TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

Thursday, January 31, 2008
Capital Extension Auditorium
State Capitol
1100 Congress Avenue
Austin, Texas

MEMBERS PRESENT:

C. KENT CONINE, Chair
LESLIE BINGHAM-ESCARENA
TOM CARDENAS
JUAN S. MUNOZ
SONNY FLORES
GLORIA RAY

STAFF:

MICHAEL GERBER, Executive Director

I N D E X

P R O C E E D I N G S

MR. CONINE: I call the meeting to order. Welcome everybody. Sorry for the cramped space, but we didn't know we would be so popular this morning. So we are glad to have everybody here to the January meeting of the Texas Department for Housing and Community Affairs. Let me see if I can call roll here right quick. Leslie Bingham?

MS. BINGHAM-ESCARENO: Here.

MR. CONINE: Tom Cardenas.

MR. CARDENA: Here.

MR. CONINE: Kent Conine, Chair is here. Juan Munoz.

MR. MUNOZ: Here.

MR. CONINE: Gloria Ray.

MS. RAY: Here.

MR. CONINE: Sonny Flores.

MR. FLORES: Here.

MR. CONINE: We have got a full house.

MR. HAMBY: Actually, Mr. Conine, I have to do something here. I apologize.

MR. CONINE: Doesn't surprise me.

MR. HAMBY: These three Board members who are new are not yet Board members, so they are not here until they are sworn in. So you swear them in first.

MR. CONINE: I screwed up right off the bat.

(General laughter.)

MR. CONINE: We'll just reverse that and replay it here in a few minutes. I want to turn it over to Mr. Gerber to make some introductions and see if we can make some official Board members up here.

MR. GERBER: Good morning, Mr. Chairman, and good morning current Board member and Board members to be. To everything there is a season, and at TDHCA, this is a season of change. We are excited about the many new Board members and our new Chairman, and we look forward to working with all of you in the years to come.

I am proud to introduce, first of all, Dr. Juan Munoz, who was appointed by the Governor on December 12, to our Board. He is an Associate Professor at Texas Tech University for Education. He also serves as Special Assistant to the President of Texas Tech for Diversity and Equity Issues.

He is a Board member of the Lubbock Boys and Girls Club and the South Plain Boy Scouts. He has also served as Commissioner of the Lubbock Housing Authority and just brings a wealth of experience. And we are very pleased to welcome you to our Board.

(Applause.)

MR. GERBER: We are also very honored that the Governor has appointed Tom Cardenas of El Paso, who is President and CEO of ECM International. He is the founding Board member of the El Paso Tenants Development Foundation and a Board member of Cathedral High School.

He is also a past member of JP Morgan Chase Bank of Texas El Paso and the El Paso Museum of Art. And also just brings a wealth of experience, both professionally and through his civic activities to our Board. So we welcome you, Mr. Cardenas.

(Applause.)

MR. GERBER: And lastly, Leslie Bingham-Escareno is from Brownsville. And she is the CEO of Valley Baptist Medical Center there in Brownsville. She is a Board member and Treasurer of Easter Seals of the Rio Grande Valley and a Board member of the Children's Museum of Brownsville.

She is also past chair of the Valley AIDS Council and the San Benito Chamber of Commerce. She just brings a tremendous amount of experience in health care policy and support services. And we very much are appreciative to bring those experiences to our Board and very much welcome you.

MS. BINGHAM-ESCARENO: Thank you.

(Applause.)

MR. GERBER: To get us started, Mr. Chairman and Board members, I would like to -- we are so pleased and honored this morning, that the Chief Justice of the Texas Supreme Court is with us today, to administer an oath of office to you, Mr. Chairman and to our Board members. Governor Perry appointed Chief Justice Wallace Jefferson to be an Associate Justice of the Supreme Court in March of 2001, after many years in private practice and of distinguished civic accomplishment in San Antonio, and throughout the state.

The Chief Justice is a lifelong resident of San Antonio. He is a graduate of the Michigan State University, and of the University of Texas School of Law.

The Chief Justice has graciously agreed to administer the oath of office, first to Mr. Conine, our new Board Chair, and then he will administer the oath of office to our new Board members, as well as to our current Board members who may wish to, so to speak, renew their vows. We will see how many stand up.

And of course, sir, we welcome any comments you might make or wish to make, before or after you administer the oath. Please join me in welcoming the 26th Chief Justice of the State of Texas.

(Applause.)

CHIEF JUSTICE JEFFERSON: Mr. Chairman, and members of the Board, and to all the distinguished guests and family members, and also public servants. It is really an honor for me to be here.

I just wanted to say a few words about public service before I swear in these new servants to the State of Texas. As I was reading through the mission statement, it reminded me that there are a lot of things that we do in common; the courts and agencies throughout the State of Texas.

For example, we currently have several projects going on, that are related in some fashion to what this Board does. We just established a task force on emergency preparedness. And what that is designed to do, is when the next Hurricane Katrina and Rita hit the shores, or there is a pandemic, or there is a terrorist event, we want to make sure that the judiciary remains in operation.

And that takes not just the judges coming to the courthouse, if there is a courthouse to be had, but all of the people that are involved in the criminal and civil justice system. Where are they going to live? How do they get to the courthouse? Do we move operations somewhere else? Are there federal funds that are available to help with this effort?

And I was reading your mission statement. You are doing the same thing throughout the State of Texas, and I congratulate you on that. We also have, we just established a permanent Commission on children, youth and families. This Commission, the first ever in Texas, is designed to help kids get through the foster care system, and move to permanency as quickly as possible.

And one way we do that is to manage the federal funds that come through. And that is a byzantine process, getting through the regulations. But if we do it successfully, then kids that maybe languish in the judicial system will find a permanent home.

And then finally, what we do is, we have got a Commission called Access to Justice, where we are trying to help those who cannot afford legal services get lawyers to help them. And I was so proud in San Antonio to be able to establish a full time employee whose job was, to give lawyers to these people who need help. And in Texas, we now have millions of dollars that are coming in, both through the pro bono effort of lawyers, and through several projects that we have through lawyers trust accounts.

Now, I am saying all of this just to say this: the importance of public service. And none of this would happen if we didn't have people who give up their time and their energy, not for themselves, and not for payment, but to give back to their fellow human being. And if we didn't have that in this country, I don't know where we would be.

And so I am proud of the service each of these members and of the Advisory Council of this important Board. And it would be my great honor right now, if the Chairman would come, and I will swear him in. And then we can swear out the other Board members.

(Whereupon, the oath was administered.)

CHIEF JUSTICE JEFFERSON: Congratulations.

(Applause.)

CHIEF JUSTICE JEFFERSON: And for the other Board members.

(Whereupon, the oath was administered.)

CHIEF JUSTICE JEFFERSON: Congratulations to each of you.

(Applause.)

MR. GERBER: Thank you so much, Mr. Chief Justice. And to your able assistant for helping with coordinating this event. We are really very honored to have you here, today.

MR. CONINE: Thank you very much. Now can I call roll, Counsel?

MR. HAMBY: Yes.

MR. CONINE: Leslie Bingham?

MS. BINGHAM-ESCARENO: Here.

MR. CONINE: Tom Cardenas.

MR. CARDENAS: Here.

MR. CONINE: Juan Munoz.

MR. MUNOZ: Here.

MR. CONINE: Gloria Ray.

MS. RAY: Here.

MR. CONINE: Sonny Flores.

MR. FLORES: Here.

MR. CONINE: We are all here. Okay. Officially, we are in business. I would like to just take a moment. We, in addition to recognizing some new Board members, here today, it is also our sad duty to recognize some that are leaving the Board, who have exemplified tremendous service to the State over their terms.

The last meeting, we had a chance to recognize Shad Bogany, but I would be remiss if I didn't say again, that we all are going to miss Shad, his service to the

State. He happens to be standing in the back of the room. Let's give him a nice round of applause.

(Applause.)

MR. CONINE: Next, we want to at least recognize verbally, Mayor Norberto Salinas. The Mayor's wife, I think, had health problems and he couldn't be with us here today. The Mayor has served, again, outstanding over the past six years or so. And I want to make sure that we recognize him with a round of applause for his service.

(Applause.)

MR. CONINE: Okay. Go ahead.

MR. GERBER: Mr. Chairman, we received a letter from the Mayor, who will be here at the March meeting to greet you all personally. But he sent a letter and asked that it be read.

It says, Dear Kent: I wish to express my most sincere appreciation for having had the opportunity to have served on the TDHCA Board. I want to thank you personally for your friendship to all of the Board members. We had a wonderful working relationship, and I have made many friends along the way.

I am sorry I am not able to be with you today, due to my wife's illness. I assure you that I will attend one of the upcoming Board meetings to personally shake your hands and express my appreciation to one and all.

Sonny Flores, thanks for being a great friend. And I still think you should come to Los Urbanos to meet your family. Gloria Ray, I will miss you. And the only positive outcome for me not being on the Board is that my wife will no longer go to Austin and spend money once a month.

Beth Anderson, I will miss you, but I know that I will be seeing you during political campaigns. You are my friend in politics. Edwina Carrington, our past Executive Director, I will miss you, and I thank you for doing such a wonderful job.

I had a great experience on the Board. I give special thanks Governor Rick Perry for appointing me, and giving me the opportunity to serve.

I want to take this opportunity to thank the TDHCA staff, Mike Gerber, Executive Director, Brooke Boston, Deputy Executive Director, and the entire staff. Thank you for your dedication and hard work.

Congratulations to new Board members Leslie Bingham-Escareno, Tom Cardenas and Dr. Juan Sanchez Munoz. I wish you well.

I have enjoyed working with everyone in the industry. Some are happy, and some developers are not. I wish everybody well in the future. I have been asked by Governor Perry to serve on the Funeral Commission, and I have accepted that appointment, and I look forward to the challenge. Your friend, Mayor Beto Salinas.

(Applause.)

MR. CONINE: For our final recognition of an outgoing Board member, I will turn it over to Mike.

MR. GERBER: Hey everyone, this is a joyful day, but also a day where we are very much going to miss Beth Anderson. Where is Beth?

MR. CONINE: She is hiding over there.

MR. GERBER: Beth, you have truly left an indelible mark on TDHCA and on affordable housing in Texas. And there are just not enough words to thank you for the literally countless thousands of hours that you have put in, in service to our Department. We are a much better Department, because of your guidance and leadership.

And on behalf of all of the staff, we are so grateful for your commitment to affordable housing, and your commitment to us, to making us better than I think we have ever been. TDHCA in the last six years has been an agency on the rise. And the agency that has more transparency in its rulemaking and more efficiency in its program operations. And that is the direct result of your efforts, and the regaining of trust that we have seen over the last six years by the Texas Legislature as a direct result of your efforts as well.

And there is no doubt in my mind that it is just owed to your commitment to excellence and the energy that you brought to us as Board Chair. And I know that others will want to speak about that. But personally, on behalf of all the staff, we are just so pleased that the Governor has continued to see all the tremendous skills that you have brought to our agency, and has turned you over to another agency, in your appointment with DPS. And we look forward to watching your tremendous work, there.

But we are so -- you are just going to be missed. And you are loved by all of us. And we just wish you the very best. And you are part of us. And we hope you -- we will all keep in touch with you. And God bless.

(Applause.)

MR. CONINE: I don't want to put the new Board members in the position of saying anything to Beth, because I know it would be very difficult for you. But I would like to give either Sonny or Gloria an opportunity to share some of your thoughts.

MR. FLORES: I also remind all of you, she is now on the DPS Board. And some of you have reason to worry about that. Beth, thank you so much. People don't realize how much of your time it takes to be a chairman of a group like this. It is an enormously complicated business, and you have push to get the job done. And that is what it takes to get the job done.

And I certainly appreciate what you have done. But I also know how much time and effort you put into this. You made things work for us. And people have no idea of how much it takes. We are going to miss you. You are a great friend, and also somebody who can really get the job done. We appreciate you more than you know. We argue with you a little bit from time to time, but thank you so much and good luck to you.

(Applause.)

MR. CONINE: Ms. Ray.

MS. RAY: Beth, I haven't been along you for a great long period of time, but I certainly appreciate first and foremost your leadership; your willingness to make some tough decisions. It was such an honor to see you control this crowd. And that is not an easy thing to do. She made some tough decisions.

She led us through some very strenuous

activities, to serve the citizens of the State of Texas. She always kept her eye on the ball. She always stayed focused on the job. And I want all of you sitting in this audience to appreciate the untold hours that it took on her behalf, to serve the citizens of the State of Texas to ensure that we as a Governing Board do the right things by the citizens of the State of Texas.

It has been my honor to serve with you. I wish you Godspeed on your next appointment. And I promise you, I won't speak. I am going to be good. God bless you.

(Applause.)

MR. CONINE: Beth, would you come on up. We have a few little items we would like to give to her. Do you want to go first with the flag. Now you get to come up here. This is probably it right here. There you go. Christmas.

MR. GERBER: The first item we have is a gift from the staff, which is a flag flown high over the Capitol in honor of your service to the Texas Department of Housing and Community Affairs. That was flown on January 19. So we present you with this, on behalf of the staff.

MS. ANDERSON: Thank you.

MR. GERBER: The second thing we have is a proclamation from Governor Rick Perry, which I would like to read out. It says, To all whom these presents shall come: Greetings. Know ye, that this certificate is presented in recognition of the excellence of Beth Anderson. Thank you for your service to the Texas Department of Housing and Community Affairs, having served as a member of the Board from 2001 through 2008, as chair from 2003 to 2008.

Over the years, your history of service and community involvement demonstrates your commitment to your fellow Texans, your dedication and distinction highlight the best of the Lone Star State. On this special occasion, First Lady Anita Perry joins me in sending you best wishes for the future. Rick Perry, Governor of Texas.

MS. ANDERSON: Thank you.

(Applause.)

MR. CONINE: Ms. Anderson, on behalf of the current Board and the past Board, we are going to miss you. I don't want to repeat everything that has been said. But your leadership over the last several years has been one that has been exemplary, and will be a hard act to follow. I know this Department and this State and the low income citizens all across the State have benefitted from your leadership greatly.

And for that, you have left an indelible mark on this Department and affordable housing programs across the State. And that is something you can be proud of. And we are proud of having shared that with you. And this Board would like to give you a little something to remember us by, in homes that you might come by, and fix a ticket for us, every now and then.

(Applause.)

MR. CONINE: Knock over the coffee; that would be bad.

(Simultaneous discussion.)

MS. ANDERSON: That is beautiful. Oh, that is beautiful. Thank you so much. Thank you all.

(Applause.)

MS. ANDERSON: Can I get the last word?

MR. CONINE: The floor is yours, Madam Chair.

MS. ANDERSON: Would you hand me that piece of paper down there. Thank you. I have to say, sitting down there, you know, that is not a bad place to sit, either. All of you all that sit there, remote now, I get a feel for that. And I have to say, looking up at this Board and this new Chairman, pretty good looking group of people up here, isn't it? You all look great.

(Applause.)

MS. ANDERSON: I want to share with you just a couple of memories that we all share from our time together. These were the kind of things that came back to mind, as I began thinking about the many Board meetings that we have shared over the past six years.

Of course, one of the major memories is from my dear friend, Mayor Salinas, in his incessant colloquies with the people of Houston about zoning. I know you all will miss that, as much as I will.

MR. FLORES: Especially me.

MS. ANDERSON: Especially you. You get to carry that mantle, Sonny. I also vividly remember our trip to El Paso, where we went to see Bootstrap Programs conducted by Lower Valley Housing.

We saw a housing tax credit deal, and we went to the Colonias. And that showed me both the great work that the Department and the housing community does in Texas, and also in the Colonias, the tremendous need for our continued work.

Some of you all may not remember this next one, but it is also vivid with me, because it is the only time -- the developers, you all have a lot of nerve to do a lot of things. But this is one time. This developer, I thought, sort of went over the top.

It was a developer that is no longer in business, but they had a Houston bond deal. And they literally in the middle of the Board meeting, put up a flip chart and tried to redraw the market area of the deal in the Board meeting. Tom Gouris remembers. I said, no, we don’t redraw market areas in the middle of the Board meeting.

I remember, with great affection and respect, what I call the two Johns. John Garvin, and John Henneberger. I remember all the times when we had busloads of people coming, most of the time to advocate for a development. But at times, to advocate against a development.

I remember the Mayor on his cell phone. And I note with regret, that somehow, I don’t think Bill Dally ever collected a fine for him using a cell phone in a Board meeting.

I remember our dedicated staff at the Astrodome, and all across the State, trying to put people in housing after Katrina and Rita. And more recently, our dedicated staff spending their Christmas season away from their children’s pageants and everything to work in Jasper, to try to make sure that the Hurricane Rita recovery money gets into the right hands of people that need the help.

I also remember of course, the development community post-Katrina, stepping up, and opening all those units to the people from Louisiana that needed a place to live. I also remember the beautiful sunrise in Mission, Texas, when we had the Mayor's prayer breakfast, and the Board went to that breakfast before our Board meeting.

And of course, who can forget the singing Mayor of El Paso. Certainly, we annually remember the joy of victory and the agony of defeat in the housing tax credit cycle at the end of July. And then that sort of continues on, as long as we have continuing discussions about forward; the ever hopeful people who come and ask for forward commitments. But we have come a long way.

And I look at the growth in the Department and the growth of the individuals in the Department. Think about where Brooke Boston was in the Department six years ago, or Audrey Martin, or Robbye Meyer, or Jen Joyce, or Kelly Crawford.

