

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FINANCE COMMITTEE MEETING

10:24 a.m.
Wednesday,
May 30, 2001

Waller Creek Office Building
Room 437
507 Sabine
Austin, Texas

COMMITTEE MEMBERS:

C. KENT CONINE, Chairman
MICHAEL JONES
VIDAL GONZALEZ

STAFF PRESENT:

DAISY STINER, Executive Director

A G E N D A

<u>ITEM</u>	<u>PAGE :</u>
CALL TO ORDER, ROLL CALL CERTIFICATION OF QUORUM	3
Item 1 - Presentation, Discussion and Possible Approval of Minutes of Finance Committee Meeting April 26, 2001	3
Item 2 - Presentation, Discussion and Possible Approval of a Proposed Amendment to the Trust Indenture for the Summer Bend at Los Colinas Apartments (originally Texas Housing Agency Multifamily Housing Revenue Bonds, Series 1984) in Order to Remove Cross Default Provisions Between the Department's Indenture and Other Tarrant County Bond Indentures	4
Item 3 - Presentation, Discussion, and Possible Approval of and Application to the Texas Bond Review Board for Reservation of Private Activity Bond Authority	6
Item 4 - Presentation, Discussion and Possible Approval of Funding for Additional Down Payment Assistance For Program 55 and Program 55A and Other Related Matters	8
Item 5 - Presentation, Discussion, and Possible Approval of the Review of The Building Reconfiguration Project and Approval to Exceed the Capital Expenditure Budget for FY 2001	26
REPORT ITEMS	
ADJOURN	35

P R O C E E D I N G S

1
2 MR. CONINE: Call the Finance Committee Meeting
3 to order for the Texas Department of Housing and Community
4 Affairs. It's now 10:24 on May 30, 2001. Call roll
5 first. Kent Conine is here. Michael Jones?

6 MR. JONES: Here.

7 MR. CONINE: Vidal Gonzalez?

8 MR. GONZALEZ: Here.

9 MR. CONINE: All present and accounted for. Is
10 there any public comment before the Finance Committee? If
11 there is, we have witness affirmation forms up here. Any
12 public comment for the Finance Committee?

13 Good morning, Ms. Stiner.

14 MS. STINER: Good morning. How are you?

15 MR. CONINE: Good. Okay. Seeing none, I'll
16 close the public comment and move to Agenda Item Number 1,
17 Presentation, Discussion and Possible Approval of Minutes
18 of the Finance Committee of April 26, 2001.

19 MR. JONES: I move they be approved as
20 presented.

21 MR. CONINE: There is a motion to approve. Is
22 there a second?

23 MR. GONZALEZ: Second.

24 MR. CONINE: There is a second. All those in
25 favor say aye.

1 (A chorus of ayes.)

2 MR. CONINE: All opposed?

3 (No response.)

4 MR. CONINE: Pass it. Okay. Second -- the
5 Presentation, Discussion and Possible Approval of a
6 Proposed Amendment to the Trust Indenture for the Summer
7 Bend at Los Colinas Apartments. Ms. Stiner?

8 MS. STINER: Thank you, Mr. Chairman. Robert
9 Onion is here, who is Director of Multifamily Finance.
10 For those of you who are new to the board, those of us who
11 have historical -- a history -- and I don't think I was
12 here for the beginning. What is this? The fourth or
13 fifth time we've done this?

14 But Robert is going to make the presentation.
15 But these developments oftentimes have amendments. So
16 he's here to make that presentation to you. You have your
17 write-up in your book.

18 And Mr. Onion, if you would please make the
19 presentation on behalf of the staff.

20 MR. ONION: What I'd like to do is introduce an
21 amendment to the write-up. The request is to remove the
22 cross default provisions with Summers Bend Apartment
23 Complex in Los Colinas.

24 The amendments, as I've highlighted them, and
25 on the second page -- in the original write-up, I had

1 indicated that the provision of changing the set-aside
2 requirements from 20 percent at 80 percent of AMFI to 25
3 percent at 80 was in the third supplemental indenture. It
4 was actually within the second supplemental indenture.

5 The provision to include or add 10 percent of
6 the units set aside for people with special needs was in
7 the third indenture.

8 One of the later developments that we had, in
9 addition to the additional requirement of the 100,000
10 principal reduction as a condition of the removal of the
11 cross default -- we also put in a provision where the
12 qualified project period will be modified to include the
13 longer of 2003, or as long as the bonds are outstanding.

14 This original tax exempt bond transaction --
15 some of the old bond transaction's qualified project
16 period was limited to as little as ten years, even though
17 the bonds were 30-year bonds.

18 And so in this particular case, it went to '95.

19 It was later extended to 2003. But within the old bond
20 documents, it did not call for the longer of the qualified
21 project period, or as long as the bonds are outstanding.
22 So this was an additional item that was negotiated as part
23 of a condition of this approval.

