

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD OF DIRECTORS MEETING

Room 140
John H. Reagan Building
105 West 15th Street
Austin, Texas

Thursday,
May 8, 2014
9:30 a.m.

MEMBERS:

J. PAUL OXER, Chair
JUAN MUÑOZ, Vice Chair
LESLIE BINGHAM ESCAREÑO, Member
TOM GANN, Member
J. MARK McWATTERS, Member
ROBERT THOMAS, Member

TIMOTHY K. IRVINE, Executive Director

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
CALL TO ORDER, ROLL CALL CERTIFICATION OF QUORUM	5
ITEM 1: APPROVAL OF THE FOLLOWING ITEMS PRESENTED IN THE BOARD MATERIALS:	7
RULES	
a) Presentation, Discussion and Possible Action on a proposed new 10 TAC, Chapter 2, Enforcement and proposed repeal of 10 TAC, Chapter 1, §1.14 related to Administrative Penalties, proposed repeal of 10 TAC, Chapter 5, §5.17 related to Sanctions and Contract Close Out and proposed repeal of 10 TAC, Chapter 60 related to Administrative Penalties all to be published in the Texas Register for public comment	
COMMUNITY AFFAIRS	
b) Presentation, Discussion, and Possible Action to release and subsequently award a Request for Applications ("RFA") to administer the Comprehensive Energy Assistance Program ("CEAP") in Bee, Live Oak, McMullen and Refugio counties and the Community Services Block Grant program in Aransas, Bee, Kenedy, Kleberg, Live Oak, McMullen, and Refugio counties	
c) Presentation, Discussion, and Possible Action on Award of Unexpended Program Year 2013 Community Services Block Grant ("CSBG") Funds	
d) Presentation, Discussion, and Possible Action on Award of Unexpended Emergency Shelter Grants Program ("ESGP") and Emergency Solutions Grant ("ESG") Funds from prior year awards	
MULTIFAMILY FINANCE DIVISION	
e) Presentation, Discussion, and Possible Action regarding an Award of HOME funds from the 2013-1 HOME Multifamily Development Program Notice of Funding Availability	
f) Presentation, Discussion, and Possible Action Regarding the Issuance of	

Multifamily Housing Revenue Bonds with TDHCA as the Issuer, Resolution #14-027 and a Determination Notice of Housing Tax Credits for Northcrest Apartments

- g) Presentation, Discussion, and Possible Action Regarding the Issuance of Multifamily Housing Revenue Bonds with TDHCA as the Issuer, Resolution #14-028 and a Determination Notice of Housing Tax Credits for Pine Haven Apartments

ASSET MANAGEMENT:

- h) LURA Amendment
- I) Tax Credit Application Amendment

LEGAL

- j) Presentation, Discussion, and Possible Action on the adoption of an Agreed Final Order concerning Avalon Apartments (HTC 91036)
- k) Presentation, Discussion, and Possible Action on the adoption of an Agreed Final Order concerning Alamo Plaza (HOME 530687)

REPORT ITEMS

The Board accepts the following reports:

1. Report on the Department's 2nd Quarter Investment Report in accordance with the Public Funds Investment Act
2. Report Item on the Department's 2nd Quarter Investment Report relating to funds held under Bond Trust Indentures
3. TDHCA Outreach Activities, April 2014

ACTION ITEMS

- ITEM 2: INTERNAL AUDIT:
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- ITEM 3: BOND FINANCE:
Presentation, Discussion, and Possible Action on Resolution No. 14-029 authorizing the Restructuring of Interest Rate Swap Transaction with Respect to Single Family Variable Rate Mortgage Revenue Bonds, 2004 Series D 19

- ITEM 4: APPEALS AND WAIVERS:
Presentation, Discussion, and Possible Action on Timely Filed Appeals and Waivers under any of the Department's Program or Underwriting Rules 53

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH
THERE WERE POSTED AGENDA ITEMS.

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P R O C E E D I N G S

1
2 MR. OXER: Good morning. I would like to
3 welcome you to the May 8th meeting of the Texas Department
4 of Housing and Community Affairs Governing Board. We will
5 begin, as we always do, with the roll call. Ms. Bingham?

6 MS. BINGHAM ESCAREÑO: Here.

7 MR. OXER: Mr. Gann.

8 MR. GANN: Here.

9 MR. OXER: Professor McWatters.

10 MR. McWATTERS: Here.

11 MR. OXER: Dr. Muñoz.

12 DR. MUÑOZ: Present.

13 MR. OXER: I am here. Mr. Thomas.

14 MR. THOMAS: Here. We have a full complement
15 today, so we are in business. So Tim, let's salute the
16 flags, and we will begin.

17 (The Pledge of Allegiance was recited.)

18 (The Texas Pledge of Allegiance was recited.)

19 MR. OXER: Okay. Anything special to talk
20 about here, Tim, or just go to consent?

21 MR. IRVINE: Go straight to the consent. I
22 believe we have someone that wishes to speak on Item 1(a).

23 MR. OXER: We'll pull 1(a) and have opportunity
24 for Chief Murphy to speak also.

25 MR. IRVINE: All right. And we also have a

1 couple of staff clarifications. Brooke Boston has one on
2 Item 1(b).

3 MR. OXER: Okay. So we are pulling 1(a). But
4 Brooke, you are just going to make a clarification on
5 1(b). Is that correct?

6 MS. BOSTON: Correct.

7 MR. OXER: But it is on consent, essentially.

8 MS. BOSTON: Right.

9 MR. OXER: Okay.

10 MS. BOSTON: Brooke Boston, one of our
11 deputies -- on Item 1(b), we are asking for funds to be --
12 we have a subrecipient, Bee Community Action is no longer
13 going to be in the program. And so we are bidding out to
14 get coverage for their CEAP and CSBG programs. It is not
15 uncommon that we do this. We go out with an RFA or
16 request for applications.

17 One of the statements we made in the write-up,
18 the last sentence under Background, at the bottom of page
19 1, it says, "The applicant organizations must apply for
20 all counties in the service area of the programs."

21 We would actually like to clarify that we would
22 like to allow them to apply for one or more of the
23 counties, and we are going to make sure that there is
24 sufficient coverage from all counties when we make awards.

25 So for instance, if among the applicants, we

1 have coverage of all three countries, then it is okay with
2 us that it is not all one entity who will receive it.

3 MR. OXER: So we may have multiple entities
4 handling, but you get full coverage, still.

5 MS. BOSTON: Exactly.

6 MR. OXER: Okay. Any other changes, then?

7 MS. BOSTON: No.

8 MR. OXER: Okay. Good. Thanks.

9 MS. BOSTON: Thank you.

10 MR. OXER: All right. With respect to the
11 consent agenda, does any Board member care to pull
12 anything?

13 (No response.)

14 MR. OXER: In that case, we will entertain a
15 motion to approve.

16 MR. THOMAS: So moved.

17 MR. OXER: Okay. Motion by Mr. Thomas to
18 approve the consent agenda.

19 MR. GANN: Second.

20 MR. OXER: Second by Mr. Gann. No discussion?

21 (No response.)

22 MR. OXER: All in favor, aye.

23 (Chorus of ayes.)

24 MR. OXER: Opposed?

25 (No response.)

1 MR. OXER: There are none. We are unanimous.
2 Okay. Let's go to 1(a), since we have just pulled that
3 one, please. Okay. Good morning, Patricia.

4 MS. MURPHY: Good morning. Patricia Murphy,
5 Chief of Compliance. Item 1(a) is presentation and
6 discussion of a proposed enforcement rule. And it is also
7 the corresponding repeals of the other areas of the
8 Department's rules that would be repealed.

9 We had a discussion item about this last month.
10 And I think there has been a few changes to what you saw
11 last month to this month, to incorporate some of the CSBG
12 things to make it crystal clear about the procedures for
13 eligible entities under the CSBG Act.

14 And staff recommends approval as presented in
15 your Board book. But I believe there is some public
16 comment.

17 MR. OXER: Okay. Any questions of Patricia
18 from the Board?

19 (No response.)

20 MR. OXER: Do I have a motion to consider?

21 DR. MUÑOZ: So moved.

22 MR. OXER: Okay. Motion by Dr. Muñoz to
23 approve staff recommendation of Item 1(a) pulled from the
24 consent. Is there a second?

25 MS. BINGHAM ESCAREÑO: Second.

1 MR. OXER: Okay. Second by Ms. Bingham. All
2 right. We have public comment.

3 MR. MANNING: Thank you. My name is Brad
4 Manning, Executive Director of Texas Neighborhood
5 Services, Weatherford, Texas. And I will be very brief.

6 What I would like to present to the Board today
7 is specifically, the regulations that you are talking
8 about putting out for public comment are specifically
9 pertaining to federal passthrough. Which means that the
10 OMB circulars do apply to this. And I believe that all
11 the Board members are aware that 2 CFR Part 200 has been
12 issued by the Office of Management and Budget, where they
13 are taking all of the circulars, putting them together
14 into one, and creating some new regulations and making
15 some changes.

16 Those regulations are set to be put into place
17 December of 2014. However, each of the departments,
18 including the Department of Housing and -- or the
19 Department of HHS are required by June 26 of 2014 to make
20 comment and to -- you know, to say, We are going to accept
21 these.

22 There is specific language in the new
23 supercirculars that does pertain to this. And what I
24 would like to do is be able to present that to you at this
25 time.

1 The first and foremost is under 2 CFR 200.69,
2 non-federal entity. They have changed the wording up of
3 this, non-federal entity meaning a state, local, an in-
4 tribe, institution or higher education or a nonprofit that
5 carries out the federal awards. In the past, it read, a
6 governmental entity.

7 Which means that now, the feds have separated
8 themselves from the states and are now operating under a
9 separate rule. They put the states in with us, according
10 to 200.69, but obviously, I will let you -- you know, I
11 really only give these to you so that you can then go back
12 and look at a later point.

13 Under 200.105, affects on other issuances, it
14 states, for federal awards subject to this part, all
15 administrative requirements, program manuals, handbooks
16 and other non-regulatory material that are inconsistent
17 with the requirements of this part must be superseded upon
18 implementation of this part by the federal agency, except
19 for the extent that they are required by statute, or
20 authorized in accordance with provisions of 200.102. Once
21 again, talking about federal.

22 Now, it does state in here that it says that if
23 it is exempted by statute. What we do not have knowledge
24 of right now is, is that only federal statute, is that
25 federal or state statute? We don't know. So there is a

1 real possibility that this could have an impact, much
2 greater than these administrative penalties that we are
3 talking about.

4 You know, the impact could be on every one of
5 our federal passthrough programs, both for this agency and
6 for other agencies of the State of Texas. So I want to
7 make sure that you are aware that this language is out
8 here. As I mentioned, the effective date of that under
9 200.110 is December 26, 2014.

10 I am here just to ask you one thing. Be sure
11 that when you pass these rules, if that is what your
12 desire is, that you have made, that you all have made sure
13 that this is vetted. That you all are knowing exactly
14 what is coming down the pipe.

15 Because what I would hate to see happen is I
16 would hate to see you all pass a set of rules knowing that
17 this is out there, and in 60 days have to turn around and
18 just you know, throw them back out. If you are wondering
19 how to be able -- however, I will tell you though, in the
20 new supercirculars, there is a way to assess an
21 administrative fine. If not a fine, they call it
22 something else.

23 And so you know, since I brought difficult
24 news, I thought I would bring you a little good news too.

25 And you will find that under 2 CFR part 200.410.

1 Collection of unallowable costs. Payments made for a cost
2 determined to be unallowable by either the federal
3 awarding agency, cognizant agency for indirect costs, or a
4 passthrough entity, either as direct or indirect costs
5 must be refunded.

6 Once again, there is the penalty. And then
7 they have thrown something new in here. It is "(including
8 interest)". This new supercircular, instead of charging
9 penalties does give the ability for the Department to
10 assess interest on disallowed costs, which does become the
11 penalty, which does give you the opportunity to try to do
12 what you are trying right now.

13 It is a different format. It is a different
14 style. It looks different. But it still gives you the
15 ability to do that. So with that, I appreciate the
16 Board's indulgence for taking this item off the consent
17 agenda. And thank you for allowing me to address you
18 today.

19 MR. OXER: Thank you. Hold on a second. Any
20 members of the Board have a question?

21 (No response.)

22 MR. OXER: Okay. So your point is, it is
23 informative to make sure that we understand this in
24 anticipation?

25 MR. MANNING: Yes, sir.

1 MR. OXER: Okay.

2 MR. MANNING: Yes, sir.

3 MR. OXER: All right. I have got a quick
4 question, Patricia. Thanks, Brad.

5 MR. MANNING: Thanks.

6 MR. OXER: Nothing to it. Don't worry about
7 it.

8 MS. MURPHY: Yes.

9 MR. OXER: This is only a listing, that we are
10 putting these rules out for --

11 MS. MURPHY: We are putting them out for public
12 comment.

13 MR. OXER: For public comment, development. So
14 there is nothing final on this. Whatever is developed or
15 generated out of it, will come back to us at some period
16 in the future, 60 to 90 days, once we get through all of
17 that. And we will have a chance to go back through all of
18 it again then. Right?

