

**HOUSTON LAND BANK
MINUTES OF THE BOARD OF DIRECTORS REGULAR MEETING
HOUSTON, TEXAS**

September 12, 2019

A regular meeting of the Board of Directors ("Board") of the Houston Land Bank ("HLB"), a Texas non-profit corporation created and organized by the City of Houston as a local government corporation pursuant to the Texas Transportation Code Annotated, Section 431.101, *et seq.*, and the Texas Local Government Code Annotated, Section 394.001 *et seq.*, was held in the City Council Chambers at the Houston City Hall Annex, 900 Bagby Street, Houston, Texas, on Thursday, September 12, 2019 at 12:15 p.m. Written notice of the regular meeting, which included the date, hour, place and agenda for the regular meeting, was posted in accordance with the Texas Open Meetings Act.

Board members in attendance were:

Nicholas Hall	Curtis Lampley
Vincent Marquéz	Carol Galloway
Mario Castillo	Jesus DeAnda
Ana Yáñez-Correa	David Collins
Matt Zeis	Pastor Steve Hall

Board members absent were: John David Vasquez, Antoinette Jackson and Courtney Johnson Rose.

Others in attendance included: Anne Haynes, the CEO/President for the Houston Land Bank; Jennifer Allison of the Houston Land Bank; Ivan Zapata, Real Estate Manager of HLB; Sam Dike, Vice President of Community and Partnerships for HLB; Marye Barba, Administrative Assistant for HLB; Gracie Saenz, outside legal counsel for the Board; Mark Glanowski (Paralegal) of Winstead PC, outside legal counsel to HLB; Anderson South with the City of Houston New Home Development Program; and Leah Stolar of Linebarger Goggin Blair Sampson, LLC.

I. Call to Order and Roll Call

Chairman Nicholas Hall called the meeting to order at 12:15 p.m. A roll call of the Board members in attendance immediately followed. Chairman Hall noted that a quorum of the Board was present.

II. Adopt Minutes of Regular Meeting on June 13, 2019

Chairman Hall noted that the minutes for the Board of Directors regular meeting held on June 13, 2019 were previously circulated for review and comment. He asked if there were any discussion and/or comments to the minutes from the Board members in attendance. Hearing none, he then requested a motion to approve the subject minutes. Director Galloway made a

motion to approve the minutes as written which motion was then duly seconded by Pastor Hall and passed by the unanimous vote of the Board.

III. Chairman's Greeting – Nicholas Hall

Chairman Hall thanked the Board for returning from the Summer break. He noted that today's meeting will primarily focus on Disposition Policies, Acquisition Policies, and Amended Organization Policies and Procedures.

IV. President's Report – Anne Gatling Haynes

Ms. Haynes mentioned that she has been at HLB for one year now and has learned a lot. She then proceeded with a visual slide presentation to the Board of the President's Report and noted that last year was the "transition" year and this year is the "demonstration" year for the HLB. Ms. Haynes noted that the HLB now has a full staff and is in full operation. She then showed photos of a flyer and a poster prepared in advance of the Mayor's visit to some of the houses constructed under the New Home Development Program on August 22, 2019 which highlighted the work of HLB thus far. Next she presented the State of the Lot Inventory Map which is very fluid as information concerning each lot is evaluated along with ongoing reconciliation with the records of the Harris County Appraisal District. There are clusters of properties which will be included in the Disposition Program in three neighborhoods, those being Sunnyside, Stettogast, and Trinity Gardens. She noted that there are 263 lots being reserved for affordable housing for the New Home Development Program and CHDO.

Ms. Haynes stated that Ron Butler joined HLB in July and is in charge of lot maintenance for the New Home Development Program as well as the remaining HLB lot inventory. She noted that there have been interviews with contractors to provide lot maintenance which reflects the values of the HLB. The lot inventory investigation revealed that there were more lots in poor condition than was hoped for as there are numerous illegal dumping problems on the HLB lots which will need to be coordinated with the City's Department of Neighborhoods to clean up.

Since June five houses have sold, three are under contract, and nine are available for sale. The houses are being sold to buyers with income of 80% below AMI for a family of four. Director Lampley asked what the build out cost for a house is and Ms. Haynes responded that the sale price is \$180,000.00. Ms. Haynes stated that some vandalism has occurred between the time construction of the house is completed and the date of sale to a new home buyer. As an example, she noted that some of the A/C units have been vandalized and has requested the City to install protective barriers over the A/C units to prevent further costly damage.