I mean, this Department and all of the leadership of this Department should be very proud of the opportunities that are created for the employees of this Department that do a good job. The opportunities to grow, develop and assume more responsibility. I think we are in much better shape with the Legislature than we were six years ago, or even four years ago. And that is a credit to this staff, and certainly to the leadership of the Department. And we have also come a long way, no body guards are necessary at Board meetings.

(Applause.)

MS. ANDERSON: I am very grateful for this Board; to Gloria, who is our conscience and constantly reminds us of our core value and core commitment to make sure that what we are doing is the right thing for Texas and for our residents.

I am grateful to Sonny for his expertise on LOMERS and LOMAS [phonetic]. When I heard that, when he was a new Board member, I knew he was going to fit in just fine around here with all of our acronyms. And more importantly, with the ability to understand some of the byzantine and arcane elements of our programs.

Shad, I am very grateful for you being here today. You are my friend, bud. And we all remember Shad and his constant admonition to us to involve a realtor.

The staff, Mike, Kevin, Brooke -- who is in labor, I understand, Tom, Kelly, Bill, all of you all, and your teams, it has been a tremendous privilege to work with you all; it really has. And everybody keeps using the word, I have left this indelible mark.

I just hope that is not in the form of scars on somebody's back, because I did pack a boot in people's back a lot, and they never let me down. And they never let all of you all in the housing community down, either. There is not a more committed group in state government today, I firmly believe.

And I want to thank members of the affordable housing community. You made me feel very welcome. You helped me learn the ropes. You were respectful of our differences on things. And you made me appreciate the difficulty, and the importance of what you do, and the passion with which you do it.

You know, I have been accused at times of not being developer-friendly. And you know, every time a leadership has its time. And for me, I felt the best way to be developer-friendly was to create a predictable environment for the industry to work in.

And so rules, transparency, trying to have consistent decision making, so that you would understand where the Board was coming from. That was really sort of how I viewed creating a developer friendly environment would help the Department.

But we have different leaders for different times, and you all are incredibly lucky that Kent Conine continues to want to serve you and the State of Texas in this role now as Chairman. He is, as you know, an outstanding human being. He has superb judgment. And in my view, he is the strongest and most effective advocate for housing, including affordable housing of any human being on the planet. Texas is so lucky to have him in the Chair.

(Applause.)

MS. ANDERSON: He has already made a massive improvement. I understand the Board book is only about 70 percent of its normal size. So anyway, you all are in very good hands.

This is very bittersweet. I will miss you all terribly. I am very grateful to the Governor for the opportunity to serve with this Board and with this staff, to serve affordable housing in Texas.

And I will watch your continued progress with great interest. And I just very much appreciate all your kindness over the years, and the opportunity that all of you all have given me, and what we have together created over the last six years. Thank you.

(Applause.)

MR. CONINE: Hang on, Beth. I think there is one more individual that I know of. Mike Clark, would you like to come forward.

MR. CLARK: I am actually here in the capacity, in my capacity as President of TAAHP. But I think I am probably here representing the entire affordable housing industry. Typically with outgoing Board members, we like to say, even though she said, we don't always see eye-to-eye, we do appreciate the fact that we have the consistencies there.

And that is certainly the place we have gotten to over the last couple of years. Considering the fact that we had two and a half pages of comments for QAP this year, that indicates how far we have all come with this.

But we have a small token here. And like I said, it is from TAAHP. But I am very confident that looking around this room, it is from everybody here, that is involved with the industry. We recognize you, Beth.

(Applause.)

MR. CLARK: Shad, I am not going to let you hide in the back of the room. You don't realize today, I was looking at some dates, that you two went on the Board the same day. That is pretty formidable, seven or six years ago. Shad, we really appreciate you. I know you actually left the meeting before Beth, but we certainly appreciate everything you have done. And we will all use a realtor.

(Applause.)

MR. CONINE: Thank you. And we appreciate again, everyone’s service. It is sad to see you go. But I know you will be coming back, soon.

Moving on into the agenda, we have a public comment period to start off with. We typically open public comment for either at the beginning of the meeting, or on the particular agenda item, as you see fit. I have a list of folks who have signed a witness affirmation form. If you want to speak before the Board, you need to sign a witness affirmation form.

And our first spokesperson today speaking, a former Chairman, is another former Chairman of this Board, who served. I had the pleasure of serving with, and served distinctly this Board throughout the years, Don Bethel. Don.

MR. BETHEL: Mr. Chair and members. I am pretty nervous about this. I have never spoken to the Board before. My name is Don Bethel from LaMesa, Texas. I got on the Board in 1995. And in 1997, we had a new Board member, I remember, who got on the Board. Come in from East Dallas.

And we were doing our meetings. And back then, we would start in the morning and go until we finished, and not have a lunch break. Well, his first comment was, we have got to have a lunch break. And I asked the Chair about it.

I told her about that. And she said, what has he done? And I said, well, he is the President of the Texas Homebuilders Association. And she said, well, he can't run our meeting. So anyhow, that didn't work.

I got the Chair, I got off the Board. I appreciate it. I got to know Kent as a friend, then. He is a friend now.

And all I want to say is, you are Chair. Being the Chair, you can call a recess, you can say whenever you want to have lunch. Other than that, you don't have much. Welcome to the rest of you new members.

MR. CONINE: Thank you, Mr. Bethel.

(Applause.)

MR. CONINE: I probably need to remind you, that you don't have a vote anymore, either. Dale Cook.

MR. COOK: Do you object; can we do this together.

MR. CONINE: Yes. Sure. Have you got a group.

That would be great. Okay.

MR. GERBER: That would be great. As they are walking up, I am going to share this. Give some prep to this. Every summer, the Department allocates over $45 million in annual tax credits to support affordable housing, affordable multi-family housing development throughout the State as part of the competitive housing tax credit cycle.

And on a monthly basis, as we will see later in Item 10A of today’s agenda, the Department also determines the appropriate amount of tax credits to be associated with private activity tax exempt bonds, in order to produce affordable multifamily housing. These programs are private public partnerships which are governed by the Qualified Allocation Plan, and by market forces.

And with us today are Mike Clark who is President of TAAHP, Jerry Wright, Nicole Flores, and Dale Cook, who will introduce their respective affiliations. But they are all members of the Texas Association of Affordable Housing Providers. And they are going to provide an overview, and some insight to the current market forces affecting pricing of these credits in today’s economic environment.

MR. CLARK: Thank you. I am Mike Clark, Alpha

Barnes Real Estate Services out of Dallas, and President of the Texas Association of Affordable Housing Providers.

At the last Board meeting, we made a quick comment, regarding some issues relative to the pricing. We aren't going to call it a crisis are we? The pricing situation, relative to the low income housing tax credit allocations from last year, and for future years.

And at that time, Kent, when he could actually ask us to do something, asked us to come back and do a little more detailed presentation on that, which we did. We are doing today. We also, in the meantime, have had a very good, I think, meeting, with several of the staff members on this particular issue, to get ourselves, and them up to speed on what we consider to be the problem.

I am going to start off with a quick explanation. Since we have three new Board members in the room, kind of the bigger picture of what the problem is, knowing that you are going to be working on understanding the details of the program over the next several months or years, or however long it takes.

It is actually appropriate that I am the one to do it, and this explanation, because my understanding is relatively rudimentary too. So I think maybe by having somebody who is less than directly involved, it may make it much easier for you.

The way the tax credit program works, very quickly, is that because incomes are restricted on the properties, because we can only charge a certain amount of rent in order to meet the income eligibility. Typically, a property would not be able to cover the total amount of costs, in terms of a direct debt conventional financing deal.

So in return for catering, or for serving that lower income group, or multiple lower income group, we are allocated credits to bridge what is called the gap. If you haven't talked about a gap before, you will be talking about it a lot. I think Tom Gouris originated the term. I may be wrong.

But the gap is the big thing we are talking about. It is the difference between the debt that could be serviced on a property by the rents that are collected, less the expenses and the reserves they are funded. And what the actual debt is. That gets made up by the tax credits that you all allocated individual properties, that are then sold off, and derive revenue that comes in. It is then used to be able to reduce that amount of debt that can be gathered.

If you will look real quickly now, I handed out -- Tom Gouris was nice enough to make available to me, a presentation he uses to explain these programs. And I pulled one of the pages out, and circled -- put a big arrow on it, for you there, of where the issue is. If you look, you can kind of see in the flow chart.

You all are up at the top, basically allocating credits to the developers over on the left, and then the partnership in the middle. And the bottom is the lender, who actually provides the debt; whatever debt we can service. And the difference gets made up between the partnership, and the syndicator in terms of the sale of the credits, and the equity coming back into the property.

To give you some example, the initial -- in the old days, back in the late 80s and early 90s, when people didn't understand the low income housing tax credit program, prices were, if I am not wrong, were in the 40s and 50s, and deals got done from that perspective. Typically smaller deals, a lot of rural deals. As people developed an understanding of the program, and the investor base became more sophisticated, prices started to rise.

And I think this past year, the typical pricing on a deal was somewhere in low to mid 90s in terms of the return that came in. And I am going to let my partners here explain what has happened in the industry since then.

But that is -- if that helps a little bit, that is the segment we are talking about, where the issue is right now. So with that in mind -- Jerry, I will let you take over next. Jerry is kind of in the middle of the upper tier. And I will let him take it from there.

MR. WRIGHT: Good morning, Mr. Conine, Mr. Gerber, Board members, Thank you for your service, here. I am Jerry Wright. I am a managing director with Citigroup Global Markets, the investment banking arm of Citigroup, as well as an officer of Citibank's commercial bank. And we are tasked with our affordable housing structure, both the debt investments that we make, the lending investments that we make, as well as our investment as an upper tier investor in tax credits; the end user or investor in low income housing tax credits.

Before I was allowed to speak, I had to promise a couple of things. First, they told me to talk slow. So if I get excited, because apparently, I can't understand this. But not everybody shares my love and enthusiasm for the capital market. So I will try to talk slow.

And I was told that I can't use acronyms. So I can't use HEBS, TOPS, CBSs, CNBSs. I can't use LYTEC. I can't use all the things that my wife assures me are not words in the English language that I use on a regular basis. But also, you will hear through our presentations that it sounds scary.

We are not here to talk doom and gloom. What I think we are here to discuss is, what Ms. Anderson said. We needed a layer of certainty within the industry. And we are here to discuss the layer of uncertainty that has come over the industry, because of the dislocation in the credit markets.

I will have just a few points, and I will try to be very brief, though not fast. We wanted to give an overview of the capital markets. But I don't want to discuss things that everyone has seen on CNBC or the Wall Street Journal. We all know that anything that happens to say the word mortgage has been written down.

Everyone is afraid of anything that says mortgage, whether it is subprime, whether it is prime. Whether it is a real estate asset backed by multifamily affordable housing. Whether it is multifamily conventional. Whether it is anything to do with mortgage, the markets have been running scared.

I would say in the third quarter of this year, just for our affordable housing book, we wrote down within the two week time period, probably in the neighborhood of a billion dollars off of my books for the affordable housing debt that we run, only to rewrite most of those marks, because the credit dislocation in the markets was generally geared towards the CMB mortgage-backed securities markets. I almost slipped into an acronym. As well as a lot of these subprimes.

And really, it didn't affect, or at least to our knowledge has not currently affected the debt surrounding affordable housing properties. I will say that again. The debt surrounding affordable housing properties has not been affected nearly as much as the debt surrounding conventional transactions.

It has seen, or we have seen credit spreads widening up taxable deals. Not so much on tax exempt mortgages surrounding affordable housing properties only. What we have seen, is we have seen credit spreads widen a little bit. Not dramatically. We have seen credit tightening.

We are no longer doing what a lot of the street calls, the covenant light deals, to where anybody can get a loan for just about anything at just about any price.

We are pulling back on that. But we have seen market participants start to either pull back, or to leave the market as a whole, which obviously, if there is a decrease in demand, that means there is going to be a slight increase in the pricing that we are going to ask of our developer clients.

But with that being said, the pullback hasn't been dramatic. And we still have our two best friends out in the capital markets, Fannie Mae and Freddie Mac. I will say it again. Fannie Mae and Freddie Mac are still there for us. We hope they will be there tomorrow.

We were actually at Fannie Mae today. We hope that they will be there next month. But the two government sponsored enterprises have been very good friends of the affordable housing on the debt side. And it has been a huge advantage for us to know that they are out there to help us lay off some of our risk.

That is all I am going to say about the overview of the capital markets, and further impact on the debt for the affordable housing deals. I have been asked to give Citigroup's view of this industry. And we don't really know our view of the industry right now, other than we still love the industry, but we are still trying to, like everybody else, work our way around what is actually happening.

We see tightening credit. We see slight increases in credit spreads. We just saw this week a dislocation in the variable rate demand note market, which we are still trying to understand, because that is how we typically finance. And when I say we, I mean, the industry, finance the vast majority of debt associated with our transactions.

And I think as of yesterday, we took in an additional $16 billion of variable rate demand notes on our books that we could not sell to the market, that were all Triple A or Double A rated. That is going to have an impact, but we expect it to be able to work itself out as the markets start to work out what kind of credit they have in the other transactions.

It is the general municipal and general credit markets that we are worried about again. Not so much the affordable housing debt market. But we still get impacted by them. We as an industry, we as Citigroup still have a very strong demand for debt associated with affordable housing transactions. We will increase the credit spreads, we assume, over the next couple of weeks, months. But not so much that it will probably hurt deals.

The biggest question that we are here to talk about is equity. We just don't know. The reason we don't know what our investments in equity are going to be, is because we don't know our CRA needs, because that is associated with Tier One capital.

Luckily, we had some nice overseas investors in our firm, as well as some other ones, that increased our Tier One capital. But it is also dependent on our net operating income as a commercial bank and as an investment bank.

We don't know how that is going to look for '08. We expect the decreases in short term yields will actually increase our profitability, so long as we don't continue to have billions of dollars of write downs. And no one can predict what we are going to have in write downs as an industry, or if the write downs that we have had, will actually start to appreciate in value in 2008, and potentially have an increase in demand for CRA, and thus, an increase in demand for tax credits.

To give you an idea of Citigroup's participation in the market, in 2006, we invested approximately $750 million in low income housing tax credits. Last year, we bought $1.8 billion. We loved the product. Still do love the product. And we like the yields that we had.

This year, we are not certain. We are not certain if we are going to buy a dollar. If we are going to buy a billion dollars or if we are going to buy 2 billion or 500 million. And we are not certain whether we are going to buy in the primary market, or if we are going to buy from secondary market transactions, such as Fannie Mae and Freddie Mac offloading some of their risk. So it is unfortunate for us, and unfortunate for the community.

That is our uncertainty is, we are not sure where we are going to be at the end of the day, on the equity side. The debt side is fairly easy for us to predict. It is the equity side that is much more uncertain. And even with our investments that we expect to make, we are expecting them to come in the form of guaranteed investments, so that someone else is guaranteeing those credits to us, which helps increase our yield by a regulatory capital.

We also look at different states as well. We have a big CRA need in Texas. We have a huge presence in Texas. But certainly not the way that we have in say, New York or California. But Texas has certain issues.

We look here and see, we don't have as much subsidy so that we can fill a gap if there is a gap. We have flat median incomes. We have possibly even decreasing rents. We have land costs that even though the demand is there for affordable housing. Land sellers aren't decreasing their asking prices for their land.

We have decreasing somewhat costs for construction, which certainly helps. But with the dramatically possibly decreasing price of tax credits, we expect Mr. Gouris' gap to increase.

But again, there are positives. We are not here to say it is doom and gloom. We are just here, trying to educate what we are afraid of could happen over the next six to nine months. The biggest positive is, the assets underlying our securities are performing extremely well. That is industry wide.

We have seen that the assets have started to perform very well, much more so than the securities that have been used to finance those assets. Capital is fleeing the securities industry, but Main Street, for lack of a better term, Main Street is doing much better than Wall Street.

And we still expect to have CRA goals. None of the major money center banks, none of the major regional banks are going to completely walk away from their CRA goals, as we have mergers and acquisitions, we need to prove to the OCC and our regulators that we are making our community investments. As we close branches, believe it or not, we have to make sure that we are making more investments in those communities. So we expect to have CRA needs that have to be filled.

The affordable housing industry, especially. The tax credit market is one of the easiest and quickest ways to fill that gap for our CRA needs. And it is something that we know very well, and we expect to still continue to invest in that market.

And with that, I know I have gone well over my time. But luckily, I did not use any of the acronyms that I wanted to use. But for the new Board member thank you very much for your future service. And we look forward to working with you for the affordable housing industry.

MS. FLORES: Good morning. My name is Nicole Flores. I am with PNC Multifamily Capital, which is a division of PNC Bank, based in Pittsburgh, our local offices are at 1616 West Sixth Street here in Austin. I wanted to speak a little bit with you this morning. Mr. Conine, let me say it is good to see you in that seat, finally after all these years.

MR. CONINE: Thank you.

MS. FLORES: I wanted to welcome the other

Board members, and I wanted to speak a little bit this morning on a topic we are discussing. Normally, I am apt to linger at the back of the room, or out in the hallway cutting a deal. But the concerns of the market have brought me to the forefront this morning.

I represent a syndicator in this industry. We are the person to go find the investors, bring them in the door, and put them together with the developers who actually invest in the tax credits. PNC Bank is also a direct investor in tax credits. The bank has made direct investments north of $50 million in the last few years.

And in total, PNC Bank has syndicated over half a billion dollars in tax credits annually for the last few years. So our concerns are bounded, basically on the issues that Jerry has raised. I have been a syndicator with PNC almost exactly five years.