19 MS. MURPHY: That is correct.

20 MR. OXER: And we should anticipate that there
21 will be at least, according to Brad, some indication of
22 where this federal circular gathering -- that didn't come
23 out right. Supercircular gathering, gathering of items
24 into a supercircular, we should have some indication of
25 where that is generally going by then, we think?

1 MS. MURPHY: Uh-huh.

2 MR. OXER: Okay. Well, consistent with Texas,
3 we are not waiting for the feds. We are going to do our
4 side and make it work. So does anybody have a question?

5 (No response.)

6 MR. OXER: Good. So we have to vote on this on
7 consent, to issue, for you to put these out for
8 consideration.

9 MS. MURPHY: Uh-huh.

10 MR. OXER: Okay. So any other public comment?

11 Do you have any thing to read in? Peggy, is this for
12 another one? Okay. Okay. Thank you. That said --

13 MS. BINGHAM ESCAREÑO: Move to approve.

14 MR. OXER: Okay. Motion by Ms. Bingham to
15 approve staff recommendation on Item 1(a).

16 DR. MUÑOZ: Second.

17 MR. OXER: Second by Dr. Muñoz. There is no
18 further public comment. All in favor, aye.

19 (Chorus of ayes.)

20 MR. OXER: Opposed?

21 (No response.)

22 MR. OXER: There are none. It is unanimous.
23 Thanks, Patricia. Okay. Let's go to Item, let's see, what
24 would be down there.

25 DR. MUÑOZ: Before we move on, just Patricia,

1 just you know, keep an eye on this. And if something
2 changes, I mean, it is has been brought to our attention.

3 You know, obviously, we want this sequenced properly.

4 I mean, I appreciate the caution of it being
5 brought to our attention, to make sure that, you know,
6 should anything change related to that timetable, that we
7 are informed in such a way that we can act prudently.

8 MR. OXER: Brady, we understand your point, and
9 we appreciate the information. If you wait until all of
10 it is done at one time, before we start our process, then
11 we will be finished about this time next year, if then.

12 MR. MANNING: Not a problem.

13 MR. OXER: Okay. Let's see. We have an Audit
14 report. Sandy?

15 And while you are coming up, Sandy, I would
16 like to -- is Jordan Smith here? Jordan, raise your hand.
17 Jordan. There he is.

18 Jordan is our analyst from the Legislative
19 Budget Board. It gets to be a really important time of
20 the year, we are getting our LAR put together. So welcome
21 aboard. Glad to have you here today. Sandy.

22 MS. DONOHO: Good morning, Mr. Chairman, Board
23 members. For the record, I am Sandy Donoho, Director of
24 Internal Audit. For those of you in the audience who
25 slept in this morning, we had a meeting of the Audit

1 Committee. I really don't think anybody slept during
2 that. But I can't really tell.

3 MR. OXER: That wasn't early this morning.
4 That was late last night, wasn't it?

5 MS. DONOHO: No. Again, can't really tell. It
6 all blurs together. We talked about the Internal Audit
7 work plan. We have six audits on the plan this year, plus
8 one contingency audit. So far we have completed four to
9 six.

10 We are wrapping up our planning on financial
11 administration. We are conducting field work on
12 performance measures. Our final audit, the HOME audit
13 will be starting in late July or early August, with
14 completion later this fall. That gives us time to prepare
15 and present the draft 2015 plan for your consideration in
16 September.

17 So you will hear more about the 2015 plan later
18 on this year. In January, I talked to you about the fact
19 that we were a little bit behind. But through a lot of
20 hard work we are now caught up.

21 We have had some staffing issues. The most
22 recent of which we are excited about; the arrival of a new
23 addition to the Internal Audit family, Jacob Francis Klute
24 was born on Sunday. He weighed six pounds, three ounces.

25 (Applause.)

1 MS. DONOHO: We are excited about that.
2 Unfortunately, that means Nicole will be out on maternity
3 leave for three months. So I am still short handed.

4 One of the audits we talked about briefly was,
5 we did an audit of the Manufactured Housing Division's
6 titling process. Since they have a separate Board, we
7 report that to their Board.

8 We also completed audits of the low income
9 energy assistance program, which is LIHEAP, and the Amy
10 Young barrier removal program. We felt like the
11 Department generally ensures the grant funds from the
12 LIHEAP program are spent as intended by federal, state and
13 program rules.

14 We had one minor issue. We tested a sample of
15 48 administrative expenditures, including payroll travel
16 and non-payroll transactions. We felt like there was no
17 problems with the payroll costs.

18 But we felt like the allocation of
19 administrative expenditures to LIHEAP, we couldn't always
20 determine that from the supporting documentation. So we
21 recommended that they do a better job of documenting the
22 rationale for cost allocations on the purchase requests or
23 vouchers, and that Community Affairs review the
24 expenditure reports on a regular basis, to make sure that
25 nothing is being charged to LIHEAP that shouldn't be.

1 Management indicated they agree with that. They are
2 working to implement the recommendation.

3 On Amy Young burial removal, we looked at that
4 program and tested 30 homes, 30 activities, from the setup
5 all of the way through the construction phase. And we
6 didn't find any significant issues.

7 We have four external audits that have happened
8 or will happen this year, compared to the ten we had last
9 year. The asset -- we completed our annual financial
10 reports. We talked about that in January.

11 KPMG talked about their statewide audit of
12 federal funds. In a report to us, they looked at LIHEAP.

13 They had one finding, which just was no question costs
14 related to some documentation they needed to maintain.

15 The SAO is currently working on an audit of the
16 Texas Facilities Commission. And we were selected as one
17 of the agencies that they looked at for data center
18 security, which is our IT data center. We are hoping that
19 report will be out in June.

20 And HUD has paid us a visit in June as well, to
21 look at the emergency solutions grant program. We cleared
22 and disposed of all but six of our current prior audit
23 issues. We have five that were recently implemented. One
24 is still pending.

25 And in this fiscal year, as of April 15, we

1 have received and responded to 67 fraud complaints. This
2 is a slight increase over last year, when we had 54 at
3 this time. Any questions regarding the Audit Committee
4 meeting, or any of these issues?

5 (No response.)

6 MR. OXER: Any questions of the Board?

7 (No response.)

8 MS. DONOHO: Thank you.

9 MR. OXER: Ms. Bingham, do you have a comment
10 that you want to make just as an Audit Chair?

11 MS. BINGHAM ESCAREÑO: Just that the Committee
12 meeting went very well this morning. And I commend Sandy
13 and her team for coaching us. She gave us a heads-up that
14 there were going to be some challenges just relative to
15 workforce. And they have been able to make up ground.

16 We have got a little bit of homework to think
17 about, the Committee to think about before the next
18 meeting. But overall, everything went very well.

19 MR. OXER: Good. Thanks. Thanks, Sandy. Good
20 job.

21 Okay. Item 3. Tim. This is Swap 102, right?
22 We did 101 last time.

23 MR. NELSON: I think this is Swap 201,
24 actually. You skipped over the 102. My name is Tim
25 Nelson, Director of Bond Finance. And as opposed to what

1 I said last month, where I said I thought we could
2 dispense with our swap-related items with a minimum of
3 fanfare.

4 I think this month, I am going to say that
5 maybe we could dispense with them with the maximum of
6 fanfare. And we will see if there is any correlation
7 there. But the item that we have before you is a
8 presentation, discussion and possible action on Resolution
9 14-029, authorizing the restructuring of interest rate
10 swap transaction with respect to single family variable
11 rate mortgage revenue bonds 2004 Series D.

12 First of all, I would like to point out to the
13 Board that we have, with our bond counsel, Bracewell and
14 Giuliani, Elizabeth Boze. And with our financial advisor,
15 and swap advisor, George K. Baum. We have got Liz Barber,
16 Barton Withrow and Gary Machek.

17 We do not have David Adams with us this month.

18 I think you might have scared him last month, and he
19 might not be back.

20 MR. OXER: He is still healing up after that
21 last one.

22 MR. NELSON: But let me just give you a little
23 bit of background. I think we did point out to the Board
24 that this item would be coming. The 2004 D bond issue
25 closed in October of 2004. It was a \$75 million

1 transaction.

2 That was the new money that we made available
3 for mortgage origination. In order to try to subsidize
4 the rate down, we included in that transaction a \$10-1/2
5 million economic refunding of some prior bonds. That
6 still didn't get our mortgage rate down to a level that we
7 felt would be competitive.

8 And so we recommended to the Board at that
9 point to put a swap in place on a piece of the
10 transaction. And as I pointed out to the Board in the
11 past, I think with us, and really, with other issuers,
12 that is really the thought process.

13 I think everybody approaches financing from the
14 standpoint of if you can put the bonds away, fixed rate
15 going away, and you can achieve your goals, I think that
16 is what everybody wants to do. When you are not able to
17 do that, you start looking at some of these other
18 transaction alternatives that may present some
19 counterparty risks, and other risks. But ultimately, in
20 weighing those against the gains that you get, in terms of
21 achieving a lower rate, you make that decision
22 accordingly.

23 In any case, in the end, we were able to offer
24 a 499 rate. Had we not included the swaps in this
25 economic refunding, we might have been at a 599 rate. And

1 given that market, we view that rate as being higher than
2 what would be acceptable in the marketplace. So we needed
3 to do something to get the rate down.

4 In the end, we assisted over 800 families in
5 that transaction to get their first mortgage. And I think
6 I pointed out to the Board before, that this is what we do
7 every day. We assist ten to 20 families every day.

8 Yesterday, we had 2-1/2 million that was
9 committed in our TMP loan program, 2-1/2 million that was
10 committed in our MCC program. That is 32 families that
11 didn't have an opportunity with home ownership that we
12 assisted with our programs.

13 And as I pointed out last month to the Board,
14 during the deliberations that you are making here today,
15 we will probably assist two families in achieving the
16 American dream of home ownership. So this is a serious
17 matter that we take very seriously in terms of the
18 programs that we offer.

19 So if we turn to the transaction which I think
20 is outlined in detail in your Board writeup, similar to
21 last month, we are looking at restructuring our swap on
22 this 2004 D. Similar to last month's transaction, we did
23 go through and look at bond refundings. We looked at
24 doing MBS sales.

25 In each of those instances, not only did it not

1 reduce our costs, it actually increased our costs. So
2 again, as a -- I don't know if I would say, a distant
3 third alternative, we took a look at restructuring the
4 swap. And I think I can report to the Board that this
5 transaction is very similar to what you approved last
6 month in the 2004 D.

7 We are looking at reducing the fixed rate on
8 the swap. We are looking at reordering the optionality on
9 the swap, so that it more closely aligns with what we
10 think our needs are going to be going forward. I can also
11 report that the costs of executing this 2004 D transaction
12 will be lower, both in terms of the counterparty costs
13 and the costs of the working group -- your professionals,
14 in getting this done.

15 And it is about, I would give you an order of
16 magnitude, it is about half the cost that we incurred to
17 do the 2004 B transaction last month. This transaction
18 also meets the Department's swap policy guidelines that,
19 as adjusted at the last meeting.

20 I think I can also say that through extensive
21 deliberations, we think that this addresses concerns about
22 diversification, concentration and prudence in managing
23 our financial assets, all of which I know the Board is
24 concerned about.

25 A number of items that I would like to point

1 out, before I open it up for questions, because these
2 things, there are a myriad of details. But a couple of
3 items that I would like to point out, I think we talked
4 about this a little bit last month, with respect to the
5 transaction that we did there.

6 That currently, we owe our counterparty, if
7 there were to be a termination on this swap, over \$10
8 million. So as I pointed out last month, Goldman, in this
9 case, is more worried about TDHCA today than we are
10 worried about them. Because if something occurs, we are
11 going to have to pay them, not the other way around.

12 Rates would have to move over 200 basis points
13 for us to get into a situation where they would owe us.
14 To give you some contrast on that, we have not seen rates
15 at that level since the summer of 2011. So in order for
16 this to occur, everybody has got their different view as
17 to what they think rates are going to do going forward.
18 Probably going to be a three- to four-year period before
19 we see rates trend back up into that area.

20 We have restructured this swap so that we have
21 a seven-year, 100 percent termination on it. So by the
22 time we get into that situation, we are going to have a
23 very short period of time before we can cancel the entire
24 swap without any cost to us. The current swap requires
25 collateral posting if Goldman ever does owe the Department

1 money at the current rating level, and I think that is
2 important to note.

