

**CITY OF DALLAS HOUSING FINANCE CORPORATION**  
**City Hall (Green Elevators) – L1EN, Conference Room D**  
**1500 Marilla Street, Dallas, Texas 75201**

**Present:**

Sherman Roberts, President	James Armstrong III, Director	Joe Carreon, Director
Marcy Helfand, Secretary	Ryan Garcia, Director	
Andrew Moore, Treasurer	Brad Nitscheke, Director	

**Absent:**

Clint V. Nolen, Vice President  
Trent Hughes, Director  
Jim Harp, Director  
Eric Anderson, Director

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

With a quorum present, President Roberts called the meeting to order for the Board of Directors of the City of Dallas Housing Finance Corporation (DHFC) on Thursday, March 15, 2018, in L1EN, Conference Room D, 1500 Marilla Street, Dallas, Texas 75201.

**2. Approval of the Minutes from the Meeting Held on February 13, 2018 Meeting – Sherman Roberts, President**

Motion was made by Director Nitscheke and seconded by Director Carreon to approve the February 13, 2018, minutes of the DHFC as presented. The motion passed 7-0. (Vice President Nolen and Directors Hughes, Harp, and Anderson absent)

**3. Introduction of new Housing and Neighborhood Revitalization Assistant Director – David Noguera, Director, Housing and Neighborhood Revitalization**

President Roberts introduced Avis Chaisson as the new Housing and Neighborhood Revitalization Assistant Director.

Director Nitscheke asked the following questions of Ms. Chaisson; (1) Is she replacing Karen Schaffner as Manager, (2) Will she be the Board's primary contact, and (3) Does she anticipate the hiring of a separate staff person for DHFC? Ms. Chaisson responded with, Karen was an employee of the City of Dallas and that she is employed by the City of Dallas. Ms. Chaisson stated she will serve as the liaison for the DHFC and no, she does not anticipate the hiring of a separate staff specifically for the DHFC.

There was no action taken on this item; it was for informational purposes.

**4. Discussion and possible approval of a resolution authorizing the issuance, sale and delivery of Multifamily Mortgage Revenue Note (Flora Street Lofts) Series 2018 for the Flora Street Lofts multifamily development in an aggregate principal amount not to exceed \$15 million; authorizing the execution and delivery of documents and instruments necessary to carry out the financing of such multifamily development – Phill Geheb, Attorney, Munsch Hardt Kopf & Harr, P.C. and George Rodriguez, Bracewell LLP, Bond Counsel**

Graham Greene, Developer Representative with Green Arc Corporation, provided an update on the Flora Lofts deal anticipated for closing by April 1, 2018, revised later in the discussion to April 2<sup>nd</sup> to

avoid closing on April Fool's Day which was a Sunday.

Secretary Helfand asked specifically what the DHFC Board was approving. Mr. Rodriguez, Bond Counsel for the DHFC, indicated that approval of the resolution was to set forth the issuance of the bonds, approve the form of the documents, and authorize the transaction for the financing of Flora Lofts with the final approval by the Texas Bond of Review Board. He indicated that this transaction is similar to Silver Gardens. With this said, Director Helfand had three questions; (1) who reviewed documents on behalf of the DHFC? (2) has anything changed, or were any terms renegotiated? (3) looking at the proforma, will DHFC not receive expenses from the condo regime?

Joe Nathan Wright, DHFC General Counsel, answered question number (1) with respect to review of the document, the Bond and General Counsels. He also indicated that the resolution is in perfect order, that he is comfortable with it, has no problems. Mr. Rodriguez indicated that all bond documents have a special limited obligation that DHFC is payable solely from whatever Flora Street Lofts pays. Buddy Jordan with Ashwood Companies answered question number (2) with, no. Mr. Jordan also answered question number (3) with a yes, and that DHFC will get a share of the expenses as indicated in the proforma under "other expenses".

David Noguera, Director of Housing and Neighborhood Development, asked Mr. Greene would there be a request for extension submitted and are there any design changes planned. Mr. Greene indicated only if closing goes beyond the bond reservation date of April 6<sup>th</sup>; however, Citibank has asked to proceed with getting a new bond reservation lined up because they do not want the bond reservation to expire mid-closing. Mr. Greene procced to state there are no planned design changes. Mr. Rodriguez clarified that this request is not referred to as an extension but a new bond reservation.

Director Armstrong raised a question about the artist clause. He wanted an explanation on how this works with the 52 affordable units. Mr. Greene explained that anyone who lives in the City of Dallas can apply. Congress passed a statue that allows set-asides for certain support services; artists and literacy just happen to be one of those set-asides. The criteria to qualify for the units is to be income eligible and identified by the 3P's (Portfolio, Public artist, and Poor).

Motion was made by Director Garcia and seconded by Secretary Helfand to approve a resolution authorizing the issuance, sale and delivery of Multifamily Mortgage Revenue Note (Flora Street Lofts) Series 2018 for the Flora Street Lofts multifamily development. The motion passed 6-0. (Vice President Nolen and Directors Hughes, Harp, and Anderson absent; Director Nitscheke recused himself)

**5. Discussion on the draft audited financial statements for Providence at Mockingbird for the period ending December 31, 2017 and ending December 31, 2016 – Matt Stille, Managing Partner, CohnReznick, LLP**

Mr. Stille presented the highlights of the audit of the financial statements for Providence at Mockingbird and opened the floor for questions by the Board.

