselves because it hasn't come -- it's not officially in front of the Board, but -- so this -- The Grand Prairie Housing Finance Authority or something, is -- so we're going to make it a tax-exempt project but if we do that change --

**Cody Campbell (0:21:20):**
It is -- that's correct.  Yes, sir.

**Leo Vasquez III (0:21:21):**
-- going forward.

**Cody Campbell (0:21:21):**
Yes, sir.

**Leo Vasquez III (0:21:25):**
And has the local -- the local jurisdictions approved and they're on board with it being now a tax-exempt project?

**Michael Ash (0:21:31):**
Yes, they're aware of and support it.  There's a very close relationship between the HFC and the City.  A number of the HFC members are former alder council members so there's a very close relationship there. Yes, they have approved it.

**Leo Vasquez III (0:21:47):**
Okay.

**Kenny Marchant (0:21:48):**
And the City Council and the County as well?

**Michael Ash (0:21:51):**
I -- I'm sorry.

**Kenny Marchant (0:21:52):**
I mean, the School District and County?

**Michael Ash (0:21:55):**

They have not specifically approved it. The City has, but no one else has.

**Leo Vasquez III (0:22:01):**

And I think the way that we --

**Michael Ash (0:22:01):**

And this is a senior deal, so it will not impact the City, sir, or the school services.

**Kenny Marchant (0:22:09):**

Yeah, but if they're tax-exempt the School District will lose money on the --

**Michael Ash (0:22:11):**

Yes.

**Kenny Marchant (0:22:12):**

And they don't have to approve it?

**Michael Ash (0:22:16):**

Not to my knowledge. They have not. I don't think the Board has made this a requirement.

**Bobby Wilkinson (0:22:20):**
No. I mean -- I mean, statutorily we don't need it. None of this is required. But we put into rule that at least give us a resolution from the City or the Mayor that you continue to support it after this, you know, ownership transfer that would result in a property tax exemption that we are not granting. We don't grant property tax exemption --

**Kenny Marchant (0:22:39):**
I understand.

**Bobby Wilkinson (0:22:41):**
Yeah, yeah, yeah.

**Leo Vasquez III (0:22:43):**
And I think we have it set up where it's either the city or, if it's not in a municipality, then the county.

**Bobby Wilkinson (0:22:47):**
Right. Right. Yeah. Yeah.

**Leo Vasquez III (0:22:48):**
We -- we don't have a requirement for the -- or we have not asked and I don't think any legislator's asked for the ISDs to also sign off.

**Bobby Wilkinson (0:23:01):**
Right.

**Leo Vasquez III (0:23:00):**
But we just want to make sure -- I think the intent is making sure that the local jurisdiction, whichever is the primary one, understands and supports that the -- the transition to the tax exemption.

**Kenny Marchant (0:23:13):**
The largest taxpayers --

**Leo Vasquez III (0:23:14):**
Is usually -- yeah.  Yeah.

**Kenny Marchant (0:23:17):**
--is going to be the School District.  So, Mr. Chairman, I think we will look at that in the rules package this year if it's appropriate.  Okay.

**Leo Vasquez III (0:23:24):**
Yeah, no, that -- that -- that's fine but -- well, again, I think the ISDs don't approve construction in -- in general, so that's where we're going --

**Kenny Marchant (0:23:38):**
Yeah.  They -- they have to approve all of -- TUFs, all of the other kind of tax financing vehicles.  The school districts have to approve them.  But can I ask one question?  How many -- how much is this going to be per door?

**Cody Campbell (0:23:52):**
Total cost is about $364,000 per door.

**Kenny Marchant (0:23:57):**
$354,000.

**Cody Campbell (0:23:58):**
64.

**Kenny Marchant (0:24:00):**
64 -- $64,000 for a 36-unit?

**Michael Ash (0:24:03):**
Thirty-eight.

**Cody Campbell (0:24:04):**
Thirty-eight.

**Kenny Marchant (0:24:04):**
Thirty-eight units. Okay. And -- okay. That's -- that's what I was trying to figure out at what we had got up to. And Cody, remind me why they qualify for this $5 million loan.

**Cody Campbell (0:24:18):**
Sure. So the Department released a handful of notices of funding availability last year with our federal funds. We did one with Housing Trust Fund, one with HOME and one with TCAP RF, which is the one that they've applied under. And those NOFAs were released specifically to help deals address funding gaps that had occurred since they were initially awarded, and so they applied under that NOFA.

**Kenny Marchant (0:24:40):**

Do we look at the amount per unit that we're spending to see if we're funding the maximum number -- helping the maximum number of units get to market? Is it looked at that way or is it looked at just from a need space?

**Cody Campbell (0:25:00):**

So when we underwrite, we do make sure that the -- that the development isn't over sourced and so if they only have, you know, $13 million worth of expenses, they couldn't come in and apply for $15 million worth of funding from us.

**Kenny Marchant (0:25:14):**

Yeah. No, I’m not asking the question right.

**Cody Campbell (0:25:16):**

Okay.

**Kenny Marchant (0:25:17):**

Let's say we had $10 million. Is that a realistic number?

**Cody Campbell (0:25:20):**
Yes.  Yeah.

**Kenny Marchant (0:25:22):**
To lend out?

**Cody Campbell (0:25:23):**
Sure.  Yes, sir.

**Kenny Marchant (0:25:26):**
Wouldn't we want to award that to -- to get the maximum number of units on the ground?

**Cody Campbell (0:25:31):**
Sure.  So --

**Kenny Marchant (0:25:35):**
And do we achieve that in awarding 38-unit projects half the money?

**Cody Campbell (0:25:39):**
So this idea is introduced when we discuss the QAP every couple of years.  And -- and if I'm understanding what

you're suggesting correctly, essentially, we're talking
about prioritizing based on the lowest cost per unit.

**Kenny Marchant (0:25:53):**
No, in the density, so that we get more units.

**Cody Campbell (0:25:57):**
Sure.  We could certainly look at that in -- in future NOFAs.  We did not make that a prioritization with the NOFAs that we put out this last year.

**Bobby Wilkinson (0:26:06):**
But we did put into the QAP an incentive for more units, the 9 percent round.  So sorry, the most recent tax credit round, you know, not the last two or not -- there's going to be again.  Theirs wasn't current --

**Kenny Marchant (0:26:18):**
Yeah.  And I -- I think in the spirit of what we've talked about, we might want to look at whether what some incentives inside them but that loan program, it would help -- it might go to -- and I'm not saying anything bad about your development, I'm just saying that if we

could have used that same amount of money to induce a 200-unit.

**Cody Campbell (0:26:38):**
Sure.

**Kenny Marchant (0:26:39):**
It might have given us more units over --

**Cody Campbell (0:26:40):**
Sure.

**Kenny Marchant (0:26:43):**
So thank you.

**Bobby Wilkinson (0:26:46):**
So that -- the rural developments in particular seem to be smaller. So, you know, if you were going to maximize, maximize you spend everything in the major metros. But you know, it's --

**Kenny Marchant (0:26:53):**
Yeah, that's correct.

**Bobby Wilkinson (0:26:54):**

You got to spread it out too.

**Kenny Marchant (0:26:56):**

But there -- there'll be a balance in it.  Yeah.
Thanks.

**Leo Vasquez III (0:27:03):**

Agree with Mr. Marchant's comments?

**Ajay Thomas (0:27:05):**

Mr. Chairman, I just had a question for my own benefit, Mr. Campbell.  So looking at the, sort of fact pattern here and along the lines that Board Member Marchant talked about, the goal is to maximize as many units as we can get on the ground, understanding that the state and sort of conditions we're in, we have somewhat of a unit gap, right?  We -- we need much more units on the ground as possible.  And taking into account this is a particular population we're -- we're sensitive to try to serve and -- and make sure they have access to affordable housing.  We were talking about 38 units, and given some of the cost parameters here that we're looking at, you know, the escalation in cost, pretty --

pretty dramatic for the project, take on face value, can't be helped, you know, just given the economy and the -- and the market environment.  But now the Department's stepping in and going to offer in first lien position, a 2 percent loan with 800,000 or whatnot that's -- that's your -- what -- whatever the number is, right?   That's in place.  What -- at what point, for my benefit, at what point does a project development just not become a good deal anymore, right?  Like, why should the Department take on that risk at a very low interest rate given -- pretty dramatically lower, given what you could get today, even if you split in half, sort of what, where rates are and where -- where we're subsidizing it, and at what point is it just not viable?