3 We also on this swap have a guarantee of the
4 Goldman Sachs holding company, not just the bank that we
5 are dealing with, but the holding company, up to which all
6 of the subsidiaries for Goldman report. They are the
7 parent to Goldman Sachs investment bank, which is one of
8 the oldest and most profitable investment banks on Wall
9 Street, which I think again, just to point out that they
10 are not some sort of outfit that was just created
11 yesterday, and doesn't have any track record.

12 I would also like to point out to the Board
13 another fact that I think is interesting, and that is that
14 Berkshire Hathaway, that little company that Warren Buffet
15 runs, has a substantial investment in Goldman Sachs. And
16 there are a lot of people who have done a lot worse than
17 to not follow what Warren Buffet has done.

18 So all other things being equal, I think we can
19 say if it is good enough for Warren Buffet, perhaps it is
20 good enough for the Department. So with that, I will
21 close my comments and state that staff recommends approval
22 of this. And of course, I will be glad to address any
23 questions.

24 MR. OXER: Thanks, Tim.

25 Any questions from the Board?

1 Ms. Bingham.

2 MS. BINGHAM ESCAREÑO: Good morning.

3 MR. NELSON: Good morning.

4 MS. BINGHAM ESCAREÑO: So -- and I apologize; I
5 didn't attend the last meeting. So just through the
6 minutes though, with this, this is the 2004 D that we are
7 talking about, you had the first two options, right, which
8 one was the MBSs and the other one was --

9 MR. NELSON: Bond refunding.

10 MS. BINGHAM ESCAREÑO: It was refunding. Okay.

11 And so you listed though, in that priority, because if
12 they would have worked, they would have been less
13 complicated or less risky or --

14 MR. NELSON: Well, I think I listed them in
15 that order because again, I think our sort of strategic
16 plan if you will, is to try to reduce our reliance on
17 variable rate debt, and on swaps. But I think we have
18 always pointed out that we want to do that in a prudent,
19 well thought out fashion.

20 And part of the way we define that is that
21 again, you wouldn't want to do a transaction for instance,
22 I don't know if these numbers are exact, but if we would
23 have done a bond refunding, which this Board has approved
24 over the years, many many bond refundings, that would have
25 reduced our variable rate. Would have reduced our swap

1 exposure. But rather than us saving money, it would have
2 in fact, have increased our costs, but to the tune of a
3 million and a half or \$2 million.

4 Staff looked at that and said, well, it does
5 help us achieve this other goal. But at far, what we
6 believe to be far too great a cost. And so while we
7 looked at that option in the MBS, had similar numbers, we
8 didn't think that -- again, increasing our costs was an
9 appropriate tradeoff to reduce those risks.

10 MR. OXER: So essentially what you are saying
11 is, you were willing to endure those risks for another
12 period of time that was predictable, with a structured
13 step down in the cost on this, on the swap, knowing that
14 if we keep an eye on things, and watch what is going on,
15 we can get through this without having to spend two or
16 three million dollars, and manage that debt down
17 eventually to zero on the variable rate.

18 MR. NELSON: And given the various credit
19 mitigants that we have included in the original swap, and
20 we still have available to use today. The collateral
21 posting. And again, I would point out to the Board
22 that -- again, this is not a -- we managed this stuff day
23 to day.

24 If we were to get nine months from now, things
25 have changed, and we have all of a sudden determined --

1 notwithstanding the fact that Warren Buffet has a
2 significant investment in these characters, we are not
3 comfortable. At that point in time, we can just terminate
4 the swap. We will probably still be in the situation
5 where we owe the termination fee.

6 We pay that termination fee. We have the
7 liquidity available to pay that termination fee. We
8 replace the swap with another swap at a lower rate. And
9 that lower rate will be able to compensate us for the fact
10 that we advanced that termination fee.

11 So again, the fact that we are making this
12 decision today is now not a -- okay. Now we have locked
13 in our position. And we are just going to let this
14 thing --

15 MR. OXER: It is one more tactical step in the
16 strategic plan to step this down.

17 MR. NELSON: And we still have further things
18 that we can do in the future, based upon what unfolds
19 between now and then. But based upon what we know today,
20 we feel like this is the best course of action for the
21 Board to take.

22 MR. OXER: Do you have anything else, Leslie.

23 MS. BINGHAM ESCAREÑO: I don't think so. And
24 then just in terms of the transaction costs, you said
25 compared to the 2004 B one that we did, there will be

1 some. But it should be half of what it was when we did it
2 for the 2004 B?

3 MR. NELSON: These are significantly lower. I
4 think for several reasons. We are doing our second one
5 now --

6 MS. BINGHAM ESCAREÑO: Yes.

7 MR. NELSON: -- so we have got a lot of the
8 kinks worked out. We are also restructuring the swap with
9 the same counterparty.

10 In last months transaction, we were novating to
11 a brand new counterparty. That involves a lot more legal
12 work. A lot more financial work. But we don't have that
13 here. So there are a number of different factors that are
14 driving that. But the fact of the matter is, the costs to
15 do this transaction are much lower.

16 And again, related, if we were to have made the
17 recommendation to move to another counterparty, our costs
18 would probably be about twice as high as what we are
19 seeing here. And that was one of the factors that we
20 looked at in terms of making this recommendation.

21 MR. OXER: So one of the things you are doing,
22 is essentially looking at the net benefit, or the net
23 cost, benefit-cost ratio. This gives us the best step at
24 this point, still staying with Goldman Sachs.

25 It gives us more optionality, reduces the rate

1 generally. And besides, if Goldman goes upside down, we
2 are going to have more to worry about than this swap.

3 MR. NELSON: I think a lot of times, people ask
4 me if -- well, what would I do if the federal government
5 was downgraded to nonrated.

6 MR. OXER: You would be moving to Honduras,
7 probably.

8 MR. NELSON: I said, I think I would be worried
9 a lot more that what we are talking about right here.

10

11 MR. OXER: Mr. Thomas.

12 MR. THOMAS: I do 50,000-foot levels, since our
13 Chairman just took us back there. And honestly, I think
14 our Executive Director realized how much this whole
15 discussion has concerned me, because quite frankly, this
16 is the essence of why we have been asked to provide
17 governing guidance to this entity, for the benefit of our
18 citizens.

19 So I appreciate exactly what we are trying to
20 do. But because I think our Executive Director recognized
21 how concerned I am about this concept -- we will chalk it
22 up to me being the newbie -- he has been gracious enough
23 to kind of have some discussions with me. And he -- Tim
24 put it in a really nice question that kind of summarized
25 where my brain was.

1 If there were another whale on the trading
2 desk, Warren Buffet and his substantial pockets and acumen
3 notwithstanding, because nobody anticipates those guys,
4 and we do take a phenomenal, venerable palace down like
5 Goldman Sachs, what is our backup? What are we thinking,
6 in the context of? Or is the answer, there just is none?

7 And is that an acceptable answer that we can give to the
8 citizens of the State of Texas?

9 MR. NELSON: No. I think our backup would be,
10 as I just stated, certainly, if that were to happen here
11 in the short run, let's say over the next three years, or
12 at any point where we would owe Goldman a termination fee,
13 we would merely terminate the swap and go to any one of
14 these other counterparties that we have outlined, that
15 meet our swap policy and provide swaps of this type, and
16 we would replace the swap with that counterparty, and it
17 would be at a lower rate than the swap that we have in
18 place now, in all likelihood. And that is an option that
19 we always, you know, have available to us.

20 MR. THOMAS: And you are saying that the
21 savings from that emergency swap at a lower rate would pay
22 the termination fee?

23 MR. NELSON: The way swaps are designed, that
24 is pretty much what it is designed to do. Conversely, if
25 they owe us money, that means that the rates have moved to

1 the point where they are higher. They will have to pay
2 us.

3 Now I have got to go out and get another swap.

4 But it is going to be at a higher rate than the rate that
5 I have right now. But that is okay, because they have
6 paid me money to help compensate for that.

7 And again, at their current rating levels, if
8 we ever get to a point where they owe us money, we don't
9 just rely on their promise to pay us that termination fee.

10 We require them to set cash aside in escrow that would
11 then be available for us to access. So these are the
12 various credit mitigants that we have built into the
13 transaction to try to provide safeguards if that were to
14 occur.

15 MR. THOMAS: And I think -- and I appreciate
16 that. And I understand that as to this specific
17 transaction we are being asked to discuss.

18 I guess I am asking, maybe I didn't say it. I
19 am at the 50,000-foot level and policy-driven
20 determination, total risk management practice. Do we
21 have -- and I trust that the decision was made that the
22 cost to us of novating this at this point completely was
23 just too -- I appreciate that.

24 But I would like to understand at some point,
25 if now is not appropriate, as we are going to be continued

1 to ask to look at these kind of things, to have a much
2 clearer understanding of that concept I am asking about.
3 Where the whale surprises us, do we have an appropriate
4 strategy?

5 Sometimes taking a hit today is much better
6 than extending it out seven years. And I am trying to
7 understand, are we being -- where is our level of caution,
8 vis-a-vis our level of prudence in management?

9 And I am sure it equates perfectly and is
10 balanced. I just would like to make sure I understand
11 that as I am being asked to vote on it.

12 MR. NELSON: Well, I think that -- again, first
13 of all, the -- you try to manage your risk, certainly.
14 And the policy that we have in place, and the management
15 that we provide certainly does that. And that gets you to
16 various things like diversification.

17 And we, you know, are we diversified as we
18 could be? We have got, I think, 51 percent of our swaps
19 with J. P. Morgan. Would I rather that be 25 percent?
20 Absolutely. But those are our two matched AM swaps.

21 MR. OXER: When it comes down to the last one,
22 you will have 100 percent of it with somebody.

23 MR. NELSON: Right. And so but those are our
24 two matched AM swaps. I am not sure I could find another
25 counterparty. Because there is not a lot of people that

1 do those types of matched AM swaps. So you do go through
2 and -- but that is how you try to manage some of that
3 stuff. And a lot of this is also just -- you want to say,
4 it is subject to your superior management and everything
5 else. Frankly, some of it just comes down to luck. And
6 you hate to say that.

7 MR. THOMAS: I am so glad to hear you finally
8 say that. Okay, with that clarification. Because that is
9 it. Because nobody has a crystal ball here. To not
10 belabor this, so that I don't bore the rest of my
11 colleagues on the Board or audience, at some point, I
12 would like to have the opportunity to have this answered,
13 Tim. Kind of offline maybe, with the staff. To have a
14 better appreciation. Because I think this is a bigger
15 issue. Not, I think we appreciate exactly what it is.
16 But I think we get moving too quickly sometimes in our
17 desire to do good service. And I don't want to be one of
18 those guys that is holding up the fort because maybe I
19 just don't understand everything.

20 MR. NELSON: I think I have pointed out to the
21 Board that again, that back in the '07, '08 time period, of
22 course, a lot of people had swaps with Lehman. I think
23 those that had 100 percent of their swaps with Lehman were
24 certainly in much worse shapes than those entities that
25 might have had one.

1 So I think that is -- again, I have pointed
2 out, Lehman was one of the most highly rated entities
3 prior to that occurring. So that is, I think, where the
4 luck comes in.

5 Sometimes it is not easy to go through and
6 predict those that were going with Lehman at the time, as
7 opposed to -- I can't even think of who might have been a
8 lower-rated entity. But certainly, there were those.
9 Again, in retrospect, they would have been better off
10 going with that other lower-rated entity, because it
11 didn't go -- but you do want to take a look at
12 diversification and a number of these other points.

13 And it is -- again, I wish I could say it was a
14 science, where you could go through and say, the optimal
15 mix is to have 27.9 percent or no more than, with each
16 party. But it is half art, half science. And again, we
17 try to take all of that into account.

18 And again, I don't expect you to gain a lot of
19 comfort from the fact that I am saying, sometimes this is
20 just subject to luck. But I mean, again, within that
21 context, right, trying to do what we can with it.

22 MR. NELSON: I guess I am kind of at some level
23 questioning the global perspective that you have
24 articulated today, about then I think as Ms. Bingham
25 pointed out, through her line of questioning. I think I

1 am trying to make sure that I have a comfort level, that
2 we are not just -- that we have blinders on about the
3 appropriate course of action for managing these dollars.

4 I would like to understand better some of the
5 strategy associated with it. Because I still think the
6 cost and the risk are too great, since we are a smaller
7 agency. That is my concern.

8 MR. NELSON: Well, we could certainly engage in
9 more of those discussions. And like I said, this is not a
10 one and done decision by any stretch of the imagination.

11 And the Board could determine in six months or
12 a year, that upon further reflection, we would like to
13 come in and do something different. You have the ability
14 to terminate these swaps, albeit again, at an appropriate
15 termination fee --

16 MR. THOMAS: Right.

17 MR. NELSON: -- you know, at that point in
18 time. So it is -- we do definitely have another bite at
19 the apple, so to speak.