She mentioned that there was a meeting among Directors Mario Castillo, Courtney Johnson Rose and HAR to discuss an increase of the visibility of the HLB homes for sale on the MLS system to assist locating qualified home buyers.

Further, she noted that there are currently ongoing property acquisitions with the Houston Housing and Community Development Department to increase the footprint and secure additional lot inventory to achieve an impact of scale in the targeted neighborhoods and in the Complete Communities. Three acquisitions have recently closed with the respective sellers.

The lot status audit continues to progress on the 260 lots sold but with no follow-up with the builders. The audit found that 90 lots had sold and staff is now working on the remaining 150 lots to determine their status with the builders.

Ms. Haynes then discussed the current conditions the lots are in as organized by contract type of which there are four over the history of the organization. She found that there are (i) lots which are on hold because they did not close with the title company, (ii) lots which closed with new contracts with builders, (iii) lots with amended contracts with new specifications and timelines, and (iv) vacant lots wherein builders have no plans to construct a house on. HLB can repurchase the vacant lots for \$80,000 from the various builders being the cost the lots were sold to the builders for originally.

She also presented a particular issue to be resolved, and provided photographs to explain the condition. A builder for a lot in Sunnyside has not completed the house and there is a home buyer ready to move in for a purchase price of \$150,000.00. HLB has been working with this contractor to finish the house, but through two amendments to the contract, the house is still not complete. The final work could cost between \$15,000 and \$50,000 if the lot was reverted back to HLB. There have been ongoing inspections of this house conducted by HLB on a weekly basis. The remaining work could be bid out to other builders to finish the house with payment to complete the house, cover warranty issues, and pay liens which may have been incurred by prior subcontractors. Ms. Haynes noted that this uncompleted house matter is a separate agenda item for today's meeting (see Item VIII).

V. Committee Reports

- Partnership Committee: Courtney Johnson Rose, Chair

Director Rose is not in attendance today, however, she previously informed Chairman Hall that the Partnership Committee met on September 9, 2019 to discuss setting goals and requesting input from the Board members for information on potential partners. The current list of partners includes JPMorgan Chase Bank, Wells Fargo Bank and the Houston Food Bank. The next goal is to have a PowerPoint presentation completed by September 30th. The third goal is to have 3-4 more meetings this year.

- Oversight Committee: Mario Castillo, Chair

Director Castillo stated that the Oversight Committee met on July 9, 2019 and noted that the major item of discussion was to examine the interim Procurement Policy and finalize a draft for the Board to examine and approve. The Oversight Committee also discussed improvements to the HLB website.

- Marketing Committee: Vincent Marquéz, Chair

Director Marquéz stated that there was not a meeting of the Marketing Committee this month.

- Program Committee: Curtis Lampley, Chair

Director Lampley stated that the Program Committee has been meeting every two weeks with the last meeting occurring on September 5, 2019.

The Program Committee continued to review the status of the lots in the inventory. The materials in today's presentation include a summary of the reviews for each lot in the inventory. He now has a better understanding of the lot inventory and of the issues the builders have experienced when closing the sales of the houses. He noted that there are lots which the HLB will have to take back because the builders have not met the timelines in their construction contracts. The Program Committee is also reviewing 40 applications submitted for the RFQ and asked the HLB staff to assist with conducting an assessment to verify that the applicants have met the minimum qualifications and score the matrix. Director Lampley requested that another Director join the RFQ review committee, already four in number.

VI. Consideration and possible action on 'Outstanding Contract List Procedures' in progress for all contracts previously approved by Board of Directors.

Ms. Haynes presented the full document named 'Outstanding Contract List' which contained a variety of specific categories for consideration, and which actions by board are requested in Board Agenda items VI, VII, and VIII. For this first item, she expressed that the HLB staff and the Program Committee recommends that the Board approve the ability of the staff to continue to process outstanding contracts as identified in the document.

Ms. Haynes provided a color coded chart of the affected lot contracts. Those lots colored in blue and green, lines 19-71 have already been contract amended with the respective builders, and reflect the staff's entering into Reset Agreements to reset the timeline of their original contracts, as they were already under construction at the time of the property audit. For the lots colored in yellow the HLB is requesting the Board for consensus that staff is heading in the right direction, these are the potential repurchases that will be item VII of the agenda. The pink lines 84-87 are still under review by staff for procedure and costs, and will be discussed with existing builders. The lot at 3013 Bolt will be discussed in more detail under another agenda item today. The grey colored lots, 88-115 are those where title never closed and there is no development on the lot; however, the builders would like to close based on the Board's prior approval. However, these will be done based on new contracts being written with builders that are approved through the new RFQ for builders. There are also 11 lots, in gold, lines 116-126, that were sold by the builders and/or foreclosed by construction lenders and sold to other buyers who were apparently unaware of the deed restrictions in favor of the HLB. The new owners will need to be notified of HLB's rights of repurchase/reverter and other deed restrictions. Lines 127-137 demonstrated properties that had already been reverted back into the inventory due to a variety of reasons of contract nonconformance.