**Cody Campbell (0:28:39):**
That's a great question.  So our Underwriting division does terminate several deals a year for not being financially feasible, but I don't know that they are making a value judgment as to whether that is a -- an appropriate use of money, if that makes sense.  They -- by the time they get it, they look at the numbers, they see, do these numbers work?  Are we at risk of this going into foreclosure?  Are we at risk of default?  If

no, then it passes underwriting. If we wanted to start looking at, you know, kind of bigger picture, is this the best use of this $5 million? We can certainly do that in future NOFAs. And I mean, we -- we always, of course, have parameters and all these deals we got tax credits initially, which means they went through that 9 percent funding process, which, you know, they were -- they were successfully competitive in this in Region 3, one of our most competitive regions in the state. They would have beaten out a lot of people to even get that initial award of tax credit. So there is some assurance that it is a project with merits that warrants this public investment. If we wanted to get even tighter on that though, we could certainly do that in future NOFAs.

**Ajay Thomas (0:29:44):**

I mean I would -- I would probably, you know, urge that we take a look at that, just in the sense that, you know, understand the public mission, what we're trying to do, but we also want to be prudent stewards of sort of the -- the monies we have, right? And -- and maximizing and minimizing the risk to the Department, but maximizing the goal of getting as many units and -- and viable projects. And, you know, here we gave

$782,000 of tax credits in '22, then a supplemental allocation again of $117,000. You know, what the briefing book does not tell me, and I'm not necessarily saying you can assure that to me or -- or the members of this board, but is that, you know, we don't know all the factors going to be from now until it's placed in service. If something goes awry, like, what is our breakeven point, right? Where we -- we become concerned about the ability to repay, even if we're in first lien position, like, how viable is this, right? That would be the one comment I have. The second is I noticed in the development fee in the original -- in the original project that the deferred development fee was $384,000 or something and change, or whatever that number was. We'll get to it.

**Cody Campbell (0:31:03):**
Looks like 366.

**Ajay Thomas (0:31:06):**
Yeah, $366,584.

**Cody Campbell (0:31:05):**
Sure.

**Ajay Thomas (0:31:06):**
And then with the addition, you know, we've -- we've -- cost escalation, everything going on, now the Department's coming in and providing the loan, but I also noticed with the tax exemption and the TCAP allocation, the deferred development fee goes up to $425,441.  Why is that?  Like, what's driving that? Like, why wouldn't the developer fee remain the same or -- or fall in -- in particular, versus or decline versus going up?

**Cody Campbell (0:31:32):**
Sure.  So the -- the total developer fee did not go up with the approval of the loan.  The deferred developer fee did Which means that the developer is actually in a worse position than they were with that initial underwriting.  The reason that we do that is because deferring additional developer fee is the easiest source of debt to add to a development.  And so if we find ourselves in a situation where we're, you know, $100,000 short on being fully capitalized, we just defer that extra developer fee to fill the gap instead of us putting more money into it.

**Ajay Thomas (0:32:01):**
Right.  I -- I appreciate the explanation because I think like for anyone who just -- if they are digging into the materials and looking at it, I think they see developer fee and it immediately asks, you know, begs a question.  So the clarity is -- is really important.  That's all I have, Mr. Chairman.  Thank you.

**Leo Vasquez III (0:32:16):**
No, definitely.  Good, good questions.  I'm sure we -- we all agree with this.  Mr. Marchant.

**Kenny Marchant (0:32:21):**
Does, by virtue of me being the vice chairman again, am I the Rules Committee chairman again?

**Bobby Wilkinson (0:32:31):**
That's a separate decision.  It's a separate decision.

**Leo Vasquez III (0:32:34):**
That hasn't changed.  You, yourself (indiscernible).

**Kenny Marchant (0:32:34):**
Well, I -- I would anticipate that we'll have -- I would invite you to give us full stats on that at the -- if I happen to be the chairman of the Rules Committee when we have that meeting --

**Cody Campbell (0:32:47):**
Okay.

**Kenny Marchant (0:32:50):**
With the eye, with eyes towards what I think we're all concerned about is maximizing our monies in every aspect to get more units of working families.

**Cody Campbell (0:33:02):**
Yes, sir.

**Kenny Marchant (0:33:03):**
And I love -- I -- I am elderly, so but I -- I don't see that that's addressing our greatest need in Texas and that's affordable housing for working families.

**Cody Campbell (0:33:13):**
Yes, sir.

**Kenny Marchant (0:33:15):**

Period.  Thank you.

**Leo Vasquez III (0:33:21):**

And Mr. Committee Chairman, you may call a meeting of the Rules Committee at your convenience.

**Kenny Marchant (0:33:28):**

Okay.  Thank you.

**Leo Vasquez III (0:33:27):**

So, you know, it's -- and actually, I -- I -- not that we're going down this rabbit hole, but I mean, we really shouldn't wait until it's just time to revise the QAP. I mean --

**Kenny Marchant (0:33:38):**

I got you.

**Leo Vasquez III (0:33:40):**

And staff has lots of different industry meetings and roundtables and stuff throughout the year.  So maybe we can combine it with one of those -- and one of those round tables or something.

**Kenny Marchant (0:33:53):**
Okay, thank you.

**Leo Vasquez III (0:33:53):**
Yeah.  Okay.  So it sounds like the new ownership structure is pretty much agreed to and buttoned up from the -- the local -- the local parties, and we will see that next month.

**Cody Campbell (0:34:14):**
That's my understanding.  Yes, sir.  Yeah.

**Leo Vasquez III (0:34:16):**
If that doesn't come through, for whatever reason, even if we approve this today, can it be conditioned on that happening?  I mean, that, you know, that -- is it viable without the tax exemption?

And to me, that's the way I put it but --

**Cody Campbell (0:34:31):**

It was -- it was underwritten with the tax exemption. So if that were to not come through, then they would -- they would not have feasible transaction at that point.

**Leo Vasquez III (0:34:37):**

Okay.  So even if we approve this now, today --

**Cody Campbell (0:34:42):**

The Board still has complete freedom to say no when the ownership transfer comes in front of them later and that would obviously change the -- the trajectory of the deal significantly.

**Leo Vasquez III (0:34:53):**

Okay.  All right.  Any other questions from the Board? If not, would anyone care to make a motion on item 16, the agenda?

**Holland Harper (0:35:06):**

I move the Board approve the recommended loan and grant the requested treatment under the application of force majeure rule to Parkside on Carrier all as described, conditioned, and authorized in the Board Action Request, resolutions, and associated documents on this item.

**Anna Maria Farias (0:35:20):**
Second.

**Leo Vasquez III (0:35:22):**
Motion made by Mr. Harper, seconded by Ms. Farias.  All those in favor say aye.

**All Board Members (0:35:27):**
Aye.

**Leo Vasquez III (0:35:29):**
Any opposed?  Motion carries.  Thank you, Cody.  Item 17, presentation, discussion of possible action on a loan approval for Sweetwater Station.  Mr. Jones?

**Connor Jones (0:35:44):**
Good morning.  Connor Jones, Manager of The Multifamily Direct Loan Program.  As mentioned, this item concerns a recommended loan of HOME funds in the amount of $5 million for Sweetwater Station, a multifamily housing development located in Sweetwater, Texas.  Sweetwater

Station also received an award of $900,000 in housing tax credits during the 2021 round and a supplemental allocation of $135,000 in 2023. The development proposes the new construction of 52 units that will serve an elderly population. Unit sizes will include one- and two-bedroom units with rent and income levels from 30 to 60 percent of the area median income. Out of the total 52 units, 35 will be HOME units, and since the transaction was last underwritten, building costs have increased by about $2.8 million and development costs have increased by about 3.6, bringing the total development cost to about $13.7 million. This loan is also being used to replace a $1.9 million loan from Sterling Bank that had an interest rate of 5 percent, which will allow the deal to remain feasible and the bulk of the financing coming from the Department. The HOME loan will also carry a 40-year term with a 40-year amortization period and be in first lien position.