20 MR. NELSON: Thank you.

21 MR. OXER: We really -- really, we are getting,
22 we are buying or acquiring more optionality on this. We
23 retain the capacity to do what Robert wants to do, to get
24 completely out of this, as we choose.

25 But at this point, your professional advice on

1 this, or staff advice, managerial advice on this, the risk
2 is there. And we are stepping it down, you know.

3 But the cost we have to look at for doing that.

4 If we came out of it -- excuse me; if we came out of it
5 suddenly, there is a cost to do it. If things go upside
6 down, we still have options. This is not an abandoned,
7 done, out of the way, unreachable, untouchable event.

8 MR. NELSON: Correct. Again, you could come
9 back in six months or a year, and say look. I have
10 thought about it. And what I would really like to do is,
11 let's move forward with a refunding and recognize that
12 that is going to have a cost to us.

13 But I have determined through whatever approach
14 I have taken to determine that that is on a present risk
15 weighted, present value basis, that is lower, or unable to
16 sleep at night. And that has a certain value to it. And
17 that is -- there is nothing inappropriate about that.
18 This doesn't forgo any of your future flexibility in
19 taking those kinds of actions.

20 MR. OXER: Again, it doesn't restrain us from
21 having a different view -- if Putin decides to invade
22 Ukraine.

23 MR. NELSON: Absolutely facts, and the world
24 changes. That is why we try to maintain flexibility.

25 MR. OXER: Yes. I mean, flexibility. Your

1 point is well made, Robert. We need to be able to --

2 MR. THOMAS: To put it in business terms. It
3 is best to make the tough financial decisions when you are
4 flush, than to wait until there is an emergency, and you
5 don't have opportunities. That is my philosophy, Tim. I
6 guess I should have said that in the beginning.

7 But I would like to know and understand.
8 Sometimes, it is harder to make those tough decisions for
9 that long term health and that long term strategic vision
10 and plan.

11 Because right now, these swaps -- and we know
12 why we got there. We know where we had to get our credit
13 from. But they are also a hindrance in my view of some of
14 the strategic plans and directions that I know that the
15 staff would like to take us.

16 MR. NELSON: Well, and certainly, I think
17 anyone would acknowledge that when Lehman went under in
18 September of '08 -- I am not sure, and I don't think a lot
19 of people could get replacement swaps at that point in
20 time. Because the market was just broken.

21 So that is certainly, I think, to your point.
22 That it is better to be looking at doing something on
23 these when we are in calmer seas, than when you are not.
24 Certainly.

25 MR. OXER: And just to the point of context on

1 this, Tim, what was our variable rate debt total in the
2 middle of 2011, more or less? This time, three years ago?

3 MR. NELSON: Certainly over \$300 million.

4 MR. OXER: And now we are so --

5 MR. NELSON: What is that?

6 MR. OXER: Three and a quarter or something.

7 MR. NELSON: Probably something in that
8 neighborhood.

9 MR. OXER: Okay.

10 MR. NELSON: And now, we are about \$100 million
11 less than that, and heading further south.

12 MR. OXER: Headed in the right direction.

13 MR. NELSON: Uh-huh.

14 MR. OXER: Okay. To Robert's point, you know,
15 I completely concur about getting out of the variable rate
16 debt business, just for all of those reasons that he is
17 talking about. And that is one of the things we have
18 started. You know, and you are managing that down.

19 But we didn't get like this overnight. And we
20 are probably not getting out of it overnight.

21 MR. NELSON: Like I said, the best you can do
22 is manage it. And that is what we are trying to do. But
23 certainly, making decisions about, hey let's just convert
24 some of this to fixed rate, that is part of your --

25 MR. OXER: That is part --

1 MR. NELSON: That continues to be an option,
2 and could be a part of your management plan. But since we
3 have now got a lot of these where we have removed all the
4 fixed rate debt in front of them, I want to remind the
5 Board that even with that now being the case, we have
6 dropped down about \$100 million.

7 We are going to see this accelerate even more,
8 because we have removed all of the other fixed rate debt
9 from these plans. So all of the prepayments that come in
10 are going to be knocking out variable rate debt going
11 forward.

12 So we are going to see an acceleration of this.
13 But certainly again, we can continue to talk about it.
14 And again, you haven't forgone any opportunity to make
15 that type of decision.

16 MR. OXER: Do you have anything else, Robert?

17 MR. THOMAS: No. I just -- thank you, Tim.
18 Obviously, this is at the 50,000-foot level, when you want
19 us to be at Resolution 14-029.

20 But I think it is the mechanism for us to be
21 able to have this public discussion with each other and
22 with, fortunately, having our advisors here with us, to
23 hear it firsthand. I think it is important. So thank
24 you.

25 MR. OXER: It is extraordinarily important that

1 these guys on the front row up here know that we are
2 concerned about it. Because one of the key obligations
3 that this Agency has being essentially a bank, is to make
4 sure that we shepherd those resources in a way that
5 reflects good sense and long term strategic strength for
6 the State.

7 MR. THOMAS: Absolutely.

8 MR. OXER: All right. Given that, Mark, do you
9 have a question?

10 MR. McWATTERS: Tim, interest rates go against
11 us, okay. And so Goldman develops an obligation under the
12 swap. You said that Goldman is required to post cash
13 collateral. Is that cash collateral equal to 100 percent
14 of their then outstanding obligation under the swap?

15 MR. NELSON: Yes.

16 MR. McWATTERS: Okay. So as interest rates
17 rise, does the counterparty obligation to us increase, as
18 Goldman pledges cash collateral? Okay. So Goldman at
19 that point in time fails, we have cash collateral at that
20 point?

21 MR. NELSON: That is correct.

22 MR. McWATTERS: Okay. So if Goldman then
23 fails, and interest rates continue to move against us,
24 Goldman says, sorry, can't post any more cash collateral,
25 because we don't have any cash collateral to post, which

1 is, as I recall, was exactly what happened in '08, what do
2 we do then?

3 Interest rates are going against us. We are
4 now no longer hedged, because our counterparty has failed,
5 and unable to post cash collateral.

6 MR. NELSON: If they don't -- and Liz, I may
7 ask you to step up and you may address this in more
8 detail. But I believe if they do not post collateral when
9 they are supposed to, that is a default.

10 We would then have an opportunity to terminate
11 the hedge. Take the collateral that we have at that point
12 in time. But Liz, why don't you -- you are probably
13 better suited to address that.

14 MS. BERBER: Sure. I am Liz Berber.

15 MR. OXER: Good. Thanks, Liz.

16 MS. BERBER: I work with George K. Baum and
17 Company, and I manage our short term note and derivatives
18 desk. The swap document that you have with Goldman and
19 with all of your counterparties, first of all, outlines
20 exactly what your rights are, and what happens in the
21 situation of a default. Bankruptcy or insolvency is an
22 event of default. Not posting collateral, not responding
23 to a collateral call would also be an event of default.
24 And then a couple of other points. The way that interest
25 rates move against you, in terms of you having exposure to

1 Goldman is when interest rates rise. To the extent that
2 interest rates rise, and Goldman has a credit event
3 where -- that gives you -- that triggers an event of
4 default, it gives you the right to terminate the swap, you
5 would be able to realize that cash collateral to cover the
6 mark to market value of the swap. I think, to your point,
7 is what happens if interest rates continue to rise before
8 you can get a replacement swap in place. And that is a
9 risk. That is true. What we saw in 2008 was the opposite
10 direction of interest rates, though. Interest rates fell
11 precipitously, which created, where Goldman would no
12 longer owe you as much money. That value of the swap
13 starts to become negative to you, versus more positive,
14 and interest rates rising and increasing your cost. But
15 if it were to happen that interest rates were to rise very
16 quickly, and you had -- you terminate the swap. And in
17 finding the replacement, which folks did, in 2008. First
18 of all, in the fall of 2008, winter of 2008 and 2009, we
19 helped some clients who had Lehman swaps find
20 replacements, and they did find replacements. But there
21 is some period -- you do have timing risk, if you can't do
22 that at the exact same time.

23 MR. McWATTERS: Okay. So there is counterparty
24 risk to Goldman Sachs.

25 MS. BERBER: There is an incremental -- yes.

1 MR. McWATTERS: And the reason I ask the
2 question, realizing what interest rates did in '08, was
3 they're at historic lows. The Fed is backing down on
4 quantitative easing. I think it is down to I don't know,
5 \$45 billion of purchases per month now. Which could very
6 well result in higher interest rates.

7 So that is my concern. With respect to Goldman
8 and the due diligence, I notice the ratings of Moody's,
9 S&P, and Fitch, have you taken any independent diligence
10 on Goldman to make a determination that they are
11 creditworthy to serve as a counterparty for this
12 Department?

13 MS. BERBER: We aren't credit analysts. So we
14 do rely on the rating agencies. We rely on the market
15 perception, where their debt is trading. How the stock
16 price is trading. We don't do independent credit
17 research.

18 MR. OXER: You will recall, this is an add on
19 to this. You will recall that in 2008, Moody's had made
20 some considerable assessments, some financial instruments
21 that showed them to be particularly stellar, and they
22 turned out to be pretty smelly. So I think what Mark is
23 suggesting is, we don't necessarily trust what Moody's and
24 S&P and Fitch say.

25

1 MS. BERBER: The rating industries have come
2 under huge amounts of scrutiny because of their actions
3 leading up to the financial crisis. And one thing that
4 you have see from the rating agencies, and first of all, I
5 am not here to defend the rating agencies. I don't work
6 for the rating agencies. But what you have seen from --
7 especially the ratings of financial institutions is, they
8 have actually brought down on a pretty consistent basis,
9 their ratings of financial institutions. And I think,
10 have attempted to be more conservative in their
11 assessments, and also more transparent in what is going
12 into the assessments. So for some institutions, they were
13 making, especially in the wake of 2008 and 2009, were
14 making explicit assumptions about government support
15 because there was evidence that there was government
16 support. And after the Dodd-Frank Act, and various
17 regulations that have been implemented as a result of
18 that, that are geared towards, anyway, making government
19 support of financial institutions more difficult, they
20 have reflected that in their ratings. I think here, the
21 structure that TDHCA has in the documents, where it is an
22 obligation of Goldman Sachs Bank, which is rating A to A
23 and A on its own, with also a guarantee from the Goldman
24 Sachs group, parent, which is actually rated lower than
25 the bank, that that gives TDHCA the right to call for the

1 cash collateral to the extent the swap is ever positive.
2 So no additional ratings action is needed at the current
3 ratings level. TDHCA has the right to call for cash
4 collateral if the swap is ever positive to TDHCA, which I
5 think is a good credit mitigant. And then the other, just
6 observation is, in the swap portfolio, we are speaking
7 about diversification. This swap is 16 percent of your
8 swap portfolio. So it is not a big part of it. The J. P.
9 Morgan swaps and your Bank of New York Mellon swaps are
10 the bulk of the portfolio.

11 DR. MUÑOZ: In our documentation, it doesn't
12 reference the Goldman Sachs Bank. It references the lower
13 ranked, the lower-rated agencies in our summary. But you
14 are saying that we could appeal directly to the Goldman
15 Sachs bank?

16 MR. OXER: The bank is the subsidiary. The
17 bank is a subsidiary. And the Goldman group is one that
18 backs the holding company.

19 Is that right, Tim?

20 MR. NELSON: Yes.

21 DR. MUÑOZ: And I understand that. But the
22 ratings here are A to stable, A negative, A stable. But
23 you are saying that the bank has a higher rating?

24 MS. BERBER: No. Those are the ratings of the
25 bank. Those are the ratings of the bank. Yes.

1 MR. THOMAS: The company has a lower rating.

2 MS. BERBER: The parent has a lower rating.

3 MR. OXER: Mark, do you have something else?

4 MR. McWATTERS: I think the key here is for the
5 Board to consider that swaps are a way to mitigate risk.
6 They are not a guarantee.

7 People thought, my understanding, what I have
8 experienced, prior to 2008, that swaps were a guarantee,
9 absolute. That there was really no such thing as
10 counterparty risk or counterparty risk was pooh-poohed as
11 not being particularly material.

12 I know when, as counsel I would raise these
13 issues, I got a few chuckles from people on a small island
14 off the coast of New York. And you know, those are risks.
15 And these are not guarantees.

16 I guess my last question is -- and this is more
17 legal in nature -- is there anything under Dodd-Frank --
18 know there is a lot of new swap rules that have been
19 proposed and the like under Dodd-Frank. Is there anything
20 that is lurking there that could be potentially adverse to
21 the way that our swaps are structured?

22 MS. BERBER: One of the -- it is a good
23 question. I am not -- and I am only a financial expert,
24 not a legal expert. One of the provisions of Dodd-Frank
25 and one of the goals was to try to get swaps traded,

1 rather than being traded over the counter, what we refer
2 to as over the counter, to get them onto exchanges, and to
3 have margining like exchanges, like the futures exchange
4 or margin rules.