24 If you all have any questions, I'll be happy to
25 field any questions you might have.

1 MR. CONINE: Okay. Any questions from any of
2 the committee members?

3 MR. JONES: Mr. Chairman, I move that we
4 approve and send to the board the recommendation.

5 MR. CONINE: There's a motion on the floor to
6 approve Item Number 2 on the agenda as presented. Is
7 there a second?

8 MR. GONZALEZ: Second.

9 MR. CONINE: Any other discussion? All of
10 those in favor say aye.

11 (A chorus of ayes.)

12 MR. CONINE: All opposed?

13 (No response.)

14 MR. CONINE: Passes just fine. Thank you, Mr.
15 Onion.

16 Item Number 3, Presentation and Discussion and
17 Possible Approval for an Application to the Texas Bond
18 Review Board for Reservation of Private Activity Bond
19 Authority. Ms. Stiner?

20 MS. STINER: Thank you, Mr. Chair. Mr. Byron
21 Johnson who is Director of our Bond Finance Division is
22 coming forward to make the presentation. Now, this is in
23 regard to our next single family bond issue, which is
24 Program 57. Mr. Johnson, please?

25 MR. JOHNSON: Mr. Chairman and members, Daisy.

1 As you know, we are structuring our next bond program,
2 and we use private activity cap. We have to submit an
3 application to the Bond Review Board to release that cap
4 so we can have authorization to issue the bonds.

5 And this is merely a resolution authorizing us
6 to submit that application to the Bond Review Board.

7 MR. CONINE: Okay. Any questions from any
8 committee members? I think -- well, go ahead. Let's get
9 a motion on the floor right quick.

10 MR. GONZALEZ: I will move that we approve it.

11 MR. CONINE: Okay. There's a --

12 MR. JONES: I second.

13 MR. CONINE: -- motion and a second. And
14 there's a resolution number we need to include in this.
15 Resolution 01-16, if the maker of the motion would so
16 agree.

17 MR. JOHNSON: Yes, sir.

18 MR. CONINE: Okay. Any other discussion on
19 Item 3? Seeing none, all those in favor say aye.

20 (A chorus of ayes.)

21 MR. CONINE: All opposed? Got it done for you.

22 Thank you very much.

23 MR. JOHNSON: Thank you.

24 MR. CONINE: Are you here -- going to stay
25 around for one more, maybe?

1 MR. JOHNSON: One more, maybe.

2 MR. CONINE: Item 4 is the Presentation,
3 Discussion and Possible Approval of Funding for Additional
4 Down Payment Assistance for Program 55 and Program 55A and
5 Other Related Matters. Ms. Stiner?

6 MS. STINER: Thank you. Since Mr. Johnson is
7 there, he will continue making the presentation. I just
8 may interject and you may be covering this, but I just
9 want to bring to this committee's attention, and we'll
10 bring it to the board's attention, too, that the former
11 source of funding for the department for down payment and
12 closing cost assistance has been our HOME Program.

13 But as all of you are aware, with the
14 directives that we have received during this legislative
15 session and this period of overview, our HOME Programs are
16 now targeted to very specific populations. So the
17 source -- a revenue source for our down payment closing
18 cost assistance, we're going to have to try to find other
19 fundings.

20 That has been really hard to come by. And I
21 want to commend the department staff, Bond Finance as well
22 as Housing Finance, our single-family director, Ms.
23 Morris, and of course others in the department have been
24 working very diligently to identify additional revenue
25 sources. So Mr. Johnson, please make a presentation to

1 this committee as to the success we've had with that.

2 MR. JOHNSON: Thank you, ma'am. As Ms. Stiner
3 said, we have been using what we can call our in-house
4 Down Payment Assistance Program. We refer to it as DPAP,
5 D-P-A-P.

6 That program was funded, I guess, initially
7 used in HOME funds. And then we started using what other
8 residual or surplus or uncommitted funds we could find to
9 fund that program.

10 As you are aware, the department has limited
11 financial resources, and those funds have dried up. So
12 the department has -- and staff has started to try to find
13 new ways of funding down payment assistance. And we'll --
14 you know, have started to try to use capital market
15 techniques and pursuing processes.

16 What we determined as a result of the sale we
17 did last year with the Ginnie Maes, we had an interest
18 payment come in after those securities were sold. And we
19 wanted to be sure that that payment was not going to be
20 claimed by anyone and that those funds did indeed belong
21 to the department.

22 We have confirmed that, and what we have done,
23 and what we intend to do is to set up a subaccount within
24 the mortgage fund account in the indenture, and fund down
25 payment assistance through that account.

1 What that would do, as we've highlighted here,
2 is provide, essentially, a grant to the borrowers. There
3 won't be a second lien. And we won't have two sets of
4 income limits.