This will also have a 2 percent interest rate with an annual debt payment of $181,695 and is fully amortizing and repayable. A quick note for the Board. The organizational chart included in your board items is -- was included in error. They had an ownership structure change that was approved back in May. It's just so as a note, the -- the organizational chart that you have is -- the incorrect one was a clerical error. We do have the correct one on file that was underwritten with, just as a quick note, and again that occurred back in May of 2024.

With that, Staff recommends approval of the loan and I'm happy to take any questions you might have.

**Leo Vasquez III (0:37:33):**
Okay. So this is fully repayable, where it's not forgivable at the end or anything, when they settle --

**Connor Jones (0:37:42):**
Fully repayable.

**Leo Vasquez III (0:37:50):**
And we're then the -- we're going to be in first lien position?

**Connor Jones (0:37:51):**
Yes, sir.

**Leo Vasquez III (0:37:58):**
We're not replacing the construction loan.  This is the permanent or we're replacing -- you said they --

**Connor Jones (0:38:07):**
This transaction is just the -- the HOME loan and the tax credit equity.

**Leo Vasquez III (0:38:12):**
Okay.  Are we confident this is actually about to begin? I mean this --

**Connor Jones (0:38:17):**
Yes.  From my conversations with the developer, this one seems to be in good standing.

**Leo Vasquez III (0:38:25):**
Again, I think we all have some heartache up here on just concerning some of the -- with these -- Cody just said we're not going to be seeing very many more of these, they're just -- it's taking so long to get started and the Department has bent over backwards and given extra credits and all -- all this and now this more favorable financing.

**Cody Campbell (0:38:52):**
Yes.  This one, it's permit-ready.

**Leo Vasquez III (0:38:55):**
Okay.  So for those who couldn't hear, it is --

**Connor Jones (0:39:00):**
It is permit ready.  Yeah.

**Leo Vasquez III (0:39:00):**
It's permit-ready.  Thank you.  Do any board members have any questions on this structure, this proposal?

**Kenny Marchant (0:39:09):**
So just an observation.  So we're putting $10 million into 90 units?

**Connor Jones (0:39:17):**
I believe it's 52 units.

**Leo Vasquez III (0:39:22):**
I think it's combining the last three --

**Kenny Marchant (0:39:23):**
Plus 38, a 5 and a 5.

**Connor Jones (0:39:25):**
Oh the previous deal?

**Kenny Marchant (0:39:27):**
Yeah.

**Connor Jones (0:39:27):**
Oh yes sir. So.

**Kenny Marchant (0:39:28):**
And out of what gross amount do we award, Cody?

**Cody Campbell (0:39:35):**
The total --

**Leo Vasquez III (0:39:34):**
Cody, you better come up -- and also specify this is a different source of funds, correct?

**Cody Campbell (0:39:42):**
Correct.

**Leo Vasquez III (0:39:44):**
This is one deal versus the other.

**Cody Campbell (0:39:46):**
So Mr. Marchant, from memory last year, I think our TCAP NOFA was --

**Connor Jones (0:39:49):**
Forty.

**Cody Campbell (0:39:50):**
Forty million.  Our HOME NOFA was 28.  And I believe our NHTF NOFA was 25.

**Kenny Marchant (0:39:57):**
So combined in that category of 68 of special awarded?

**Cody Campbell (0:40:01):**
The --

**Kenny Marchant (0:40:02):**
Okay, what -- what fund is this one coming out of?

**Cody Campbell (0:40:06):**

This is HOME.

**Kenny Marchant (0:40:08):**

And what was the quantity there?

**Cody Campbell (0:40:10):**

Twenty-eight million.

**Kenny Marchant (0:40:10):**

So 5 for -- 5 million of the 28, you get 58 units.

**Cody Campbell (0:40:16):**

Yes. Fifty-two. Sorry. Fifty-two.

**Kenny Marchant (0:40:19):**

Fifty-two.

**Cody Campbell (0:40:18):**

Yes, sir.

**Kenny Marchant (0:40:21):**
Okay.  Okay.  I think -- I -- I just -- we're just not
it's like getting a bag -- big bang for the buck.  I
love Sweetwater, but thank you.

**Leo Vasquez III (0:40:36):**
And -- and again, I agree with Mr. Marchant's sentiments
to that maybe the next time around that we have funds
designated available on this, that the prior
organization -- I understand we have to have some
allocation, rural and urban and such, but a big scoring
factor make it how many units are we going to --
actually going to -- going to bring?  I mean --

**Bobby Wilkinson (0:41:04):**
Yeah, we -- we can take that --

**Leo Vasquez III (0:41:06):**
In the next -- the next time we approve the NOFA.

**Bobby Wilkinson (0:41:08):**
Yeah.  And as we design the next NOFA, we're at looking
units for -- actually, for loan funds, we don't have to
do rural.  I think we could -- we do?

**Megan Sylvester (0:41:16):**
So the statute requires a RAF period for our HOME funds
and the -- the state statute.  And then the federal
statute requires a equitable distribution across the
state.  We have four --

**Bobby Wilkinson (0:41:39):**
HT -- HTF?

**Megan Sylvester (0:41:40):**
HTF.  So that's -- we don't do a rural-urban separate.
But it is a -- There's a RAF of four regions of the
state.  And then the RAF for HOME is --

**Bobby Wilkinson (0:41:48):**
That will hamstring our, you know --

**Megan Sylvester (0:41:51):**
Yeah.

**Bobby Wilkinson (0:41:52):**
-- ability to -- to maximize units.

**Leo Vasquez III (0:41:54):**
But, you know, within the allocation formula between the regions inside those regions, can we prioritize the ones that have the most -- we're going to get the most bang for our buck.

**Connor Jones (0:42:06):**
Certainly.

**Leo Vasquez III (0:42:08):**
Okay.

**Kenny Marchant (0:42:10):**
And perhaps a cap of the total amount available per any -- per project, I mean, so that you don't end up giving 50 percent of your entire allotment to one project for a de minimis number of units.  So anyway, that discussion will come, sir.

**Leo Vasquez III (0:42:28):**
Okay.  Any other questions to Mr. Jones on the side?  If not, I'll entertain a motion on item 17 of the agenda.

**Kenny Marchant (0:42:43):**
Mr. Chairman, I move the Board approve the recommended loan to Sweetwater Station, all as described, conditioned, and authorized in the Board Action request, resolution, and associated documents on this item.

**Leo Vasquez III (0:43:04):**
Motion made by Mr. Marchant.  Is there a second?

**Cindy Conroy (0:43:05):**
I'll second.

**Leo Vasquez III (0:43:06):**
Seconded by Ms. Conroy.  All those in favor say aye.

**All Board Members(0:43:11):**
Aye.

**Leo Vasquez III (0:43:13):**
Any opposed?  Hearing none, motion carries.  Moving right along.  Item 18, presentation, discussion, and possible action on a loan approval for Estacado Estates. You're still up, Mr. Jones.

**Connor Jones (0:43:23):**

As mentioned, this item concerns a recommended loan of TCAP RF funds in the amount of $2,863,511 for Estacado Estates, a multifamily housing development in Amarillo, Texas.  Estacado Estates also received an award of $913,000 in housing tax credits in the 2022 round.  The development proposes the new construction of 46 units that will serve an elderly population.  Unit sizes will include one- and two-bedroom units with rent and income levels from 30 to 60 percent of the area median income. Out of the total 46 units, 17 will be TCAP units and since the transaction was last underwritten, building costs have increased $1.5 million and development costs have increased by $2.1 million, bringing the total development cost to about $12.4 million.  This loan is also being used to replace a $2.1 million loan from Sterling Bank that had an interest rate of 5.75, which will allow the deal to remain feasible.  And again, the bulk of the financing coming from the Department, other than $1.2 million of that Sterling Bank loan that will remain in second lien position with an interest rate of 8.5 percent.  This loan will carry a 40-year amortization period and 40-year term and be in first lien position as mentioned.   The loan will also, as the previous, have a 2 percent interest rate with an annual debt payment of $104,057 and is fully amortizing and repayable.  Staff recommends approval of the loan and happy to take any questions you may have.