5 And that would have required any entity who had
6 a swap to potentially have to post initial margins, or to
7 follow the rules, like you have on a futures exchange.
8 And there was a carve-out to that for end users like
9 TDHCA, or like utility companies, folks who are using
10 these swaps to hedge risk.

11 That is one example of where there was a carve-
12 out of what potentially could have come in and you know,
13 you all of a sudden have to post margin when that was not
14 the expectation. There was a carve-out to that. Off the
15 top of my head, I don't know. Right now, another hot
16 button that is coming down the pike.

17 But the regulatory landscape is certainly
18 evolving. But nothing again, off the top of my head, that
19 I know of, that is coming down the pike that is
20 concerning.

21 MR. McWATTERS: I guess my last question is,
22 what was the competition for this swap, other than
23 Goldman?

24 MS. BERBER: We considered on the 2004 B swap,
25 as you know, we went out to other participants, since we

1 were novating the swap from UBS to a new counterparty.
2 And went through a competitive process there, including
3 Bank of New York Mellon, Wells Fargo and RBC.

4 Using the cost quotes that we actually received
5 on the 2004 B transaction, because it would be similar to
6 the 2004 D. It would have looked similar to what we were
7 trying to accomplish, those costs were anywhere from two
8 times as high to three times as high as what Goldman
9 proposed.

10 And so we made the decision that it wasn't
11 necessary to go to the other entities to get those cost
12 quotes again. They were still relatively fresh.

13 MR. McWATTERS: Why do you think the other
14 prices were two X or more of the Goldman price? I mean,
15 the Goldman people have never struck me as being
16 particularly foolish when it comes to making money. And
17 so why would they bid so low relative to the others?

18 MS. BERBER: They have already -- a couple of
19 reasons. They have already charged for the credit
20 exposure that they are taking to TDHCA back in 2004.

21 So they have that existing -- they charged when
22 they did that swap. They have that existing swap on the
23 books. This is just incrementally, basically changing
24 incrementally, the swap. And so it is an incremental cost
25 to them.

1 For a new counterparty to come in and take over
2 the swap, and take over the negative mark on the swap, and
3 take over that level of exposure to TDHCA, they would have
4 to charge funding and credit charges, because it is a new
5 transaction. So those would be like a new transaction.

6 MR. McWATTERS: Okay. I get that. Thank you.

7
8 MR. OXER: So essentially, these swaps, and
9 just back to the 50,000-foot level, the swap that we had
10 essentially a hedged risk mitigated the risk, but doesn't
11 eliminate the risk. And what we are doing on this is to
12 step down that risk. Is that fair? Tim, Liz, either one?

13 MR. NELSON: That is correct.

14 MR. OXER: Okay. Robert, are you satisfied at
15 this point?

16 MR. THOMAS: Yes, sir. Thank you.

17 MR. OXER: Okay. Mark, anything else?

18 MR. McWATTERS: No.

19 MR. OXER: Okay. That said, any other
20 questions from the Board?

21 (No response.)

22 MR. OXER: Okay. Motion to consider?

23 MS. BINGHAM ESCAREÑO: Is this in the form of a
24 resolution? I have just a logistical question. It says
25 that one of these, that attached to the resolution would

1 be the swap document. Did I read that wrong?

2 VOICE: You see, it is under Section 1.4.

3 Correct.

4 MS. BINGHAM ESCAREÑO: Because it wasn't in our
5 packet. Is it a chicken and egg thing? Do we so resolve,
6 and then the swap document gets stuck on there?

7 MS. BOWES: I am Elizabeth Bowes with Bracewell
8 and Giuliani, bond counsel to the Department. And
9 actually, we do have a draft of the confirm. It is on
10 file with the Executive office.

11 It is available. So it does exist. It doesn't
12 include the actual final rate, because that will occur at
13 pricing. But it has been reviewed and signed off on by
14 your counsel.

15 MS. BINGHAM ESCAREÑO: Thank you.

16 MR. OXER: So essentially, what we are saying,
17 Elizabeth, we are approving staff request through this
18 resolution to execute the transaction at what the price is
19 that it -- the final price when you execute it. But we
20 are saying go ahead with the risk management.

21 MS. BOWES: Correct.

22 MR. OXER: Okay.

23 MS. BINGHAM ESCAREÑO: I move to so resolve
24 with staff's recommendation.

25 MR. OXER: Okay. Motion by Ms. Bingham to

1 approve staff resolution or how should we say that? Staff
2 recommendation on the resolution. Okay.

3 DR. MUÑOZ: Second.

4 MR. OXER: Second by Dr. Muñoz. Is there any
5 other public comment?

6 (No response.)

7 MR. OXER: I see only in support here for our
8 financial team. So all in favor?

9 (Chorus of ayes.)

10 MR. OXER: Opposed?

11 (No response.)

12 MR. OXER: There are none. Everyone, it is
13 unanimous. Thank you for that, folks.

14 MR. NELSON: Thank you.

15 MR. OXER: Thanks, Tim. Okay. Number 4.

16 MR. DORSEY: Hi. Cameron Dorsey, Deputy
17 Executive Director. I am actually not presenting this
18 item, but we had a few handouts. So Barbara, do you want
19 to kind of describe what the situation is, and then I
20 will --

21 MS. DEANE: Okay. I was going to do that after
22 staff presentation. But that is okay.

23 MR. OXER: Let's have the staff presentation
24 and then we will have the -- Mike, were you going to read
25 in the letter for the representative? Okay. And you have

1 got some more things to add to it, Barbara? Do we have
2 more to add to it?

3 MS. DEANE: Yes. I thought it was a staff
4 presentation first, and then I can describe what has been
5 offered.

6 MR. OXER: Right. Okay. We'll go to Jean, and
7 then to Michael and to Barbara.

8 MS. LATSHA: Okay.

9 MR. OXER: Good morning.

10 MS. LATSHA: Good morning.

11 MR. OXER: So far.

12 MS. LATSHA: All right. So Item 4 is an appeal
13 of a termination of a 9 percent Housing Tax Credit
14 application. I'm sorry. Jean Latsha Director of
15 Multifamily Finance.

16 Again, this is an appeal of a termination of a
17 9 percent Housing Tax Credit Application. It is Louis
18 Manor, located in Port Arthur. This application was
19 terminated pursuant to 11.9(a)(4) undesirable area
20 features, which states that development sites located
21 within 1,000 feet of a confluence of undesirable features
22 that would typically be found in a high opportunity
23 neighborhood would be found ineligible.

24 The site was discussed at the Board meeting.
25 It was brought before the Board in March. You might

1 recall that the Applicant requested an exemption under
2 another rule in the same subchapter. That rule calls for
3 sites to be deemed ineligible if they are located within
4 300 feet of a railway or any other typical undesirable
5 site feature unless that development has ongoing
6 assistance from HUD.

7 This one does. In that case, the Board may
8 grant an exemption. The Board did grant that exemption
9 but also made it clear at the March meeting that the
10 exemption under that rule for that particular reason being
11 the railway did not preclude staff from looking at the
12 site more holistically, which we did. Which is called for
13 by the rule regarding undesirable area features.

14 More specifically, staff could consider the
15 railway as part of that holistic review of the site.
16 Although the Applicant did not initially submit
17 information regarding undesirable area features; they only
18 submitted the information on the railway, staff did
19 request information after a cursory review, and received
20 that in early March.

21 And since then, you might recall at that Board
22 meeting, we hadn't had a chance to review all of that
23 information. We have now. And in addition to that, I
24 visited the site on March 18th. The photos that are in
25 your Board book were taken on that site visit.

1 And I am sure that you can see from those
2 photos that there is an evidence of a significant amount
3 of blight. What is more is that there just wasn't --
4 there wasn't a feeling of that blight was moving in a
5 direction that you would want it to move in.

6 I know that we have all been to areas of
7 different cities where you might see a few older homes
8 that need a lot of work. But you might see some tractors
9 too. I mean, I live in a neighborhood that was built in
10 1954. And my house was built in 1954 and needs a lot of
11 work, but so do a lot of other homes in that
12 neighborhood --

13 MR. OXER: Just because it has got a tractor in
14 front of it, don't think --

15 (General laughter.)

16 MS. LATSHA: But the feeling, driving around
17 that neighborhood, was that there was no movement in a
18 positive direction there. And I don't know if you can
19 really get that from those photos, but you can get that
20 from a site visit, which is why we conducted the site
21 visit.

22 The Applicant in their appeal points to their
23 own survey, that revealed 23 percent of the structures in
24 the area in physical decline. I still think that is a
25 pretty high percentage. That is walking down the street

1 and, you know, every fourth home is in pretty bad shape.

2 And as I understand from the Applicant too, may
3 be scheduled for demolition. But certainly hasn't been
4 demolished. Looks like it has probably been in bad shape
5 for quite some time. But that still seems to me like a
6 significant amount of blight; 23 percent of the structures
7 in the area.

8 Staff also reviewed the crime statistics first
9 submitted by the Applicant. It indicated a very high
10 level of criminal activity.

11 You will see in the writeup, there were 38, in
12 one year, 2013, this is just at the property itself, not
13 within 1,000 feet: 38 assaults, 10 persons with a gun or
14 weapon; seven vice-related activities. Four shots fired,
15 three drug overdoses, one sexual assault, and a host of
16 other crimes, all totaling 415 calls in 2013. That is
17 eight in a week. That to me, seems like a significant
18 amount of criminal activity.

19 The Applicant does point in their appeal to
20 that level of criminal activity being decreasing. But
21 even though the documentation submitted in their appeal
22 indicates just in the first two and a half months of this
23 year, five assaults at the property as well as four
24 incidents of criminal mischief, two thefts, one vice-
25 related activity amongst a host of other crimes. So while

1 it might have decreased from 415 calls in one year, there
2 is still a significant amount of criminal activity going
3 on at that site right now.

4 There is no denying the existence of the active
5 railway adjacent to the site. And again, while the
6 application may have been found eligible with respect to
7 this singular issue, when added to the staff's holistic
8 review of the site, this does factor in staff's
9 determination.

10 There are, and you are going to hear some
11 public comment on both sides of the fence here. There are
12 some environmental issues, flooding issues and things like
13 that. I want to point out that that wasn't necessarily
14 part of staff's determination. With respect to the
15 termination, when we deem the plain language of the rule.

16 But those general issues are of concern.

17 Also, you might hear from the Applicant that
18 there is a lot exchange program, and a one block at a time
19 program as mitigating factors to consider. As I said, I
20 did not witness any of that actually going on when I
21 visited the site.

22 And in addition, if staff were to concede that
23 a community revitalization effort was in place in the
24 area, the rule does not call for consideration of such
25 effort when making this determination. All in all, staff

1 recommends denial of the appeal. And I will take any
2 questions, unless you would like to make a motion and hear
3 public comment.

4 MR. OXER: Okay. Any questions from the Board?
5 (No response.)

6 MR. OXER: Okay. Hold on a second. All of the
7 other information regarding, including the letter and
8 such -- hold on Michael -- is that all of that going to be
9 in a discussion in the -- okay. So is there any questions
10 for the Board?

11 (No response.)

12 MR. OXER: Okay. Just for clarification on the
13 pictures, this site has not been developed. So some of
14 the apartments that are showing are not actually on the
15 property. Is that correct?

16 MS. LATSHA: The first picture, and I don't
17 remember the exact order, but the picture of the blue
18 apartment building, that is the actual site. Everything
19 else is right around the site. This is a rehabilitation.

20 MR. OXER: Okay. That is what I wanted to
21 know. Okay. All right. We have to have a motion to
22 consider before we take public comment.

23 DR. MUÑOZ: So moved.

24 MR. OXER: Motion by Dr. Muñoz to approve staff
25 recommendation to deny the appeal. Is there a second?

1 MR. McWATTERS: Second.

2 MR. OXER: I hear a second by Professor
3 McWatters. Very well. Yes.

4 MS. DEANE: Mr. Chair.

5 MR. OXER: Yes.

6 MS. DEANE: We have some handouts that have
7 been brought to the Board meeting. It is the first time
8 we have seen them. You might recall that due to the mass
9 quantities of documents that were being presented at the
10 Board meetings for the first time, the Board tightened up
11 the public comment rule with regard to bringing handouts
12 to the Board meeting.

13 And of course, the rule specifically provides
14 they are supposed to be provided ahead of time. And
15 obviously the purpose is to give the Board an opportunity
16 to see those documents, but also the public to have them
17 online. We put them on our website, so that other members
18 of the public that are coming can know what is going to be
19 reviewed at the Board meeting.

20 There is what is called the exceptional
21 circumstances provision in the rule, that under
22 exceptional circumstances, the Board may allow materials
23 that are brought to the meeting for the first time in hard
24 copy to be accepted. They have to be delivered to staff
25 prior to the start of the meeting so they can be logged

1 in, and the Chair can decide, can look at them and decide
2 how to proceed. They can't be so voluminous as to cause
3 inordinate delay.