5 When the program started out, the in-house
6 program with the HOME program, we had to use HOME income
7 limits and bond income limits. And you know, eventually
8 the lenders found that confusing.

9 And so working with Single Family, we've
10 determined that this method would help us, I guess, use
11 the resources more efficiently. The old program had, I
12 guess, contributions of 5,000, 7,500 and \$10,000. And
13 Single Family did an analysis and kind of concluded that
14 most of the down payment assistance loans or funds or
15 awards were in like, the \$5,000 category or less.

16 So what we're doing is restructuring our down
17 payment assistance offering to a certain percentage of the
18 mortgage amount. And based on a \$70,000 mortgage at 4 or
19 5 percent -- let's say 5 percent, that would be \$3,500
20 down that a potential -- \$3,500 that a potential borrower
21 receives for down payment and closing cost assistance.

22 We selected Program 55A -- and I think I heard
23 you read Program 55A and 55. But this is solely Program
24 55A right now.

25 MR. CONINE: Okay.

1 MR. JOHNSON: We selected Program 55A because
2 it has the highest rate of the funds we have available
3 right now, and that rate is 6.95. So staff feels that the
4 combination of the down payment assistance with a rate
5 that is pretty competitive -- it's pretty close to the
6 market rates, but when you throw in the down payment
7 assistance, it adds a certain element that is very
8 desirable to potential borrowers.

9 So we are proposing this change going forward.
10 Going forward, we probably will use premium bonds to fund
11 these down payment awards. And I welcome any questions
12 you may have.

13 MR. CONINE: You are suggesting that we go away
14 from our existing policy of down payment assistance in
15 three increments to a percentage of the mortgage amount?
16 Did you say what that was?

17 MR. JOHNSON: Right now, for this particular
18 program 55A, we agree upon targeting 5 percent.

19 MR. CONINE: Five percent. So -- and you also
20 suggested that we do it as a grant, as opposed to a second
21 lien at zero interest -- you know, paid upon due, or sale
22 or refinance?

23 MR. JOHNSON: Yes.

24 MR. CONINE: Was there some discussion among
25 staff and, I guess, why would be -- why would that be the

1 case? Because I've always enjoyed the concept of being
2 able to reuse that money time and time again for future
3 borrowers, and not just let it blow off into the wind out
4 there on a one-time shot.

5 MR. JOHNSON: Well, it's a one-time shot, but
6 at 5,000, 7,500 and \$10,000, we just simply cannot keep
7 sufficient funds to meet the demand at those levels. So
8 it's a question of resources, availability of resources,
9 and also we did determine that most of the awards were
10 5,000 or less.

11 In terms of having it repaid, we decided to go
12 away from the second lien because we felt this would help
13 us originate the funds faster through the lenders.

14 MR. CONINE: Do you want to comment on that,
15 Ms. Stiner?

16 MS. STINER: I didn't, but --

17 MR. CONINE: Well --

18 MS. STINER: I'm looking for Ms. Morris,
19 because I think they've done some [indiscernible]
20 evaluation --

21 MR. CONINE: Okay.

22 MS. STINER: -- of how the program has worked.
23 And although I know she and Mr. Johnson have talked about
24 this, she may be able to lend some idea of what's
25 happening with the lenders in terms of administration, not

1 available to borrowers themselves, and how we get those
2 loans that we currently have out there, those second
3 loans. They are really revolving back to the agency to be
4 handled at this point. Ms. Morris?

5 MS. MORRIS: Certainly. We did do an analysis
6 of just the history of the down payment program so that we
7 can make adequate decisions and judgment calls. In most
8 of these decisions, you kind of have to weigh out what are
9 you benefitting from.

10 Certainly, when we get repayments back on these
11 30-year deferred down payment loans, it does recycle. But
12 from history, in the program, we don't get repayment of
13 those for quite some time. And we do have to book the
14 loan for 30 years and watch it. Somebody sells their
15 home, we've got to find that and release it.

16 Some people come to us with hardships. Either
17 they are selling it for a loss. We've got to look at it
18 and see if it's something we can allow to remain
19 subordinate. Or if they refinance their home, they come
20 to us and approach us on that. And we make judgment calls
21 on those case by case.

22 But when you look at the history of some down
23 payment programs -- and I believe we've provided a report
24 for the audit committee from last month's request, we have
25 six million in unpaid balance for down payment. We've

1 only had about 200,000 repaid.

2 So that's a long-term debt, and cost of funds
3 obviously don't get any better from here to 30 years as
4 far as the money you've lent out. The lenders have to do
5 a separate package for the loan documentation. You've got
6 separate recording, you know, separate processes from the
7 first lien.

8 I think Byron's looking to eventually, if we
9 build it into the bond program, you know, you're
10 ultimately going to have a higher interest rate to help
11 that subsidy. And that is the cost that the home buyer
12 takes on, is maybe to not get the lowest rate, because
13 they've got the grant subsidy. So there's the offset.