Director Zeis made a motion to approve items numbered 19-71, 84-86, and 88-137 on the Outstanding Contract List, which motion was duly seconded by Director Galloway and passed by the unanimous vote of the Board.

VII. Consideration and possible action on repurchasing lots due to non-conformance with development activity, as outlined in the 'Outstanding Contracts Lost.'

Ms. Haynes then described in more detail the lots numbered 72-83 with a request to approve entering into Repurchase Agreements with builders identified on the "Outstanding Contract List" and conduct all required due diligence to avoid any substantial financial liabilities. The HLB has the right to repurchase the lots if construction has not commenced on the lot within the time period required under the contracts. These lots would cost approximately 80,000 to repurchase, well within the annual budget for acquisition.

Director Castillo made a motion to approve staff to enter into Repurchase Agreements for items 72-83 shown in yellow on the Outstanding Contractors List, which motion was duly seconded by Pastor Hall and passed by the unanimous vote of the Board.

VIII. Consideration and possible action to exercise the right of reverter on 3013 Bolt, HCAD No 081-001-000-0008.

Ms. Haynes discussed the work conducted by the HLB over the last six months to accomplish the completion of the construction on the house located at 3013 Bolt by the original builder by resetting the timeline and increasing the number of reports and inspections. However, the staff now has limited confidence that 7W Construction will ever finish the house.

Director Collins asked about the status of payments to the subcontractors under the Performance Bond of 7W Construction. Ivan Zapata reported that 7W Construction does not have a performance bond. Ms. Haynes stated that there are no liens currently on the property but noted that the contractor has had difficulties maintaining labor on the property. 7W Construction was self-financing the construction of the house and has two other lots under contracts which it has not started construction on.

Director Marquéz requested a legal opinion on title to this lot if HLB reverts this lot and weekly inspections of the progress by HLB. The Program Committee and staff would like to proceed with the process to revert the property back to HLB, bid out the project to a minimum of three contractors who will then propose a scope of work to complete the house (and obtain Certificate of Compliance from City of Houston) along with funds (estimated at \$25,000-\$40,000) and sell it to the qualified homebuyer. After ownership is reverted and construction is completed HLB would then sell the home to the homebuyer at the buyer's original contracted price. From the proceeds, HLB would repay itself any costs incurred to complete the construction plus liquidated damages, project management fees for completion, legal fees, and clear or pay any potential liens on the property from unpaid contractors/subcontractors. The remaining proceeds, if any, could be returned to 7W Construction.

The Board did not take action on this agenda item as written, however, Director Lampley made a general motion to request that HLB staff continue its due diligence to determine the total outstanding construction work required to complete the house and provide a proforma of such information to the Board for consideration and approval prior to exercising the right of reverter on this lot, which motion was duly seconded by Director Marquéz and passed by the unanimous vote of the Board.

IX. Consideration and possible action on pilot for 'Waiver of Repurchase and/or Reverter Rights' to be issued at time of construction to builder, recognizing lender's oversight of construction compliance.

Chairman Hall reported that Mayberry Homes is constructing two houses wherein its lender is requesting that HLB waive its rights of repurchase and reverter which run with the land. The HLB staff is requesting that the Board approve the ability of staff to provide a Pilot Waiver of Repurchase/Reverted Rights at the point of construction as requested by the construction lenders. Lenders with the CRA loan product cannot get approval from their loan committees because of HLB's repurchase rights. The construction lenders are requesting that the HLB subordinate its rights to repurchase the property. This pilot program would begin with one lender to determine if it can be expanded to other lenders, and we would reassess progress within three months.

Director Zeis made a motion to approve the pilot program for waiver of repurchase and/or reverter rights, which motion was duly seconded by Director Yáñez-Correa, and passed by the unanimous vote of the Board.

X. Consideration and possible action regarding Disposition Policies and resolution to provide delegated authority to Program Committee to review and advance lot dispositions programs, documents, and administrative procedures. HLB Corporate Resolution 2019-004.