And in the spring of 2003, our first tax credit letters that went out from my office were priced at about 82 cents. Since that time, I have been very fortunate to work with lots of friends and family in this room, and see the tax credit pricing continue to escalate, based on record earnings across businesses that typically invest in tax credits.

So we have seen the pricing come up very quickly in a five year period. It ended you know, in late '07. We were seeing record pricing. In some areas of the country, credits were going for more than a dollar per credit. It was a very unique environment.

And obviously business has driven off with the losses and the returns to our investor. So we saw, because of record earnings across the corporate world, we saw enormous competition. We have seen the quality of the projects increase dramatically across the country, which as driven, I think the fervor.

As Jerry has indicated, the underlying asset class is very strong. The issue we are dealing with at the moment is, the bleeding of the corporate financials at this point. When investors are seeing red on their bottom line, the last thing they want to do, is go out and buy losses.

And about the time last fall, when we were sort of pricing the last of the '07 deals, the third quarter earnings reports hit Wall Street. And the full impact of those third quarter earnings report continue to ripple through the market. And I think in early December, as we saw some early notifications to Wall Street, of possible restatement of earnings, we started to hear from our investors.

You know how we have committed to X amount of dollars in your fund, in December, December and January of '08. We will not be looking to invest in your fund, in this coming quarter. And we will call you when we are going to invest. So we have seen a flight of capital from the equity markets.

And as a result of that, a dramatic and rapid decrease in the credit pricing. And that is really what has dragged me sort of out of the shadows and into the light today to speak about that. It's to be concerned about, the changes, and the rapid changes in the market.

We hate to talk generalities and throw credit numbers around. But I told you five years ago, I started writing offers at 82 cents. I am happy if I can get a deal to underwrite to 82 cents today. So again, we don't like to throw numbers, but I would tell you that a 9-percent credit deal in today's market, with sort of a typical loss structure, debt and equity, you are looking at low 80 cent credit pricing. And that is a figure that I would give you as of last week, as of today.

There was a meeting that was held this week in Los Angeles with all the big syndicators, all the big investors. And many of them are talking about yields targeting in the 6.50 to 7 percent range. Now, a yield equivalent to the 80 cent pricing I just gave you is somewhere around 6 to 6-1/4 return to the investor. So you can sort of do the math.

If an investor by the second or third quarter of '08 is now looking for the 6-1/2 or 7 percent return on their investment in a tax credit deal, our pricing could drop into the 70-cent range -- high 70 cents. And certainly, as Jerry has indicated, this is not fear tactics. This is where the market is today.

And there is every potential with low interest rates, with the changes in the market, that by the time we get through the writeoffs in the next couple of quarters, banks could be in the positive. We could be generating a lot of cash by the end of this year, with low interest rates. And you could definitely be in a cash positive position, where they are ready to invest again.

So we could see the market flip very quickly. And certainly, that is what we are all hoping for, that this is an anomaly in the marketplace. But unfortunately, the timing is against us. One of the things that we have experienced, I talked to Mr. Gerber in late December about this issue.

We spoke just briefly about our concerns for the 2008 cycle. Unfortunately, what we are seeing is an impact on the 2007 cycle now. There were developers that were out in the marketplace that had not tied up their credit pricing on their 2007 deals. And we have also unfortunately seen two to three major syndicators that have either closed their doors or restructured their business plan in the last 30 days.

And that has resulted in developers who had a signed agreement for X amount per dollar, per credit, that agreement was basically shredded. The syndicator walked. And that developer is now repricing on the street. So that developer that may have had a 93, 94 cent price some time back in August or September of '07 is now looking at a ten to twelve cent reduction as to what those credits are worth in the marketplace today.

Very dramatic swings in the credit market. And that is the information. I think we are all struggling. Mike Clark mentioned a meeting with TDHCA staff last week. And we were struggling at that meeting to sort of get our arms around the scope of the issue.

All we have is anecdotal evidence from your syndicators, saying yes, we have people that are repricing. People that are coming to us now, they are credit pricing now. So we bring that to the forefronts.

The other resulting, I think, undeniable outcome of the tightening of these markets is also a tightening of underwriting standards. A tightening of the review of not only the underlying asset, but the underlying sponsorship for that asset. So years ago, there was a very successful non-profit small syndicator here in Texas that did the deals that no one else would do.

And we might again be facing that scenario, because certainly, the investors that are in the market are demanding, obviously, the higher returns we have talked about, but they are demanding the most experienced, most qualified, most financially stable sponsorship for their properties. So that is sort of a secondary challenge beyond the financial underwriting of the transactions.

Again, I think it is anybody's guess where this market is going. We hope there will be some positives at year end, once we take the hard hits in terms of underwriting these mortgage portfolios. So we just appreciate the open communication with the Department, the ability to be here today to meet with the staff.

I think the real answers to where credit pricing is going, as we discussed with Mr. Gouris, Mr. Gerber and others, is, it will be an unknown for a few months. Typically, the way the syndication industry works, is there are funds that go out on the street in the springtime, usually late first quarter, early second quarter. So we are hoping that sometime in March or April, as those first funds really hit the streets, and the returns from the investors, and the investor interest in those funds is, it is sort of -- just you know, the marketplace sort of absorbs that investor interest.

We will have a much better sense of how the market will price. But it is going to be a bit of a bumpy road, and I think it is really important, as Mr. Gerber has promised, that we continue to communicate as to what is happening in the market.

We certainly are working as diligently as we can with TAAHPs membership, with our own client base to educate them in terms of how their applications come to you, what their assumptions on credit pricing may be. But as we continue to see syndicators struggle in the marketplace, that certainly is going to destabilize the market. So we will continue to work with you, to bring you information as the markets change.

And we just appreciate your patience with us, as we do that. And as we sort of funnel our way through what is a difficult market for everyone right now. Thank you.

MR. CONINE: Dale.

MR. COOK: Good morning. My name is Dale Cook. I am with Redd Capital Group. I office in Fredericksburg, Texas, beautiful Fredericksburg, Texas. I have been in the affordable housing industry now for twelve years, practicing here in Texas, and have invested in, I believe my current number is some 750 million tax credits equity into Texas properties.

I am going to just wrap up and be brief, because we are kind of dragging on here, but I think the main purpose of us being here today is to acquaint the staff and the Board with this somewhat of a dilemma that we have in the tax credit market. Not to be over dramatic, but I would almost describe it as nearly a perfect storm of a confluence of events that has occurred that has caused this to happen.

Again, not to be dramatic. But we have -- the supply of credits is either even or up with the GO-Zone credits, but demand is down. Hence, prices are dropping. We have a lot of our large banks that are huge investors are sort of -- I hate to say it, Jerry. But some of them are sort of the walking wounded here at the moment. And they are major investors in tax credits.

Our GSEs, our Fannie Mae and Freddie Mac are kind of have been somewhat more on the sidelines in the recent year and month. One problem that we haven't touched on yet, is that our syndication firms, a lot of our syndication firms that compete in Texas have high inventories of credits that they have bought in the last year at high prices that they are having trouble getting rid of in the marketplace.

And it is a critical problem, because they can't go out and make additional investments if they have a large warehouse line of credit that is committed to deals that they bought in '07 or '06 at too high prices.

We also have just the general credit crunch; the credit crisis, the subprime crisis, whatever. Doesn't affect directly affordable housing, except in my opinion, in the form of people, investors being more uncertain about what they want to do with their funds, and more careful and cautious, and again, standing on the sidelines.

The cost of capital for syndicators, for some syndicators is up significantly, because as they go to their bank to borrow money to acquire tax credit properties, they are finding the costs of their borrowing to be higher. So again, we sort of have this perfect storm going on.

But the good news is, is that all storms pass. Markets, water seeks its level. Markets stabilize over time. I see this situation leveling out over say the next six to nine months, and there being more stability in the market.

So it is important for the tax credit industry that we again as Nicole said, that we communicate, and that we stay current with each other on where demand is for credits, and where pricing is for credits. The result of all this perfect storm is that, as Nicole said, syndicators are pricing credits now to a yield of anywhere from say, 6-1/4 to 7 percent, which only a year or so ago, we were talking 4.70 to five.

So the difference is pretty dramatic in the credit price because of that. Credit prices are down overall around anywhere from five all the way to ten cents down from where they were a year ago. That is what we are seeing. And we are getting a lot of phone calls, Nicole and I, from people who are -- who had commitments in '07 that are not being honored in '08.

So there is some, considerable dislocation in the market. And we are trying to deal with it as best as we can. Where is the silver lining in this perfect storm.

For me, the silver lining is the Texas economy is still incredibly strong. We are seeing job growth. We are seeing population growth.

In fact, I just read the other day that in the next two decades, we are expecting over 13 million new residents in Texas, which is a staggering amount. And to put it in perspective, this article said it would be like adding another Dallas-Fort Worth, another Houston and another San Antonio in the next 20 to 25 years. So the point of that is, is that Texas is strong. We need housing.

We need to work together to provide that housing. And we are committed to do that. The particular company I represent, Redd Capital, I will say that all of our investors have signed up for '08, saying they are going to invest money in tax credits. We do have capital available, so it is not a doom and gloom situation. We do enjoy a lower cost of funds, and we don't have a high degree of inventory on our books at this time.

So there is money available for equity in 2008. It is just a matter of what price it is going to be at.

MR. CLARK: If I could give one quick summary. It really comes down to two issues we are trying to communicate with both the Board and the staff about. But one is, there are going to be 2007 deals that are stuck in the mud, that either can't proceed, because their equity has walked on them, or has repriced to the point that they can't make the deal work right now.

We don't have any magic bullets or solutions to offer you. But we continue to talk to staff about what options might be in that thing.

Secondarily is, and what we are trying to work closely with and we will keep you updated on, as I am sure Mike will, and the staff is, how we are going to underwrite 2008 deals. What kind of numbers are we going to use, in this round to be able to make sure that the applicant has walked in with a 95 cent letter gets treated appropriately, relative to the applicant who has walked in with the 82 cent letter, in terms of verifying the validity and the availability of this credit. So those are really the two things we are here to communicate on.

MR. CONINE: Okay. Any questions from the Board? I have got a couple, as you might imagine. Again, thank you for your testimony. We appreciate the organized effort, if you will.

Nicole, it is good to see you in that seat as well. I am a conspiracy theorist at heart. I am still one of those grassy knoll kind of guys, you know. When I hear that all the equity guys are out in LA together, that gives me a little pause.

MS. FLORES: All the good ones were out there.

MR. CONINE: If you look at history of the credit, the real growth of the credit industry occurred in this decade, if you will. And it occurred in a period of declining interest rates, from right after 9/11 all the way through when we hit the bottom on rates.

And credit prices got exceedingly higher, because comparative yields, and the yields on the credits themselves were declining. It seems to me like we are kind of going into that same period right now, and that there would be a track record from your book of business of periods of examples of higher credit prices, providing yields that were attractive to investors.

Now, I understand that the traditional investors in the credits who are paying those increased prices at every year is the one industry that is on its tail right now. It doesn't mean that there aren't other industries out there, like the oil and gas industry for one, and you know, insurance and other boom in this economy that is still is not technically in recession but we think is maybe headed that way. There is still sectors of it that are doing good.

So my question to you is, if we are, if we have gone through a perfect storm, if there is a silver lining in declining rates, if Texas is strong, if nobody can leave our apartments and go buy a single family now, because underwriting standards are so bad, that they have got to stay in an apartment for a while, how is your company, or how is the credit industry in general approaching non-traditional investors to bring them to the party.

MS. FLORES: Well, first and foremost, you have got to tell them, I am assuming Jerry said, the GICs, Fannie Mae and Freddie Mac are huge friends of the debt side of the business right now. Unfortunately, they are not buyers of tax credits. And they have traditionally been -- Fannie Mae has bought perhaps 50 percent --

MR. WRIGHT: Like, 2 billion a year.

MS. FLORES: Yes. Of the tax credits. And so, there has been a compounding effect that we haven't really talked about, just in terms of corporate earnings. We also have the GSEs that have gone from net purchasers to net sellers, because not only are Fannie Mae and Freddie Mac no longer investing in tax credits for a specified period of time, Fannie Mae stepped out of the market in the middle of last year, and has indicated they will not purchase; that they are selling a several billion dollar size portfolio of their credits into the market. So that has had a dramatic effect.

One of our largest purchasers, non-corporate buyers of tax credits gone out of the market. And for the foreseeable future of '08, they will be out, perhaps.

MR. CONINE: They are not making money; they can't buy credits.

MS. FLORES: Right.

MR. CONINE: I understand that.

MS. FLORES: Freddie Mac --

MR. WRIGHT: And I was just going to say, they never got credit for their affordable housing goals for buying tax credits.

MR. CONINE: I understand that.

MR. WRIGHT: And so that is why they are really out as much as anything.

MS. FLORES: Exactly.

MR. CONINE: My question was, the guys that aren't buying that are still making good money.

MS. FLORES: Certainly. No, I am coming around to that.

MR. CONINE: Okay.

MS. FLORES: So I just wanted to make sure that we added the GIC and their evacuation in the market as part of the equation. And speaking specifically for PNC Bank, we had a sort of an ugly divorce from Fannie Mae back in about 2001. We didn’t really like them as an investor. So we diversified our portfolio a long time ago.

We may be one of the more diversified syndicators. We have recently talked to Microsoft about investments. They are looking strongly at investing in affordable housing. Their biggest problem is, they make $200 million investments. They don’t make $20 million investments in their funds. So we are working with them on that.

MR. CONINE: So they can take Fannie’s place.

MS. FLORES: Right. Exactly. We can just put them right in there. At PNC, we have diversified our investor base. I think that is one of the reasons we are sitting at this table and talking to you, because like, Redd Capital, we don’t have a large portfolio. We successfully sold everything we had. We had a very diversified investor base.

We do have investors specified for ‘08. We have capital available, but it is certainly not -- we don’t have Freddie Mac knocking on our door, going, we will take our typical 75 million we take from you. Freddie Mac announced two weeks ago that they were going to take a powder until fourth quarter of '08. And they are betting that yields will be at 7 percent and that their limited amount of capital, they will put into the tax credit market.

They want to put it in at the higher yields after the first and second quarter earnings come out. So part of what we are seeing is also a wait and see game. Which means, there could be pent up demand. There could be investors that come in, in the fourth quarter and go, I haven't put any money out there.

I have got to put money out there, and I have got to put it out there, at whatever I can get in the market. That is a positive potential silver lining. So I guess in answer to your questions, Kent, we are trying very hard to diversify the investor base at PNC. It is something we have been working on for eight years now, diversifying the investor base.

And we have Verison Wireless is a big customer of ours. They have their own specified $50 million special funds. So we do have a diversified investor base. It is just not enough to make up for the GSEs, corporate. Yes. So there has just been a mass evacuation in addition to the corporate world, and it takes us a while to fill those shoes.

MR. COOK: And we, at Redd Capital, we have never used the GSEs. We have always had a diversified corporate base, strong insurance companies, and other types of investors like that. And we have added a new investor just this last week.

And we are in business with Microsoft already. So we are doing a lot of the same things that PNC is doing. And we have capital available just as Nicole indicated.

MR. WRIGHT: I will give you an idea of what we look at. Especially now that the investment bank at Citi has taken over the CRA needs for most of Citibank, we have different hurdle rates that are really based off of our regulatory capital. We don't -- we pay attention to gap capital. But we really pay attention to regulatory capital.

And to give you an idea, our average trade that we make in our division of the investment bank needs to have a 40 percent return on regulatory capital. We typically, in my division or my subdivision of the investment bank target over 190 percent for our returns. And we can't get a deal approved unless it has specific

CRA criteria that we must do, unless it has a 50 percent return on regulatory capital.

Our general tax credit investments make a lot of money for us. But it is in bulk. Our return on regulatory capital for the tax credit investments that we made in the past is below 20 percent. That is why we are looking at different ways to make those investments, but need them to be in the form that most tax credit syndicators find unpalatable, which is a guarantee through an OCC regulated bank, or one of the GSEs like Fannie or Freddie.

But we are working hard to be able to get our partners in the industry, the PNCs, the Redd Capitals, the Fannies and Freddies to be able to restructure their funds so that banks like us, like the other big money center banks can still make the investments that we made in the past, but get the appropriate, in our view, regulatory capital treatment of those investments.

MR. CONINE: Keep your selling shoes on. Thank you for being here today. Appreciate it.

MR. WRIGHT: Thank you.

MS. FLORES: Thank you.

MR. COOK: Thank you.

MR. CONINE: Board members, we are going to take a five to ten minute break, because I can see the need to do so. In your packet, there is a little lunch order form in there, that Nidia has in here. Mark that up and put a little money in it, so that Nidia can get us lunch.

We are going to have an executive session at lunch, right after a particular ceremony downstairs. And we will be back here in ten minutes, to go another hours worth of public comment. We stand in recess.

(Whereupon, a short recess was taken.)

MR. CONINE: Everybody has had a long enough time to go to the bathroom. Time to go back to work. Okay, on the public comment side, let's move with Jean Langendorf. And I have got David, it looks like Witte may be next.

MS. LANGENDORF: Good morning. My name is Jean Langendorf. I am with United Cerebral Palsy of Texas. And we operate the Texas Home of Your Own program. I am here today for several reasons. The first one on a positive note.

We are sending around an announcement about the Texas Housing Summit presented by the Disability Policy Consortium. We have had good cooperation for a lot of those in the housing arena to assist with the Disability

Policy Consortium to pull together this conference. We are looking forward to the participation of the Department.