**Leo Vasquez III (0:44:50):**
So this is ready to start?

**Connor Jones (0:44:55):**
Permit ready.

**Leo Vasquez III (0:45:01):**
I have a related question, so don't -- after the vote, don't -- don't run away.  Any questions on this item?

**Ajay Thomas (0:45:14):**
I just have one technical question that probably encompasses all -- all these that we -- we've done.  The 2 percent interest rate that the Department's giving on the loan, either Mr. Jones or Mr. Campbell, is that -- how is that calculated?  Like, what -- how do we come up with 2 percent on these projects?

**Cody Campbell (0:45:37):**

So early in the pandemic we were doing forgivable loans, which I think we -- we realized that the Board has no appetite for and then we were doing zero interest rate loans, and then we just landed on 2 percent a couple of years ago and we've held that consistent, so it's not a reflection of the treasury rate or that, you know, it's not a reflection --

**Ajay Thomas (0:45:54):**

There's no formula or something that we used to be -- because I mean I -- it just jumps out at you that that between the first and second lien position, the second lien holder is getting 675 basis points higher --

**Cody Campbell (0:46:06):**

Correct.

**Ajay Thomas (0:46:07):**

For their loan.

**Cody Campbell (0:46:08):**

Correct.

**Ajay Thomas (0:46:09):**
And -- and, you know, we're providing the bulk of the financing and --

**Cody Campbell (0:46:12):**
Sure.

**Ajay Thomas (0:46:13):**
-- and doing it at 2 percent, it would seem like -- I don't know if there's something we can do as an agency. But I mean, I think, you know, --

**Leo Vasquez III (0:46:20):**
We have complete discretion, (indiscernible).

**Ajay Thomas (0:46:20):**
We do.  We -- I mean, we should --

**Leo Vasquez III (0:46:25):**
Yeah.

**Ajay Thomas (0:46:23):**
We should --

**Leo Vasquez III (0:46:24):**
This was better than zero --

**Ajay Thomas (0:46:25):**
-- conduct business, right?  I mean, like, I think at some point, you might look at between the first and second lien, there should be some relationship spread, right?  That makes sense because that's -- this just seems like free money the Department's giving --

**Cody Campbell (0:46:37):**
Sure.

**Ajay Thomas (0:46:38):**
-- versus the second lien position.  I mean, I'd prefer to be second lien, right?

**Cody Campbell (0:46:42):**
Sure.

**Ajay Thomas (0:46:43):**
If you're going to get that much higher interest rate with rates falling potentially, so that's something you

probably want to -- we want to probably try to look at --

**Cody Campbell (0:46:50):**
Certainly.

**Ajay Thomas (0:46:51):**
-- going forward.

**Bobby Wilkinson (0:46:48):**
Going forward we can look at prioritizing units and stronger deals that can support higher interest rates we have --

**Cody Campbell (0:46:57):**
Sure.

**Bobby Wilkinson (0:46:58):**
-- to, you know, because we'll get it back eventually, right?

**Ajay Thomas (0:47:00):**
Yeah, absolutely.  And it can leverage more.  So that would be --

**Bobby Wilkinson (0:47:04):**
We do also reduce their future rent income with our loans.  Like for HDF, we get 30 percent AMI units in return so it hurts them too.

**Cody Campbell (0:47:14):**
Right.

**Bobby Wilkinson (0:47:14):**
HOME is --

**Connor Jones (0:47:16):**
30 to 80.

**Bobby Wilkinson (0:47:17):**
30 to 80.  Yeah.  Okay.

**Cody Campbell (0:47:18):**
And so there are a lot of strings that come with this funding.  They have to get environmental clearance.  The underwriting is far tighter than maybe it should be sometimes.  And so despite these very low interest rates, we have in the past had trouble getting money out

the door. The last couple years have been an exception to that.

**Ajay Thomas (0:47:35):**
Sure.

**Cody Campbell (0:47:36):**
But we released a NOFA a couple of months ago, I'd say a couple months ago, very recently. And we've only gotten one application in on that, even with that 2 percent interest rate. So there is a balance of us having to get the money out the door with our federal commitment deadlines, but certainly we can look at that 2 percent --

**Bobby Wilkinson (0:47:47):**
Pre-pandemic. The manager of -- well, they had to -- to call people and be like, please, please send the money, so yeah, just kind of depends on the environment.

**Ajay Thomas (0:47:55):**
Understood. Thank you. Appreciate that.

**Leo Vasquez III (0:47:57):**
And actually, this sort of segues into this -- the question I was going to have just clarification. When we're actually receiving payments, collecting interest, as that accumulates in all these, you know, $100 million worth of total, we can recycle that money, right?

**Unidentified Speaker (0:48:18):**
That's correct.

**Leo Vasquez III (0:48:20):**
I mean, that's so --

**Bobby Wilkinson (0:48:22):**
Yes. And after the second recycle, it can even lose some of its federal strings. Megan, is it --

**Megan Sylvester (0:48:26):**
That is -- that is correct.

**Bobby Wilkinson (0:48:29):**
Yeah.

**Megan Sylvester (0:48:29):**
After -- so when it -- the original loans were made as part of the last time we had a financial crisis back in 2011. The -- the TCAP program is from 2009, 2011, those those years of funding. When it comes back to us the first time, it has some federal strings on it such as an affordability period, such as we can't go over 80 percent AMI. There's some other stuff, but then the second when those loans get repaid, then it loses some of even those federal characteristics and we could be more flexible with those ones.

**Leo Vasquez III (0:49:02):**
I look forward to hearing how that accounting gets done, but yes, I mean, I -- I think that's another point that we need to look. And if we had, what, 2 and a half, 3 percent interest or something, again, that down the line for our next generation of TDHCA-ers, I mean that's -- we're going to be generating more money.

What about when the loan is paid off? They sell them in 5 years, 10 years, is that money then back to us for recycling or no?

**Megan Sylvester (0:49:33):**
So it depends on what year they've -- they got the money, right?  So in our most recent NOFAs, two -- two years, last two years, the -- there's a -- there's a thing in the NOFA that says if they sell or transfer or refinance, then the loan is due.  We did that also with our loans back in -- in previous years.

**Leo Vasquez III (0:50:01):**
Then it's like, once the money comes back to us.

**Megan Sylvester (0:50:02):**
Right.

**Leo Vasquez III (0:50:02):**
Once it's repaid, do we then have -- can we then utilize those funds to make new loans?

**Megan Sylvester (0:50:09):**
Oh, yes.

**Bobby Wilkinson (0:50:09):**
Yeah, yeah.

**Leo Vasquez III (0:50:10):**
Okay.  Great.  I bet Beau would have known the answer to that.

**Kenny Marchant (0:50:14):**
You're taking (indiscernible).

**Leo Vasquez III (0:50:18):**
Okay.  Do any other board members have questions on this item?  If not, I'll entertain a motion on item 18 of the agenda.

**Anna Maria Farias (0:50:27):**
Mr. Chairman, I move the Board approve the recommended loan to Estacado States, all as described, conditioned, and authorized in the Board Action Request, resolutions, and associated documents on this item.

**Leo Vasquez III (0:50:43):**
Motion made by Ms. Farias.  Is there a second?

**Holland Harper (0:50:45):**
Second.

**Leo Vasquez III (0:50:46):**
Seconded by Mr. Harper, all those in favor say aye.

**All Board Members(0:50:49):**
Aye.

**Leo Vasquez III (0:50:52):**
Any opposed?  Hearing none, motion carries.

Item 19 of the agenda, presentation, and discussion of possible action on a loan approval for Fish Pond at Walker.  Mr. Jones, have we heard of Fish Pond at Walker before?

**Connor Jones (0:51:05):**
Not this deal.  I mean, it was a 2022 tax credit but there's been a -- there was a Fish Pond last month, so.

**Leo Vasquez III (0:51:12):**
Okay.  It's a different --

**Connor Jones (0:51:13):**
Different development.

**Bobby Wilkinson (0:51:13):**
They're one of those that name every of their -- every one of their developments "Fish Pond at something."

