

**CITY OF DALLAS HOUSING FINANCE CORPORATION  
BOARD OF DIRECTORS MEETING**

**Tuesday, October 9, 2018 at 12:00 Noon**

**Dallas City Hall (Briefing Room) – 6ES, Conference Room  
1500 Marilla, Dallas, Texas 75201**

**1. Call to Order – Sherman Roberts, President**

With a quorum of the Board of Directors present, President Roberts called the meeting to order for the City of Dallas Housing Finance Corporation (DHFC) at 12:00 p.m. on Tuesday, October 9, 2018, in 6ES, Conference Room, 1500 Marilla Street, Dallas, Texas 75201.

Roll call occurred after introduction of new Board member Juan J. Garcia, agenda item number 3.

**2. Roll Call – Avis F. Chaisson Assistant Director of Housing and Neighborhood Revitalization Department**

Avis F. Chaisson, Assistant Director of Housing and Neighborhood Revitalization called roll.

**Present:**

Sherman Roberts, President

Clint V. Nolen, Vice President

Marcy Helfand, Secretary

James Armstrong III, Treasurer

Juan J. Garcia, Director

Brad Nitschke, Director

Joe Carreon, Director

Jim Harp, Director

Eric Anderson, Director

Ryan Garcia, Director

**Absent:**

Trent Hughes, Director

Item number 3 was moved after item number 4.

**3. Introduction of New Board Member Juan J. Garcia – Sherman Roberts, President**

Director Juan J. Garcia was introduced as the newest Board member appointed to the City of Dallas Housing Finance Corporation (DHFC). On Wednesday, October 3, 2018, Councilmember Narvaez recommended Juan J. Garcia for appointment to the DHFC Board of Directors.

**4. Approval of the Minutes for the July 13, 2018 and August 7, 2018 - Sherman Roberts, President**

Motion was made by Director Nitschke to approve the minutes for July 13, 2018, subject to correction. The motion was seconded by Director R. Garcia.

Item was approved unanimously 9-0 (Director Hughes, Carreon, J. Garcia absent)

Directors J. Garcia and Carreon arrive to the meeting.

Motion was made by Secretary Helfand to approve the August 7, 2018, minutes subject to corrections. Motion was seconded by Director Nitschke to approve the August 7, 2018, minutes as amended. The motion passed 10-0 (Director Hughes absent)

**5. Update on Amendments to the Corporation's Certificate of Formation and Bylaws Approved by the Dallas City Council on September 26, 2018 – Avis F. Chaisson, Assistant Director of Housing and Neighborhood Revitalization**

Avis F. Chaisson, Assistant Director of Housing and Neighborhood Revitalization provided an update that on September 26, 2018, the Dallas City Council adopted amendments to the Corporation's Certificate of Formation and Bylaws.

On September 4, 2018, City staff presented to the Economic Development and Housing Committee (EDHC) with City staff's proposed amendments to the DHFC governing documents and the DHFC Board adopted governing documents. The EDHC moved forward to full City Council consideration without a recommendation.

On September 21, 2018, staff, using the DHFC Board adopted governing documents as a base, provided the DHFC Board of Directors consensus language allowing the DHFC Board to appoint the General Manager, and if the DHFC Board did appoint a City employee, then the City Manager shall appoint an employee to serve as the City Liaison. The City Attorney's Office would still provide general counsel services for the Board of Directors and the Assistant Treasurer shall be the City's Chief Financial Officer or designee. Staff received comments and worked to address all comments, so the consensus language could be presented during the City Council meeting.

The City Council adopted the following amendments:

1. Amendment and Restated Certificate of Formation, Article VII, adopted the change to make the term limitations retroactive. Staff is working with the City Secretary's Office (CSO) to determine impacts to the Board, and the CSO will notify Board members of their status; and
2. Under the Bylaws, adopted to increase membership from 11-member to 15-member effective October 1, 2019.