We are going to have sessions to educate many individuals with disabilities that may not be as familiar with some of the issues in housing, to become a little bit more familiar, and then also hear from several states who have some very innovative programs to address the needs of people with disabilities, so we want to invite everybody. And we will have more information coming out on that. So that is the good news.

The other thing I am here to talk about today is regarding, for those of you that are new, the Department in previous years, over the last twelve years has been a partner with United Cerebral Palsy of Texas on the Texas Home of Your Own program. And up until last year, when a change in the partnership, where now the Department did put out funds in support of the Home of Your Own program for down payment -- well, let me put it this way.

In support of the people with disabilities, to purchase homes and to modify them. I went through a process, starting over a year ago. The funds were announced at your September 13 Board meeting and you did a great press release. And boy did we get the calls from individuals asking us how they could get their homes, and what they could do. And through our program, we do housing counseling. And we work with them on moving -- towards their dream of homeownership.

Unfortunately, we can't serve anybody because there is no money. We got contracts yesterday, which we appreciate. But we can't do anything with them, because we have to go through Department training that we don't -- when it is scheduled. So we just want to raise this issue with the Board that we want to be partners.

We want to serve people. But our hands are tied at this point. And if there is any way you all can assist, to allow us to go ahead and serve people, that is what we are here for. We are not here to have press releases or other things, saying what the Department is doing. We want to serve people. And until we are able to serve people it is a problem. So I ask any support you all can give.

Direct the Department or the staff to allow us to afford. We are ready willing and able to do that. We want to serve people. We went through your process. We competed. We got the people waiting. We have got people waiting for letters of commitment. And with the assistance, we want to help them.

On one more issue, related to people with disabilities, you all have on the agenda to consider the project access vouchers, and increasing those. And you are proposing some rules. We would ask, from the Disability Policy Consortium that you all consider not publishing those rules yet, because there really has not been a conversation with the disability community.

We have all talked about Project Access vouchers for a long time. But we didn't see the rules until last week. And they are not working to meet the needs of those that are trying to get out of institutions. And that is what those need to be for, are people that are in institutions. They are not available.

There's not resources available to people moving to the community. Medicaid is stepping up, and the whole system is changing. Most of us want to live in our own home, and receive our services in our own home. So we have got Medicaid in place. Now we need some housing to move people out of institutions.

So we ask that you might consider waiting on publishing those rules until we can all kind of agree on something that will work for the disability community. Thank you very much.

MR. CONINE: Any questions of the witness?

MR. MUNOZ: Mr. Chairman, I have a question.

MR. CONINE: Mr. Munoz, yes?

MR. MUNOZ: I suppose I am at a loss, and not as familiar, fluent as others. But on the one hand, you are saying the money isn't there to assist us. And we are trying to expedite the publishing and public access to these rules to make the money available. And you are saying postpone that.

MS. LANGENDORF: Okay. Well, we have got two different issues. The contracts I was talking about, those rules are in place. Those things are in place. It is a matter of putting together some assistance to those of us that have the contracts. The Project Access vouchers is a new initiative to add more vouchers to that, with some new rules. There has not been rules in the past. It is kind of two separate programs.

We have worked real hard on the first program to make sure that everybody was in agreement. Everybody feels comfortable with the money a year ago, or so, getting that money out. And now we are wanting to serve people. The other is kind of a new item on your agenda.

MR. MUNOZ: Okay.

MS. LANGENDORF: Okay.

MR. MUNOZ: No. That is very helpful.

MR. CONINE: We will pick up most of that in Item 4, when we get to that. Any other questions?

(No response.)

MR. CONINE: Thank you. David Witte, I think is what it says.

VOICE: He had to leave.

MR. CONINE: He had to leave. Okay. John Meinkowsky, and then I have got Bob Kafka right after that.

MR. MEINKOWSKY: I am John Meinkowsky with ARCIL, Inc. And we are the Center for Independent Living in the Austin and Central Texas area. Here to speak regarding Project Access. I can do that now. I signed up for right at Item 4, but I am perfectly happy to get this out of the way.

MR. CONINE: Okay.

MR. MEINKOWSKY: What we were -- one of the major concerns was that eligibility for those vouchers that they call Project Access was people that are currently in institutions. That is, it leaves out the people that have gone from an institution like a nursing facility into some housing that is temporary, like the people that were served through the Tenant Based Rental

Assistance program, one of the contractors that did that.

So again, we didn't really have any rules to discuss. We were confused by some of the restrictions placed on those vouchers and had hoped to have an opportunity to get everybody on the same page about that. Part of the testimony that I turned in talked about the large numbers of people who are desiring to leave nursing facilities and other institutions, and the many people that do transition to the community.

But they are unable to maintain that community residence. And a lot of times, it is financial issues. They don't have affordable housing. We had so many people have a chance to have the life that they want in their communities with their families and they can't maintain it, because they can't maintain that home.

That was one of the issues we were getting to is, the people that previously transitioned from an institution that still have a need for this housing assistance. One quick note. I am sorry to take up your time. We are one of the current contractors for TBRA. We have the new contracts now.

Under our old contract, the last time I spoke to you, we were all concerned that we had a lot of money left in our budget. That is no longer the case. We are projected that we are going to be spending darn near all of it. Well under $10,000. Maybe under $3,000, out of that $200,000 on Tenant Based Rental Assistance. So we got more people enrolled. And we are working hard on it.

MR. CONINE: Good.

MR. GERBER: That is great, John.

MR. CONINE: Appreciate it. Any questions of the witness?

(No response.)

MR. CONINE: Thank you very much.

MR. MEINKOWSKY: Thank you.

MR. CONINE: Bob Kafka. Stephanie Thomas is next, after Bob.

MR. KAFKA: My name is Bob Kafka. I am an organizer for Adaptive Texas. And I just want to welcome the new Board members and just want to reinforce what Ms. Langendorf from United Cerebral Palsy was talking about in terms of just in terms of the philosophical about where people with disabilities want housing. It is in the community. It is not group homes. It is not assisted living. It is integrated, affordable, accessible housing.

You will probably hear that many times from us, integrated, accessible, affordable. They are all linked. It is not just affordable housing. And especially affordable housing, sometimes 80 percent of median income doesn't meet what a person on SSI, which is $7,200 a year, which is about 15 percent of median income.

So when you are thinking about affordable, you have to think about the very low income, because 80 percent of median income in Austin, Texas is $48,000 a year. And I can tell you, in our constituency, $4,800 is more than half of our income. So just from a philosophical.

I currently serve on your Disability Advisory Workgroup, which I just want to for the record, formally resign from. Mainly because it is token. You know, the Project Access, number 4. I cannot tell you how offensive it is to have rules being proposed and never has it even been gone through the Disability Advisory Workgroup.

It has language in there that the disability community overall, we had a meeting yesterday, is in opposition to. And it was -- didn't even have the good regard to send it through their own Disability Advisory Workgroup.

So I just want to formally resign. I am way too busy to be a token on TDHCA's token workgroup. I also serve on the Promoting Independence Advisory Group which is established by the Health and Human Services. I don't represent them today in terms of that.

But it also speaks to the TBRA vouchers. Those vouchers have been caught up. And I brought this just as an illustration of what exactly has been going on. It is like red tape that has just been going on for years. Yesterday, those contracts.

You do not know the fear that has been going through people who just recently got out of institutions, because TDHCA could not get those contracts out. Yesterday, the day before this Board meeting because there was some fear that we would come and do something at this Board meeting, it was sent out. But the last time the contracts were set up, it took six to seven months to get the training in place.

And you can't spend one nickel until that training is done. And we would like the Board to say, by the end of February that training needs to be a done deal, because otherwise, those people who have been living in the community, with those TBRA vouchers, which we give great credit.

Texas is a leader in that. And we have given praise to this organization for that leadership. And basically now, it has sort of gone back. So again, those two issues are so critical to people with disabilities.

But it is caught up in red tape. And in terms of the information, we have been calling, asking.

The PAIC sent the formal resolution which, the contracts went out yesterday, and thank you for that. But again, until you make a commitment that that money and that training will be done, or allow them to spend the money knowing that the training will be done. Again, flexibility is the watchword in terms of Washington, state control, is what is given you.

If you can not have that money flowing immediately, people with disabilities are going to be in fear. These are the people who are the significant disabilities, who got out of institutions, who are currently now using those TBRA dollars. The Project Access dollars should be able to be used as a bridge until you all can use some of your own Section 8 dollars.

These are scarce resources. It should not be expanded to other populations than those that are described as the Olmstead population. These are individuals who are coming out of institutions. The Olmstead decision was a Supreme Court case that said people should be allowed to live in the most integrated setting.

So again, many of you are new. The disability community really wants a working partnership. But we don't want to be tokenized. We don't want to be used just for that, and used for the developers. And my last comment is, and I really appreciate the wonderful work that developers do.

But every once in awhile, you might want to recognize why you all are in business. It is for the consumers, not the developers. And until HUD and TDHCA recognize that it would be nice to recognize people out there, rather than just the developers, and that you have more people in t-shirts coming than you do people in suits. Thank you, and free our people.

MR. CONINE: Thank you. You want to comment?

MR. GERBER: Ms. Arellano, is there any reason why the TBRA can't be completed by the end of February? Jeannie Arellano, our Director of the HOME Division.

MS. ARELLANO: Jeannie Arellano, Director of the HOME Division. We are actually already working on alternative training methods for the -- especially for the Tenant Based Rental Assistance awardees. We had researched on all the awardees from last September, had a representative attend training at some time in previous years. And so we are planning to let them proceed with their contacts and just update them with training.

MR. GERBER: So by the second or third weekend of February, we should have everyone fully qualified and trained so that they can draw down funds and that there will be no problem.

MS. ARELLANO: And provide the option to do that.

MR. GERBER: And we'll send notice to the Board. You will send that note to me, and I will send notice to the Board that the training has been completed.

MS. ARELLANO: Correct.

MR. GERBER: And that those funds are eligible to be drawn down.

MS. ARELLANO: Yes.

MR. GERBER: Great.

MR. CONINE: Thank you.

MR. GERBER: I just want to comment also that I am sorry for the delay in getting the TBRA contracts out. I am sorry for that. It took too long. I am the one at fault. And different parts of the Department that have responsibilities for getting those contracts out have been called into service on a variety of different things.

And frankly, I didn't manage staff well, in making sure that these contracts were given the priority that they needed. And I regret that. And Bob, I am sorry about your resignation.

Our intent is to make the Disability Advisory Workgroup meaningful. And I am sorry also that the rules were not vetted. I believed that -- I thought that they were. And with your indulgence, as we work through the lunch hour executive session, I will talk to my staff, and perhaps that would be an issue that we can revisit afterwards, because we certainly value and want your input.

It has implications for other items on the agenda, but give us a little chance to work through that item, because again, I think we would be much more informed to have your thoughts on it.

Stephanie, I am sorry to preclude your remarks. But please come forward and make them.

MR. CONINE: Any other comments to the Board?

MS. RAY: I would like to make a comment on that. As I looked at the agenda item for Agenda Item 4, clearly -- I appreciate the concerns of the rules -- the draft rules having not been vetted by the disability community. However, it clearly says that they are draft Department rules, and there will still be an opportunity even after they are published in the Texas Register for vetting on the part of the disability community.

So I would hope that those in attendance here don't see this as an opportunity for the Department to push those rules through without vetting. There will still be an opportunity for vetting, even after they have been published. Is that correct?

MR. GERBER: Yes, ma'am. That is correct.

MS. RAY: That is the point I wanted to make.

MR. GERBER: And I would ask counsel and Tom Gouris, are there any implications of, if we do proceed with issuing these draft rules, if there is a delay, or if we didn't publish, or if we did publish, does that have any bearing on anything else involving the operation of the program? Do we need to do it today, for any particular reason, or are there implications by not doing it?

MR. HAMBY: No. There are no statutory issues. The only question I would have, because it is a HUD -- it was originally a HUD pilot program, we might have to -- I will have to check with Amy Oehler on the filing of the PHA Annual Plan to increase the size of that program, because the rules were part of the reason that HUD was allowing us to move forward with that.

MR. GERBER: Okay.

MR. CONINE: Ms. Thomas, would you mind

refraining from littering the desk?

MS. THOMAS: I think you need some more red tape; that's all.

MR. CONINE: Thank you. Go ahead, and we would love to hear your testimony.

MS. THOMAS: My name is Stephanie Thomas. I am with Adaptive Texas. I am really glad that everyone else can be so calm about these issues. This is part of a civil rights struggle by the disability community, and it has been a fight every step of the way.

People have had to fight to get the services, so people could get out. But you don't provide services. The State does not provide services if you don't have a home. So there needs to be somewhere you can go.

We have been coming to this Department for I don't even remember how long anymore. It has been years, probably a decade or longer, trying to get housing for people to move out of nursing homes into and to expedite that process.

We finally -- people went to jail for those Project Access vouchers. In Washington, D.C., we had to fight HUD. It started under Secretary Cisneros; it went through Secretary Cuomo. Secretary Martinez finally put those vouchers out. But there is only 35 in this state.

And now I hear that other groups are wanting to take them, and you are even considering that. Thirty-five vouchers. Come on. You all suggested -- well, not personally you -- and I am sorry for you new people that are here. I am sorry that you are having to step into the middle of this now. But that is the way it is.

And your Department suggested those TBRA vouchers as a bridge to moving out into the community. We are getting emails now from people who are getting notices that their bridge is ending. And it is a bridge to nowhere. They have moved out of their nursing home. They went on to a TBRA voucher. And now they are going to be axed, because this process was slowed down so much.

You know, you staff people may think you are punishing the advocates for this. You are not. You are punishing someone whose life was so destroyed that they were stuck into a nursing home -- stuck there. They were given a little ray of hope to get out.

They finally get out. And now back you go, because where are you going to go? You can't get those services on the street. You can't get them there. And is your staff so uninformed about the very low income housing in this community that they don't know that most of the waiting list for Section 8 are longer than two years?

Is that the level of information that your staff has about very low income housing? -- because that is what they have done. They said, okay; you have had two years of TBRA vouchers. That is it for you. You are not finding some other housing. To hell with you.

That is not acceptable. And I personally think that many of you don't think it is acceptable either, but you need to act on it. You need to get this process going. And what is it with this training? Okay now today. We are here. You throw some paper around, and suddenly, it can be done. That is ridiculous. That is absolutely ridiculous.

We have been talking with the staff about those TBRA vouchers for probably five years now. You don't think somebody could have thought through the process to have the planning come in a timely fashion so people could move along? That is ridiculous. We have to make this a process that works, not a dog-and-pony show.

And that is what that committee is; it is a joke. It is a total joke. It is advisory only. They don't even vote on -- they are not even allowed to vote on things, to have opinions. It is just sharing ideas. That sounds really nice, but that is not how it works in the real world. And there needs to be real recommendations.

And you need to stop this nonsense, and you need to look at the fact that there are thousands of people in this state that are still stuck in nursing homes that need those vouchers. And you don't need to be scaring the few that you have been able to get out. And you certainly don't need to spread those 35 vouchers to more people.

And the idea that you are not going to be able to go from a TBRA voucher to a Project Access voucher is outrageous. It is one of the little ideas in that packet. And had your staff talked to the dog [sic] and to the rest of the disability community before that, they would maybe be aware of that fact.

But they don't even use it for anything real. The rules that are going to go out and get commented on, they don't go and get comments for that. I don't know what -- I don't even go to it, because it's a ridiculous thing, but they -- philosophical discussions is what they have when I am there. And you can do better than this, and you need to better than this. It is totally outrageous that this is going on. And I am just -- I don't even know what to say.

I just feel like you all need to think about the fact that you are talking about human beings. You are not talking about bodies to fill nursing home beds or units so that some developer can draw down some dollars. It is just not about that. It is about people's lives. And that is really all I have to say, except for just get it together.

MR. CONINE: Thank you for your testimony. Jennifer McPhail.

MS. THOMAS: She had to leave.

MR. CONINE: Felix Briones.

MR. BRIONES: Be right there.

MR. CONINE: Okay.

MR. BRIONES: I'll give it to you abridged -- three minutes. My name is Felix Briones, and I am actually one of the community in the community integration specialists at Adapt. So I deal individually with trying to go into nursing homes, doing outreach, and then trying to set up the services and set up the housing for the people that are trying to get out of nursing homes.

So I work a lot with the transition specialists here in Austin, and trying to do it all over the state. So really, I can't do any -- I can't go into a nursing home and tell somebody, hey I am going to try to get you out, if there is no housing out there for them. So I am just hoping you all release those vouchers as soon as you all can.

So that way, you know, I can go in there and tell somebody, hey look. Yes. I can get you out. Or I can try to get you out. But we have just got to find you a place to live. And that is why I am hoping that you all get the vouchers out there for people that I can actually help, because I feel useless sometimes when I can get them the services but then I can’t find them the housing. So I would hope that you all would actually expedite getting the vouchers out there to people Thank you all.

MR. CONINE: Thank you very much.

MR. BRIONES: Do you all have any questions.

MR. CONINE: Any questions?

(No response.)

MR. CONINE: Thank you. We hear you loud and clear.

MR. BRIONES: And gig ‘em.

MR. CONINE: I think they won last night, if my memory serves correct. Donnie Thompson.

MR. THOMPSON: My name is Donnie Thompson. And I am from Harlingen, down in the Valley. Twelve years ago, Second Adams Corporation entered into an agreement with the federal government where we would provide low income housing in return for tax credits. That is why they called it the low income housing tax credit program.