**Kenny Marchant (0:51:17):**
Every year.

**Leo Vasquez III (0:51:19):**
Okay.  Mr. Jones, go ahead.

**Connor Jones (0:51:20):**
They do bleed over, yes.  This item does concern a recommended loan of home funds in the amount of $3.5 million for Fish Pond at Walker, multifamily housing development located in Huntsville, Texas.  Fish Pond at Walker also received an award of $900,000 tax credits in the 2022 round.  The Development proposes the new construction of 48 units that will serve an elderly population, with unit sizes that will include one- and two-bedrooms, with rent and income levels from 30 to 80 percent of the median income.  Out of the 46 units, 27 will be HOME units and since the transaction was last underwritten, building costs have increased by about $845,000 and development cross -- development costs --

excuse me -- have increased to about 3 point -- or 1.3. Sorry -- Bringing the total development cost to about $11.6 million.  This loan is also being used to replace a $2 million loan from Community Bank of Texas that had an interest rate of 4.25 percent, which will allow the deal to remain feasible and similar to the prior two with the bulk of the financing coming from the Department.  The loan will carry a 30-year term with a 40-year amortization period, and be in first lien position.  This loan, like the previous two, will also have a 2 percent interest rate with an annual debt payment of $127,000 -- $127,187 and is fully amortizing and repayable.

Staff recommends approval of the loan.  Happy to take any questions that you have.

**Kenny Marchant (0:52:43):**
Mr. Chairman, I'm trying to read this ownership report I got here and it says, "Fish Pond Development LLC" is the owner, is that the developer?

**Connor Jones (0:52:57):**
I believe so.  Yes.

**Kenny Marchant (0:53:00):**
And then all of the other principals are BETCO Consulting is that -- is that correct or -- so they are not the developer, but they are the owner?

**Connor Jones (0:53:12):**
I believe so.

**Kenny Marchant (0:53:16):**
Okay.  Okay.  All right.  Thank you.

**Connor Jones (0:53:24):**
Yes, sir, that's correct.

**Leo Vasquez III (0:53:26):**
So BETCO is the principal of the deal --

**Cody Campbell (0:53:29):**
They are --

**Leo Vasquez III (0:53:32):**
-- or they just didn't --

**Connor Jones (0:53:32):**
I believe they are.

**Cody Campbell (0:53:33):**
A member of the general party.

**Leo Vasquez III (0:53:35):**
Okay.

(Background conversation.)

**Connor Jones (0:53:48):**
Yes. Did you say member of the general party? Yes.
Member of the general partner. Yes.

**Leo Vasquez III (0:53:53):**
Okay. And Mr. Marchant, my quick math shows this is
$241,000 a door, which is considerably better than that
-- the other 360-something.

**Holland Harper (0:54:02):**
And taxable.

**Kenny Marchant (0:54:06):**

And taxable. So yeah, and that's -- that's very close to industry standard right now.

**Leo Vasquez III (0:54:13):**

Yeah. So again, the -- as Mr. Harper just said, this is a taxable --

**Connor Jones (0:54:17):**

Yes.

**Leo Vasquez III (0:54:19):**

Okay. This one sounds much easier.

**Holland Harper (0:54:25):**

Mr. Marchant, you know, when -- next time we have Rules Committee, one of the things I'd like to work on is how do we incentivize more taxable deals. I just think that there's a lot of equity being given by our -- this board and we would like these deals to be taxable. I mean, I would -- I think that really, I think other board members would also.

**Kenny Marchant (0:54:45):**
Yeah.  Thank you, Mr. Harper.

**Leo Vasquez III (0:54:48):**
Okay.  Does anyone have more questions for Mr. Jones on this item?  Hearing none, I'll entertain a motion on item 19 of the agenda.

**Holland Harper (0:55:00):**
I move the Board approve the recommended loan at -- at correction -- to Fish Pond at Walker, all as described, conditioned and authorized in the Board Action Request, resolutions, and associated document on this item.

**Anna Maria Farias (0:55:11):**
Second.

**Leo Vasquez III (0:55:14):**
Motion made by Mr. Harper.  Seconded by Ms. Farias.  All those in favor say aye.

**All Board Members(0:55:18):**
Aye.

**Leo Vasquez III (0:55:20):**
Any opposed?  Hearing none, motion carries.

**Connor Jones (0:55:20):**
Thank you.

**Leo Vasquez III (0:55:21):**
All right.  Thanks, Connor.  Okay.  Item 20.  Is this the last posted item?

**Bobby Wilkinson (0:55:28):**
Yes, sir.

**Leo Vasquez III (0:55:29):**
How about that?  Okay.  Item 20 of the agenda, presentation, discussion, and possible action regarding approval of a multifamily direct loan assumption and modification for Seville Row Apartments and Mr. Banuelos.

**Rosalio Banuelos (0:55:44):**
Good morning.  Rosalio Banuelos, Director of Asset Management.  Seville Row Apartments received an award of 4 percent housing tax credits in 2008 and two tax credit

assistance program or TCAP loans in 2010 for the acquisition and rehabilitation of 90 units for the elderly in Beaumont, Jefferson County. All of the units in the development are low-income units. The two TCAP loans were in the amounts of $2,261,410 and $328,565 for a total loan amount of $2,589,941, and were made under the Tax Credit Replacement initiative, meaning that a little under $288,000 in annual housing tax credits were returned in exchange for these two loans. The TCAP loans are structured as cash flow loans with a 0 percent interest rate and are forgivable upon maturity on September 1, 2026 if the borrower is not in default under any terms of the loan documents, the written agreement, or the land use restriction agreement. Semi-annual installments are due on March 1st and September 1st, and the notes allow the scheduled payments to be deferred if 10 percent of the cash flow multiplied by the percentage of the TCAP note is not sufficient to make the scheduled payments. One of the TCAP loans has a balance of $1,932,038.10 and the other TCAP loan has a balance of $248,825.97 for a total outstanding balance of $2,180,864.7.

Prior to maturity, upon the sale of the development or upon the refinance of any loans held by the senior lender or any superior lienholder during the term of the loans, 10 percent of the remaining sale proceeds after repayment of the senior loans or 10 percent of the refinancing proceeds would be due and payable under the notes and applied to the outstanding principal balance of the TCAP notes. The developer is now under contract to be sold and the representative for the proposed owner has requested approval for the TCAP loans to be assumed. In addition, approval was requested for modification of the TCAP loans to extend the term to February 16, 2052, which is 40 years from when the permanent period started and to also adjust the payment schedule from semiannual to annual. The proposed owner states that it is their intention to purchase and renovate the property using 4 percent housing tax credits. They also indicated that in addition to the assumption of the TCAP loans, the extension of the loans is required by the tax credit syndicator to ensure that the project is financially feasible.

If the loans were to mature and the balance is forgiven, there is a large tax burden for the investor, which makes the transaction not feasible. The extension of the forgivable debt allows the buyer to structure the transaction with the tax credit investor without the tax impact. The proposed owner has agreed to make the required payment equal to 10 percent of the remaining sale proceeds after repayment of the senior loans. A draft buyer closing statement submitted with this request reflects that the anticipated net sales proceeds to the current owner will be $140,825, which results in an anticipated payment of $14,082 to the TCAP loans. The final amount will be confirmed by closing. Staff recommends approval of the requested assumption of the TCAP loans and the written agreement and the modification of the loans to extend the maturity date to February 16, 2052, and revise the requirement for semi-annual payments to annual payments effective as of the date of the closing of the new first lien debt. The TCAP LURA will also be amended to reflect a longer term to match that of the loans and to state that the LURA will survive a foreclosure or deed in lieu of foreclosure.

That concludes my comments. I'll be open for questions.

**Bobby Wilkinson (0:59:17):**
This seems like another reason not to do forgivables in the first place, right?  they're going --

**Rosalio Banuelos (0:59:20):**
Correct.  They don’t want them.

**Bobby Wilkinson (0:59:21):**
It's like, what, months away from it being forgiven and they want it extended.

**Rosalio Banuelos (0:59:26):**
Correct.

**Bobby Wilkinson (0:59:26):**
Yeah.

**Kenny Marchant (0:59:29):**
Are these senior units?

**Rosalio Banuelos (0:59:31):**
They are.

**Kenny Marchant (0:59:34):**

So everything we've considered today has been senior units.

**Rosalio Banuelos (0:59:34):**

It sounds like it.

**Kenny Marchant (0:59:39):**

We'd need to change the name of the committee.