14 And if lenders can originate these loans
15 quicker and more timely, it certainly benefits the home
16 buyer in the long run. In a grant program, it's what we
17 had done for 55. And it worked very well. And it seems
18 to be a good initiative for our lenders to go out and
19 focus on the affordable families and try to get those
20 funds originated.

21 But as Byron said, it's continuing source
22 problem finding subsidy for that second lien. And if we
23 can structure it into the bonds going forward, I think
24 that would be a better recommendation.

25 With regard to the history on the loans, we had

1 done an analysis from '90 -- June 1, '99, when we took the
2 program back in from Texas State Affordable Housing
3 Corporation, and 68 percent of the loans that have
4 originated in that program were 5,000 and below.

5 So the majority of the households have only
6 needed up to 5,000. And we've always encouraged our
7 lenders only qualify them for what they need up to. Don't
8 go the full limit if they don't need it to qualify for
9 their primary mortgage.

10 And a few lenders have been diligent doing
11 that, knowing that those dollars obviously stretch a lot
12 further if they could be prudent in that decision.

13 MR. CONINE: I guess the number I'd focus on
14 that -- of the numbers you just mentioned would be the \$6
15 million number, because -- and if they're averaging less
16 than \$5,000 per person or per family, we've got a
17 chance -- we won't -- we may not ultimately succeed.

18 But today, we have a chance in helping another
19 thousand or more Texas families acquire housing than we
20 would have had under the old grant program -- or under a
21 grant program.

22 And I, for one, think that it's worthy of the
23 effort that it takes on the lender's side and the
24 administrative side on our side to try to keep that money
25 in the system.

1 And probably, secondly, I think most of the
2 money has been coming from the HOME Program, which was, I
3 think, initiated in 1992. And those houses hadn't had
4 time to sell or refinance.

5 So it's kind of an unfair comparison, at least
6 in my mind, to say we only got 200,000 back out of 6
7 million. We've still got that chance, even though we may
8 not get it.

9 MS. MORRIS: Certainly.

10 MR. CONINE: Here again, we've got a chance if
11 we go through a little more hard work and effort. And I
12 just seem to think that's an admirable quality for us as
13 an agency to take on.

14 And I would like to see the -- I guess, unless
15 there is another reason that I haven't heard yet, I would
16 like to see the program that we're endeavoring to start --
17 initiate here keep the same philosophy that we've got in
18 our HOME Program.

19 Any other comments from --

20 MR. GONZALEZ: I tend to agree.

21 MR. CONINE: -- any other committee members?

22 MR. GONZALEZ: I think that --

23 MR. CONINE: What hardship does that place on
24 if we make that change? Is there any unforeseen hardships
25 that I'm not paying attention to?

1 The other thing that -- the other --

2 MS. MORRIS: With regard to the money that --

3 MR. CONINE: The other thing I'd mention is the
4 5-, 7,500 and 10-. I believe that was set up as a policy
5 for the department. And here we are circumventing that
6 particular policy. And I think my recollection recalls
7 that that was set up for a population of various counties.

8 MS. MORRIS: Uh-huh. It was.

9 MR. CONINE: Our purpose is so that we can get
10 more money into the rural Texas. And if we were to go to
11 just a percentage of the mortgage amount, theoretically,
12 we'd be accused of skewing more down payment assistance
13 back into the cities, and I'm not sure that's a road we
14 want to go down today.

15 So kind of -- there's two issues to kind of
16 focus on.

17 MR. JONES: I noticed that Mr. Machak was at
18 the podium for a moment there. And I always loved to hear
19 Mr. Machak address us.

20 I didn't mean to interrupt anything. But maybe
21 it was --

22 MR. JOHNSON: With regard to building -- or
23 getting a -- creating a revolving program, I've spoken
24 with Gary, and he's going to come up and say -- but we
25 might be able to build that into this program also. But

1 we have to talk to the bond counsel and see what the tax
2 implications are.

3 MR. CONINE: Okay.

4 MR. JONES: And she happens to be here. Yes,
5 I'd just be interested in if you think Mr. Conine has a
6 good idea.

7 MS. STINER: That's Elizabeth, too, so --

8 MR. JONES: Yes.

9 MR. CONINE: We've got them all coming over
10 here.

11 MR. JOHNSON: Yes, we've got them coming out of
12 the woodwork.

13 MR. JONES: Yes, we have the whole crew.

14 MR. MACHAK: Good thing we're all here at one
15 time. I think that the proposal that's made by Mr. Conine
16 and the Finance Committee is one that should be looked at.
17 You know, on the other hand, there are hardships in doing
18 that.

19 I think it would be very easy to do that
20 with -- I mean, I think it's possible to do it with this
21 money that's committed to 55A because it's the source of
22 the funds.