Now we are engaged in a situation where we still provide the low income housing, but you have taken away our earned and deserved tax credits by adding requirements and twisting and distorting the program until it is not even recognizable. This amounts to up to $41,356 taken directly out of our taxpayers' -- stockholders' pockets each year.

Regulations limit us on how much we can rent an apartment for, because we are helping indigent people. We charge $275 per month for a three-bedroom apartment. We are required to provide a nice clean apartment with all of the expenses and services normal to such an operation.

We do this all year long, and then you come along on April 13 and take away our tax credits. Do you see anything just slightly unfair and wrong with that picture? Your office falsely reported to the IRS that the project failed to meet minimum set-aside requirement of all units. This is false by any reasonable standard.

You are creating great animosity and mistrust by your actions. Your own people do not even know what that statement means. You operate in deception. Small projects like ours with 16 units or less, are forced to file the same reports and suffer the same inspections as projects with dozens and hundreds of apartments.

Larger apartments, larger projects can afford to hire management personnel whose only job is to fill out papers for your bureaucrats. Smaller projects are no longer being licensed by HUD and current ones are being forced out of business by your abuse. Out of several thousand tax credit properties in Texas, only about 45 have 16 or fewer units.

Most of these were built prior to the year 2000. None have been approved or built in the last few years. The very people this program was designed to help are being denied access to the program by this Department. Poor people are often paid in cash for doing work like mowing lawns, cleaning houses and construction work.

These folks have no pay stubs, no W-2s, no 1099s, etc. Even their own affidavits are not acceptable to the inspectors who run this Department. In fact, our experience shows, TDHCA will stretch to find any excuse to disqualify our tenants.

When it began, there were meetings. When this program began, there were meetings where you invited investors to build apartment complexes in return for tax credits. If they would rent to low income people and provide normal management practices, the owners would receive annual income tax credits. You have broken faith with this agreement. Each year, you add more and more hoops to jump through, so you can deny the tax credits.

The tax credits were earned when the investment was made. For you to betray the tax credits, for you to deny the tax credits based on minutiae is a complete corruption of the program. You betray the very people the program was set up to help.

We used to see very little of TDHCA. Now, nary a week goes by that we are not being harassed by this Department in some way, and I mean harassed in the worst sense of the word. There are constant inspections of the type that you can never expect to pass. They tell you what you did wrong. You respond. They come back with more requirements. You respond.

No matter what you do, it is not enough. The rules are very subjective. Always interpreted by the bureaucrats against the welfare of the investor. The management who previously ran our projects operated them at 10 percent occupancy. But they were in compliance with the bureaucrats here.

We operate at about 100 percent occupancy. But we are not in compliance. That proves that this has deteriorated from a rental business to a paper shuffling business.

Recently, we suffered another of your inspections, this one by an outfit out of Massachusetts. That shows you how far you will go to find someone to do your dirty work. If you want to talk to these people, you have to call Massachusetts just to get their voice mail.

This type of inspection, this is the type where you can go in, and they will find five things wrong. You fix those, they can come back the next day and find five more things. And this starts another round of verifying that you have made the changes TDHCA wants. They don't believe you, and it goes on and on for months.

In the meantime, they use these petty discrepancies such as having a window air conditioner in a bedroom, in South Texas, as an excuse to take away your tax credits. Or a hairline crack in a plastic plate around an electric plug or light switch, like every one of you probably has somewhere in your home. These violations are absurd.

This is an agency that is out of control. We had inspection issues that go back to 2006 that have never been resolved, and for which we have been denied over 40,000 in tax credits. We went to black people, white people, brown, American Indians, handicapped, et cetera. We do not discriminate against anyone.

We get a letter from some agency, saying we have been reported for discrimination. And we think, how can that happen? We treat all of our tenants with respect and fairness. So we say, who reported us? And they say, oh, it was your friends at the Texas Department of Housing and Community Affairs. And so begins another round of constant harassment by TDHCA, writing letters, back and forth; trying to prove a negative, which is impossible to do.

The majority of small businesses in Texas do not use or even have internet service, yet this Department tries to act as if the Internet is the essential answer to all problems. They sit up here in their fancy air conditioned offices, and their high-speed internet service and their ethernet connections paid for with our taxes, and they try to pretend as if all the world has the same capabilities --

MR. CONINE: Mr. Thompson, I am going to ask you to lighten up the tone, or hurry up and finish. One of the two.

MR. THOMPSON: People in rural areas do not have cable or any other type of reliable high speed internet service.

MR. CONINE: I think you have made your point. Is there any other point that you would like to make before this Board?

MR. THOMPSON: Recently I called TDHCA for some help in filing the Unit Status Report. I spoke with Mike Garrett, who told me he was unable to answer my question; that the man who knew the answer was out of the office for a week. Mr. Garrett said that the program they use has lots of problems, and that they even have problems with it themselves.

This program is so complex and riddled with faults that in all of TDHCA, there is only one person who can answer questions regarding the program, and when you call for him, he is not available, yet we are expected to put up with all of these problems or lose our tax credits. When you ask TDHCA for help, they tell you they did not even know how to do it themselves.

Recently I received a letter. Well, I won't even go into that. We wrote and asked Sylvia Mendez to compute the utility allowance on a two- and three-bedroom all electric apartment, because the directives on the matter were typically confusing. Ms. Mendez never bothered to answer our letter.

We got a letter saying that please be aware that the status of your 2006 tax credits is determined by the Department of Treasury and not by TDHCA. TDHCA simply honors -- simply monitors for compliance on their behalf.

MR. CONINE: Mr. Thompson, it sounds like you have some very detailed issues, that this Board, being a policy setting body, doesn't get into very often. And I would suggest that you have a meeting with our staff on a face-to-face basis.

Even though I understand you have tried to phone, you have tried to do this, that, and the other, a and so far, you may have been unsuccessful, my humble belief is you probably will be successful. Go through your particular project with our staff, understanding the federal regulations that are required upon you as a tax credit recipient and understanding the particular state ramifications, is also required of you as a taxpayer recipient. And let you and staff come back to this Board with a report on your particular situation.

I think the detail -- the level of detail which you are going into now is not important for this Board. And we will make sure that our staff contacts you.

MR. GERBER: Mr. Thompson, if you give your contact information to our General Counsel, Kevin Hamby, we will make that meeting happen, and I will be glad to participate in that.

MR. THOMPSON: The one thing that I do think, is that this is an oversight committee. That is what it is supposedly set up as. And I say that there is no oversight of what these people are doing. They have got a free rein of doing anything. And some of it is absolutely absurd.

Nobody is doing anything. And you are telling me to go back and deal with the very same people I have already been dealing with.

MR. CONINE: Mr. Thompson, there has been oversight on your part as well, I can tell you. So please, thank you for your testimony. We are glad you made us aware of your issues. We will respond to you. In detail. Thank you. Steve Carriker.

VOICE: [inaudible].

MR. CONINE: I got her job. Thank you.

MR. CARRIKER: Good morning, Mr. Chairman and members of the Board, staff. I want to add my also welcome to the new members. My name is Steven Carriker, and I am the Executive Director of the Texas Association of Community Development Corporations.

I was going to tell you in my remarks this morning that, from time to time, you must have a thick skin, because you will receive complaints from the public. I think I am too late with that one.

I do want to tell the new members as well as the returning members that we in the public, despite bringing you our complaints from time to time, and we will from our organization also, bring you those complaints from time to time, we do appreciate your willingness to subject yourself to public service. And know that that is a sacrifice on your part, that we as citizens do appreciate.

I want, this morning, to invite each of you to be our guests March 10 through 12 in Corpus Christi at our upcoming annual community development conference. We will be discussing a number of things that are very important to the work of this board and this agency, things as diverse as green building, foreclosure issues, and supportive housing.

One of the things that you won't see on the brochure that we have handed out to you that we will be discussing, but is an extremely important subject, is we will be discussing in a plenary session the sunset process. And we will have some speakers telling us about the Texas sunset process.

One of the reasons that we are interested in that is, that of course, currently as you may be aware, an agency that deals with housing and community development, the Texas State Affordable Housing Corporation is going under sunset review. And as with any agency, or organization that provides resources for affordable housing, we are very concerned about the results of that review. So we want to become very informed about the sunset process, as advocates for affordable housing in the state.

Something even more important to us, and another compelling reason for us to be informed is that as you are probably aware, at this time next year, this Agency will, or this time two years from now, this Agency will be staring down the gun barrel, so to speak of the sunset process. And as a former member of that sunset Commission, and understanding how it works, and the things that are important to it, I would like to urge you, as Board, and as a staff, not to wait two years to start addressing the issues that may be very important to the public, and to the Sunset Commission.

But start working now, in reviewing your operations and determining how you can be efficient. How you can bring to the State and to the constituents that you serve, most efficiently and effectively, the housing programs, the community development programs and other things that are the lifeblood of community development in this State.

The work you do, and the programs that you administer truly are the most important that we have in the state. And in regard to community development and to the underserved populations and areas of this state. So we would, I would urge you and we in TACDC would urge you and be supportive of you in doing everything you can in the intervening two years to make the Agency as attractive as possible to the sunset process, because it is extremely important that this Agency continue to do the good work, and administer the vital programs that it administers.

Mr. Chairman, thank you very much. I'll not take up further of your time. I would be glad to respond to any questions or comments.

MR. CONINE: Any questions? Mr. Carriker, thank you for your testimony, and thank you for the reminder on my first day. Makes me feel good. John Henneberger.

MR. HENNEBERGER: my name is John Henneberger. I am one of the two Johns that Ms. Anderson described. I am not too sure I like that description.

But I am honored to have her -- I want to express our gratitude to Ms. Anderson. I know she has had to leave. But this Board and this Department has made remarkable progress in the last six years.

This Board, my work as an advocate for low income people and work on public policy issues around low income housing. I try to represent the interests of poor people before the Board, and I will be appearing before you frequently in that capacity.

And I watched the operations of this Board over the course of a long time, back into the '80s, going to most of the Board meetings. And I have to say, this Board and the Department has made enormous progress, and we are very pleased to be able to represent the interests of low income people and feel like the Board understands the problems.

The Department is beginning to understand the problems, and has made great progress in that regard. And the programs have improved enormously, in both efficiency and effectiveness in serving their population. That said, there are problems. You heard some of the problems today. Those type of things come up.

But they generally get dealt with, these days, which is something new, and something very important to us, and we are grateful for your work. I just want to mention one activity today that is a joint effort, a joint public private effort to tackle what I think has been the largest challenge that this agency has ever faced, and that has to do with trying to help the rebuilding efforts for the hurricane victims whose homes were destroyed by Hurricane Rita.

I know you will be taking up that issue today. It has been a long road to get to the point where you can effectively address the issue. You will be speaking in detail about that, when that item comes up.

But we have been able to work cooperatively with the Department, with the Texas Society of Architects, some of the major financial institutions in this state. The non-profit housing community, the for-profit housing community, in coming up with a design competition. To come up with a new solution to make sure that next time a hurricane strikes our state, we have some models for replacement housing that can be deployed quickly and cost-effectively.

And we can not repeat the problem of having real long delays between the time the hurricane hits, and the time rebuilding takes place. We are very pleased. This has been a joint effort with TDHCA. They have been the partner on this project. Literally, hundreds of thousands of dollars, of free time from the members of the Texas Association of Architects have been put into designing these homes.

And at noon we will, with Mr. Conine's help, present the awards to the winners of this design competition in the Basement Rotunda of the Capitol. And we invite you all to come by and see their excellent work. And we look forward to working with you over the coming years. Thank you very much.

MR. CONINE: Thank you for those kind words, John. Appreciate the chance to work with you, and your group as well. Mike, do you want to briefly go over the schedule for the Board, relative to that event, so that they will understand what we are going to do here.

MR. GERBER: Yes. We are going to have one more recognition, and then we are going to move quickly to the audit reports, and to the first quarter reports. And I think we can knock that out before we break at 12:00 or just a couple of minutes thereafter.

And then we would invite everyone to adjourn to the Capitol Rotunda Basement, and then we will have the executive session after that. I expect we will be done with the executive session, hopefully by --

MR. CONINE: By 1:00 or so, yes. I have got one more public comment. Rick Dabb [phonetic].

MR. DABB: I want to speak at the agenda item.

MR. CONINE: You want to go at the agenda item? Okay. All right. We have no more public comments now. And this should close the public comment period, except for those who want to speak at the particular agenda item.

We are going to move to Item 2 on your agenda, which is a presentation, discussion and possible approval of financial services item. Mr. Gerber.

MR. GERBER: I would ask Mr. Dally and Mr. Cervantes to come on up. Actually, I apologize. We are going to ask Julia Petty with Deloitte and Touche to come forward, who is going to present the results of our audits. And we have really enjoyed working with Deloitte and Touche. They have done an outstanding job. And we appreciate her thoroughness. And proceed.

MS. PETTY: Thank you. Good morning, Director and members of the Board. My name is Julia Petty. I am the Director on the audit of TDHCA. We have performed our audit procedures. You have, I believe as inserts in your Board book the reports that we are required to issue. As just background for some of the new members, not all Departments --

MR. CONINE: Would you hold the speaker a little closer to your mouth? Here. There we go.

MR. GERBER: Pull it closer to you.

MS. PETTY: Not all state agencies are required to get stand alone audits, because primarily of the number of debt issuances that this Department does have, It does get a separate standalone audit. And in addition to the full financial statements, there is a separate report which is in your packet on the Revenue Bond Program.

And by state statute, you are required to have an audit of unencumbered fund balances, which is something that I have never seen anywhere else. But all three of those opinions, as you will see in your documents, are what we would call clean opinions. The financial statements do present fairly the results of operations. And the financial position of the Department as a whole, and of the Revenue Bond Program, and then of the unencumbered fund balances.

The financial statements themselves are the responsibility of management. The gentlemen sitting to my left here take full responsibility for putting those financial statements together. They were extremely cooperative, as were all of staff during our audit. We appreciate their help.

We did not have any disagreements with management. We did not have any past audit adjustments. Things that management refused to record. And indeed, we did not have any significant audit adjustments during the course of our audit.

As a part of our audit, we evaluate internal controls as it relates to our audit work. We do not issue a separate opinion on internal controls in the way that public companies get such an opinion these days. But if we had found material weaknesses, or significant deficiencies in internal controls, those would have been reported in the materials that you have.

We did not find any material weaknesses or significant deficiencies in internal controls at the Department. We do have a management comment letter, which I noticed those comments are summarized in your Board package. Those are areas that the Department has in most cases, already made strides to resolve.

And you will also notice that there is a status of the prior year management comments, all of which have been addressed by the Department. So in a nutshell, that is my report. And I am happy to answer any questions that the Board members may have.

MR. CONINE: Any questions? Always good to get a clean opinion. Thank you very much. We appreciate you being here.

MR. GERBER: The second item is dealing with the Department's quarterly investment report, which is presented to you in compliance with the Public Funds Investment Act. And I am going to ask David Cervantes, our Director of Finance Administration, to proceed and to describe our investments and maturity and carrying value, and other good things about it for the end of this quarter.

MR. CERVANTES: Thank you, Mr. Gerber. I am David Cervantes, Director of Finance Administration. And as Mr. Gerber pointed out, in relations to the Public Funds Investment Act, there is a component in there that requires that we approach the Board every quarter to give a status on the investment portfolio of the Agency.

And today, I am here to report on the first quarter, which carries from September through November of 2007. And at this point, our investment portfolio currently has $1.7 billion in investments that we hold with the Agency. I would like to note that the portfolio and the origination of the proceeds that we used to invest and hold primarily, but 97 percent of those funds originate from the same of the bonds that we have to create single family and multifamily housing for the Agency.

And so the majority of those funds are from that source. The rest of it, which is a small percentage, about 3 percent, come from other initiatives that we have, such as with the Housing Trust Fund, at our Agency, and deposits that we have for that purpose. And so, as I said, the majority of the 97 percent, as you look at the investments then, of our portfolio, you would find that this time, at the end of the first quarter, that we have about 69 percent in mortgage-backed securities.

We have another 25 percent that we have in mid-range investments, such as guaranteed investment contracts, and investment agreements that we have. And then finally, the final 6 percent that we have at this time, and the end of the quarter, deals with shorter term investments such as repurchase agreements, mutual funds and money market funds that we have for the Agency. Okay.

I mentioned the carrying value of our portfolio at this time, at $1.7 billion. The other thing that comes into play in accordance with the Public Funds Investment Act is the fair value. As Ms. Petty pointed out, under Governmental Accounting Standards Boards, in addition to the Public Funds Investment Act, we are also required to give you an indicator as to how the fair value is doing.

And at the end of the first quarter, our investments increased in value by $27 million. Okay. And we attribute this primarily to what is going on with mortgage rates in the industry. In the last quarter, when we were here, rates were running about 6.96. They have moved down through the first quarter to about 6.56, giving us a little wider yield to be able to get an increase in the fair value of our investments. Okay.

I think the other thing that we continue to monitor, obviously, the originations that we have on our loans. And this quarter was a very strong quarter for the Department in terms of loan origination. And we had an arrangement of about $96 million in originations. In addition to payoffs that we had at the Agency, which were running about $20 million, a little over $20 million in payoffs.

The final thing that I would bring to your attention is something that is not part or required of the Public Funds Investment Act. But it is supplemental information in your packet. And it does have to do with what we do, in terms of a parity comparison of the assets and liabilities, and also the interest income to expense that we have, and what we project for the quarter.