4 They must be provided in hard copy for all
5 members of the public in attendance, and they have to be
6 provided in Adobe Acrobat PDF so that afterwards, the
7 staff can incorporate them into the record, and also put
8 them online so that members of the public would have an
9 opportunity to see them. We have several handouts,
10 including -- and there is also a letter that Michael is
11 going to read in just a minute.

12 We have a letter. It is one, two, a little
13 over -- it is almost four pages. It is from Texas
14 Appleseed. We have a letter from the City of Port Arthur.

15 We have a letter from the South Texas Regional Planning
16 Commission. And we have an email of some kind, that
17 appears to have some black and white photographs attached.

18 So I asked staff if they could kind of let us
19 know the extent to which these complied with the rules, so
20 the Board could decide if they want to go ahead and let
21 them in. And Cameron said he could probably provide that
22 information real quick.

23 MR. OXER: Okay. Let's have that, Cameron.

24 (Pause.)

25 MR. OXER: There are several.

1 MR. DORSEY: So the letter from Texas Appleseed
2 was provided to staff prior to the start of the meeting,
3 and we did receive a PDF version of that letter prior to
4 the meeting. The remaining --

5 MS. DEANE: Are there copies out front?

6 MR. DORSEY: There are copies out front.

7 MS. DEANE: Okay.

8 MR. DORSEY: And those copies were out front
9 prior to the start of the meeting. The remaining
10 handouts, and that letter is from a group that I believe
11 opposes the granting of this appeal. The remaining
12 handouts are from the Applicant.

13 Those didn't -- we didn't get those in before
14 the start of the meeting. They came in after the start of
15 the meeting. The Applicant has indicated that they would
16 provide us a PDF copy.

17 I also just briefly talked to Jean. Jean feels
18 like she can discuss the items if you all wanted to let
19 them in, despite the fact that it didn't technically meet
20 the rule. However, because they are not all that
21 voluminous. Although, I am not sure anyone else really
22 had the opportunity to review them, including the other
23 folks that are going to speak.

24 They are now out front. And they were out
25 front shortly after the start of the meeting. But they

1 weren't there when kind of folks were sitting down.

2 MS. DEANE: The other possibility, I suppose
3 too, is that they could be read into the record as well.
4 The Applicant could read them into the record as well. So
5 it is the Board's -- it is complete discretion with the
6 Board.

7 MR. DORSEY: Again, I think, one kind of
8 followed the rule, the Texas Appleseed letter. The others
9 didn't follow the technical parts of the rule, although I
10 don't think the staff has necessarily a particular issue
11 speaking to the subject matter within those handouts. It
12 is more that it simply wasn't available for the audience
13 or the other folks that may want to speak on the subject.

14 MS. DEANE: Again, none of them are voluminous.
15 These are them.

16 MR. DORSEY: That is right.

17 MR. THOMAS: Or, quite frankly, for the Board
18 to have reviewed this stuff. I mean, I review
19 electronically what is submitted to try to be
20 knowledgeable. So the rule exists for a reason. So I
21 just -- high level, I have some concern about, regardless.

22 This is an issue that apparently is going to
23 cause a little passion. And anybody, the people I see
24 here that know our rule about that. So I would hope that
25 they would take that -- in regards to what we do with

1 this, they would remember that in the context of our
2 considerations in the future.

3 MR. OXER: Yes. We try to keep pretty close to
4 our rules. I can tell this is going to take some
5 discussion. I am going to exercise the discretion of the
6 Chair and call a brief recess. Only because, we have been
7 sitting here for an hour and 15 or 20 minutes.

8 So we are going to take a short break. And
9 then we will get back into this, as soon as we come back.

10 It is 10:45 right now. Let's be back in our chairs at 11
11 o'clock straight up.

12 (Whereupon, a short recess was taken.)

13 MR. OXER: Okay. We are back in session here.

14 All right. We have had -- all right, Jean. Let's get
15 you back on the front, here. So we have had information
16 that you provided, Jean.

17 Dr. Muñoz made the motion to approve staff
18 recommendation. Professor McWatters had a second. We
19 have information. The only -- there were three letters.
20 Would you describe those again, please, Barbara?

21 MS. DEANE: We have --

22 MR. OXER: That seems quite a lot, didn't it?

23 MS. DEANE: We have one letter from Texas
24 Appleseed. That is the one that they met all of the
25 requirements of the rule. Even with that, it is still in

1 your discretion.

2 We have a letter from the City of Port Arthur.

3 We have a letter from South Texas Regional Planning
4 Commission. And we have what appears to be an email with
5 several photographs attached.

6 MR. OXER: Of those, Appleseed made their
7 information available under our rule. Is that correct?

8 MR. IRVINE: They provided it to staff before
9 the meeting, have the PDF and they have the materials out
10 front.

11 MR. OXER: Okay. For everybody else to take a
12 look at. First of all, we have got to determine whether
13 the Board needs to weigh in on whether we will accept the
14 information as is available. We have the option to take
15 part of it and not all of it. Do you have a comment that
16 you want to make, Robert?

17 MR. THOMAS: I have a question along those
18 lines, Chair.

19 MR. OXER: Okay.

20 MR. THOMAS: Do we have representatives
21 available today who also submitted their letters?

22 MR. OXER: No. They are not present today.
23 Michael, don't you have a letter from a Representative
24 that wants to --

25 MR. LYTTLE: Yes, sir.

1 MR. OXER: Yes.

2 MR. THOMAS: But other than the Representative,
3 which we always treat public officials a little bit
4 different. Understood why.

5 MR. OXER: Legislative Appropriations Request
6 season. Yes.

7 MR. THOMAS: Yes. Exactly. Are the rest,
8 other than the email -- the point is, are the other
9 letters, do we have people here who could speak to them,
10 so it wouldn't be an issue whether we -- so we are going
11 to hear the information regardless.

12 It becomes a matter of the record that has been
13 submitted to the record, regardless. So we will hear the
14 information. Is that the case?

15 MS. DEANE: It looks like it. And the
16 individuals providing the letters could read them into the
17 record, if they want to use their time to do so.

18 MR. THOMAS: Okay. With that, unless you want
19 to continue, I have a motion on that issue.

20 MR. OXER: I will hear the motion, please.

21 MR. THOMAS: I would like to move that we not
22 adopt the materials that were submitted later, so that as
23 a matter of record, if the persons who submitted that
24 information wanted to use their time to read it or to
25 state it, that is fine. But follow our existing rules.

1 MR. OXER: Okay. Motion by Mr. Thomas to
2 restrict new information, have that available through
3 public comment.

4 MS. DEANE: Mr. Chair, actually the rule, it is
5 strictly discretion of the Chair, after hearing the
6 objections.

7 MR. THOMAS: So it is not necessarily a motion.

8 MS. DEANE: So it is really not a vote. It is
9 really not a motion and vote.

10 MR. OXER: So it is my choice on this one.

11 MS. DEANE: But after receiving the input of
12 the members, then the Chair makes the determination.

13 MR. OXER: Okay. Is there any other decision
14 or any other contribution? Dr. Muñoz?

15 DR. MUÑOZ: I would agree with Mr. Robert.

16 MR. OXER: Okay.

17 MR. GANN: I would also concur with Mr. Robert.

18 MR. OXER: Mr. Gann. Ms. Bingham, do you have
19 a thought?

20 MS. BINGHAM ESCAREÑO: Concur.

21 MR. OXER: Okay. Well, it looks like there is
22 a concurrence on all of this. So the information that you
23 present will have to be made during public comment. We
24 will allow the letter from the Representative to be read
25 into the record, simply as a courtesy to the Legislature.

1 Let's hear that one right now, Michael.

2 MR. McWATTERS: A quick question.

3 MR. OXER: Okay.

4 MR. McWATTERS: What about the Texas Appleseed
5 letter? They complied with the rules, correct?

6 MR. OXER: They complied with the capacity for
7 an exception, at the discretion of the Chair.

8 MS. DEANE: It is still at the discretion of
9 the Chair. They do have to meet the requirements just to
10 be eligible for the Chair's discretion.

11 MR. McWATTERS: Okay.

12 MS. DEANE: But it is all up to the Chair as to
13 whether or not, even if they meet those requirements of
14 the rule.

15 MR. McWATTERS: Okay.

16 MR. OXER: Does that clarify, Mark? You don't
17 see that. Okay.

18 Michael, let's hear this letter.

19 MR. LYTTLE: It is addressed, "Dear Board
20 members, Please accept this letter as my further
21 endorsement of TDHCA application 14-031 Louis Manor
22 Apartments, located at 1300 Joe Louis Avenue, Port Arthur,
23 Texas. The City of Port Arthur has a growing population
24 in need of safe, clean, affordable housing. This 132-unit
25 property proposed for rehabilitation is critical in our

1 efforts to meet these housing demands.

2 "As you are aware, the City of Port Arthur has
3 sustained damage from a number of recent hurricanes. The
4 west side of Port Arthur, the area in which Louis Manor is
5 located was one of the areas that suffered damage, and as
6 a result, a number of residents were displaced and have
7 homes or businesses that are in need of repair.

8 "To date, the City of Port Arthur has
9 instituted a number of programs, and completed new
10 construction to address the needs of the city and the
11 west-side community. The City of Port Arthur and the
12 South East Texas Regional Planning Commission have been
13 working closely with post-Hurricane Ike to address the
14 housing needs of the citizens of Port Arthur and has
15 specifically targeted the west-side community.

16 "As you are aware, the General Land Office has
17 provided in excess of 400 million for this regional area,
18 to address housing and infrastructure. These are all HUD
19 dollars for the benefit of the Golden Triangle.

20 "The City of Port Arthur and the South East
21 Texas Regional Planning Commission are fully committed to
22 the revitalization and preservation of the west side.
23 Restoration of this existing property will further their
24 efforts toward revitalization, help sustain housing
25 demands and ultimately serve the constituents in my

1 district well.

2 "I fully support the rehabilitation of Louis
3 Manor, and ask that you strongly consider funding this
4 application. Thank you in advance for your consideration.

5 Sincerely, Joseph D. Deshotel, State Representative, 22nd
6 legislative district."

7 MR. OXER: Okay. Thanks. All right. Now we
8 have a motion, have a current motion by Dr. Muñoz and a
9 second by Professor McWatters to approve staff
10 recommendation to deny the appeal.

11 There is apparent public comment. So yes, I am
12 going to run a hard clock on it. So Jean, let them have
13 it.

14 And don't forget to sign in, Toni.

15 MS. JACKSON: I am already signed in.

16 MR. OXER: That is probably a good thing to be
17 doing while we were waiting out there, to sign in.

18 MS. JACKSON: I did. Good morning, Board
19 members. My name is Antoinette Jackson from Jones Walker.
20 And I represent the Applicant for this appeal.

21 As you have heard from the staff about their
22 recommendation, we are asking for an appeal of that, and
23 for you to use your discretion as it relates to this
24 development. One of the things that is really
25 fundamentally at hand here is the question of how the high

1 opportunity policy has impacted the preservation
2 developments.

3 And this is a prime example of it being
4 something that with preservation developments are going to
5 be adversely impacted by the policy for high opportunity.

6 If the high opportunity policy is utilized for
7 rehabilitation, basically what it means is that these
8 areas that are in need of rehabilitation will never have
9 that opportunity, because oftentimes, there are going to
10 be a number of what we have identified as undesirable area
11 features located around these properties.

12 In the situation of Louis Manor Apartments,
13 this is, as has been indicated, a development that was
14 built in 1969. It was actually refinanced a few years ago
15 by HUD, but it is still in need of significant
16 rehabilitation. And this is rehab that is going to be
17 taken down to the studs.

18 But the residents will be -- will actually be
19 moved in place during this rehabilitation. So they won't
20 be displaced. And this is something that is very
21 important to the City.

22 One of the letters that did not come in today
23 was a letter from the City of Port Arthur and signed by
24 the Mayor of Port Arthur. And she makes the comment in
25 her letter that the west-side community which Louis Manor

1 Apartments is located has been the target of
2 revitalization and was hit very hard during the
3 hurricanes.

4 In fact, Port Arthur sustained damage from back
5 to back storms. And this has created a lot more damage
6 than ordinary.

7 But one of the things that you also know from
8 hearing it from this podium and in other ways, is that we
9 are still having getting money out through the disaster
10 program from the General Land Office and the other local
11 entities that are administering these funds. And so some
12 of the funds that have been designated for this area still
13 are just getting into the area.

14 The email that Ms. Deane mentioned that we had
15 also put in front of you was a listing of some addresses
16 that have already been identified to be torn down. But
17 there are a number of other areas and a number of other
18 blighted properties that have been slated for tear down
19 and will be done so, as soon as that money has come into
20 this area.