The Board recognized Ms. Chaisson's work and agility to provide Council with last-minute Board comments on the revised governing documents.

DHFC Board action is not required for this agenda item as it is solely for discussion purposes.

**6. Discussion and Adoption of Resolution for the Appointment of the Corporation's General Manager – Sherman Roberts, President**

Discussion proceeded to consider adoption of a resolution for the appointment of the City of Dallas Housing Finance Corporation's General Manager. On September 26, 2018, the Dallas City Council approved amendments to the DHFC's Bylaws to read as follow:

*"The General Manager of the Corporation shall be appointed by the Board of Directors by resolution passed by a majority of the Directors present at a properly-called meeting of the Board of Directors. The General Manager shall exercise such powers and perform such duties as are set*

*forth in Section 3.6 of these Bylaws and as shall be determined from time to time by the Board of Directors or the Unit.”*

The power and duties of the General Manager are summarized as follows:

1. Ensure compliance with laws, ordinances, orders, and resolutions;
2. Hire and remove all subordinates, employees, agents or contractors of the DHFC;
3. Control over dealings and matters of the DHFC;
4. Review all contracts and ensure it meets Board directive and execute contracts when directed;
5. Recommend to the Board adoption of measures he or she deem necessary and expedient to further Council goals and priorities;
6. Keep Board advised of financial conditions;
7. Spending authority of up to \$25,000 for real property transactions such as option fee or escrow.
8. Budget supervisor with the Treasurer; whom shall be selected by the Chief Financial Officer of the City; and
9. Make recommendations to the Board regarding retainment of contractors for professional services, as needed by the Board

Director Nitschke asked, how long the commitment was for the General Manager and how to make future changes? Ms. Chaisson said, the bylaws was silent on length of tenure for General Manager. Ms. Chaisson said, in the Bylaws if the General Manager is City staff; then, the Board would be able to make a recommendation to request reassignment to the City Manager by 2/3 majority of the Board. If the General Manager is not a City employee, it would be the Board's discretion as to when the General Manager can be removed. Director Nitschke asked, if the decision can be delayed because the position wasn't formally posted. He also asked, if operations would default to City staff if the decision was not made. Ms. Chaisson explained it is not a default it is an appointment; therefore, the Board has to decide to appoint City staff or choose to hire outside employment.

Director Nitschke asked if the Board could still operate as normal even if the Board decides to delay its decision until the November meeting. David Noguera, the Director of Housing and Neighborhood Revitalization said, now that the Bylaws have been adopted, the Board must choose as this was made clear at the City Council meeting. The role City staff will play as a liaison would be to oversight process to make sure things are done timely and in compliance. Ms. Chaisson said, it was written in the Bylaws upon the Corporation request that the Board can request staff services. If the Board chooses to delay the decision, staff can still perform the services, but staff preferred the Board to make a decision.

Secretary Helfand said, this appointment is different than a contract which would have to go through a job posting. She said this is in the Bylaws as a position of the Board. President Roberts agreed with her and mentioned the agreement with the City Council was to just make an appointment. At that time, the Board specified who the General Manager would be.

Mr. Noguera said, the Board decision should be to either use City staff or someone from outside. If the Board chooses to use City staff the Director of Housing will make the decision to appoint the General Manager.

Marichelle Samples with the City Attorney's Office provided clarification on Section 1.7, Staff Services, in the Bylaws. Staff services are different from the management operations under General Manager.

Director Nitschke asked, if the new General Manager position must be under the Civil Services rules. Mr. Noguera said, since the Department of Housing and Neighborhood Revitalization is under Civil Services, the City employee filling the General Manager position will be under the Civil Services rules.