23 In terms of doing it on a future bond program
24 where those proceeds are raised from premiums that are
25 associated with the bonds, there may be some legal

1 question on whether that has to be a grant, or whether it
2 can be repaid. And I defer to Elizabeth --

3 MS. RIPPY: Well, ultimately, the question
4 turns on whether under state law you can finance more than
5 100 percent of the purchase price and still have that
6 purchase money security interest that's supporting your
7 mortgage.

8 So we'll have to look at this. We'll have to
9 look at the source of the funds. We will have to look at
10 the total amount being financed for the homeowner, whether
11 it exceeds the purchase price of their home.

12 It may be that we can do part of it as a loan
13 that needs to be repaid up to the 100 percent number, but
14 that the amount in excess of the purchase price of the
15 home is going to have to be structured as a grant, because
16 basically, your lien won't be affected.

17 MR. CONINE: You -- in excess of 100 percent?
18 You're talking about closing costs and other things that
19 are added onto the --

20 MS. RIPPY: I'm talking about costs. Exactly.

21 MR. CONINE: Okay.

22 MS. RIPPY: Right.

23 MR. JONES: I could understand how your lien
24 won't be affected, but --

25 MS. RIPPY: You could always have the -- just a

1 covenant that they would --

2 MR. JONES: Yes.

3 MS. RIPPY: -- repay.

4 MR. JONES: Okay.

5 MS. RIPPY: I just want you to be clear that
6 you may not have a real second lien on that portion of it.

7 MR. JONES: I understand. And to that
8 extent --

9 MS. RIPPY: And they'll have to take a look at
10 it.

11 MR. GONZALEZ: Of the 200,000, how many
12 payments were made because of sales of homes? Do you have
13 an idea?

14 MS. MORRIS: I would say all of them would have
15 been for that purpose. Very few people have refinanced
16 and paid off. Usually, if it's a rate term, and they're
17 in their same situation, we allow it to stay subordinate.

18 But that would have been in full -- just pay off the
19 mortgage.

20 MR. JONES: If I understand what's being said
21 with regard to this proposal, with regard to 55A, and
22 you -- then Gary and Elizabeth and our whole crew here are
23 saying that it can be done in that Mr. Conine's
24 recommendation doesn't throw any monkey wrenches into the
25 gears.

1 MS. MORRIS: Correct. Because I believe
2 this -- these funds could be handled internally and we
3 would just continue the down payment program. Keep in
4 mind, though, when I've come back to the last couple of
5 board meetings for the million-dollar request, and then a
6 second million-dollar request, we went through those funds
7 in a matter of weeks.

8 And if we continue the 5,000, 75- and 10-
9 level, that money would probably only be available to the
10 lenders for literally, within a month, because that's how
11 quickly they will originate those, because the dollars go
12 faster.

13 MR. CONINE: That's good.

14 MS. STINER: It may be a good thing.

15 MR. CONINE: I don't like it sitting around
16 here either. Yes, ma'am?

17 MS. STINER: One of the things that we had
18 talked about when we were making this proposal is that I
19 guess we do what the legislature did this session. We
20 could certainly continue our program. We just don't have
21 the funds to put into it right now.

22 But we thought the 5-, 7- and 10-, in those few
23 instances where there were families that needed to get the
24 ten, it works well. But as Ms. Morris has indicated, the
25 profile of our typical borrower is about \$5,000.

1 But we kind of like the idea of having it
2 available to us. We just don't have a revenue source.
3 And if we're going to raise those -- if we're going to use
4 our future issues to do that, then we will be precluded,
5 as you've heard this morning, from doing that.

6 But to leave this program intact, our original
7 program, and keep looking to find us a revenue source we
8 could put in it, I just don't know right now where that
9 will come from.

10 MR. JOHNSON: And we are working to try to find
11 a continuous funding stream for that program. We're not
12 going to dismantle it or anything like that. But we have
13 mortgage -- lendable funds sitting out there. And we
14 don't have down payment assistance. We're just trying to
15 pump up the program, if you want to call it that.

16 MR. CONINE: Let me ask an unrelated question.
17 And that would be, what has been happening to these funds
18 and other bond issues we've done historically? Have
19 they -- where has that money gone? And has it been
20 sitting around and been gathered up with some retries, or
21 what?

22 MR. JOHNSON: Well, I'm not certain. But we've
23 done some refundings. Those refundings have produced zero
24 percent monies. Some of those zero percent funds could be
25 used for the second program that we have.

1 But the remainder of those funds are highly
2 restricted by the Tax Code, and must be used for first-
3 time home buyers. Must be -- the loan must be securitized
4 or FHA-insured. And there is just other restrictions
5 that -- and there is a specific restriction that it can't
6 be used for a second-lien loan.

7 So if we were to use those funds, it would take
8 probably a lot of legal work. We'd probably come out with
9 the same answer. On the terms of the CMO funds, that pool
10 is gone.

