SAN ANTONIO HOUSING TRUST PUBLIC FACILITY CORPORATION

OFFICIAL MEETING MINUTES

DATE: Friday, August 19, 2022

TIME AND PLACE: The Public Facility Corporation met in session at 3:48 p.m., via Zoom and in person at 114 W Commerce St, San Antonio, TX 78205.

PRESENT: Antoinette Brumfield, Councilwoman Teri Castillo, Eric Cooper, Councilman John Courage, Jordan Ghawi, Marinella Murillo, Jane Pacione, Councilman Jalen McKee-Rodriguez, and Councilwoman Phyllis Viagran.

ABSENT: Councilwoman Adriana Rocha Garcia, and Mark Carmona

STAFF/VISITORS PRESENT:
Pedro Alanis- Executive Director San Antonio Housing Trust Foundation INC.; Nicole Collazo-Director of Operations San Antonio Housing Trust Foundation INC.; Susan Snowden- Director of Finance San Antonio Housing Trust Foundation INC.; Lauren Bejaran- Sr. Administrative Assistant San Antonio Housing Trust Foundation INC.; Ruben Lizalde- D3; Edward Muniga- D4; Ileana Sandoval- D9; Norma Little- Leal & Carter, P.C.; Jason Arechiga- NRP Group; Mark Tolley-Mission Development Group; Steve Poppoon- LPDC, LTD; Nancy Poppoon- LPDC, LTD; Andrew Poppoon- LPDC, LTD; Jason Hauck- Morgan Group; Avis Chaisson- Palladium USA; Summer Greathouse- Attorney Bracewell; Cynthia Trevino- Attorney DNRBZ.

1. **CALL TO ORDER AND ROLL CALL:** The meeting was called to order by Vice President Jane Paccione and the roll was called by Lauren Bejaran.

2. **DISCUSSION AND POSSIBLE ACTION TO APPROVE MINUTES OF JULY 15, 2022.**
   Councilwoman Viagran motioned, and Councilwoman Castillo seconded for approval of the July 15, 2022, minutes with the noted corrections.
   AYES: 5
   NAYS:
   ABSTAINED:
   THE MOTION PASSED.

3. **CITIZENS TO BE HEARD-INTERESTED SPEAKERS WILL HAVE 3 MINUTES EACH TO ADDRESS THE BOARD ON AGENDA ITEMS OR HOUSING POLICY RELATED MATTERS; A TOTAL OF 15 MINUTES WILL BE PROVIDED.**
   Jason Hauck, Regional Development Partner for Morgan Group statement:

   "Good afternoon Madam Chair. Board members, thanks for having me here this afternoon and hearing me. I am Jason Hauck with the Morgan Group; we're a multifamily developer located at 3815 South Capital Texas Highway. We have the privilege to have partnered with the Housing Trust and PFC on two projects that are here, both under construction. One is in Longhorn Quarry and the other is in the Roger's Ranch neighborhood north of 1604. Both of these projects are PFC partnerships. They are mixed income communities, market rate units, units affordable at 80% or less of AMI, and units affordable at 60% or less of AMI. And we are obsessive about the quality in the projects that we build, so these projects, you know are high end, A+ communities. We build

contemporary amenities, business centers for residents who work from home. The affordable units have the same finish out as the market rate units; the amenities are available to all the residents affordable or market rate free of charge. And so, we're really excited about these projects. There's obviously a need for more housing. You know, we're in a housing crisis and my understanding is, you know, the new strategic initiatives and policies of this board would make that the structure really go away for future opportunities to have these types of partnerships with the Housing Trust.

And so, you know, from my perspective as a developer, construction costs have obviously gone up at an unprecedented rate over the past 24 months. You know, we're looking at projects to build on market rate basis, you know, in order to make those projects financially viable, rents need to be 100- 120% of AMI or more. You know, there are a lot of markets where that's not available and so, you know, again, I think the structure is one that is needed. And I think that the construction costs are making these incomes kind of the missing middle, an area where you know that affordability is going away. And we have three projects that could all start construction within the next year that I think would be prime candidates for you know, the same structure that we're using a lot more in Rogers Ranch. And so, you know, I'd ask you to, you know, consider projects like, this, you know, going forward. Thank you."

Vice President Jane Paccione thanked Jason Hauck for his statement.