Pursuant to this Resolution, HLB staff is requesting the Board to delegate authority to the Program Committee for developing programs for lot disposition and furnish recommendations to the Board for approval. This will provide the Program Committee the ability to work with HLB staff on a day to day basis and move forward on administrative issues. Chairman Hall expressed that item C of the subject resolution is very broad as currently written and requested a clarification of the specific procedures to be handled by the Program Committee rather than a delegation of authority from the Board to the Program Committee to accept or reject proposed changes to construction contracts with the builders.

Director Collins made a motion to table this agenda item.

Ms. Yáñez-Correa requested Director Lampley to provide more context with regard to changing the construction contracts, as proposed by builders. Mr. Lampley stated that this resolution memorializes the procedures and process as the Program Committee works through the lot inventory and empowers the Program Committee to act more quickly to handle decisions on construction contract issues.

Chairman Hall requests that the motion should require that the Program Committee obtain legal counsel opinion of its decisions before making recommendations to the Board for approval. Director Zeis stated that these extra steps will slow down the process of the Program Committee to work on the lot inventory.

Director Collins stated that he withdraws his motion to table this agenda item.

Pastor Hall made a motion to approve Resolution 2019-004 with the amendment to item C that the Program Committee obtain legal counsel opinion prior to submitting its recommendations to the Board for approval, which motion was duly seconded by Director Lampley and passed by the majority of the Board. Director Zeis voted to oppose the motion.

At 1:55 pm Chairman Hall announced that he has to leave for a doctor's appointment and appointed Director Collins to conduct the remainder of the meeting as Acting Chairman.

Chairman Collins then requested a motion to take agenda item XIV out of order. Director Zeis made a motion to address agenda item XIV out of agenda order, which motion was duly seconded by Director Yáñez-Correa and passed by the unanimous vote of the Board.

XI. Consideration and possible action regarding Acquisition Policies and Resolution to give delegated authority to Executive Committee to review and approve Acquisitions of the New Home Development Program, and advance to the Board of Directors as needed. HLB Corporate Resolution 2019-003.

Ms. Haynes expressed that the HLB will need to build its lot inventory because fewer lots are available at the tax foreclosure sales. Under a grant agreement with the City of Houston, the Acquisition and Development Agreement, the organization is obligated to acquire properties for its inventory. Therefore, this resolution delegates authority to the Acquisition Committee (Executive Committee) to examine real property purchase contracts prior to making recommendations to the Board for approval. The pre-closing real estate documents will be examined by legal counsel prior to closing with the title company on any lot acquisition transactions. The Grant Agreement with the City of Houston allows the HLB to purchase lots at market valuations and the City's builders will construct the affordable houses on such lots. Acting Chairman Collins requested that the minutes of each meeting of the Acquisition Committee be submitted to, or be made accessible to, the Board of Directors. The subject resolution was amended to include that the Acquisition Committee be responsible for preparation and distribution of the minutes of each of its meetings to the Board of Directors in full compliance with the Bylaws and other policies of the HLB, and that all pre-closing land acquisition documents be examined by legal counsel.

Pastor Hall made a motion to approve Corporate Resolution No. 2019-003 as amended to include that all pre-closing documents be examined by legal counsel and that the minutes of the Acquisition Committee be delivered to the Board of Directors, which motion was duly seconded by Ms. Yáñez-Correa and passed with the unanimous vote of the Board.

XII. Introduction and Discussion of Draft Amended Organization Policies and Procedures, to be reviewed by the full Board of Directors at the next regularly scheduled meeting.

Ms. Haynes recited that the Board adopted an initial Policies and Procedures document in January 2018, which was written by Brian White of STR Consultants based on best practices for land banks. In the interim, HLB had amended its bylaws which were approved by City Council in July of 2018, and two foundational grants from the City of Houston were executed in August 2018. Since then, HLB has hired new employees, new board appointees, and a strategic

workplan set forth with the FY20 Budget passed by the Board of Directors in June 2019. Activity has now commenced on the Acquisition and Development Grant with the City of Houston, internal lot audits are continuing to be conducted, development audits (on past land sales) have been completed, and the property maintenance activities have been reorganized. The HLB is in the process of reviewing new programs and contracts, as well as considering a qualified pool of builders to participate in future lot sales programs.

This new Amendment has multiple sections added, and the entire document has been revised to mirror the current operations of the HLB. The Board passed an interim procurement policy at a Special Meeting in January 2019, which has now been included.