21 As it relates to those crime statistics that
22 was put in front of you, what is in your Board book that I
23 put in my appeal is the fact that the crime was -- we have
24 given you a listing of the crime on site as well as
25 offsite. And a lot of the crime, a good portion of that

1 crime is because of offsite activity, specifically Carver
2 Court. Yes, Carver Court. It was demolished.

3 It was a former development that was demolished
4 because of obsolescence, because of a number of other
5 things. It was not demolished because the neighborhood
6 was just not going to be revitalized. But there was a
7 number of other circumstances that caused that. And as
8 the Police Department has already indicated, crime has
9 already begun to drop in this area.

10 The thing that is really important about
11 preservation, particularly in minority communities is, it
12 is about people having the opportunity and the choice to
13 be able to remain in the neighborhoods that they have
14 grown up in, that they have been a part of. And that
15 where they go to church, where they have always lived,
16 where their family exists.

17 Those things are there. What concerns me about
18 our high opportunity policy is that if we drive everything
19 to high opportunity areas, including preservation, because
20 our policy does allow for developments to be located
21 offsite for existing developments, but if we drive
22 everything there, we have the backhanded approach of doing
23 what we saw in old downtowns, when malls became the big
24 thing. We don't want to gut these neighborhoods. We want
25 to revitalize them, and we want to support them.

1 And so in these situations, when we do have
2 preservation, it is not about, as the Texas Appleseed
3 says, perpetuating segregation. It is about allowing the
4 choice for minority neighborhoods to be able to continue
5 to thrive.

6 MR. OXER: You need to wrap it up, Toni.
7 Thirty seconds.

8 MS. JACKSON: Board member Thomas, do you want
9 me to finish before the Board has questions?

10 MR. THOMAS: Yes. I would like you to finish
11 so we can ask you questions.

12 MS. JACKSON: Okay.

13 MR. THOMAS: Then we'll talk as opposed to
14 running over other people's time.

15 MS. JACKSON: No problem. So as I have
16 indicated, this in my mind, this appeal really is about
17 making certain that although we are supportive of the high
18 opportunity policy, that in those situations of
19 rehabilitation and preservation, we have a situation where
20 HUD has supported this, has made a commitment for this
21 development through 2025.

22 They have also, just for your information, HUD,
23 environmental and multifamily and fair housing on this
24 past week had a meeting about this particular development
25 and continues to support its redevelopment. And so this

1 is about the ability to preserve those existing
2 developments and then to initiate and be the catalyst for
3 revitalization in those neighborhoods.

4 MR. OXER: All right. Thanks. You understand,
5 this is not the first time we have run up against this
6 question between revitalization and HOA.

7 MS. JACKSON: I fully understand. And it is --

8 MR. OXER: We are all hostage to our
9 experience.

10 MS. JACKSON: But this is a rule also that was
11 created before this particular rule in the QAP, in terms
12 of how we worded it was also created before we got some
13 more information from the courts as well. So I think I
14 would like for you to consider that.

15 MR. OXER: Okay. Any of the Board have any
16 questions?

17 MR. THOMAS: I do.

18 MR. OXER: Mr. Thomas.

19 MR. THOMAS: Thank you. What is the occupancy
20 of this property now? I know it is in there. I know I
21 think I saw it.

22 MS. JACKSON: It is in the low 90s right now.

23 MR. THOMAS: It is in the low 90s?

24 MS. JACKSON: Yes, sir.

25 MR. THOMAS: So, and I am looking at these

1 units. Beautiful old units. How, if they have got that
2 much occupancy, how are they going to be able to
3 revitalize, remodel in place?

4 MS. JACKSON: Because we will go through our
5 screening, so to make sure that everybody is income
6 eligible, criminal background, all of the screening to
7 make certain that they are eligible to remain in tax
8 credit units. And the plan as it currently exists allows
9 for it, based on our numbers and what they show.

10 MR. THOMAS: We have to do that anyway, right?

11 MS. JACKSON: Yes.

12 MR. THOMAS: That is an ongoing thing. So we
13 should know that anyway, right?

14 MS. JACKSON: Well, but that is what will allow
15 us to be able to renovate in place.

16 MR. THOMAS: Okay. And so assuming the 90-
17 something percent are all eligible to stay, how are you
18 going to have room to revitalize in place, given -- I am
19 looking at the units, and I see some separation. But how
20 are you going to allow them to be able to stay?

21 MS. JACKSON: Well, because we will have a few
22 people that will actually have to be displaced or moved
23 from, because of again, not meeting eligibility
24 requirements. And so again --

25 MR. THOMAS: And have you anticipated what

1 number that would be?

2 MS. JACKSON: I don't have an exact number. Do
3 you have an exact number of that right now? Okay. We
4 don't have the exact number, but based on the initial
5 screening that the management company has done, we know
6 that we are able to actually renovate in place.

7 MR. THOMAS: And have you had a chance to look
8 at the pictures that staff have posted online?

9 MS. JACKSON: I have, as well, as we have done
10 our own assessment. And the developer has gone through
11 the property.

12 MR. THOMAS: But the question is, if you have
13 seen those, do you believe that these pictures of these
14 homes reported to be near and around the property as
15 described here --

16 MS. JACKSON: Uh-huh.

17 MR. THOMAS: Do these accurately represent the
18 current condition of the community surrounding this
19 project?

20 MS. JACKSON: Not the entire community, but
21 some of it, yes. And some of the --

22 MR. THOMAS: As purported. So I mean, if it
23 says, Railroad Avenue property just behind these
24 buildings, white buildings with paint, is that accurate?

25 MS. JACKSON: Yes, sir.

1 MR. THOMAS: You --

2 MS. JACKSON: Yes, it is accurate. And we
3 actually have more pictures, if you would like to see
4 them. We have a big board, if you would like to see them.

5 But yes, it is accurate, and I am not disputing that.
6 But there is also some of those that fall outside of the
7 1000 square foot.

8 MR. THOMAS: Thank you. And given the current
9 condition, I don't dispute that the property needs to be
10 renovated. But given the current condition of the
11 property, is there any reason why deferring this
12 rehabilitation at this time would be problematic or
13 troublesome, subject to allowing the City to do some of
14 the work that it is saying it is going to do in the
15 community?

16 MS. JACKSON: I think the residents deserve it.

17 And I don't know -- I think it is important for this
18 Board to consider that sometimes there are going to be
19 times when we come in to a neighborhood first.

20 There have been a number of developments that I
21 have worked on across the state, in neighborhoods that
22 looked very similar to this. And because TDHCA was
23 supportive of an applicant going into that neighborhood
24 first, we have seen the changes of that neighborhood.

25 This neighborhood has been, again, as I

1 indicated, slowly revitalizing, in part because of the
2 money that was slated, and has been slowly coming out of
3 the hands of GLO. But I think that --

4 MR. THOMAS: But my specific question, Toni,
5 is --

6 MS. JACKSON: No. I don't think that there is
7 major harm, other than the fact that the tenants have --
8 they have been working with this. They know that this is
9 anticipated. And they like any other developments that we
10 are looking at, they deserve it.

11 MR. THOMAS: They do deserve it. No question.

12 MR. OXER: Did you show a -- or did the
13 Applicant use it, the team, the Applicant team, did you
14 show this as a revitalization program, with a former
15 revitalization and redevelopment plan in the application?

16 MS. JACKSON: Did we show it as having a -- the
17 City of Port Arthur doesn't have an actual revitalization
18 plan. But this is one of the areas that they have slated.
19 But in terms of a revitalization plan that meets the
20 TDHCA guidelines, they don't have one.

21 MR. THOMAS: Okay.

22 MS. JACKSON: Yes.

23 MR. OXER: Are you satisfied, Robert?

24 MR. THOMAS: For now. I don't want to
25 monopolize, if there is any other people who have

1 questions?

2 MR. OXER: Has anybody else got a question?

3 MR. GANN: I have one question.

4 MR. OXER: Tom.

5 MS. JACKSON: Yes, sir.

6 MR. GANN: What efforts has the project that we
7 are talking about made in the last 18 months to reduce the
8 crime?

9 MS. JACKSON: Again, they have been working
10 with the City of Port Arthur and again, the biggest
11 efforts, in terms of the crime was because there was
12 offsite. The management company is also beginning doing
13 more screening and removing of those tenants that have
14 been creating problems there.

15 MR. GANN: How many have been removed in the
16 last 18 months?

17 MS. JACKSON: I don't have an exact number.

18 MR. OXER: Does anybody here have a number? Do
19 you have any data to add to that?

20 VOICE: No, sir. We don't have a number.

21 MR. OXER: That is all right.

22 MS. JACKSON: Yes. I asked the property
23 manager the question more broadly, but not in terms of
24 asking for an exact number.

25 Additionally, there has been a new community

1 center that has been built in the last 18 months, and that
2 has given the kids and people a place to go. And you
3 know, and directed activity that they did not have in the
4 past.

5 MR. OXER: Okay. Anything else to add, Toni?
6 Great, thanks.

7 MS. JACKSON: No, sir. Thank you.

8 MR. THOMAS: Toni, real quick, I do have a
9 question. That community center, there is a picture that
10 says, taken from Joe Louis Avenue, facing southwest. It
11 has a playground. There is a black metal fence. There is
12 a playground. It doesn't define what it is. Is that a
13 school or is that the community center?

14 MS. JACKSON: There actually is a new school
15 that was built. There is a new school that has been
16 built, that Port Arthur Independent School District built
17 that cost \$18 million.

18 That was a 5,000-square-foot West-side Health
19 Clinic built by Valero. And then there is also Motiva
20 built a 5,000-square-foot West-side development center,
21 but we didn't --

22 MR. THOMAS: But do you know if this picture is
23 referring to is --

24 MS. JACKSON: I was trying to open and read at
25 the same time.

1 MR. THOMAS: It is the school? Okay.

2 MS. JACKSON: It is the school team.

3 MR. OXER: Okay. Thanks.

4 MR. McWATTERS: I have a question for Toni.

5 Toni, you make, I think, a valid point. I think you are
6 saying that this is a work in progress here.

7 MS. JACKSON: Yes, sir.

8 MR. McWATTERS: And that we take a snapshot of
9 the work in process, we get one view.

10 MS. JACKSON: Right.

11 MR. McWATTERS: But we need to take more of a
12 motion picture kind of perspective --

13 MS. JACKSON: Right.

14 MR. McWATTERS: -- about how the neighborhood
15 may very well change. And so I mean, that raises the
16 question for us, I think, from a policy perspective is,
17 that should taxpayer money be the first money into these
18 projects? Or should private sector money show a
19 commitment to an area followed by taxpayer money.

20 And along those lines, what commitments do you
21 see from the private sector, as far as redeveloping this
22 area? So we can move it from snapshot views, which are
23 not particularly complimentary to more of a motion picture
24 view, showing the future, and showing a developed
25 neighborhood.

1 MS. JACKSON: Well, I actually just spoke to a
2 couple of examples where private money has begun with some
3 development in terms of investing in the neighborhood.
4 The city -- this is a city that does not have the money
5 that some larger cities have.

6 So they are, no question, reliant upon not just
7 tax credit, taxpayer money, but also, monies like the
8 disaster funds to assist with helping with the
9 revitalization. But they are -- companies like Motiva and
10 Valero have already shown a commitment to that
11 neighborhood, and have indicated a continued commitment to
12 building homes. And that is the purpose of the lot
13 program that the City has established.

14 MR. McWATTERS: Okay. I mean, my concern
15 Obviously, is that taxpayer money may go in. This project
16 may be revitalized. It may be a really nice project in an
17 area that is not so great.

18 And that nothing changes, and we look back on
19 this in five or ten years, and say, that is a really nice
20 project in an area that is not a high opportunity area. I
21 am looking at these pictures. This is almost a no
22 opportunity area. I don't see much going on here.

23 MS. JACKSON: But let me speak to that also in
24 a different way. And I was speaking with, you know, a
25 couple of investors regarding this.

1 And you know, the investors and the lenders who
2 work on these deals, they also, even after approval of our
3 tax credits, they have to review them and make a
4 determination that they believe that this is a location
5 worthy of their investment dollars. And so, you know,
6 what we are saying to you is, we ask that you give us the
7 opportunity, because investors have looked at this, and
8 they believe in this.

9 They are also the ones who ultimately are
10 making that investment as well, along with you. And they
11 take a look at the properties. It is not just TDHCA that
12 is sitting out there. But whatever investor, whatever
13 lender that we have.

14 MR. McWATTERS: Sure.

15 MS. JACKSON: They take a strong look, and they
16 make a determination about the viability of the
17 neighborhoods as well.

18 MR. McWATTERS: But you know, we were supposed
19 to be stewards, and we are stewards of public money. So I
20 have to ask myself, not necessarily ask you, do I think in
21 the City of Port Arthur, and this area, is this the best
22 that we can do with taxpayer money?

23 Is this the best location? Is this the only
24 location? Are all of the other locations much the same?
25 Or, given that we have this limited resource of taxpayer

1 money, should it be invested somewhere else? That is my
2 question.