And as we ran the numbers on that parity comparison, the ranges were about 107 percent assets to liabilities and about 105 percent on the other side of interest income to expense. And all of this to tell you that the fair value is on the rise. The parity comparison would suggest that our portfolio is strong at this time, to be able to meet current and future debt service, and also the administrative overhead of the Agency at this time.

That concludes my report. I am available, of course, obviously, if you have questions. Thank you.

MR. GERBER: There is obviously a lot of detail in this report. And Mr. Dally, would you highlight the training that we will be doing for our Board members prior to, hopefully, the March Board meeting. We will be coordinating with your schedules to give you a broader training and perspective on many of the things that Mr. Cervantes has just spoken about.

MR. DALLY: Right. It is our intention to have you come in the evening before --

MR. CONINE: Would you mind stating your name? I want to play lawyer with this guy.

MR. DALLY: Bill Dally. I am the Deputy

Executive Director over Administration. And I am over the areas of both the bond finance group, with Matt Poger and our Financial Services here with David Cervantez.

It is our intention, since we have so many new Board members, to go ahead and have a Board training the evening before we have our Board meeting in March, since we don’t have a Board meeting in February. We are going to ask you to come in. It will probably be about a two and a half hour session. And it will be both talking about investments, the mortgage-backed securities and some of the things that are in our investment portfolio.

But you have to start out first and talk about the bonds and the sale. And we will be using some of the same examples. And it is a lot of the same capital market. There are fluctuations out there.

And so we are in a very volatile time. And we will be bringing in, not only my staff, but also our financial advisor, our bond counsel. And they will be walking through sort of the ABCs of single family bonds.

And then you will have an opportunity then to ask your questions and see, so that you can kind of put this in perspective. And then that will set the stage, as we come to you later in the spring, with our financing on our single family deal.

MR. CONINE: Any comments or questions? Got a new hairdo, Mr. Dally? It looks pretty good. It must be your new 2008 look. Thank you for your report.

I remind the new Board members that even though the value of this portfolio moves around a lot, we have the ultimate guarantees, government backed guarantees on most of the stuff we have. And so the par value is not generally in danger any time soon.

So these guys do a great job. And we wanted to give you a little more detail in this particular Board meeting than we have been getting in the past. Most of the time, this quarterly investment report is on the Consent Agenda. But again, we just wanted to highlight certain things to make sure we increase your awareness of what is going on within the Department.

Thanks, guys. Good job. Okay. We are going to break for lunch.

MR. GERBER: We have one more thing.

MR. CONINE: Oh, you have one more thing.

MR. GERBER: We do. If I could ask Anne Reynolds to step forward for just a moment. We have one more significant thing happening in the Department. Anne Reynolds who has been our long time Assistant General Counsel and has been attorney in the Department for -- well, we won't care to remember how long -- but has just done yeoman's work in providing a great deal of service to the Department.

And she is retiring after many years of dedicated service to the State of Texas. She has just done a very effective job over that time, in dealing with the complexities of housing law, changing federal and state rules. And as you have gathered already, these are complex programs to manage. And she has helped to navigate some of those waters.

And we are very much appreciative for your efforts and hard work. And we wish you all the very best in retirement, and other things that you move on to.

I thought it would be worth it, if Edwina Carrington wouldn't mind coming forward for just a second. Edwina led the Department for four years, prior to my coming on. And worked extremely closely with Anne. And I thought she might want to offer a perspective as well. Some thoughts.

MS. CARRINGTON: Thank you, Mr. Gerber. I appreciate the opportunity, and congratulations to the new Board members. Anne was there when I got there in 2002. Anne was there when I left in 2006. And I appreciated Anne's knowledge of our statutes, Anne's knowledge of how rules are developed with the State of Texas.

I enjoyed working with her very much. And Anne, I think, loved legislative sessions better than anyone I have ever seen. She really loved them, enjoyed them, and was really into it. And I am pleased to have had the opportunity to work with her.

MR. CONINE: And I will chime in on a little bit of that, since I have been around since '97. And Anne, you have done a great job through the years. We appreciate your service, not only to this Department, but again, to the State of Texas. And best of luck in your retirement. I am jealous.

MR. GERBER: Please join me in thanking Anne.

(Applause.)

MR. CONINE: Okay. Board members, we are going to go into -- technically go into executive session. We are going to go down to the Basement Rotunda to do the ceremony with John. And then back up to Room E-1020, which is just right around the corner here, to do an executive session, hear from our General Counsel, have lunch. And we will try to be back here by 1:00 if all works just well. On this day, January 31, 2008, at a regular -- I have to do this afterwards, right.

(Simultaneous discussion.)

MR. CONINE: I do it now.

MR. GERBER: Do you want me to do it.

MR. CONINE: The regular meeting -- yes. Why don't you do it. I don't want to do that.

MR. GERBER: On behalf of the Chairman, on this day, January 31, 2008, at a regular meeting of the Governing Board of the Texas Department of Housing and Community Affairs, held in Austin, Texas, the Board adjourned into a closed executive session, as evidenced by the following; A) openly announced by the presiding officer that the Board will begin its executive session today, January 31, 2008 at 12:30 p.m.

The subject matter of this executive session deliberations as follows: A) the Board may go into executive session and close its meeting to the public on any agenda item that is appropriate, authorized by the Open Meetings Act, Texas Government Code, Chapter 551, the Board may go into executive session pursuant to Texas Government Code 551.074 for the purposes of discussing personnel matters, including to deliberate the appointment, employment, evaluation, reassignment of duties, discipline or dismissal of a public officer or employee, or three, consultation with the attorney pursuant to Section 551.071 subsection A of the Texas

Government Code, 1) with respect to pending litigation styled Brandal v. TDHCA filed in state court in Potter County.

2) With respect to pending litigation styled Rick Simmons v. TDHCA filed in federal district court; a new filing of a previously dismissed suit. Or 3) With respect to any other pending litigation filed since the last Board meeting.

(Whereupon, Board went into Executive Session.)

MR. CONINE: The meeting is called back to order on behalf of the Chairman. We certify that this agenda of an executive session of the Governing Board of the TDHCA was properly authorized pursuant to Section 551.103 of the Texas Government Code.

The agenda was posted at the Secretary of State's office seven days prior to the meeting pursuant to Section 551.044 of the Texas Government Code, that all members of the Board were present, and that this is a true and correct record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551 Texas Government Code. Signed by Mr. Conine.

MR. CONINE: Okay. Thank you, Mike. Moving on to Item 3 on the Agenda, which is the presentation, discussion and possible approval of the Community Affairs

Division items. Mike.

MR. GERBER: Mr. Chairman and Board members, this item is the streamline 2008 Public Housing Plan, Section 8 Public Housing Plan for adoption. HUD requires this plan to be submitted annually. The Section 8 program provides rental assistance payments on behalf of low income individuals and families whose annual gross income does not exceed 50 percent of the Area Median Income.

The Department administers vouchers in 28 Texas Counties that are not otherwise served by local housing authorities, in predominantly rural areas of the State. The Annual Plan includes the notice of a disaster preference for the Section 8 housing choice voucher program, and proposes to expand the Project Access program from 35 to 50 vouchers. Project Access was a pilot program by HUD that transitions persons with disabilities.

HUD discontinued the program, but Texas has been able to continue to maintain the program, and has done so under the previous streamlined Section 8 plans that we have submitted over the last three years. The Project Access voucher topic will also be the subject of a new rule today that we will discuss under Item 4A.

If you have any questions, Amy Oehler who is our acting Director of the Community Affairs Division is here to respond to those. But we would urge our recommendation to allow us to submit the streamlined plan to HUD.

MR. CONINE: Okay. Any questions of the staff?

MS. RAY: Mr. Chairman.

MR. CONINE: Yes, ma'am.

MS. RAY: I move for staff's recommendation.

MR. CONINE: Motion on the floor. Do I hear a second.

MR. MUNOZ: Second.

MR. CONINE: Motion and second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries. Item 3B, Mike.

MR. GERBER: Item 3B, Board members, is the approval of the 2008 Investor Owned Utility Weatherization contracts. The Department administers weatherization assistance program funds, which are contributed by investor owned utilities for the benefit of households within their service area.

These funds are administered in a similar fashion, the way the federal funds are received. Combining these two funds to assist Texans to help create more energy efficient households, saving energy for the investor owned utilities, as well as lowering utility bills for the residence of the altered homes. The funds are allocated on an annual basis.

The subrecipients who perform energy audits of qualified households and works with independent contractors to make improvements. Today the Board is being asked to approve the annual allocations to subrecipients. And we would urge your approval of staff’s recommendation.

MS. RAY: Mr. Chairman.

MR. CONINE: Yes, ma’am.

MS. RAY: Move staff recommendation.

MR. CONINE: There is a motion. Do I hear a second.

MR. CARDENAS: Second.

MR. CONINE: A second. Is there any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries.

MR. GERBER: Mr. Chairman and Board members, on Item 4A, staff is -- rather than going into a lengthy explanation, staff is recommending that we withdraw that item, and bring it back to the Board at the March Board meeting.

MR. CONINE: I have one public comment that someone who registered to speak on the Agenda Item. Sarah Mills. Are you still here?

MS. MILLS: I am here, but --

MR. CONINE: Are you good to go with that?

MS. MILLS: I am good to go, sir.

MR. CONINE: Thank you very much.

MR. GERBER: We appreciate that. We look forward to working with the disability workgroup and with the community as a whole to try to address issues that were identified earlier during public comment. Item 5A is the presentation, discussion and possible approval of Housing Trust Fund Homeownership Notice of Funding

Availability.

I am going to ask Jeannie Arellano to come forward to talk about that. But let me just briefly describe it. During the 80th Legislative Session the Department was appropriated additional General Revenue for the Housing Trust Fund. This NOFA is consistent with the plan that was approved by the Board at our September 2007 Board meeting.

This Notice of Funding Availability will allow the flexibility to permit funds to be used for a variety of homeownership activities, and allows non-profit as well as for profit organizations the opportunity to identify and serve their communities unique homeownership needs. The total amount that is available under this NOFA is $1 million.

Applicants are allowed to provide assistance to eligible households and first time homebuyers in the form of zero percent interest loans. Some of the eligible activities include mortgage assistance for homeowners rebuilding from disasters other than Hurricane Rita, down payment assistance for first time homebuyers and rehabilitation assistance, including architectural barrier removal for homeowners. And that is something that we think is a very positive step; that barrier removal.

The assistance is limited to households earning 50 percent or less of the Area Median Family Income. The NOFA will be published in the appropriate information distribution channels, including the Texas Register, the Governor's Texas Marketplace. If you have any additional questions, we can turn to Jeannie. If not, we would recommend your approval of this NOFA and issuing it. And hopefully, we will get many applications in.

MS. RAY: Mr. Chairman.

MR. CONINE: Yes, ma'am.

MS. RAY: I move staff recommendation.

MR. FLORES: Second.

MR. CONINE: Move for approval, with a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries. Item 5B.

MR. GERBER: Item 5B, Mr. Chairman, is something that we are very pleased to bring forward to the Board. These are recommendations for awards that are in response to our Veterans housing assistance NOFA. In response to Veterans housing needs, and a suggestion that was made by some state Legislators to create a demonstration program, using Housing Trust Fund money.

The Board approved, using up to a million dollars in Housing Trust Fund funds, for a Veterans Housing Support program NOFA. This NOFA made available again, a million dollars for rental subsidies and homeownership assistance for low income Veterans. And applications from units of general local governments, non-profit organizations, and public housing authorities were received on a first come first served basis. We are prepared to recommend to the Board the approval of four of these awards.

We do have a non-substantive correction to make to the agenda. The wrong application numbers were listed on the Agenda for the City of San Antonio and Hover, Incorporated. And this error has been corrected internally.

The remaining three applicants have requested funding, but we are not recommending funding for today, but we will probably bring some of those to you at the next Board meeting. We are still working through deficiencies and other issues. And we are hopeful that we will be able to assist even more Veterans and obligate the total amount of money, as well as maybe even come to you all and ask for some additional assistance, given the critical needs of our returning Veterans.

But Jeannie, did I miss anything in that? We are very pleased about these funds, and we would encourage the Board and recommend their approval of these awards for Veterans.

MR. FLORES: Move approval.

MS. RAY: Second.

MR. CONINE: Motion to approve with a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries.

MR. GERBER: Jeannie, why don't you walk through Item 5C, funding plan for deobligated and uncommitted HOME funds.

MS. ARELLANO: Jeannie Arellano, Director of the HOME Division. As requested by the Board at the

December Board meeting, staff has developed a funding plan, describing proposed initiatives for the balance of our deobligated and uncommitted HOME funds. The amounts that are used in this plan are approximations, based on our December 14, 2007 fund balance report, which indicate a total balance of approximately $6.5 million available for commitment.

This report is an internal report. The fund balance report is an internal report that provides a summary and reconciliation of the total HOME fund balances. All of the funds are either deobligated or uncommitted due to undersubscription of a NOFA. And therefore, are not subject to the regional allocation formula.

After reconciliation of available balances, with current programmatic commitments, staff estimates 6.5 million in HOME funds are available for new or existing programs. We have presented several options for the Board to consider, and recommend approval of option one, in order to allow sufficient time to determine the subscription levels of the current NOFAs that we have out and published right now.

MR. GERBER: And that is a really important point. We have a number of different notices of funding availability that are out there. And I think we need to see what is coming forward to the Department and what our needs are. And bring a more balanced view. But in response to the Board's concerns, about those higher home balances, we were obliged to clearly bring forward to you a plan.

But I think my recommendation at this point is, there are a number of activities that we could additionally do, but that we should probably wait, at least until March, to figure out what our subscription is on those other programs, because running boutique programs does present some significant management challenges and staffing challenges.

And so hence, the recommendation on holding until March, and going along with option one. So we would be glad to discuss any of the other things that staff was considering if that would be helpful.

MR. FLORES: Are you going to bring this back? I just go move to go ahead and move it. Postpone it to the March Board meeting.

MR. CONINE: There is a motion on the floor to move this item to the March Board meeting. Do I hear a second.

MR. MUNOZ: Second.

MR. CONINE: There is a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries.

MR. GERBER: Thank you, Jeannie. I will ask Eric Pike, who is our Director of the Texas Home Ownership Division to come forward, and we are going to walk through the two items that are under Item 6. Item 6A is a presentation dealing with a match from the Housing Trust Fund to secure foreclosure mitigation assistance through a national foreclosure mitigation counseling program.

What Item 6A is referring to is the possible approval of using deobligated Housing Trust Fund dollars from previous years to match to secure foreclosure mitigation assistance through a national foreclosure mitigation counseling program. The Congress recently appropriated $180 million to be used by the Neighborhood Reinvestment Corp to make grants to HUD approved counseling intermediaries, including state Housing Finance

Corporations for mortgage foreclosure mitigation assistance; in essence, credit counseling.

The $180 million is a one-time funding in response to the ongoing lending and credit crisis. The funds can only be used for credit counseling. The goal of the program is to provide counseling assistance, and prevent foreclosure, and result in the long term affordability of the mortgage. Texas intends to apply on behalf of HUD approved housing counseling agencies that have worked successfully with financial institutions and with borrowers that are facing default, delinquency and foreclosure.

Applicants have to provide a 20 percent match for the first $500,000 of funding they receive and after $500,000, the required match drops to 10 percent. Match funds can be cash or in kind services. TDHCA is also working with other agencies and partners to secure additional match funds. We are recommending the approval of not more than $250,000.

The amount might, in fact, ultimately be less, based on the other partners that might come to the table in this effort. But we believe, because all of the funds have to be fully utilized by the end of this calendar year, so there is a very fast usage of these dollars, that

$250,000 will leverage sufficient funds to meet the needs of our credit counseling entities around the state, and give them that added capacity to help homeowners avoid foreclosure. So we are asking for that approval of up to $250,000. And we will keep you posted on the progress we make with the grant. Yes, sir.

MR. MUNOZ: So the money is intended to compensate the company for the delivery of these training programs.

MR. GERBER: It is really to increase the capacity and hire additional counselors.

MR. MUNOZ: For them to deliver the mitigation training.

MR. GERBER: Exactly. And the counselors will really do two things. There will be two levels of assistance that they can provide. The first is a general intake and provide counseling of a more general nature. The second level is much more in-depth kind of counseling, where they will do workouts, go through financials, and actually serve in some respects as an intermediary with your respective mortgage servicer.

All the major mortgage-servicing companies are part of this, including the one that we use for our first-time homebuyer program, Countrywide. And it is a very strong partnership. The President even referenced that partnership, the Hope Now Alliance, during the State of the Union. And this is an outgrowth of that effort.

MR. FLORES: How are you going to select these people, the contractors that do this work.

MR. GERBER: Eric, do you want to touch on the selection process?

MR. FLORES: I am trying to figure how to get down to the guy. We are not doing it. Our staff isn't doing it. What I understand you are contracting out someone else that is already in that business.

MR. PIKE: Right. Eric Pike, Director of the Texas Home Ownership Division. The State of Texas, the Housing Finance agency has the ability to apply on behalf of HUD approved counseling service providers around the state. So what we have done, we have developed a questionnaire and a survey.

And have recently sent it out to all of those organizations that are HUD approved. We are trying to ascertain information from them, so that we can gauge their desire to participate in the program, as well as their capacity. And so we will be compiling an application.