There remain quite a few procedures to be finalized, and a few key policy sections (Accounting/Document Retention) are still being composed. The Employee Handbook referenced therein is in draft form and will be furnished shortly, once Counsel has reviewed it. Comments to this Amendment are requested no later than September 27, 2019 such that all reviews can be the subject of October committee meetings in advance of the October Regular Board Meeting.

XIII. Ratification of three Real Estate acquisitions, as directed and approved by HCDD, under the auspices of the grant agreement 'Acquisition and Development Agreement' for the New Home Development Program.

- 1109 James Street, in the amount of \$760,000
HCAD Nos. 003 209 000 0035, 003 209 000 0034, 003 209 000 0033
Seller: Avenue Development LLC
- 0 Kenton St. in the amount of \$19,000
HCAD No. 030 017019 0018
Seller: Yon Sun Williams
- 0 Cohn Street, in the amount of \$55,000
HCAD No 016 276 023 0019
Seller: Vitella Investments LLC

Ms. Haynes proceeded to inform the Board that these three properties are part of the New Home Development Program to purchase land at market valuations. Copies of the purchase and sale contracts and maps have been included in the meeting package for the Board to examine.

The land at 1109 James Street, consisting of 3 lots, is located in the Near Northside neighborhood of Houston which is an area the HLB has not yet developed any affordable housing. She stated that 8-12 units could be developed on this land depending on whether single family or townhouse structures are utilized. This larger development will have a greater impact on the near Northside Neighborhood rather than building single family houses on various separate lots.

The land on Kenton Street is located in the Stettegast neighborhood, and the land on Cohn Street is located in Acres Homes which are neighborhoods the HLB has constructed affordable houses on for many years.

Ms. Galloway asked if the current structures on 1109 James Street will be demolished. Ms. Haynes responded that HLB will be conferring with the City but most likely any old sheds would be removed when new construction begins. Further, Ms. Haynes stated that a full appraisal was not conducted on the 1109 James Street lots prior to purchase, but land comparisons were reviewed for market pricing. However, going forward, the HLB will be obtaining appraisals on a routine basis.

Director Lampley requested that an official appraisal be furnished for all acquisitions contemplated. He then asked if the City will be choosing the construction contractor to develop the affordable homes at 1109 James Street. Ms. Galloway stated that the builder should not be the seller. Ms. Haynes provided that any builder procurement for the lot, by the City, will be a competitive process.

Director Zeis made a motion to approve the ratification of the real estate acquisitions at 1109 James Street, 0 Kenton Street and 0 Cohn Street, which motion was amended by Director Galloway to include that the seller cannot apply to be the builder of the houses. Director Zeis stated that the construction contract would be openly procured pursuant to the City's procurement policy and that HLB would not be involved in the bidding process when the construction contract is procured openly for bids. The motion to amend was not accepted.

Pastor Hall seconded the original motion of Director Zeis which was then passed by the unanimous vote of the Board.

XIV. Auction Report from Leah Stolar, Linebarger Goggin Blair Sampson, LLC

Ms. Stolar addressed the Board and stated that her firm has assisted HLB and its predecessor LARA in acquiring 1,424 lots at the tax auction foreclosure sales. She then summarized the process of the tax sale program in Harris County. She stated the delinquent tax lots are auctioned on the first Tuesday of each month at the Bayou City Event Center on Knight Road. The available lots are listed on the tax collector website as well as her firm's website. If there is no bid for any lot it is struck off to the taxing authority.

Ms. Stolar stated she is willing to take the Board on a tour of the tax sale auctions on the first Tuesday of the month. Further, she noted that the strike-off rate at the auctions was 30-40% between 2010 to 2016. However, now the strike-off rate is only 5%.

Director Lampley requested that he would like to be included when reviewing the list of lots to be auctioned at the tax foreclosure sales. The next sale will be October 1, 2019.

XV. Public Comments

Nothing to report.

XVI. Board Member Comments

Nothing to report.

XVII. Adjournment

Acting Chairman Collins asked if there were any additional matters to be considered by the Board. Hearing none, the regular Board meeting adjourned at 2:37 p.m. upon the motion of Director Lampley duly seconded by Director Galloway and passed by the unanimous vote of the Board.

Minutes Prepared By:

Mark Glanowski (Paralegal) of Winstead PC and
Graciela Saenz of Law Offices of Graciela Saenz

Signed on the ___ day of _____, 2019.

Secretary