Motion was made by Director Nitschke to appoint the Director of Housing and Neighborhood Revitalization or that person's designee as General Manager through October 1<sup>st</sup>, 2019. The motion was seconded by Vice President Nolen. The motion passed 10-0 (Director Hughes absent)

**7. Discussion and Adoption of Resolution Approving the Engagement of CohnReznick LLP to Conduct Calendar Years 2017 and 2018 Audits and Assist with the Corporation's Financial Forecast – Avis F. Chaisson, Assistant Director of Housing and Neighborhood Revitalization**

Discussion continued to consider adoption of a resolution approving the engagement of CohnReznick LLP (CohnReznick) to conduct calendar years 2017 and 2018 financial audits for the City of Dallas Housing Finance Corporation (DHFC or Corporation). Since the DHFC is a public instrumentality of the City, financial audits are required to be submitted to the City Annually in December.

Avis F. Chaisson, Assistant Director of Housing and Neighborhood Revitalization stated that a proposal was not made available. Nevertheless, CohnReznick was able to provide estimates. CohnReznick estimates 2017 Audit to be \$6,253.00 and 2018 Audit to be \$6,750.00. It is highly advised to engage the firm to handle both audits and assist City staff with financial forecasting for the Corporation due to CohnReznick's familiarity and experience handling the Corporation financials.

Vice President Nolen asked why a financial audit was not done in year 2017. President Sherman Roberts said an audit was not done in year-2017 due to the changes that were in process for the Corporation. Vice President Nolen asked what the amount was for year-2016 audit. Ms. Chaisson looked up the cost and stated it was \$5,500 for 2016.

Director Anderson asked who the auditors for DHFC projects were. Ms. Chaisson said, Bruton and Martha's Vineyard use Novogradac and CohnReznick is the auditor for the rest of the projects. Director Anderson said 1) to consider for all the projects to provide financial audits and 2) to establish a reasonable timeline for audits completion. President Roberts said it was important to provide a timeline to provide completed audits.

Director Nitschke added that if CohnReznick has issues getting what they need to complete they audit; then after 2 weeks the Board needs to be notified so they assist with getting items and the audit can be completed timely. Director Nitschke also stated the Corporation should look at doing a competitive bid in the future but need to move forward to get these audits done.

Motion was made by Director Anderson for the General Manager to negotiate a reasonable audit completion of year-2017 audit, and for year-2018 audit and future audits should be completed within 5 months after the end of the year. Director Nitschke, seconded the motion. The motion passed 10-0 (Director Hughes absent)

**8. Update on Change in Property Management for Martha's Vineyard Place Located at 3110 Cedar Plaza Lane, Dallas, Texas 75235 – Sherman Roberts, President, Heather Hughes, Executive Director of Deaf Action Center, and Mick Clark, Principal of Alpha Barnes Real Estate Services**

Heather Hughes, Executive Director of Deaf Action Center provided an update to the City of Dallas Housing Finance Corporation (DHFC) on the change in property management for Martha's Vineyard Place located at 3110 Cedar Plaza Lane low and moderate income and for the hearing impaired. The DHFC has an ownership in the property along with Deaf Action Center.

Ms. Hughes mentioned they changed management because they were concerned about National Church Residence's performance including poor performances in not achieving to fill 85% of the required rental occupancy. For six months, they did not fill several of the units. They also failed to apply for the Dallas Housing Authority rental increase and Ms. Hughes had to retain a housing finance consultant to apply for the increase. The Deaf Action Center staff worked to identify a new property manager for the Development. Ms. Hughes said the property management will be under Alpha Barnes Real Estate Services.

Director Nitschke asked if National Church Residence was in attendance but they were not and it was stated that they resigned.

President Roberts requested background of Alpha Barnes Real Estate Services from Mike Clark. Alpha Barnes Real Estate Services has its headquarters in Dallas. It is the largest management of tax credit properties in Texas. They manage about 140 tax credit properties across Texas with almost 20,000 units. They have 10 full time employees in their Compliance Department to verify compliance.