**Leo Vasquez III (0:59:40):**

I -- I think that's coincidence only it's --

**Kenny Marchant (0:59:42):**

Oh, it is coincidence.

**Bobby Wilkinson (0:59:44):**

I mean we -- we could do an analysis for you on general population versus senior in a -- our tax credit and direct loan programs.

**Kenny Marchant (0:59:52):**
Well my point was that they -- their projects all seem to be needing a great deal of help, so that just wanted to know for my information.  Thank you, Mr. Chairman.

**Leo Vasquez III (1:00:09):**
Even you repeating this again, but before the meeting on reviewing this, I'm confused on the whole number of things that you described to us and presented in the materials.  So the loan, the existing loan from 2012 matures in 2026.

**Rosalio Banuelos (1:00:36):**
Correct.

**Leo Vasquez III (1:00:39):**
And it's a 0 percent --

**Rosalio Banuelos (1:00:44):**
Zero percent payable out of 10 percent of surplus cash. Back when this loan was made, is what Megan was referring to earlier, the prior housing crisis.  So this development, instead of getting housing tax credits, returned the majority of the housing tax credits in

exchange for this loan that in essence, was to replace the credits.  So free money for free money.

**Leo Vasquez III (1:01:05):**
Okay.  And then it's forgivable.

**Rosalio Banuelos (1:01:10):**
It is forgivable.

**Leo Vasquez III (1:01:13):**
Yet now we're extending it, or they were asking to extend it to 2052 from the original -- yeah, from the original 2012 so we're basically modifying the existing agreement?

**Rosalio Banuelos (1:01:30):**
Yes.

**Leo Vasquez III (1:01:32):**
And it's still 0 percent?

**Rosalio Banuelos (1:01:34):**
That is the request that we have in front of us, but we are not changing, or we were not proposing to change the

interest rate or take away the forgiveness provision, it's still if the development owner were not in default at maturity, the balance would be forgiven at that time unless it were it were to be modified before that.

**Leo Vasquez III (1:02:00):**
I just don't understand why we don't just -- the developer doesn't want to just let it mature and they're done with us.

**Rosalio Banuelos (1:02:12):**
The tax consequence that would come with that in 2026 is would not help the transaction. They are looking to bring in another investor, put in housing tax credits on the development, which means that that forgiveness provision would result in them having to pay income taxes.

**Leo Vasquez III (1:02:32):**
Because then, it's triggering actual forgiveness at that point.

**Rosalio Banuelos (1:02:39):**
Recognizing the income.

**Leo Vasquez III (1:02:41):**
So they're deferring that forgiveness on the tax -- tax credit or the -- the loan. If you're going to forgive a loan, then that -- yeah, that triggers. That loan wouldn't have more properly been accounted for as amortizing the forgiveness each year? That again, it just sounds rather convoluted.

**Rosalio Banuelos (1:03:14):**
It's a complicated payment structure, I will say. As far as recognizing the forgiveness every year, the owner is still liable for that loan if they are in default, so if had they recognized it as forgiven in any given year but they later were called into default, they would still have to pay the balance.

**Leo Vasquez III (1:03:35):**
The whole amount -- principal -- well, the principal, the original --

**Rosalio Banuelos (1:03:41):**
Whatever's left that has not been paid out of cash flow.

**Leo Vasquez III (1:03:44):**
And then the 10 percent amount that's being paid if we do this, I mean is that --

**Rosalio Banuelos (1:03:50):**
I don't recall the history back then.  I think that the structure of this program, we had two programs at the time.  One was the exchange program, which literally gave them a grant and we had the TCAP program which intended to be a loan.  So this particular initiative that was used for this property, which was the tax credit replacement, was very similar to the exchange program but it still required a loan, so the idea was to capture a small amount out of cash flow, but mainly treating it as a grant.

**Megan Sylvester (1:04:25):**
It -- it had to do with the conditions of the federal award.  We -- we basically needed to treat them as loans because we needed to have a foreclosable interest.

**Leo Vasquez III (1:04:37):**
Okay.

**Kenny Marchant (1:04:39):**
So with the federal funds, use them or lose them, or is -- is -- are these recycled federal -- when they get recycled, are we still bound by the original provisions of federal guidelines?

**Rosalio Banuelos (1:04:54):**
This is the original round of federal funds.

**Kenny Marchant (1:05:00):**
Okay. And we use -- either use it for this purpose or we don't get to use it.

**Leo Vasquez III (1:05:04):**
Well, we're not using anything. We're just extending the term, right? Basically, that's --

**Kenny Marchant (1:05:10):**
Yeah.

**Holland Harper (1:05:12):**
So Mr. Banuelos, if we do not do this when it becomes due, they will recognize $4.810 million as a gift in their income statement, which they would be taxable,

they would be liable for; is that correct?  That an
income tax on that gift as it went through.

**Rosalio Banuelos (1:05:26):**
It's a little more than $2 million, but the $2 million
would be recognized as income.

**Holland Harper (1:05:32):**
Okay.

**Kenny Marchant (1:05:36):**
Is it long-term capital loss?

**Rosalio Banuelos (1:05:36):**
No.

**Leo Vasquez III (1:05:37):**
Yeah.  Let's -- please introduce yourself and thank you.

**Tim Smith (1:05:44):**
Tim Smith, Hope Development Services, and consultant for
the -- for the applicant.

This is a -- an existing Section 8 development that they are buying. It also has tax credits on 100 percent Section 8, going to do another substantial rehab. They already applied for the 4 percent tax credits here. This particular issue is just related to the syndication. The syndicators come in and buy the tax credits on a yield and where they give you 85 cents, 80 cents on the dollar, you know, 75 cents on the dollar. Depends on their -- the yield that they're getting from not just the tax rates themselves, but the losses, the depreciation on the property. I mean, quite frankly, the reason why it's convoluted is you're talking about tax law minutiae. I mean that's -- that's really -- that's really what this is. And so if it's forgiven, if the loan matures and it's forgiven, it creates, you know, $2 million worth of income, which completely destroys the syndicator's ROI and they don't either want to do the deal and you can't find the syndicator to buy the credits, or they're cutting your credit pricing drastically, which then creates a -- a problem of not having enough syndicated equity, like equity coming to the deal. This is, that's it. I mean, the mechanics of it are complicated from a tax law standpoint, but this is just the -- the bare facts of the -- of the deal.

**Holland Harper (1:07:06):**

So what's the benefit if we approve?

**Tim Smith (1:07:07):**

The -- I mean the benefit is --

**Holland Harper (1:07:09):**

What's the benefit to this board if we approve?

**Tim Smith (1:07:10):**

This board is, I guess you, instead of the loan being forgiven, it's extended, you have another -- you know, how many years of --

**Cody Campbell (1:07:18):**

2052.

**Tim Smith (1:07:19):**

Yeah, 2052, you get another 10 percent of cash flow payments as opposed to just going away.  Everybody else is asking for money.  This one is like, hey, we'll keep it going and give you some money.

**Ajay Thomas (1:07:29):**
Mr. Chairman -- Mr. Smith, wouldn't it be though, if you're asking this board to extend the loan to 2052, should an agency get something out of it? Like would we do -- I mean, does it need to be structured as a 0 percent forgivable loan? Like could you do a 2 -- like we did the other loans at 2 percent. Should the Department get 2 percent on the remaining years of extension on the loan? I mean, what -- what -- why --

**Tim Smith (1:08:00):**
Wait, what -- or we just letting go and it's forgiven, and not -- not -- you know, you -- if this tax credit doesn't -- transaction doesn't happen, it just gets forgiven and a few years later, somebody else and buys the deal maybe comes in again, you know, anyway. I mean, I'm just -- it was structured as, I guess, a forgivable loan to make it act like the tax credit equity that comes from like after the -- you know, the great financial crisis in 20 --

**Holland Harper (1:08:26):**
Back in 20 --

**Tim Smith (1:08:27):**

Yeah.  2008.

**Holland Harper (1:08:29):**

2008.

**Kenny Marchant (1:08:30):**

Which one?

**Tim Smith (1:08:31):**

Yeah.   Yeah, so there's like -- there's the -- the TCAP, there's 1602 funds that are coming in.  Then all of a sudden, they now start to hit their 15-year period and everybody's scratching their heads like, what are these programs?  What -- what's going on?  But this probably -- it's not the first one y’all have done but won't be the last.