The applications are due in Washington on

February 8. The funds are to be distributed on the 24th of February, with an anticipated start date of March 1. As Mr. Gerber said, a very short time line on all of this. And the program is scheduled to be completed by the end of December. So more directly, to answer your questions, we will be applying on behalf of HUD approved counseling providers who will in turn provide different levels of counseling to homeowners that are facing foreclosure.

MR. CONINE: And how do they find those homeowners?

(Simultaneous discussion.)

MR. PIKE: A lot of them will be referred through the national preservation foundations Hope Hotline. And just individuals that might choose to contact a housing counseling provider in their area. I am sure that the providers have an outreach component. How exactly that works, I don't know. But our biggest fear is that there is going to be enough capacity in order to handle all of the people, not the other way around.

MR. CONINE: Right.

MR. GERBER: And we know that the Hope Hotline is getting lots and lots of calls. And they are being referred to these local counseling agencies.

Our concern is obviously, since we don't know the duration of this challenging time, we don't want to put too much capacity in the system with hiring a whole bunch of additional counselors. We are going to hire a modest number with this grant, understanding again, it is really a nine month time frame to expend those funds, and then they will have to --

MR. FLORES: Yes. But I have a problem with the timing. Walk me through the timing, Eric. He said something to the effect, get it all in Washington, he has got to expend it, within I assume, the Texas fiscal year, which is September. So you don't have much time, it looks like.

MR. PIKE: Actually, these funds, if you choose to approve them today, must be committed anywhere after January 1. So we would be within that time line. And then they must be expended by December 31.

MR. FLORES: But what was the part of going to Washington and HUD.

MR. PIKE: Well, there is an application that is due to Washington February 8, for these funds.

MR. FLORES: And if the answer is no, you can't have the money, we spend ours or what?

MR. PIKE: No.

MR. GERBER: No.

MR. PIKE: If we are not successful at receiving any of these funds, then we would not be using these match dollars. We have a pretty good sense that we are going to be successful at receiving some of these funds, because Texas is one of the top seventeen states in the nation that has been identified as an area of greatest need. So we feel pretty strongly that we will receive a portion of the 180 million that is being awarded.

MR. FLORES: And I assume you are predicting fast turnaround in Washington to make all of this work.

MR. PIKE: Well, that is what they tell us. That would be unusual, wouldn't it.

MR. FLORES: That is why I am asking, because I am afraid you are going to have 30 days or something to take care of your service, by the time we get through all of the bureaucracy.

MR. PIKE: It is very quick. To be quite candid with you, we learned about this opportunity the first part of January. So it has been a real fast turnaround time on our part to develop a questionnaire and a survey. We feel very confident that we will be able to have a very competitive application, that we will be able to submit timely.

As to whether they will be able to turn around those reviews and recommendations by the 24th of February, I just don't know. But that is what they are telling us at this time.

MR. FLORES: But are you prepared to make this a priority, where you get right on it. And keep it a priority, or else you won't be able to get the service going.

MR. PIKE: Absolutely. We realize that we are going to have to jump on this really quickly.

MR. FLORES: Okay.

MR. CONINE: Staff recommendation is up to 250 as I see it. Is that correct?

MR. GERBER: Yes, sir.

MR. FLORES: I am going to make that motion.

MS. RAY: Second.

MR. CONINE: There is a motion and a second on the floor. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries.

MR. GERBER: I would also advise the Board that we will also be doing, as part of this, some various press activities around the state, heightened awareness about the Hope Hotline, expanded credit counseling services through this grant, and doing that in cooperation with the Neighborhood Reinvestment Corporation, which we are really pleased has assigned a staffer to work with us to help navigate this grant. So we are very optimistic that we have got a very reasonable sum, and that we can handle those dollars when the grant comes through.

Moving on to the next item, Mr. Chairman, is a presentation and discussion of a recent agreement by Bank of America to purchase Countrywide. Tim Almquist is here from Countrywide.

And Tim, would you just like to touch on that. Countrywide is the master servicer, again, of all of our first time homebuyer loans and this is a significant development with Countrywide. And so we thought it was worth meeting Tim and also just getting some perspective on that.

MR. ALMQUIST: Sure. My name is Tim Almquist. I represent Countrywide Bank. I am here to talk about the proposed Bank of America merger with Countrywide. I really don't have a whole lot to report, other than what came out on January 11.

Bank of America did come out and made a firm commitment to purchase Countrywide for $4.1 billion purchase of all company stock. The transaction is not scheduled to close until the third quarter of this year, with integration not happening until probably 2009.

Over the last couple of days, we actually announced earnings for fourth quarter of 2007 on Tuesday, I believe. We did post a loss, our second loss in 25 years. So it is not common for us to post these losses. But Bank of America was aware that we were going to be encountering some losses going forward, and maybe it is more going forward even then. Test is going to the first and second quarters of this year. However, they have done a great deal of due diligence. They still feel this is a good deal for them.

We have actually been in talks with them to do some kind of merger or some kind of acquisition for years, now. I think the economic environment kind of expedited things, and it made us more cheap. Okay. Before, you know, we were a very strong corporation. We still are. Our stock price has come down over the liquidity crisis and things like that.

It made it a good deal for Bank of America.

They like our mortgage platform. They like our senior management; their expertise. So as we go forward, for all of 2008, even after the closing, we will be operating under the Countrywide brand. They like the Countrywide brand. When they -- Bank of America sees people, consumers out there, when they think of mortgages, they think of Countrywide. With all of the press these days, that may not be a good thing. But we still think it is.

We just got an announcement this morning. Bank of America did a press release. And they did commit again, to going forward with this transaction. And they actually named Dave Sanbold, our President and COO as the guy who is going to be running the mortgage operations for Bank of America once the transition happens coming in October or September of this year.

So we are looking forward to it. We think it is going to be good for us. And they think it is going to be good for them as well.

MR. CONINE: Tim can you speak to your servicing volume. And maybe any state FHA clients that you have. Again, for the education of some of the others up here.

MR. ALMQUIST: You know, we do act as master servicer for programs across the country. We have about eight or nine different state clients. We have about 30 local municipalities that we do this for as well. For 2007, our bond portfolio, we produced $4.8 billion worth of first time homebuyer loans to low or moderate income families. Much of that came from our friends at TDHCA.

From an overall perspective, Countrywide Financial Corporation carries a loan servicing portfolio of $1.5 trillion. The largest in the country. You add that to Bank of America's $500 billion portfolio, you have got a $2 trillion servicing portfolio. Bank of America likes the fact that they will have access to 9 million additional clients when they look at the people, the consumers that we have under our services portfolio.

So again, we feel that it is a great deal. Bank of America likes our mortgage platform. Going forward, like I said, we will be operating under the Countrywide brand, as far as master servicing of our mortgage revenue bond clients. Business as usual.

We are going to go through 2008, just like we have through all of our past years. When we integrated in 2009, we will see what happens then. But I imagine that we still may be operating under the Countrywide brand at that point, too.

MR. CONINE: Okay. Any other questions. This is again, just an informational item for everybody, just to get them updated on the latest news. Thank you for being here, Tim. We appreciate it.

MR. ALMQUIST: Sure.

MR. CONINE: Item 7A, Mr. Gerber.

MR. GERBER: Item 7A, Mr. Chairman is a presentation, discussion and approval of the Department's investment policy. This item includes the approval of a resolution, number 08-010, which will authorize the approval of our investment policy for 2008.

The Public Funds Investment Act requires state agency Boards that hold investments to develop, maintain and annually approve an investment policy that outlines the purposes of those investments, the types of permissible investments and designation of an investment officer, and selection of a reporting format and frequency, and require training for both investment officers and Board members. TDHCA investment officers are David Cervantez, who is our Director of Finance Administration, and Matt Poger, who is our Director of Bond Finance.

Staff is recommending the approval of Resolution 08-010, authorizing the approval of this investment policy. And Matt Poger is here to answer any questions you might have about that. It has not changed appreciably for quite some time. And Matt, if you want to offer any perspective, or if the Board members have questions about that. But we recommend approval.

MR. POGER: Matt Poger, Director of Bond Finance. Any questions?

MR. GERBER: Any additional perspective you want to add to it, or Bill Dally?

MR. POGER: Read the investment agreement, like I said, comes to you on an annual basis. The Public Funds Investment Act requires us to do that for you. But we take a look at that on an annual basis and see if there is any changes in the marketplace or any changes we need to make to that investment policy. And we have determined there's no changes at this point in time.

MR. CONINE: Okay. Do I hear a motion.

MS. RAY: So moved.

MR. FLORES: Second.

MR. CONINE: A motion and a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries. Seven B.

MR. GERBER: Item 7B is our presentation, and possible approval of the Department's interest rate swap policy. The Department's interest rate swap policy requires the Deputy Executive Director of Administration and the Director of Bond Finance to review annually the interest rate swap policy.

Due to current market conditions, the Department wants to strengthen certain provisions related to TDHCA's protection from the risk of the losses. Creditworthiness by swap counter party. In making these changes, the Department sought the advice and counsel from the Department's swap financial advisor, the Department's financial advisor, and the Department's bond Counsel.

We are recommending approval of this swap policy, and the protections that these changes would make. And again, Matt is here to respond to any questions about that policy.

MR. CONINE: Matt, can you put in layman's terms what you have done here on some of this corrective language?

MR. POGER: Yes. What we have done is

strengthen the policy by, because I guess of what has happened in the market in the last six months or so, we have taken a look at it. And counter parties, one of the things what a counter party is, basically we, TDHCA as a counter party enter into an agreement on a swap transaction with another counter party.

And one thing we wanted to do was to make sure that the rating of that swap provider is tightened up a little bit. So what we have done is, improve the ratings on the Standard & Poor annuities. Also we have taken a look at -- now they are becoming more of a mature issues of swaps, we have now got five under our belt.

And we are taking a look at the mix of swaps we have with different underwriters and the swap counter parties. We want to make sure there is a balance in there. We have added that language in there to make sure that has happened. That is able to be taken -- we would be able to do that with the help of our swap financial advisor. And we would negotiate at any given time.

And when we are getting ready to do a swap, we would need to make a mixture, make sure there is a good balance in there. We would be able to do that with the help of our swap financial advisor.

MR. CONINE: Matt, are the proposed changes that we are making to this policy and increasing the level of let's say, financial capability of our financial partner, do the new requirements put any of our existing requirements in jeopardy or in a box? Existing clients counter party swap parties?

MR. POGER: No, it does not.

MR. CONINE: In other words, are we achieving a rating level that is higher?

MR. POGER: Yes. The rating level that we have with our swap counterpart right now, even though we may have moved up with Standard and Poors, let's see from an A3 to an A, our swap counter parties are a lot higher than that. Bear Stearns is Triple A. UBS is Double A. Goldman Sachs is Double A minus. So they are a lot higher than what we specified in the buy.

MR. CONINE: Have you checked in the last hour.

MR. POGER: That is good. I haven't gotten any emails or voice mails, yet. So I think I am okay.

MR. CONINE: Any further questions? Do I hear a motion?

MR. FLORES: Motion to approve.

MS. RAY: Second.

MR. CONINE: Motion to approve by Mr. Flores, and second by Ms. Ray. All those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries.

MR. GERBER: Mr. Chairman, Item 7C is the possible preliminary approval of our single family mortgage revenue bond 2008 series, A through C, and approval of the underwriting team for what will be Program 71. What we are in effect doing is asking your approval to go to the Bond Review Board, and make an application with them to reserve 2008 single family private activity bond authority, and to present and discuss and work with them on the preliminary steps of a structure for Program 71.

The Texas Housing Market, is as we have all heard, is slowing. And we want to be very cautious with our first 2008 single family bond issuance. And so at this time, we are not seeking the approval of structure at all. We are going to continue to work through those issues.

And be it March or April or May when it is appropriate, and things have stabilized, we will come to you with what that structure would look like, and what we will be recommending, to put more first time homebuyer funds into that pipeline. But again, this is really just an opportunity for us to buy our ticket to the dance with the BRB and knowing that there is much more to come in the next few Board meetings.

MR. CONINE: My understanding Matt, based on the chart on the third page of this writeup is from a pipeline information, that we have got 42 million left in our other programs that are floating around out there. And I heard, I think, Mr. Cervantes say that we burned up 40 million last quarter.

MR. POGER: Correct.

MR. CONINE: So there is a good chance of us burning up this 40 million in another quarter.

MR. POGER: That is correct.

MR. CONINE: And so that is why you need to go --

MR. POGER: A little slower.

MR. CONINE: Kind of go reserve some funds. But albeit, we are in a challenging market with declining interest rates, I am sure you are finding. Can you shed a little light on that?

MR. POGER: Yes. Like I said, you have heard quite a bit from, I guess, the news headlines. It has just been crazy. Every day, every hour, you are getting a new bleep on the radar about what is happening out there. Just recently, I gave you some information in the Board writeup, because in the last couple of days or so, home sales for December 2007 were at their lowest in 15 years. Okay.

We have got year-to-year home prices have been declining by 10 percent. The national foreclosure rate was up 75 percent in 2007. So with all this news going on, we want to make sure that when we go out to the market, we have our funds that are currently out there. We can lend out.

We can get those out into a position where they are good loans. And then we are able to come out with a new product for the homeowners out there. That way, we can get the target rate that we need to. And that is the hardest part to try to figure out right now, is the mortgage rate for these next programs that we are going to have, because as my boss is telling me, it is like a falling knife; that you are going to grab that thing at the wrong spot, so you need to make sure that when you grab it, it is going to be the right target rate we are going to set.

So hopefully we will come back to you in a couple of months or, like Mike was saying, it could be three months before we finally fix this the next program for you.

MR. CONINE: Any other questions of Matt?

MR. FLORES: Move approval.

MR. CARDENAS: Second.

MR. CONINE: And that is resolution 08-007. I don't know that you mentioned that, or not. But I want to make sure that it is on the record.

MR. GERBER: 08-007.

MR. CONINE: Okay. Any other questions?

(No response.)

MR. CONINE: If not, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries. Item 7D.

MR. GERBER: Item 7D is a discussion and possible preliminary approval for Bond Finance to change the existing single family mortgage revenue refunding Texas M Commercial Paper Notes Program into a drawdown bond program, and continue to utilize the investment banks, versus Goldman Sachs for that drawdown bond program. TDHCA single family mortgage revenue refunding tax exempt commercial paper notes program was developed in 1994 to provide new money for below market mortgages by recycling payments on mortgages that were finances with proceeds from single family bonds that were issued by TDHCA in prior years.

Goldman Sachs has been issuing the Department's commercial paper program since inception. Due to some unforeseen circumstances within the financial markets, it has become increasingly difficult in the last few months to remarket that commercial paper.

So what we are seeking, staff is at this time, not seeking, nor is the Board giving final approval of the drawdown bond financing structure. Staff will come back to the Board in April of 2008 with a final structure for your review and approval. But we are recommending some -- what exactly are we recommending in this?

(Simultaneous discussion.)

MR. POGER: What we are recommending is recommend the approval of moving from a commercial paper program to a drawdown program, to a drawdown bond program.

MR. GERBER: But we will come back.

MR. POGER: And with using Goldman as our underwriter for that bond program.

MR. CONINE: And you just want us to give you the authority to put it together and bring it back to us.

MR. POGER: Correct. We will bring it back. We will bring the bond structure back to you in April.

MS. BINGHAM-ESCARENO: Matt, do you see this as a temp earning move. Or do you foresee this being something that will be ongoing, as we move from paper.

MR. POGER: This will probably be a permanent move, because what has happened, the unforeseen circumstances out there, is that with all the market situation gone, our commercial paper, our short term notes, the rating agencies are taking a really strict look at that. And that was the reason why we could not get back to use commercial paper.

Our commercial papers could not be rated by Standard and Poors. It is the same structure that we had in 2004. We took that to Standard and Poors, and they approved it without a problem. But the market conditions like they are right now, everybody is getting kind of edgy, and they are tightening up on their rating criteria. So we are probably going with the drawdown bond and staying with it.

MR. CONINE: Okay. Any further discussion?

MS. BINGHAM-ESCARENO: Move to approve.

MR. CONINE: We have a motion to approve. And do I hear a second?

MR. FLORES: Second.

MR. CONINE: And a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries.

MR. GERBER: Thank you.

MR. CONINE: Go on to 8A.

MR. GERBER: Item 8 are our Disaster Recovery Division items. I will ask Kelly Crawford, our Deputy Executive Director for Disaster Recovery, and I am going to ask Jen Joyce to come forward as well. Jen is one of our senior staff person in the Disaster Recovery Program. She is having a heavy hand and doing some heavy lifting.

Item 8A is a discussion about requests for amendments to CDBG contracts that are administered by TDHCA for CDBG Round One funding. And Round One funding is at $74.5 million that we received nine months after the storm hit in May of 2006.

MS. CRAWFORD: Mr. Chair and Board members, this is a requests for an amendment to the CDBG disaster recovery contract for the Deep East Texas Council of Governments. Contract C-06-002. They are requesting an amendment to transfer $3.6 million from their rehabilitation budget category and $2.47 million from their reconstruction budget category to a new budget category of housing rehabilitation and reconstruction totaling $6,070,531.

In addition, they are requesting to increase their rehabilitation limit from $25,000 to $40,000 with the provision that the cost of necessary repairs cannot exceed a home's pre-hurricane value. These changes are requested to allow flexibility for the needs in the DETCOG region for rehabilitation and reconstruction as they are identified. Due to the length of time that has passed since the storm, further deterioration to hurricane damaged homes has occurred, resulting in a greater need for reconstructed units in DETCOG.