Susan Richardson's submitted comment read by SAHT Director of Operations, Nicole Collazo:

"Regarding item #4: I was happy to be able to get a look at the summary list of SAHTPFC properties from the time of the audit (9/30/2021) and I would like to know if such a listing is considered public record. If so, where can residents locate an updated complete listing as I know there are many more properties that have been added, as well as others that have been sold or had name changes. Making public the total number of units with the number of affordable/ workforce units based on AMI percentages would go a long way to help to reinforce public trust in that the city IS truly focused on adding to the 'affordable' housing stock for renters.

Regarding agenda item #6: The Site Eligibility and Financial Underwriting sections look great with the suggested amendments providing greater context and clarification. My questions/ comments are with other areas of the criteria. In the Affordability Requirement area within the Project Eligibility section referencing the 4% LIHTC Equity, since w know that over 20% of renters are cost-burdened would it not be possible to require that 15% of the units serve households at or below 50% of the AMI. If further amended to be 15% and then added to the 5% deeper affordability at 30% of AMI we would reach a total of 20% of units which would align with what we know to be the accurate figure for cost-burdened renters. Referencing the 9% LIHTC, I like the preference given to developers providing Permanent Supportive Housing, but what happens if there are no applicants providing this? Also, within Project Eligibility area in the Services Requirement section regarding item#1, Will there be a minimum number of residential services required to be provided to target populations? Regarding item #2a, how will 'demonstrated experience' be quantified/ represented? Also, within the Project Eligibility area in the Other Considerations section, does Universal Design and the Energy Multifamily National Program Requirements include air conditioning? If not, please make sure this is mandated somewhere.

In the Development Team Qualifications area, within the Property Management Qualifications section there needs to be a requirement that somehow helps to weed out the 'bad actor' property management companies (like Shippy Properties). Perhaps require zero outstanding citations for code compliance and/ or documentation from DSD of rectified situations reported by tenants within *a three-year period. I sincerely appreciate you and SAHT team's efforts towards improving the housing crisis here in San Antonio!"*

Avis Chaisson, Executive Director of Real Estate Development for Palladium USA International, INC. statement:

"Good afternoon. I'm Avis Chaisson, Executive Director of real estate development with Palladium USA. Thank you do much for allowing me to speak to you this afternoon. I am here to speak on Item 6 and your housing tax credit development policy. We are a developer based out of Dallas, our headquarters is at 1345 Noel Road, Suite 400. I want to applaud you staff for all of the work that they put into the policy and providing feedback and working and listening to developers. It's Yeoman's work what they have done and its admirable to have a policy that developers can look and know what your expectations are. So, I want to thank you and your staff for all the work that you've put into this. A couple of items I want to speak to, are just the cleanup items on the affordability requirements. It's not quite specific on your 4% and your bond criteria for affordability requirements; ff it's either or, so we just want to make sure we clarify which one you do a bond deal. Because private activity bond deals, most bond deals, you have to pay up with 4%, so we just want to be clear with the affordability requirements.

The other item I would like to speak to, and we definitely thank you for hearing us on the Universal Design Guidelines making it 'shall encourage'. The other item I would like to speak to is the broadband WIFI in each unit, maybe changing that to 'shall encourage' or making WIFI accessible to residents because that could be another cost constraint to development. As it was mentioned, construction costs are kind of high and outfitting your entire complex and every unit would pass the bar on broadband WIFI can be costly, and until there's funding available hopefully at the federal level we ask that you consider 'shall encourage'. The other item I would like to speak to is on your operating revenue just on the vacancy rate for Section Eight to 7.5%. That may be a little high. We don't usually participate in the Section 8 program, but just wanted to make you aware of that.

And then the final item I'd like to speak to you on is your Tennant Assistance Fund, which is again very admirable. However, we want to make you aware of the impacts to a deal. We're looking at doing two bills right now hopefully to come before you for consideration for partnership. And when you look at the numbers, especially if you have a 240-unit deal, it can substantially impact the financial viability of the deal. I encourage you look at strong partners like Pallidum USA. During the pandemic, we were on top of it. We looked at occupancy levels from April to December of 2020 and we made sure that our residents stayed housed. Our Occupancy level portfolio did not drop below 95%. Then we had a dedicated czar who worked with our residents and secured $2.8 million in Texas rent relief funding. And then we also made sure to direct our residents to other resources to make sure we kept them housed. So, work with strong partners to help you keep your residents that your partner with housed.

The other thing, consider additional resources. You mentioned the corpus under the San Antonio Housing Trust fund, the 2 million dollars, that could be a resource for rental relief or utility relief as well. Or using the revenue that you get from your partnership deals to consider growing your corpus. So, I just want to think about other resources outside of doing a reserve that can substantially impact the debt service on these deals. I believe that is all I have, thank you so much again, and hopefully we get to come meet with you individually on projects that we have in your area. Thank you so much."