**Kenny Marchant (1:08:50):**

Is this a fairly well-kept community or is it dilapidated?  Is it like got barbed wire fence around it?

**Tim Smith (1:09:00):**
I think it's -- I think it's fairly well kept.

**Kenny Marchant (1:09:04):**
Had you ever seen it?

**Tim Smith (1:09:04):**
Seniors' properties don't typically have the wear and tear on that family units do.

**Kenny Marchant (1:09:09):**
Have you ever seen it?

**Tim Smith (1:09:08):**
I have not personally.

**Bobby Wilkinson (1:09:11):**
And y'all are looking to rehab it as well?

**Tim Smith (1:09:14):**
Well, I'm the consultant on the -- on the application. The development's already been there. They're -- they've done walkthroughs. They have -- like we just got the PCA report, I think earlier this week, they were

speaking to John Galvan, so this is -- this is a moving forward, you know, HUD -- HUD's involved in approving, I mean it's a --

**Kenny Marchant (1:09:31):**
So you -- you came up with the restructuring idea and brought it to the staff, or you come to staff and say, I had this problem and the staff brought this solution to you, which -- which -- how did it happen?

**Tim Smith (1:09:44):**
I think it was kind of a mutual discussion.

**Kenny Marchant (1:09:47):**
Well that's --

**Tim Smith (1:09:47):**
We've even brought up -- we brought up the fact that it -- it would create a --

**Kenny Marchant (1:09:51):**
You brought the problem to them.

**Tim Smith (1:09:53):**
Correct.  And we talked about how do we look at it?  And we asked about maybe getting it extended and -- and I think we -- we approached that with them.

**Kenny Marchant (1:10:00):**
Okay.  Okay.  Thank you.

**Tim Smith (1:10:03):**
You're welcome.

**Leo Vasquez III (1:10:07):**
And then this only helps you all if you get 4 percent credits.

**Tim Smith (1:10:12):**
Correct.  Correct.  If that doesn't happen, it doesn't there’s not a recasting of a of the loan, and it just gets forgiven in 2026, goes away.

**Leo Vasquez III (1:10:24):**
I mean, if we approve this extension right now, and then for whatever reason you're not successful in obtaining the 4 percent credits, what's that implication?

**Rosalio Banuelos (1:10:36):**
As proposed, we would have those effective at closing, so we do not move forward with the 4 percent and the development does not close. Technically the extension would not be signed.

**Leo Vasquez III (1:10:48):**
So there's no extension without the 4 percent credits awarded?

**Megan Sylvester (1:11:00):**
I don't believe it the limits to 4 percent credits. There -- there's no extension unless there's a closing. Right. So they could kind of come up with other financing. Right. Whereas the -- yeah.

**Rosalio Banuelos (1:11:12):**
Yeah, a structure would be a 4 percent allocation.

**Megan Sylvester (1:11:15):**
Right. Correct.

**Rosalio Banuelos (1:11:15):**
So unless that were to change that is what we are attaching it to.

**Leo Vasquez III (1:11:21):**
And again, not to further confuse it or confuse us, but then this is also structured as a cash flow loan?  So under what circumstances does the Department receive any kind of payments?  Assume let's, let's say we approve this extension.

**Rosalio Banuelos (1:11:43):**
Every year and as structured currently, it's every six months.  We at the department level, receive the financials for this property and review the cash flow that it produces.  Based on that, we go back to development owner and confirm the amount that would be due.  The proposal that we have now would be making that once a year, so we get financial development at the end of the year we look to see how much cash flow was generated and 10 percent of that would be payable towards this loan.

**Tim Smith (1:12:16):**
And I guess at the sale of the property closing, y'all would get a big payment.  Are you --

**Rosalio Banuelos (1:12:20):**
Yes.  The loan documents also call for 10 percent of the net sales proceeds to go towards this loan.

**Tim Smith (1:12:29):**
That would happen at the closing of the 4 percent transaction.  It would be sold to the new applicant that's doing the renovation at 4 percent and that would trigger the --

**Leo Vasquez III (1:12:45):**
Okay.  So we would look at that.  Please repeat that for the microphone.

**Tim Smith (1:12:45):**
Sure, sure.  The -- the loan documents require that sale, I guess that sale.  That's what this is happening. The current owner who actually has the loan is going to sell it to the new applicant and this new applicant, you know, I represent, is asking to assume the loan and have

it extended to not create issue with the syndicator. But when that sale happens under the loan docs-

**Rosalio Banuelos (1:13:16):**
10 percent off from the net sales proceeds would go towards the loan, which is not a lot. It's expected to be around $14,000. I don't know --

**Kenny Marchant (1:13:18):**
And why is -- why are we being so kind to the syndicator? Why is he -- why is the syndicator being such a major consideration of this deal?

**Rosalio Banuelos (1:13:29):**
That will determine whether the renovations happen or whether they can be paid for.

**Kenny Marchant (1:13:39):**
The same syndicator?

**Rosalio Banuelos (1:13:37):**
The syndicator. Correct. So the syndicator pricing is affected.

**Kenny Marchant (1:13:39):**
Okay.  that's -- I get it now.

**Tim Smith (1:13:41):**
And I guess it would be a new syndicator.  Like there's a -- like there's, the syndicator, that would be a (indiscernible) so the original syndicator is out of it, and this is a new syndicator putting in, buying a new potential award, 4 percent credits.

**Kenny Marchant (1:13:57):**
So which syndicator is the one that doesn't want the big tax?

**Rosalio Banuelos (1:14:00):**
It's the new investor that would be coming into the development.

**Leo Vasquez III (1:14:04):**
Because they assumed it before the maturity date.

**Tim Smith (1:14:11):**
Correct.  Yeah, they would be --

**Leo Vasquez III (1:14:07):**
They get triggered the two million dollar --

**Leo Vasquez III (1:14:13):**
Okay.  you know, one -- one factor that just kind of dawning on me here, trying to get through all --

**Holland Harper (1:14:21):**
Hold on a second.  You said we get a whopping 114k, right?  Which is 10 percent of the sale price, which is $1.14 million; is that correct?

**Rosalio Banuelos (1:14:28):**
Net sales proceeds.  So after they pay all the loans, after whatever cash is left --

**Holland Harper (1:14:34):**
Okay.

**Rosalio Banuelos (1:14:34):**
They're projecting that to be $140,000.  And 10 percent of that is what we would get towards the loans.

**Holland Harper (1:14:40):**
So what’s the sale price in this asset?

**Rosalio Banuelos (1:14:42):**
$7,350,000.

**Holland Harper (1:14:48):**
Okay.

**Kenny Marchant (1:14:52):**
$7 million?

**Rosalio Banuelos (1:14:52):**
$350,000 including price.

**Kenny Marchant (1:14:56):**
$350,000 --

**Rosalio Banuelos (1:14:57):**
Correct.

**Kenny Marchant (1:14:57):**
For 30?

**Rosalio Banuelos (1:15:00):**
And nine units.  Okay.

**Leo Vasquez III (1:15:04):**
Okay.  There's one other key factor.  I think a different way for the Board to look at this.  The developer or the buyer, the parties involved are not asking us for any additional loan.  At this point, the money was already expended back in or get donated effectively in 2012.  And right now, it's just a matter of preventing the triggering of the loan forgiveness, the maturity of that loan, but that makes no difference.  There's nothing else that we're writing a check out of our -- our coffers when --

**Bobby Wilkinson (1:15:56):**
We contribute tax credits at some point.  So we get 90 rehabbed elderly units.  And we get a tiny little cash flow, you know, payments for, however many years.

**Leo Vasquez III (1:16:07):**
But we're not asking, I mean, as -- as opposed to all these other groups today --

**Rosalio Banuelos (1:16:08):**
Right.

**Leo Vasquez III (1:16:10):**
-- we're actually writing them a check for $5 million or what -- what have you --

**Rosalio Banuelos (1:16:13):**
Right.

**Leo Vasquez III (1:16:20):**
At a whopping 2 percent.  But this one, even if we extend it, there's really no difference to the position of the Board.  We are extending the LURA?