Mr. Stille referenced a provision in the partnership agreement that allows for the general partner to claim an annual incentive fee in the amount of \$200,000 a year. In 2017, this was not received, thereby, increasing cash by \$200,000. The partnership agreement reads this fee is not to accrue year after year, so essentially, the property would lose paying out this amount to the general partner. CohnReznick advised DHFC Board to reach out to the limited partnership to see if an exception be

granted for this year since there is ample cash flow on hand. CohnReznick left the accrual in the audit draft, to show the general partner to receive \$200,000 for 2017 and a gain of \$200,000 in 2018.

Secretary Helfand expressed reading the provision, and there seemed to be two possible processes; (1) ask quarterly for the accrual or (2) after the 4<sup>th</sup> quarter. She felt that if we asked for this annually that there was no deadline. Mr. Stille recommended discussion between the general partner and limited partner regarding these items because this matter is up for interpretation.

Also, Secretary Helfand indicated that an audit was also required; recommended to the Board that the DHFC send the audit to the limited partnership; and request the \$200,000 payment. Ms. Chaisson stated she would handle.

Aside from this, Mr. Stille indicated that CohnReznick needed to obtain resolution on the compliance issue with TDHCA regarding population been served at the property. CohnReznick needs the finalized and updated LURA and Bond Regulatory Agreement for their records. Ms. Anderson indicated that she would provide the LURA documents once recorded.

Director Nitscheke noted on page 2 of the draft audit, “material corrected misstatements”, it stated copy attached; however, he didn’t see the attachment. Mr. Stille indicated that he would provide a copy of the attachment. Mr. Stille went further to explain that the attachment reflects past adjustments which can consist of two methods: (1) the effective yield method and (2) straight line method as for as amortization for the loan piece. As an industry of affordable housing everything is done using the straight line. The effective yield method calculates and amortizes, it has no effect on the loan or on cash.

Director Helfand noticed that the expenses were higher in 2017 than 2016, for example, under miscellaneous administrative on page 20, it went from \$14,000 to \$46,000, there were also huge increases in electric, water, and gas charges. What could be the reason for this? Mr. Stille indicated that CohnReznick would have investigated this if there was a material increase beyond the scope of threshold testing. But, for a specific reason as to why there was a gas increase or there a water main leak this would be a property management question.

Director Armstrong proceeded to ask, did the occupancy rate change from year to year? Mr. Stille expressed that the vacancies and concessions increased as well as the total revenue.

Director Nitscheke indicated that this is the reason why we ask for quarterly reports from the property management companies. He informed Ms. Chaisson that the DHFC Board voted to request quarterly reports from all properties that DHFC have an equity interest and for management to present at DHFC Board meetings quarterly.

Director Nitscheke expressed that the Board should be thinking about the maintenance issues at Providence at Mockingbird. Mr. Stille made the Board aware of the \$25,000 operating reserve which is available; however, he was unaware if the use of funds were restricted.

There was no action taken on this item; it was for informational purposes.

**6. Briefing on the Corporation's Public Funds Investment Act (PFIA) compliance and remediation plan – Andy Moore, Treasurer**

President Sherman read this item into record and stated that the Board of Directors will go into executive session for discussion on this item. Regular session was closed, and executive session commenced at 12:36 p.m. on Thursday, March 15, 2018.

**7. Request for future agenda items – Sherman Roberts, President**

President Roberts requested an executive session be first on the agenda for the next DHFC meeting to discuss third party contracts. Any additional items to be added to the agenda should be sent to Ms. Anderson, Coordinator for the Housing and Neighborhood Revitalization Department.

Ms. Chaisson indicated that she will be the point of contact. She also outlined the following:

April 1<sup>st</sup> – Transition of DHFC accounting from Office of Economic Development (OED) to Housing and Neighborhood Revitalization

March 19<sup>th</sup> – Comprehensive Housing Policy briefed to Economic Development and Housing Committee, inclusive of DHFC

March 28<sup>th</sup> – Housing Policy goes to full Council for approval with room to expand

Pending – Approval of 2018 DHFC budget

There was no action taken on this item; it was for informational purposes.

**8. Adjourn – Sherman Roberts, President**

With no further discussion, President Roberts adjourned the meeting of the City of Dallas Housing Finance Corporation at 1:11 p.m. on Thursday, March 15, 2018.

These minutes were approved by the City of Dallas Housing Finance Corporation Board of Directors on the 10th day of April, 2018.

**APPROVE:**

**ATTEST:**

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Sherman Roberts

President

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Marcy Helfand

Secretary

A closed executive session may be held if the discussion of any of the above agenda items concerns 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.

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- 4) Personnel matters involving the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee or to hear a complaint against an officer or employee. Section 551.074 of the Texas Open Meetings Act.
- 5) The deployment, or specific occasions for implementation of security personnel or devices. Section 551.076 of the Texas Open Meetings Act.
- 6) Deliberations regarding Economic Development negotiations. Section 551.087 of the Texas Open Meetings Act.
- 7) Deliberations of security assessments or deployments relating to information resources technology, network security information, or the deployment or specific occasions for implementations of security personnel, critical infrastructure, or security devices. Section 551.089 of the Texas Open Meetings Act.