Vice President Jane Paccione thanked Avis Chaisson for her statement.

Steven Poppoon, President of Louis Poppoon Development & Consulting, LTD. Statement:

"Good afternoon. Thank you for the opportunity to speak to you today. My name is Steve Poppoon, I spoke to you before, I am an affordable housing developer, particularly a tax credit developer. Our company, LPDC is located 1618 Lockhill Selma here in San Antonio. First, thank you for the revisions that you made to previous plans and for being so receptive to our suggestions. That really made a big difference. I'd like to begin by showing you Majestic Ranch, one of our latest entities developed for Opportunity Homes, which is just won Community Revitalization Award of Merit and has been nominated for the Award of Excellence by the National Association of Housing and Redevelopment officials. This is the quality that we build."

Councilman John Courage leaves meeting at 4:25 PM.

"The statements that accompany the awards are as follows: 'San Antonio, as a whole, faces the effects of historic socioeconomic segregation and illuming housing shortfall. Majestic Ranch is a 288-unit multifamily development specifically targeting working families and was built with appropriate design considerations and amenities. This community is designed as walkable, sustainable, and intergenerational with improved connections to the surrounding neighborhood. A collaborative process with residents and community leaders, city partners, The San Antonio Housing Authority, and other stakeholders was key to developing a plan to provide a higher quality of life and long-term sustainability.' This property was built in compliance with TDHCA requirements under the same state and local building codes and regulations as market rate units. It is 100% occupied, you are actually the bond issuers on this property. The housing is absolutely critical to many families; most live from paycheck to paycheck juggling expenses between health care, food, transportation, etc. We actually have residents who do not turn on their air conditioning in the dead of summer San Antonio because they can't afford it. And the energy costs continue to skyrocket. These are working family's vast majority of residents from the surrounding neighborhoods, so their children are already in the schools and their cars are already in the traffic patterns.

Typically, they live with family or friends in substandard housing, the average tax credit family of four saves around $6,000 a year in rent which can be used for food, health care, gasoline, insurance, etc. They all undergo detailed credit and criminal background checks. Demand is extraordinary. The 14 Tax Credit properties we have developed are 95% plus occupied and each receives around 4,000 inquires per year from prospective tenants wherever they're located in San Antonio. All the units are Energy Star qualified and fair housing compliant as to accessibility and common area amenities and resident services are extensive. All the communities we have developed using 4% tax credits are 100% affordable at 60% of AMI. That's 60% unit is a 50% unit or a 40% unit, and any other level which you decide to be at because you are the owner of the property. You have the ability to set the rents of any units at any level so long as the property has sufficient income to cover debt service and operating costs. So, there is no need really to specify lower rent restrictions. I can give you one example. I ran the property we have under contract, or under construction, Bristol at Somerset. We broke ground last year and 100% at 60%, the debt service coverage is word acquired 115 to 1, which is required by all lenders. The annual net income is $267,975. If were to impose a 15% rent limitation or income limitation, 15% to 30%, the debt service coverage goes down to 1.01 and that net income goes to $19,037 dollars. Long short of it is, it wouldn't be built.

First threshold to our development process is site availability. We have to build in a qualified, *census tracked, or a difficult development area in Bexar County. Private activity bond communities must be built within these boundaries to receive the 30% boost in tax credit to make the project financially viable. There are not an unlimited number of sites from which to choose. Some are too small, have poor access and visibility, have no utilities, are partially or totally unusable utilities due to the utility easements, floodplain, etc. There are fewer and fewer sites available, and they are farther and farther out. Some city council districts have large gaps in QCT and TDHCA designated areas. This is why the Public Facility Bond Program is so important because it allows the expansion of affordable housing to those underserved areas. By contrast, market rate properties can be built anywhere, often competing with affordable housing developers for sites and their rents are not regulated. Thus, we are much more financially constrained and severely competitively disadvantaged.*