**Rosalio Banuelos:**
The TCAP LURA will be extended.

**Leo Vasquez III (1:16:30):**
So we will be -- by granting this extension, we're also getting an extended LURA.  So we're extending that affordability period without us having to give anything else.  I mean, maybe that's part of --

**Kenny Marchant (1:16:46):**
If he gets -- if he gets approved for 4 -- yeah.

**Leo Vasquez III (1:16:48):**
Yeah.  And yeah, again, all that's still contingent on the rest of all those I's being dotted and boxes being checked.

**Kenny Marchant (1:16:53):**
Mr. Chairman, can I ask one question please?

**Leo Vasquez III (1:16:55):**
Please.

**Kenny Marchant (1:16:56):**
And it -- I don't think it's for you.  How many 4 percent units will we be produced this year?  Cody, I -- I know there's so many here that --

**Bobby Wilkinson (1:17:14):**
I mean, a high watermark was 16, and then it's dropped to like 12 or what?

**Cody Campbell (1:17:17):**

Yeah, 16,000 and our --

**Kenny Marchant (1:17:22):**

So 12 to 16,000.  And we're talking about how many units per? How many units?

**Cindy Conroy (1:17:25):**

Ninety.

**Kenny Marchant (1:17:28):**

Ninety senior units.  Okay.  So I guess my -- Mr. Chairman, my -- I won't say objection to this is this -- this kind of substantiates kind of a new foot -- footprint on -- a new -- a trick in the bag.  And in my opinion, with the money we need to produce work.  I'm not, I'm not against saying this this year, but I -- I don't like these and I know Beau says we don't set precedents.  That's right.  But once this kind of a deal is done, a lot of people will say, hey, maybe that -- maybe that makes sense for my deal to work that way and if that's not the case, just -- I'm happy to be told that.  And I like for the developer/consultant/owner to have actually seen the property.

**Tim Smith (1:18:25):**

Sure.  No, the -- the owners have.  The owners have.  I mean they walked in with their architects.  I'm literally the person putting in the tax credit application, helping them with the technical stuff.  And they say, hey, we have this TCAP one maturing.  I'm the one interfacing with staff.  I'm helping you just, I'm the technical person on this.  I don't have an interest in the property.  you know, I'm not an owner.  I'm not on the- I'm not a developer.

**Kenny Marchant (1:18:50):**

I think that's my point anyway, so.

**Tim Smith (1:18:52):**

But just from -- to answer your question about precedent, I mean, I know it's not precedent, but if future stuff comes along, I mean, do you want syndicators buying your tax credits for, you know, 85 cents on the dollar?  Do you want syndicators buying you your tax credits for 75 cents on the dollar, and really dropping the amount of money that the private market is putting into your deals?  I mean, this is not money coming out of your pocket, this is, you know, that -- that income, forgiveness of debt income hits them, they're going to just say, well, I won't pay as much money for it.

**Kenny Marchant (1:19:27):**
That's not something that this board governs or has any effect on and this is such a minor deviance off of the norm.  It seems to me like we're just protecting the syndicator from a big tax burden.  Getting that -- I mean, getting 90 units.  I'll shut up, Mr. Chairman. Sorry.

**Leo Vasquez III (1:19:54):**
Okay.  No, no, thank -- thanks for the perspective. Again, it's effort going through all these numbers.  For me, I'm seeing that we -- it's not costing us anything. We're not losing anything.  We're not having to write, again, not having to write another check and we're facilitating the transaction that even if this matures as is, the Department doesn't get anything out of it. Now we're getting an extended affordability period or, you know, extended LURA, and there's increasing the odds of this 4 percent transaction and the rehabilitation

actually happening, so.  This was one of the most confusing write ups I've ever seen.  But getting down to that fundamental bottom line is, I think, my -- however, I'm comfortable with it.  You know, I think we've talked about this.  If anyone wants to make a motion on this item, I'd be welcome to entertain a motion.

**Anna Maria Farias (1:21:11):**

All right.  Mr. Chairman, I move the Board approve the requested assumption of TCAP loans, the modification of the maturity date, change in payment schedule, and other modifications to the loan and contract documents for Seville Row Apartments, all as described, conditioned, and authorized in the Board Action Request, resolution, and associated documents on this item.

**Leo Vasquez III (1:21:44):**

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

**Holland Harper (1:21:49):**

Second.

**Leo Vasquez III (1:21:52):**
Thank you.  Motion seconded by Mr. Harper.  Any further discussion?  Okay.  All those in favor say aye.

**All Board Members (1:22:03):**
Aye.

**Leo Vasquez III (1:22:05):**
Ms. Conroy, did I hear an aye?

**Cindy Conroy (1:22:06):**
I just -- yeah, I said aye.

**Kenny Marchant (1:22:07):**
Mr. Chairman, show me as a no please.

**Leo Vasquez III (1:22:10):**
Mr. Thomas, where were you on this?

**Ajay Thomas (1:22:13):**
Based on your reasoning, Mr. Chairman, I'll say begrudgingly aye.

**Leo Vasquez III (1:22:19):**
Okay.  So let the record show Mr. Marchant dissents and then the rest of us have ayes.  So motion carries. Thank you.  Thank you, guys.

So the Board has addressed the posted agenda items.  Now is the time of the meeting where members of the public can raise issues with the Board on matters of relevance to the Department's business or make requests that the Board place specific items on future agendas for consideration.  Is there anyone who would like to provide public comment at this time?  This hasn't been five hours that we've been sitting here, so if you're going to do it, today is the day to do it.  Okay. Seeing none, the next scheduled meeting of the Board is 10:00 a.m., on Thursday, March 6, 2025.  We will be back in the TxDOT G building at 125 East 11th Street.

**Kenny Marchant (1:23:19):**
Mr. Chairman, before you adjourn, may I -- may I make a statement?

**Leo Vasquez III (1:23:21):**

Okay.  I'll -- Let me just finish this for the record then, if you get -- so the meeting starts at 10:00 a.m. At 9:30 there will be a Audit and Finance Committee meeting if you all would like to join us for that.  Mr. Marchant, would you like to --

**Kenny Marchant (1:23:36):**

Yeah.  I think I'd like the staff's input on planning for a full day of rules hearing and I would like to get some direction whether May, June -- April, May, June would work out.  I think proposed to convene at 10:00 and no later than 4:00 or 5:00, but it'll be a full day. And then I think Staff sees the direction we'd like to get on things and any -- is any board member allowed to attend those meetings?

**Leo Vasquez III (1:24:16):**

Yeah.  Any.

**Kenny Marchant (1:24:19):**

Okay.  So I -- I'd like some direction.  It wouldn't be a board day, but it could be the day before.  I mean if --

**Leo Vasquez III (1:24:24):**
and we've -- we've done that before, the evening -- the evening before but --

**Kenny Marchant (1:24:26):**
Yeah.  And then the public, this -- I anticipate this being a day where we talk about delicate subjects.

**Leo Vasquez III (1:24:37):**
Well let's coordinate with -- with staff and industry, i mean those are definitely valid -- helpful.

**Kenny Marchant (1:24:45):**
And your schedule with -- when will that fit in best --

**Cody Campbell (1:24:49):**
Sure.

**Kenny Marchant (1:24:50):**
-- Cody?  Knowing that you're in the -- you're past the pre app or you now --

**Cody Campbell (1:24:54):**

We're -- we're past the pre app, and understand, of course, that my schedule is your schedule, so, you know, we can make that -- we can make it happen.  May would be a good month.

**Kenny Marchant (1:25:01):**

May?

**Cody Campbell (1:25:01):**

May would be a good month.

**Kenny Marchant (1:25:02):**

Okay.  So what is our May date?  I don't have it in front of me.

**Cindy Conroy (1:25:11):**

It is May 8th.

**Kenny Marchant (1:25:16):**

May 8th.  So, I think we'll plan, Mr. Chairman, for May 7th to be that meeting to convene at 10 o'clock and whatever, that way we'll be in town when we spend the night.  Okay.  Thank you.

**Leo Vasquez III (1:25:36):**

And I'm sorry, the May meeting is not on my calendar. Please. Okay. Any other comments from the Board? If not, it is 11:26 a.m., and this meeting is adjourned.