3 MS. JACKSON: And I just, on my last comment
4 would ask that you consider as well, when you are making
5 these decisions, do you only take a look at high
6 opportunity areas of new construction, and turn your back
7 on these communities that do need revitalization and
8 support that, and give those opportunities a chance?

9 MR. McWATTERS: Well, I understand your point
10 about options. That options are important. I understand
11 the people may want to stay in a neighborhood because of
12 church, family, friends, schools and the like.

13 I get that. And I think people should
14 certainly be afforded options. But is this really the
15 best option that we can afford people? And that is the
16 question I have to deal with.

17 MS. JACKSON: And sometimes, from our eyes, it
18 may not look like a good option. But for those people
19 that have been their community and their neighborhood, it
20 is the option that they choose and want.

21 MR. OXER: I was going to say -- and that is a
22 very good point about that. The other thing that we have
23 to consider is this is a very competitive process.

24 MS. JACKSON: I fully understand.

25 MR. OXER: And you know, there were a set of

1 rules that were put in place. And while it is not a high
2 opportunity area, and yes, we have, because of some --
3 pressures that we are under, there are certain things we
4 are. But we did make sure that the opportunity for
5 revitalization was made available.

6 But there were specific requirements within the
7 QAP, identify those areas that were being under a
8 revitalization plan, or a redevelopment plan. So that is
9 why the question about does the area have that formal
10 plan.

11 And if it doesn't, it would sure be a good
12 thing in terms of future requests for things like this,
13 resources like this, it would make a lot of sense to do
14 that. So is there any other questions from the Board?

15 (No response.)

16 MR. OXER: Okay. Thanks, Toni.

17 MS. JACKSON: Thank you.

18 MR. OXER: Okay. I understand, would you like
19 to speak, gentlemen?

20 (No response.)

21 MR. OXER: Okay. You are welcome to. We
22 appreciate your being here. I understand you -- Toni
23 covered you pretty well. You know, we respect her
24 contribution. But if you have anything to add that is new
25 to this, we will be perfectly happy to listen to it.

1 Okay.

2 MR. THOMAS: Clarification, Toni, you are
3 representing the Port Arthur LMLP?

4 MS. JACKSON: Yes.

5 MR. THOMAS: And are these gentlemen --

6 MS. JACKSON: That is the developer. Yes.

7 MR. THOMAS: The developer.

8 MS. JACKSON: Uh-huh.

9 MR. THOMAS: Then, since they don't want to
10 speak, I have got some questions that I would direct to
11 you.

12 MS. JACKSON: Okay.

13 MR. THOMAS: Is that okay, Chair?

14 MR. OXER: Absolutely.

15 MR. THOMAS: Is there any reason why your
16 client couldn't work with the city to craft those
17 redevelopment plans and those kind of things to be able to
18 make this Applicant to be able to overcome these kinds of
19 potential deficits going forward? Is there any reason
20 that might not be --

21 MS. JACKSON: Sometimes that is easier said
22 than done.

23 MR. THOMAS: Agreed.

24 MS. JACKSON: The City has been very
25 supportive. And again, like I said, this is a targeted

1 area for the City. But in terms of sometimes putting
2 together those more formal documents, and again, the
3 bigger cities have more people, more staff, more
4 resources.

5 It is sometimes harder in the smaller places.
6 And you know, we have worked with them. The Mayor has
7 been very supportive. The -- Southeast Texas has been
8 very supportive. But putting that together is again -- we
9 have tried.

10 MR. THOMAS: And I know sometimes the
11 developers will actually, in the smaller cities, create
12 the plan and submit it to the city. So I am just trying
13 to think of a way --

14 MS. JACKSON: Well, but that is running on a
15 fine line for TDHCA.

16 MR. THOMAS: I understand. I am not going to
17 tell them how to do their business. But it --

18 MS. JACKSON: Well, but it is about what we can
19 and are allowed to do in this process as well.

20 MR. THOMAS: But about their community, Toni, I
21 guess what I am asking, if they are concerned about their
22 community -- I am very sensitive to all of the arguments
23 you made for many reasons. But I am also very hesitant to
24 go against, without some clear indication the staff's
25 unequivocal representations, given the work that they have

1 done to make sure that we follow a certain set of
2 guidelines.

3 MR. OXER: Particularly, since those
4 guidelines, the ones that we gave them. And we had to
5 make some extraordinarily painful -- I don't know if you
6 recall, but I certainly do. I still patch the hole in my
7 heart here two years ago, some of the decisions we had to
8 make.

9 MS. JACKSON: I understand.

10 MR. OXER: This is hard. But in the long run,
11 we have got a set of rules that we are going to have to
12 live by.

13 MS. JACKSON: But we also, again, ask that the
14 factors that I have put in front of you are considered.
15 Because again, even with those rules, there was also a
16 certain place we were, before we got another decision from
17 the courts.

18 And so preservation again, has had an
19 unintended consequence of this decision. And that is the
20 concern.

21 MR. THOMAS: And you are clearly without -- you
22 know, you are a steward of people. I have only been on
23 this Board a year. But I have seen the respect that every
24 time you step to that podium to start speaking, I see the
25 respect my colleagues give you.

1 MS. JACKSON: Thank you.

2 MR. THOMAS: That is earned. It is not given.
3 So any time you step up, you have also earned my respect.
4 It was given to start with, because of my colleagues.
5 But I have taken into deep consideration everything you
6 said.

7 MS. JACKSON: Thank you. And I appreciate
8 that. And that is all we can ever ask.

9 MR. OXER: Okay. Any other public comment?
10 Good morning.

11 MS. SLOAN: Good morning. I am Maddie Sloan
12 with Texas Appleseed. And I am also speaking on behalf of
13 Texas Low Income Housing Information Service. This
14 morning, we are asking you to support the staff's action
15 and deny this appeal. And I am going to hit the high
16 points of the letter we submitted to you late.

17 MR. OXER: Just a reminder, you have got three
18 minutes.

19 MS. SLOAN: Okay. To talk a little bit about
20 the community revitalization issue, John and I have spent
21 a lot of time in Port Arthur and a lot of time in the west
22 side, going around with some community activists. There
23 is in no way the kind of revitalization going on in the
24 west side of Port Arthur that would affirmatively further
25 Fair Housing, and I think, that would justify this kind of

1 investment on the part of TDHCA.

2 I would also -- you know, there is a strong
3 movement towards urban revitalize this community. There
4 is also a strong movement to move people out of the west
5 side, because of pollution and crime issues.

6 So in addition to issues the staff has laid
7 before you, you know, this development would also
8 perpetuate segregation in a way that violates the Fair
9 Housing Act. The Applicant has pointed out that the city
10 is 38 percent African American and 30 percent Hispanic.
11 The census block group where this development is, is 95.2
12 percent African American. It has got a median income of
13 \$7,500 less than the area median income.

14 All but two of the HUD-assisted developments in
15 Port Arthur are in census block groups with a greater-
16 than-average concentration of African Americans, and a
17 median income less than the area median income, or the
18 city median income. The majority are in areas where the
19 median income is over \$15,000 less than the City's median
20 income. So we are really concentrating racially and
21 economically people into low opportunity areas.

22 I would also add that it is not a choice if
23 people don't have a choice to live in high opportunity
24 areas. If people have no alternatives, they are not
25 making a choice.

1 You know, briefly, on the environmental issues,
2 you know, HUD and the public housing authority just
3 relocated two public housing developments that are five
4 blocks away from this development because of health and
5 safety issues related to the environmentally compromised
6 nature of the area. I know that the current air emissions
7 are within the current standards for TCEQ and EPA.

8 But I do want to note that EPA just settled a
9 lawsuit because they have not updated those standards in
10 20 years. And they will be updating those standards by
11 the end of 2014.

12 And given that they did a 2010 study showing
13 that refineries emit three times the hazardous air
14 pollution that they report to the toxic release inventory,
15 I think it is a fairly safe bet that certainly, this area
16 of Port Arthur is no longer going to be within the
17 standards by the end of this year.

18 I also really wanted to emphasize that there
19 are alternatives including, giving the tenants housing
20 choice vouchers. And HUD can actually move the HAP
21 contract to another Section 8, project based Section 8
22 contract to another development.

23 So there are some alternatives here. And we
24 think the developer and HUD should really pursue those and
25 give people options to live in a safer and higher

1 opportunity area. Thank you.

2 MR. OXER: Great. Thanks. Any questions from
3 the Board for Maddie?

4 (No response.)

5 MR. OXER: Okay. Is there any other public
6 comment?

7 (No response.)

8 MR. OXER: All right. We have a motion by Dr.
9 Muñoz. Second by Professor McWatters to approve staff
10 recommendation to deny the appeal. All in favor?

11 (Chorus of ayes.)

12 MR. OXER: Opposed?

13 (No response.)

14 MR. OXER: There are none. It is unanimous.
15 The appeal is denied. All right. We have a short -- I
16 think that comes to the end of the action items on our
17 agenda.

18 We have a brief Executive Session we will have
19 to take for some legal advice. We will come back and
20 finish it up, and have new information. Everybody sit
21 still. It is going to be here. I want this to be on the
22 record clearly.

23 The Governing Board of the Texas Department of
24 Housing and Community Affairs will go into closed session
25 at this time, pursuant to the Texas Open Meetings Act, to

1 discuss pending litigation with its attorney under Section
2 551.071 of the Act, to receive legal advice from its
3 attorney under Section 551.071 of the Act, to discuss
4 certain personnel matters under Section 551.074 of the Act
5 and to discuss real estate matters under Section 551.072
6 of the Act, and to discuss issues related to Fraud, Waste
7 and Abuse under Section 2306.039(c) of the Texas
8 Government Code.

9 Session will held in the anteroom, right here
10 behind this. The date is May 8th. And the time is 11:34.

11 We expect this to be relatively short; 20 minutes or so.
12 Twenty minutes or so. We will be back in here, certainly
13 by noon. We will take comment for the next session and
14 then we will close it down after that. So see you at 12
15 o'clock.

16 (Whereupon, the Board recessed into Executive
17 Session at 11:35 a.m.)

18 MR. OXER: Okay. The Board is now reconvening
19 in open session at 12:03. Pretty close. We got it pretty
20 close to being right that time.

21 We received counsel and guidance from our
22 General Counsel and from the Attorney General's office.
23 And no decisions were made. It was only informative. So
24 we have reached the point in the agenda, we have addressed
25 each of the items.

1 We are to the point now where I will ask for
2 public comment. Are any items -- get up here. Hold on a
3 second. Any items that anybody would like to speak on, in
4 terms of generating information for future agendas, other
5 than for the items that we had posted?

6 (No response.)

7 MR. OXER: Is there any public comment?

8 (No response.)

9 MR. OXER: Any of the staff care to offer any
10 comments?

11 (No response.)

12 MR. OXER: You could cheer us on. You know,
13 you could just keep going.

14 (Applause.)

15 MR. OXER: That is a good crew you have got out
16 there, Tim. Okay. Any members of the Board feel like a
17 comment?

18 MR. THOMAS: Yes.

19 MR. OXER: Okay. Mr. Thomas.

20 MR. THOMAS: I would like to have us work with
21 our Executive Director and our Chair, that being you, to
22 come up with a concept or a development, whether it be an
23 ad hoc committee or some other process that you working
24 with our Executive staff as were appropriate to look at
25 our high level review of our policy directions, including

1 those associated with the financial directions that we
2 have discussed to make sure that we are all understanding,
3 appreciating and still in concurrence with those policy
4 initiatives that we are responsible for as a Board.

5 MR. OXER: I think that is a good idea. It is
6 worthy of periodic maintenance and directional course
7 modifications as needed. So we will work on that. We
8 will put that in for the next one.

9 So that said, it is a good thing that we do
10 here, folks. It is an important thing to make available
11 the resources that we have to those that need them in this
12 state.

13 So given that -- and you are in the way of my
14 tuna fish sandwich. So I will entertain a motion to
15 adjourn.

16 MS. BINGHAM ESCAREÑO: So moved.

17 MR. OXER: Motion by Ms. Bingham to adjourn.

18 MR. THOMAS: Second.

19 MR. OXER: Second by Mr. Thomas. No discussion
20 required. All in favor?

21 (Chorus of ayes.)

22 MR. OXER: Opposed?

23 (No response.)

24 MR. OXER: There are none. See you in a month,
25 folks.

1 (Whereupon, at 12:06 p.m., the meeting was
2 adjourned.)

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C E R T I F I C A T E

MEETING OF: TDHCA Board

LOCATION: Austin, Texas

DATE: May 8, 2014

I do hereby certify that the foregoing pages, numbers 1 through 97, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Housing and Community Affairs.

/s/ Carol Bourgeois 05/13/2014
(Transcriber) (Date)

On the Record Reporting
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