Director Nitschke stated there was a lengthy and extensive process to select the previous property management and its concerning that the previous management resigned within less than a year and reached point of failure. He asked from Ms. Hughes 1) how would she prevent failure reoccurrence from management? 2) If she was communicating her expectations to the new management. Ms. Hughes said her recommendation was to have a company that is local. The National Church Residence company was a national company and they had to deal with a lot of concerns with

properties related to Hurricane Harvey, and Martha's Vineyard was pushed to the bottom of the list.

Director Nitschke reminded the Board that two years ago a policy passed to require properties to submit reports to the Board quarterly about how things are going. He encourages the Board to keep implementing this policy and make sure if there are any issues to help assist to resolve them as getting to change property management.

Director Anderson expressed his concern regarding reviewing the contracts of companies engaging to perform services. He mentioned it is important for the Board to have copies of the contracts. Ms. Chaisson said she will send the Board members the limited partnership agreement for the Board's review. It was requested to have a future agenda item.

DHFC Board action is not required for this agenda item as it is solely for discussion and informational purposes.

#### **9. Written Reports – Sherman Roberts, President**

Director Nitschke requested to take up item b prior to item a.

##### **a. Update on the Flora Lofts Development**

An update was provided that since the August 7, 2018, DHFC meeting, staff, DHFC General Counsel, and Bond Counsel were working towards closing on September 7, 2018. However, on August 29, 2018, were notified to cease work by the Developer's attorney. Currently, the Development is not moving forward.

Bond Council George Rodriguez, said they are still looking for a new investor. Since they are part of a bigger project, they are reaching their deadlines. They will need to find a solution soon. The DHFC has a 15 million reservation that can be used to any multifamily project. If they find an investor limited partner, they would not have to get cap from the state because the DHFC has a 15 million reservation to provide to the project.

The Board agreed staff, general counsel and bond counsel should work with the developer to set reasonable timelines and provide more information in future meetings.

DHFC Board action was not required for this agenda item as it is solely for discussion and informal purposes

##### **b. Update on the Filing of an Application for Single Family Mortgage Revenue Bonds (GNMA and Fannie Mae Mortgage-Backed Securities Program) Series 2018**

Avis F. Chaisson, Assistant Director of Housing and Neighborhood Revitalization Department provided an update that notice of reservation was received regarding the application reservation submitted with the Texas Bond Review Board (TBRB) to qualify mortgage bonds. The mortgage bonds will be used to finance the acquisition of eligible single-family residences by qualified buyers.

On August 22, 2018 a Certificate of Reservation was issued with the following details:

Docket number:4415  
35-Day filing deadline: 9/26/2018  
Closing deadline: 2/18/2019  
Amount: \$25,250,000

The intent is to file a carryforward application to keep reservation. Hilltop Securities will work to identify partners to structure the DHFC's program. In order to have a successful program, the DHFC Board will need to consider providing its own resources to invest in the program.

Director Anderson asked, Tim Nelson from Hilltop Securities to explain more about the DHFC investments. Mr. Nelson said programs like the DHFC used to use lending partners. Lenders had commitment fees. Master servicers used to be use because lenders would not service their own loans. The services used to pay 2 points for the right to service. Now, I will be the master service around the program. Nowadays, the market has change and fees we used to pay for master servicers are not very typical anymore. Now if a transaction is done the Board will have to invest money for transactions.

President Roberts asked how much the investment would be. Mr. Nelson said in initials instructions it was discussed the investment to be between \$250,000 - \$500,000 but it may change. The two things the Board need to cover are 1) Cost efficiency and 2) funds to cover interest while originations are made by the lenders.

Director Harp asked how the Board would get their money back. Mr. Nelson said the Board would get at least half of their money back during the period of the origination and the remaining will be returned over time in the form of administration fees.

Director Anderson asked if the Board can have one of the handouts distributed in a previous meeting regarding how much input or restrictions can the Board place in selecting the issuers, mortgage companies, time frames, etc. Mr. Nelson said in November's meeting the Board may get a copy of the handout. He also mentioned that when Boards place a lot of restrictions in the programs the process of the originations of the loans slow down.