Affordable Housing Process is an expensive and long process. If we were to find a site today that has all the necessary requirements, and we're not outbid by a market rate builder, it would be three years before that property is completed. The other thing that I want to emphasize is the exposure that the developers have. We have about $1,200,000 in pre-development costs. You have none. We guarantee the debt and the equity on the property, which is about $65 million dollars, you guarantee none. So, our exposure is great, and any changes and other holdups may only exacerbate the situation for us and our exposure as well. One of the other things I want to mention is Fair Housing. The Texas Fair Housing Act and the US Fair Housing Act protect against discriminatory housing practices in sale, rental, and financing of dwellings based on race, color, national origin, religion, sex, physical or mental disabilities, age, veteran status, or familial status, which means to me establishes the presence of a child under 18 living with a parent or legal guardian. Our affordable housing developers build or exceed the same building codes as market rate units. Therefore, if there are conditions that would limit or restrict developments, but do not apply to market rate, they are creating a disparate impact by focusing on people and not the construction or type of quality. Covenant or restrictions may be found to violate the Fair Housing Act and therefore be unenforceable and as disparate impact that results in adverse effect of a protected group that is disproportionate as to essentially amount to discrimination.

To summarize if restrictions impact affordable housing, but not market rate, under Texas and Federal Law, that may be declared void. We are very proud of what we do, as evidenced by Majestic Ranch, and I hope you are as well because you are the essential part of all of this. I Invite you to come tour Majestic; tour any of our properties. Bring your children, grandchildren, parents, and show them what you do to better the lives of hardworking families who are less fortunate than you. Thank you."

Vice President Jane Paccione thanked Steven for his comment.

Jason Arechiga, Senior Vice President of Development for The NRP Group statement:

"Thank you. My name is Jason Arechiga with the NRP Group. I just wanted to thank Pete and his staff and y'all for the tax credit policy, some of the changes that were made. I just simply want to emphasize one word or maybe two, agility and flexibility that you had mentioned, as well as part of it, what I want to emphasize as part of this policy to all y'all is maintain that agility and flexibility please. There's a lot of what we've tried to avoid and the main thing we want to avoid as a development community as a whole community at large is preventing any barriers to affordable housing, which makes sense. So, for example, looking at something where there is Tennant Assistance Finds, I know that's a tough topic, may need to be reduced, it may not need to be reduced, but just to maintain the flexibility of what it could be after looking at it. I want to give an

example, and this is the final thing that I'll say that may be considered sacrosanct and I'll still give an example where flexibility may still apply. And that may be in the displacement, the DIA, we for example the current policy shows you cannot displace a business. And I understand the rationale for that. Nobody wants to displace a mom-and-pop restaurant that has been there that doesn't want to leave the facility, but there are other circumstances.

Other circumstances that we as a developer have partnered with other groups and other cities, where unfortunately there were some businesses that were removed, liquor stores, sexually oriented businesses. Grant it, I know I'm picking somethings at the end of the spectrum. I am picking an egregious thing, but those circumstances will come to y'all and will exist, and just maintain that flexibility to where, when somebody wants to come and apply, that they are not looking at these criteria and say, 'Well I can't apply because somebody may be removed, a business may be removed from this situation'. And with that flexibility, y'all could say, well, we don't want to remove the mom-and-pop restaurant, but we may look a little bit harder at this dilapidated strip center that is really struggling, and we could replace it with let's say 200 new multifamily affordable homes. So, there are circumstances, again I tried to pick one of the most restrictive ones, most egregious, but it flows throughout the document with affordability, with rents, with vacancy management fees; there's a variety of other things in there. It's good to have the policy, it's good to have the goals, as Avis said, other developers can look at it and say that's what we need to hit. This is good, but just maintain that agility within that's all. That's simply just what we ask. Thank you."

Vice President Jane Paccione thanked Jason Arechiga for his comment.

4. PRESENTATION AND POSSIBLE ACTION REGARDING THE SAN ANTONIO HOUSING TRUST PUBLIC FACILITY CORPORATION AUDIT FOR FISCAL YEAR ENDING SEPTEMBER 30, 2021.

Councilman Jalen McKee-Rodriguez expressed his support for the Tax Credit Policy and left the meeting at 4:34 PM.

Pete Alanis turned the floor over to SAHT's CPA, Norma Little from Leal & Carter, PC to brief to the board on the audit for the San Antonio Housing Trust Public Facility Corporation. Norma Little presented the Independent Auditor's Report, which includes the Auditor's Opinion that states the balances were fairly stated by the SAHT PFC. The financial statements begin with the statements of net position listed at $7,246,330. Assets are listed at $87,537,962, which include cash accounts, dues from the Foundation, and the land that is owned by the PFC that is leased out. Liabilities are listed at $80,415,664 that include the prepaid rents on the land that is owned by the PFC. Operating revenues of the PFC are at $4,061,464, which consist of fees from developer income and administrative fees. The Operating Expenses are listed at $1.3 million account for the administrative fees paid to the Foundation. The Operating Income, FY 2022 ending balance, is listed at $2.7 million.