11 MS. STINER: I'm just going to add that we've
12 pretty much scrubbed every revenue source we have. The
13 staff went along with ICFO -- we've looked at every
14 revenue source, as Mr. Johnson indicated.

15 I assume the more collateral has mortgage
16 obligations, but we've pulled every cent we can out of
17 that right now. It's just going to be -- and given the
18 restrictions we do have now, the HOME Program as being a
19 source of that, we just don't have any funds available to
20 us right now.

21 We've got the restrictions that you've talked
22 about in terms of being the first mortgages that's
23 available to continue the fund our [indiscernible]
24 program.

25 MR. JONES: Mr. Chairman, I would move that we

1 approve and submit to the board for approval the funding
2 for additional down payment assistance for Program 55A
3 suggested by staff, with the revision that you made.

4 MR. CONINE: Which would be using our existing
5 down payment assistance policy, like on the HOME Fund and
6 so forth? Is that appropriate?

7 MR. JOHNSON: Is that just for revolving the
8 loans? That -- and also for repayment of the principle if
9 the house is sold or something like that?

10 MS. STINER: I think he's talking tiered as
11 well?

12 MR. CONINE: Tiered as well. Tiered.

13 MS. MORRIS: Tiered as well as the second lien.

14 MR. CONINE: Yes, I think -- I'm not sure of
15 the -- sure of any measurable purpose to deviate from our
16 existing policy that we set for our program that we get
17 year after year after year.

18 MR. JOHNSON: Given that, we could just deposit
19 the funds in the program as it exists, and just not go
20 through this in terms of setting up in the indenture.

21 MR. CONINE: Well, wasn't there -- there was
22 one advantage. I've heard income on it mentioned a minute
23 ago, on some of the HOME Funds. And maybe there is some
24 play in that area.

25 Is there an advantage, Ms. Stiner, in using it

1 as a separate fund?

2 MS. STINER: I'm going to defer to Ms. Morris.
3 Off the top of my head, I can't think of any.

4 MS. MORRIS: No, that was just an added caveat,
5 so to speak, to make it a little simpler for the lenders,
6 because if they were looking at one loan, you know, they'd
7 need to look at one limit.

8 But if we're going to just keep it consistent,
9 we could just stay with the 80 percent of HUD limits,
10 which is what we use instead of bond limits, so not to
11 confuse them. Because as these funds run out, you know,
12 they may have a whole different option to look at going
13 forward.

14 So probably it wouldn't make sense to change it
15 right now, just keep it 80 percent. That's what they're
16 used to. And they're just waiting for a signal that
17 they've got more money, you know, to start originating on.

18 MR. CONINE: But weren't you also trying to
19 match this down payment assistance money up with 55A
20 specifically?

21 MS. MORRIS: Yes, if it was a single loan
22 transaction. But if we're going to do it as a first and
23 second, there is not necessarily an advantage other than
24 the lenders will be doing what they have normally been
25 doing, which is looking at two sides of --

1 (Laughter.)

2 MS. MORRIS: They want the money so bad, they
3 don't care at this point.

4 MR. JONES: Well, I suggest we meet it. I'll
5 withdraw my motion. And why don't we just let the full
6 board consider this.

7 MR. CONINE: Okay. Any --

8 MR. GONZALEZ: That's a good idea.

9 MR. CONINE: All right. You're going to make
10 me give that speech again, are you?

11 MR. JONES: I'd --

12 MR. CONINE: Okay. We'll move this item to the
13 full board agenda and have another discussion at that
14 point. Okay.

15 All right. Moving onto Item 5, Presentation,
16 Discussion and Possible Approval of the Review of the
17 Building Reconfiguration Project. Ms. Stiner?

18 MS. STINER: Thank you, Mr. Chair. I think I
19 will just in my introductory remarks say that you're in a
20 pickle in terms of spacing for this building and the
21 requirements of General Service that's relative to the new
22 space requirement for employee --

23 We visited with you all a little bit about this
24 when you were presenting the budget. But there are some
25 real definite time lines that we are concerned with.

1 I'm going to ask John Gonzalez -- Mr. John
2 Gonzalez, who is the Director of Administrations that
3 includes facilities, to come forward and make a
4 presentation for authority to exceed our capital budget to
5 get this reconfiguration done.

6 MR. GONZALEZ: Good morning, Mr. Chair.

7 MR. CONINE: Good morning.

8 MR. GONZALEZ: Members of the board, Ms.
9 Stiner.

10 MS. STINER: Good morning.

11 MR. GONZALEZ: As Ms. Stiner said, I'm John
12 Gonzalez, Director of Administration. I do have some
13 background for you. We made a presentation at the board
14 last August to approve the budget that we have
15 [indiscernible] in the capital budget for that time for
16 funds to reconfigure the building.