Director Garcia requested a taskforce. President Roberts stated staff is working with the financial advisor to structure the program.

Secretary Helfand asked what money is available to be use for this investment. Ms. Chaisson said it is for the Board consideration to use its own resources.

Bond counsel provided a clarification in terms of the reservation amount is \$25,000,000 and won't lose reservation if don't close within 180 days.

DHFC Board action is not required for this agenda item as it is solely for discussion purposes.

Discussion proceeded to clarify the appointment of the General Manager under the Bylaws Sec. 3.8. City Attorney Marichelle Samples asked what the intent was for the one-year term regarding the appointment of the General Manager. Director Nitschke said the intent was to revisit the decision.

Ms. Samples clarified the Board that under the Bylaws Sec. 3.8 the one-year term is a request and not a decision. She stated, that they can request by 2/3 majority of the City Manager to remove or replace. The Board agreed the Board understood the significance of the decision taken regarding the Appointment of the Corporation's General Manager and must follow governing documents.

#### **10. Public Comments**

Jeff Spicer the Texas Partner with Dominion made comments. Mr. Spicer stated City policy favors the 9% housing tax credits. He said the City should review its policies for affordable housing and suggested the City should use 4% housing tax credits and bonds relate for production and preservation of affordable housing. Stated the City will miss out on 1,000 units of affordable housing. He is suggesting a more flexible policy so can use tax exempt bonds on a rolling basis and not once a year.

President Roberts mentioned a session that HFCs use right of first refusal to retain affordable housing. President Roberts stated the Board should look at bringing in existing properties into portfolio.

Mr. Spicer said there is a list called the qualified contract process, these properties are ending their 15-year compliance period and can become market rate status. After the properties enter qualified contract process, the City has a year to make an offer. There are more than 1,000 units in the City going through qualified contract process and the City could lose out on preservation of affordable housing.

Vice President Nolen asked who evaluates those properties to keep them affordable housing. Avis F. Chaisson Assistant Director of Housing and Neighborhood Revitalization said the City doesn't evaluate properties for acquisition. The Comprehensive Housing Policy is used to determine if properties should be market or affordable based on the Market Value Analysis which is the underlying data for the Comprehensive Housing Policy.

Mr. Nolen asked if the DHFC is limited to the properties already owned. Ms. Chaisson said no, properties can be acquired and DHFC have an interest in ownership to become the general partner.

Secretary Helfand asked from Director of Housing and Neighborhood Revitalization Department David Noguera why this one-year frame was in place which is apparently causing problems. Mr. Noguera said, the intent was to look at all properties at once and to make sure projects were not competing with one another. Mr. Noguera said on October 22, staff is looking to do a modification to the schedule and language will be proposed to be changed for the City Manager to have authority to set an annual schedule of when tax credit proposals would be considered.

The Board agreed to have this discussion in a future agenda.

President Roberts adjourned the meeting of the City of Dallas Housing Finance Corporation at 1:25 p.m. on Tuesday, October 9, 2018.

These minutes were approved by the City of Dallas Housing Finance Corporation Board of Directors on the 13th day of November 2018.

**APPROVE:**

**ATTEST:**



---

Sherman Roberts  
President

---

Marcy Helfand  
Secretary

A closed executive session may be held if the discussion of any of the above agenda items concerning one of the following:

- 1) Contemplated or pending litigation or matters where legal advice is requested of the City Attorney. Section 551.071 of the Texas Open Meeting Act.
  
- 2) The purchase, exchange, lease or value of real property, if the deliberation in any open meeting would have a detrimental effect on the position of the city in negotiations with a third person. Section 551.072 of the Texas Open Meetings Act.
  
- 3) A contract for a prospective gift or donation to the City, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.073 of the Texas Open Meetings Act.