MINUTES COMMISSION ACTION:
Jordan Ghawi motioned, and Councilwoman Teri Castillo seconded to approve the San Antonio Housing Trust Public Facility Corporation Audit for fiscal year ending September 30, 2021, with the noted corrections.
AYES: 4
NAYS:
ABSTAINED:
THE MOTION PASSED.

5. BRIEFING AND DISCUSSION ON THE FISCAL YEAR 2023 PRELIMINARY BUDGET.

Pete Alanis briefed about the fiscal year 2023 preliminary budget for the SAHT PFC, beginning with the Operating Revenues for the PFC. The PFC will earn $8.48 million in net revenues by the end of FY 2022, due to the various partnership revenues the PFC earns from each project throughout the year. By the end of FY 2023, the PFC is estimated to earn $5.54 million, a $3 million dollar difference in part to the sale of Cevallos Lofts in FY 2022. The $5.54 million is based on projections from 25 to 35 properties expected to generate various forms of revenues for the PFC. However, the estimate does not include 10 properties due to the need to develop greater forecasting capabilities and information gaps on these projects.

For Operating Expenses, the PFC is expected to expend $1.86 million in 25% administrative fees to the Foundation and $163,600 compliance monitoring costs. At the start of FY 2023, the PFC shall have about $10 million in unrestricted cash. If the PFC does not spend any of the unrestricted cash, the PFC by the end of FY 2023 will have an estimated $13.2 million in unrestricted cash. Staff will not be making any recommendations at this time on expenditures from the unrestricted cash until the 5-year Strategic Plan is completed and a financial plan and investment policy is in place.

NO ACTION TAKEN.

6. DISCUSSION AND POSSIBLE ACTION TO APPROVE 2023 TAX CREDIT DEVELOPMENT POLICY.

Pete Alanis briefed to the board on the revisions staff has made to the 2023 Tax Credit Development Policy after the PFC Board asked staff to extend the feedback period through August 3, 2022. Feedback was received and staff has provided a response to each category. The following criteria revisions include clarified language on Displacement Impact Assessment, adjustments to site criteria language from requirement to preference, removal of Equity Atlas criteria limitations, additional options for properties that do not meet transit stop requirements, revision of Councilmember *"consent"* to *"notification"*, adjustments to several provisions to occur prior to closing vs initial application, opened up 9% LIHTC applications to all private entities, but kept PSH (Permanent Supportive Housing) as preference, clarification of internet access to align with commercially available speeds, alignment of developer qualifications with QAP requirements (except for 1st LIHTC deals), clarification of Asset and REO requirements and revised pipeline assessment, added other forms of completion guarantees, adjustment of vacancy and DSCR to align with State/HUD underwriting, adjustment to land appraisal and disclosure requirements, alignment of rehabilitation scope to correspond with a 3rd Party Capital Needs Assessment, removal of Deferred Developer Fee Restrictions, alignment of Operating Expenses Underwriting with QAP requirements, converted Management Fee from a set percentage to a negotiated item, converted TAF to underwriting process vs hard establishment, and staff has made no changes to *Financial Terms*.

Councilwoman Teri Castillo expressed her support for the changes Pete and staff made to the 2023 Tax Credit Development policy.

Councilwoman Phyllis Viagran recommended waiting until next meeting to consider accepting the 2023 Tax Credit Development Policy due to 3 Councilmembers of the board not being present to express their opinions on the policy.

Eric Cooper expressed his support to accept the 2023 Tax Credit Development Policy with the noted corrections. He also recommended more clarified language on the waiver process in the Development Policy for transparency to the board on why certain projects will be given a waiver.

Pete Alanis advised the board that the lottery process for the 2023 Tax Credit Program ends on October 20, 2022. For any projects that the PFC wants to apply for, for FY 2023, will have to be approved and sent it to the state of Texas by September 16, 2022. Pete recommended to the board to accept applications for the LIHTC program until the deadline, and for the board to not back apply the Tax Credit Policy to those applications if the policy is approved in the future.

MINUTES COMMISSION ACTION:
Councilwoman Teri Castillo motioned, and Jordan Ghawi seconded to table item 5 for further consideration on the 2023 Tax Credit Development Criteria until next schedule meeting on September 16, 2022.
AYES: 4
NAYS:
ABSTAINED:
THE MOTION PASSED.

7. ADJOURNMENT
Vice President Jane Paccione adjourned the meeting. There being no further business, the meeting adjourned at 4:41 p.m.