17 Because of legislation, and not knowing where
18 we really were going to wind up, we are going to request
19 that we receive a waiver from the LBB for expenditure of
20 the full amount that we budgeted, even though more than
21 likely, we will not spend that whole money.

22 We will come back later and ask you for
23 approval for some new configuration for next year, because
24 that's when we believe that we will need a majority of
25 funds to continue our reconfigurations. Things have

1 changed considerably over the last few months.

2 I do have a background presentation for you
3 that you -- that I'd like to pass out for you for you to
4 look at. And we are requesting today is your approval to
5 send to the LBB, Mr. John Keel, and to Mr. Wayne Roberts
6 of the Governor's Office, a request to exceed the capital
7 budget by no more than the money we had budgeted in the
8 budget for this fiscal year, which is \$275,000.

9 We need to get this approval from the LBB as
10 soon as possible, because we need to start building and
11 letting out contracts by June so we can finish by August
12 31. We do have to vacate the third floor by the end of
13 the fiscal year, which is August 31.

14 Any questions?

15 MS. STINER: You have been a little constrained
16 by what is going on relative to sunset. We didn't know
17 exactly how we're going to end up, and now that we have a
18 bill that of course is subject to -- where it gets a 20
19 days, it seems the government is going to do that.

20 We do have a sunset bill that makes some pretty
21 sweeping recommendations in terms of staffing. But those
22 recommendations also recognize the fact that the staff of
23 the two divisions that will no longer be a part of the
24 department will still enter into an agreement with the
25 department to lease space.

1 So we have so many iterations of how this could
2 finally end up, we thought the most prudent thing at this
3 time would ask -- be to seek authority to seek a capital
4 budget only by this amount that would enable us to vacate
5 the third floor by 8/31.

6 MR. GONZALEZ: That is correct.

7 MS. STINER: But we sorely would need to
8 revisit the board again once we are a bit more firm and
9 after we go into those negotiations with the new
10 department, ORCA, Office of Rural Community Affairs and
11 the Manufactured Housing Division that would still be
12 leasing space from the department on the tenth floor.

13 So we'll be visiting with you again, but
14 today's request is reflective of I need to be out of that
15 space because of the 153-square-foot requirement --

16 MR. GONZALEZ: That is correct.

17 MS. STINER: -- per employee by 8/30.

18 MR. GONZALEZ: This waiver will give us the
19 flexibility if -- again, not knowing what the final
20 legislation is going to be out of a sunset bill, we have
21 to prime for the --

22 MR. JONES: We don't know that? I mean --

23 MR. GONZALEZ: We have an idea, but until the
24 governor signs the bill --

25 MR. JONES: Okay. But I mean --

1 MR. CONINE: We have a pretty good idea now,
2 don't we, Ms. Stiner?

3 MR. GONZALEZ: We have a pretty good idea, yes.

4 MR. CONINE: I mean, I don't know the --

5 MS. STINER: Yes. But we don't have an idea of
6 it's whether or not the employees will be physically
7 leaving this -- the building or not.

8 MR. GONZALEZ: The building or not.

9 MS. STINER: The sunset bill required that we
10 enter into negotiations -- well, get into an agreement
11 with the receiving agency. And since that agency has not
12 been formed yet, I think the bill -- and someone can help
13 me who is having -- has until at least November of this
14 year before that body will be formed.

15 That's when we will start up negotiating with
16 them. But we feel that the staff will be here until then.

17 But we don't know what the future holds in terms of
18 whether the staff will remain here, or be able -- or will
19 have to leave the building and go to new space.

20 MR. JONES: Well, yes. And I understand that
21 what's driving this obviously is that we're not going to
22 have as many employees as we did in the past, and
23 therefore, are not entitled to as much square footage
24 under state law.

25 A couple of questions. The first question

1 would be, how much are we going to save in rent by
2 reducing our space?

3 MR. GONZALEZ: If we lose a whole floor, that's
4 about \$9,500 in -- no, 9,500 square feet that we're going
5 to be losing. And I forget, how much is that?

6 MS. RANDOW: 116,000.

7 MR. JONES: A year?

8 MR. GONZALEZ: Per year.

9 MR. JONES: So we lease or rent.

10 MR. GONZALEZ: Uh-huh.

11 MR. JONES: Secondly, the only concern I have
12 about this is the recommendation, and I understand what's
13 driving this, if we want to be -- have the flexibility --

14 MR. GONZALEZ: Correct.

15 MR. JONES: -- particularly in the next three
16 months, to be able to adjust to what comes out of these
17 negotiations and what comes out of our interpretation and
18 implementation of the legislation that has just been
19 passed.

20 Having said that, it does concern me that the
21 recommendations are so kind of broad, and without detailed
22 foundation. But maybe -- I guess what I'm hearing from
23 staff is that's just impossible.

24 MS. STINER: Well, the only caveat I would make
25 to this is that the recommendations before you is based on

1 very specific requirements, that we have to vacate the
2 third floor of this building by 8/31. And these funds
3 will allow us to do that.

4 Beyond that, we don't have any more specific
5 recommendations at this time, as relative to how it will
6 be configured once those agreements have been reached with
7 the receiving agency and with the new board of the
8 Manufactured Housing Division.

9 But this action is very specific, our need to
10 vacate the space --

11 MR. GONZALEZ: The third floor.

12 MS. STINER: -- on three -- by 8/31.

13 MR. GONZALEZ: Yes, and if you'll look at the
14 material that I gave you, it points out several different
15 scenarios that we were looking at.

16 Depending on how the legislation came out, and
17 depending on the memos of understanding between TDHCA and
18 ORCA and Manufactured Housing, there -- the prices there
19 reflected what we saw back the first of the year on
20 construction costs.

21 Construction costs had gone up considerably in
22 Austin at that time. Now, the construction costs have
23 gone down a little bit more. So those figures were based
24 on that.

25 Not knowing how construction costs are going to

1 be by the time we really start, we need to go ahead and
2 plan for the full amount that we had approved for in the
3 budget in August of last year, which is that 275,000.

4 But we do need to be off of the third floor by
5 the end of the fiscal year, August 31.

6 MR. JONES: And I certainly understand that.
7 The cost estimates, the detail or backup for them -- you
8 know, what the board's seeing is basically nothing in that
9 regard, I don't think.

10 MR. CONINE: Well, this is just the -- my
11 understanding, Mike, is what he's doing is ignoring
12 sunset.

13 MR. JONES: I understand.

14 MR. CONINE: And this is what we've got to do
15 based on what happened. And then we'll have a little time
16 to put together the two new groups, or the two subgroups,
17 or whatever you want to call them.

18 The interesting analysis would be to use the
19 153 Rule on the two new ones, and see if we get stuck with
20 more pro rata space. And you can kind of work through
21 that. And that's going to take some time to figure all
22 that out. And somebody on the other side to talk to you
23 is currently not there. So --

24 MR. GONZALEZ: Right. It's been a very
25 interesting --

1 MR. CONINE: It's going to be a challenge.

2 MR. GONZALEZ: -- challenge to put this thing
3 together and try to come to the board and try to give you
4 some information, because there's been that, that nebulous
5 for our --

6 We've tried to put together the best scenarios
7 that we could so you could see kind of an overall view of
8 what we were trying to plan.

9 Any other questions?

10 MR. CONINE: Any other questions from the
11 committee? Do I hear a motion to approve?

12 MR. GONZALEZ: So moved.

13 MR. CONINE: Motion to approve Item 5 on the
14 agenda and make a request for the LBB for the additional
15 funds to get off of the third floor? Is there a second?

16 MR. JONES: Reluctantly. But I -- you know, I
17 think that --

18 MR. CONINE: Reluctantly.

19 MR. JONES: Yes. I think that we're doing the
20 best we can under the situation. To make a request like
21 this -- we're --

22 MR. GONZALEZ: What are the alternatives?

23 MR. JONES: And I don't think there is one. So
24 I second it.

25 MR. CONINE: Motion has been made the same --

1 MR. GONZALEZ: Did you remove the "reluctant"?

2 MR. JONES: No, it's still there. For the
3 record.

4 MR. GONZALEZ: We've been in discussions with
5 the LBB analyst. And he understands our situation also.

6 MR. CONINE: Okay. Good. Any further
7 discussion? All those in favor of the motion say aye.

8 (A chorus of ayes.)

9 MR. CONINE: All opposed?

10 (No response.)

11 MR. CONINE: So it carries.

12 MR. GONZALEZ: Thank you.

13 MR. CONINE: Going back to Agenda Item Number
14 2, we -- that needed a resolution number to go with that
15 motion that we approved. That resolution is 01-15. And
16 if we could make a motion on the approval of Item 2, add
17 that to his approved motion, I think we should get that
18 done. Are you okay with that?

19 MR. JONES: I love it.

20 MR. CONINE: We will add Resolution 01-15 to
21 the approval of Item 2. Any other items or report items,
22 Ms. Stiner?

23 MS. STINER: No, sir. Not for this committee.

24 MR. CONINE: Okay. As a rookie chairman, I've
25 enjoyed the first go-round. We stand adjourned.

1 (Whereupon, at 11:00 a.m., the Finance
2 Committee hearing was concluded.)

C E R T I F I C A T E

1
2
3 MEETING OF: TDHCA Finance Committee

4 LOCATION: Austin, Texas

5 DATE: May 30, 2001

6 I do hereby certify that the foregoing pages,
7 numbers 1 through 37, inclusive, are the true, accurate,
8 and complete transcript prepared from the verbal recording
9 made by electronic recording by Penny Bynum before the
10 Texas Department of Housing and Community Affairs.

06/05/01

(Transcriber) (Date)

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