However, it is projected that there will be a minimum of ten homes that will receive rehabilitation assistance. If this amendment is approved, the number of proposed beneficiaries will be reduced from 488 to 258.

MR. GERBER: I would just emphasize, reconstruction is a complete new home.

MS. CRAWFORD: Yes.

MR. GERBER: And it is the best -- we are really done with that period of emergency repairs. With the subsequent 125 inches of rain that they have had out there in the last 2 ½ years since the storm hit, the issue is to just make it really imperative to tear down the structure. In most instances, and completely rebuild.

MR. CARDENAS: So the money is already there, it is just reassigning the money.

MS. CRAWFORD: Yes, sir.

MR. CARDENAS: So if there is any further deterioration, it is not going to happen because the money is there.

MS. CRAWFORD: Right. The money is there. But there is a requirement that we bring any change before the Board for your approval, for you to understand what is occurring and why it is required.

MR. GERBER: Mr. Cardenas, what happened was, in the Action Plan that we submitted to HUD, we put in a provision that any change greater than 5 percent would come to the Board for approval. And as time has gone on, and as we struggle to qualify families for the disaster assistance funds, we have found that it has been very challenging to get through the environmental clearance process, and historic preservation issues.

Ensuring that there has been no duplication of benefits, and just in general, the intensive case work associated with these families. And over that time period, there has been a greater. Yes, there has been more deterioration of the properties that has occurred. And the COGs have lead responsibility for qualifying those families.

And really, it has been in the last four to five months that wrapping up that qualification process has really taken place. Again, I have almost all of the families qualified. So we know the universe of people we are serving. The fund is a zero sum game. And unfortunately the more expensive -- we are dealing with more expensive for rebuilds than we are, doing emergency repairs.

MR. CARDENAS: So Mike, how many families will be serving, because I thought you said that there would be a significant number fewer served.

MS. CRAWFORD: In this region, yes. There will be. It is reducing to 258.

MR. CARDENAS: From formerly --

MS. CRAWFORD: 488 in this area. There are reasons for that initial projection that is being reduced. Some of it is what we have discussed, which is the further deterioration of homes.

But some of it was, that this particular area got some really flexible funds from another source, and did a lot of their up-front emergency repairs with those funds, and then had to re-assess what they had in their population to serve. And that initial projection has decreased from what they were originally going to serve.

MR. GERBER: So a lot of these folks are really those hardest and most expensive cases.

MS. RAY: Mr. Chairman.

MR. CONINE: Yes, ma'am.

MS. RAY: I would ask the staff a question.

MR. CONINE: Yes.

MS. RAY: Because 230 houses is like, to me, 230 families that we are talking about. So you are saying the 488 original projection. And some of them were, was accomplished. But some of those 230 people or families or whatever through other resources. So we are not really looking at 230 families or houses that are not going to be taken care of.

MS. CRAWFORD: Right. And so the beneficiary versus household, those are different terms. We are not losing 230 households. We are losing you know, based on family size. So that is different. It is probably reducing about maybe 90 actual households.

MS. RAY: But that could be a private, some of those people having applied, may not have been qualified recipients?

MS. CRAWFORD: I think there is more to serve than we can serve out there, with these programs. So what I believe is, that their population needs changed over the time frame. And so for us to serve the way we need to serve with this program, if it is not going to be a lower cost rehabilitation, which the people that they have prioritized to serve.

We know now who they are, and we know what their needs are. So now that we have identified it, their needs aren't as many rehabilitations as they thought there might be initially, and there is more reconstruction, which is more expensive.

MR. GERBER: And Ms. Ray, I would add that families that are not going to be served by the first round of funding, that $74.5 million, which 40 is for housing, will be served by $222 million which is set aside for the housing assistance programs with the second pot of money. And we will talk about that in a few minutes. But they receive priority.

And the Councils of Government are taking those folks that they can't serve, and turning them over to the third party contractor that we have hired to give them that priority and work through issues, and see if we can take care of more of those folks.

MS. RAY: Given that explanation and comments, Mr. Chairman, I move that we accept the staff recommendation.

MR. CONINE: I have got a motion. Can I get a second.

MR. FLORES: Second.

MR. CONINE: There is a second. I do have a public witness form, that I can't determine where she wants to speak or he wants to speak. Leslie Waxman?

MS. WAXMAN: No, sir. I just put myself down there, in the event that I might want to say something in regards to this. I am more interested in the infrastructure.

MR. CONINE: Okay. Thank you. She did. Motion on the floor. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries. 8B.

MR. GERBER: On the infrastructure side, we do partner with the Office of Rural and Community Affairs. This Board has responsibility for all of the CDBG funds, Community Development Block Grant funds awarded by HUD for disaster assistance. And your staff at TDHCA work with our colleagues at ORCA to administer that infrastructure part of the equation.

I am going to ask Heather Lagrone to come forward from ORCA to describe the activities for this funding. Heather, you can come on forward. Oh, Charlie Stone is here. Charlie Stone is the Executive Director for ORCA, and we are glad he is here.

MR. CONINE: Charlie, you need to fill out -- you already have, haven't you. I was going to play Beth for a minute.

MR. GERBER: Okay, Judge.

MR. STONE: Good afternoon, everyone. And to the Board members, and Mr. Conine. Congratulations to you, for your new Chairmanship.

MR. CONINE: Thank you, sir.

MR. STONE: And to the Board members, we look forward to continuing to work with you, as we have in the past, and working with your staff. We have an update for you on the funds that we manage on behalf of this Agency. And we do have some additional reports. Have they been handed out already.

They have been handed out to you for the DR One disaster funds. And you have a schedule, an action schedule that shows step by step where we are, and projections through the next quarter, through October, December section on that particular report. And there is a followup report behind that one, that you should have been given.

It is a detailed tracking sheet that we started back in October, to emphasize every particular activity that is going on with these particular infrastructure grants. It tells the issues that are there. What is pending, and those projects that are complete. We have provided that information, in even more detail to your staff.

This is kind of an outline of the book that we keep in our Agency to track these things. And basically, I would like to just present that to you, and see if you have any particular questions about those.

MR. CONINE: Not on my end. Any other questions from either staff or Board members?

MR. GERBER: Charlie, just to get a sense of context, when these funding awards were made more than 14 months ago, cities submitted to ORCA, communities submitted to ORCA how they intended to use these funds. And they have roughly two years to expend them.

MR. STONE: That is correct.

MR. GERBER: In a number of instances, they have encountered issues involving FEMA, and we are working, Charlie and I, to resolve those issues with FEMA, where CDBG funds we are leveraging, a particular type of grant that FEMA has. And so a small amount of our money can serve as match for that much larger FEMA grant.

But there have been other instances where things are just generally moving slow. And as much as we are doing on the housing side, we are keeping our, to quote our former Chair this morning, keeping boot to the back to move folks along. Can you talk about your efforts in that regard. And can you talk about also concerns that I have had, that I have shared with you, and wanted to talk about publicly.

Where we have some changes now taking place in projects, moving things to debris or street repairs, which in my mind, is a little bit different than the more critical water, waste water repairs, and some other types of repairs that we were initially investing in.

MR. STONE: I would be happy to do that. And I could understand the questions. Basically, what we do, we obviously have to follow the Action Plan that spells out specifically how and where we can spend the funds. And as they put their applications together, at the time that they did, they felt like the activities that they were applying for were the number one priorities.

As time goes by, as other events happen in their communities, we are finding quite a few recommended changes to their projects, and budget amendments that are coming in, and amendments that need to change the projects. And as Mike mentioned, sometimes we are seeing money being moved from an infrastructure moving to debris removal.

And the reason is, since the time that they have had this contract, there's possibly been a flood or a storm out there, in which they found out that there is debris in the ditches, and a heavy rain that is causing backup, and additional flooding. And so they feel that, in their opinion, it is more critical that they move money to a particular line item that may not seem like it is as important as others, or ones that they originally had.

But we always rely on the community to tell us where their highest and greatest and most immediate need. All of these amendments that come in to us are specifically in accordance with the Action Plan, and we check that to make sure. So everything that you have before you that are amendments -- and we will be talking about those in the next agenda item -- are related to those types of events.

MR. CONINE: Charlie, could you do me a favor next time, on this report, this status report sheet where you actually list the amount funded, spent, percentage, and so forth, could you mind totaling that stuff next time?

MR. STONE: Yes, sir.

MR. CONINE: That would be great.

MR. STONE: I would be happy to do that.

MR. CONINE: Thank you very much. It is hard to tell, although I can see the individual line items on percent spent, and I can read the explanation and what we are waiting on, and all that good stuff. But it would be easier to have that.

MR. STONE: We would be happy to do that.

MR. CONINE: Okay. So we are just doing the status report. We are not making any changes, yet. That is the next item.

MR. STONE: We do have Round Two, just very briefly. All of that money has been awarded, as you know. And so where we are on Round Two, we had the two different ones. The ones that were set-asides, and the competitive awards. It has all been made.

And we are now working on the contracts for the competitive awards that you all awarded last time. And those contracts should leave our agency by the end of next week, out to the communities.

MR. CONINE: Okay. Okay. I think we have got a motion on the floor, if I remember correctly. Any other discussion on 8?

(Simultaneous discussion.)

MR. CONINE: Okay. We are on C.

MR. GERBER: C, which is the request for amendments.

MR. CONINE: Okay. All right. Moving on to C.

MR. STONE: Yes. 8C are the amendments that I was briefly discussing, as Mike allowed me to. And you will see quite a few changes. And I don't want to read through each of those. As time goes by, you will probably notice there has been an increase in the number of budget amendments requested.

Just remember, the bottom line still stays the same. These are line item budget amendments within the budget that they have, based upon their opinions and their needs at this current time. So we have one change, and I am going to let Heather respond to that, that has to do with Lumberton, that was previously put in the Board book and now needs to be corrected.

MS. LAGRONE: Heather Lagrone with the Office of Rural and Community Affairs. You have a one sheet handout that we have provided to you. It says updated at the top. The City of Lumberton, in the interim, between the time we submitted this Board writeup until today, has gone out, and gotten their bids back and realized that they didn't need to move quite as much out of debris as they had initially suggested to move out of debris.

So rather than the $90,000 that was in your Board writeup, from debris, we are now going to move $73,562.50. And then that would increase drainage by $101,757.50 versus the $118,195 as it was in your book. And again, that resulted from the actual bids that that community received related to the drainage project that we were looking at doing.

MR. CONINE: Okay. I have got one public comment, on I think this item. Chuck Wample.

MR. WEMPLE: I was going to talk when we get to the items in --

MR. CONINE: Okay, Chuck. Excuse me. Any further discussion on the amendments requested by Heather and Charlie.

MR. GERBER: Mr. Chairman, if I could interject, I would like to respectfully suggest that if there is a motion to approve these amendments, that the motion add the condition that over the time and between now and the March 13 Board meeting, that Mr. Stone and I work together to ensure that we have a full schedule from each of the contracts to ensure that we have detailed information on how they are going to accomplish this work between now and the time of the conclusion of that contract.

The Board has been very clear with us on the housing side, as well as I think on the infrastructure side. I am not wishing to grant extensions. I am concerned about, frankly, being played.

And I want to make sure that the work is going to get done, and that there is real capacity by all involved to not tie down funds, that could be used. And we have heard a lot of compelling need stories. And if we can't certify that we have a schedule in place to get the job done, that we bring those instances back to you at the March 13 Board meeting, or 16th Board meeting.

MR. STONE: We have. We have provided that schedule to your staff already before the meeting today. And we will continue to provide that to you. And we do have a schedule that has been worked out with every single grantee.

And we have no indication, unless there is another hurricane, God forbid, that hits the Texas coast that all of our grantees will meet the 24-month deadline. They know it. And we have put it in writing, and we have done it orally. There is no misunderstanding between us managing these contracts and our grantees that that is the drop-dead date. They have to get it done in 24 months, and we are committed to doing that.

MR. GERBER: This is October.

MR. STONE: That is correct. And right now, that is last one. So right now, we don't know anything other than some major event that changes East Texas once again.

MR. GERBER:

MR. STONE: Okay. One good bit of news, generators have been a tremendous holdup. And I have a list here, basically that says that there will be 217 generators installed, delivered and installed by the end of October or November.

And it looks like they are ramping up production finally, and we are going to get them, and get them installed. And so we will see a lot of funds being expended, and when those start arriving and we start receiving draws on that.

MR. GERBER: Mr. Chairman, if I could just add, and I have not had a chance to look at the schedule. And I agree with Judge Stone. And we have a great working relationship between ORCA and TDHCA. I think it is just important that in some of these instances, we are going to have several millions of dollars tied up.

And where we have very limited draws, that we will be able to walk through those in greater depth with the grant recipients. And I know you all are working on that. But just to make sure as we make some of these bigger changes. I think in fact, that worked out. I don't want to hold up -- I wouldn't recommend the Board to hold up anything, which is why I had the contingent motion.

But I really do think that we should probably sit down with some of them, because there is a lot of money tied up. And I am just having real concerns about capacity. I have those same concerns with some folks that we are working with on the housing side.

MR. CONINE: Sure.

MR. STONE: And we have been, as I have said, maintaining that level of detail. We are going to share it with you. Full disclosure. I would be happy to do it.

MR. CONINE: I am sure that you guys will get together before next time and talk to one or two of those folks, to satisfy the Executive Director.

MR. FLORES: They had better, because I am going to ask for that report myself.

MR. CONINE: Okay.

MR. FLORES: I think everybody else will, too. Do you want to take these one at a time, or put them all together.

MR. CONINE: All together.

MR. FLORES: Chairman, I want to approve the changes with the stipulation that a report be made back to the Board regarding the scheduling of these projects and the anticipated completion dates.

MR. CONINE: There is a motion. Do I hear a second.

MS. RAY: Second.

MR. CONINE: I heard a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries.

MR. GERBER: Thanks.

MR. CONINE: Where are we going to, next.

MR. GERBER: We are going to 8D, which is the presentation and discussion of CDBG housing for Round One. Kelly Crawford.

MS. CRAWFORD: Kelly Crawford. I am sorry.

MR. GERBER: Go ahead.

MS. CRAWFORD: Mr. Chair and Board member, this item is the regular update from the Disaster Recovery Division on the progress of the Community Development Block Grant activities for the first round of funding. The Disaster Recovery Division is pleased to report that as of today, the COGs have reached 97 percent certified eligibility.

So out of 452 anticipated to be served under Round One, 440 of those applicants have been identified, and all of the paperwork and eligibility information has been obtained on those applicants. Meaning that all but twelve applicants to be served by the Round One funds have been identified.

I would like to give you a quick update, COG by COG. The Deep East Texas Council of Governments is continuing to make good progress with intensive technical assistance from the Department. They have reached their goal of 100 percent certified eligibility with 96 households that will meet program requirements. They have installed 14 manufactured homes and they have ordered another 22 manufactured homes that are expected to be installed in February.

The Houston-Galveston Area Council has also made good progress. They have 90 percent certified eligible. My understanding is that they will have the remaining twelve determined eligible by the end of next week. And they have delivered 23 homes to applicants. They have an additional twelve awaiting installation for manufactured homes.

They have 30 conventionally built homes that are out for bid. And of those, 19 are expected to be awarded today with the remainder eleven to be awarded by mid-February. These 30 homes are expected to be under construction by the end of February. And if you have questions about that, I know Mr. Wemple is here, and would be happy to answer.

MR. FLORES: Glad you asked. Kelly, a manufactured home is a modular home that you bolt together in pieces, I assume. Is that correct.

MS. CRAWFORD: A manufactured home is --

MR. FLORES: Or they are a trailer without wheels.

MS. CRAWFORD: It is what people used to call mobile homes. They are double-wide or single wide. Modular homes are a little different. And we have those also being installed.

MR. FLORES: So we are putting out trailers for people?

MS. CRAWFORD: They are manufactured housing units that -- they are not travel trailers. They are officially called manufactured homes. You do put them together, but they meet wind zone criteria.

MR. FLORES: What do you place them on. What is underneath them?

MR. WEMPLE: If I could comment.

MS. CRAWFORD: Thank you, please.

MR. WEMPLE: Chuck Wemple with the Houston-Galveston Area Council. Mr. Conine and Board members, good afternoon. Mr. Flores, it depends upon the site conditions. We have our contractor who goes out to install these homes, assess whether or not that site may need a slab foundation, or whether it is a pier-and-beam foundation that they need. And then the structure is secured.

We have a number of homes that are going into Wind Zone Two category areas, where they have to meet certain wind ratings. And all of these meet, at a minimum, requirements for the county and the state. To answer your question about manufactured homes, some of these have a similar appearance to probably the shape of a single wide mobile home.

But they don’t get rolled out there on wheels and just jacked up on a couple of blocks, if that is what you are asking. We are also looking at kind of a double-wide equivalent for manufactured homes as well, where it comes out in pieces and is put together.

MR. FLORES: Is it stable when you get through?

MS. CRAWFORD: Oh, yes sir.

MR. WEMPLE: Yes. Absolutely.

MS. CRAWFORD: And our manufactured --

MR. FLORES: And tied down.

MR. WEMPLE: Absolutely.

MS. CRAWFORD: Our Manufactured Housing Division is going out and doing the inspections on those, to make sure they meet the state standards.

MR. FLORES: Formaldehyde. What is your standard on formaldehyde?

MS. CRAWFORD: Those are travel trailers. We are not placing people in travel trailers with small quarters.

MR. FLORES: Do we have a specification regarding --

MS. CRAWFORD: These are HUD approved. They are all HUD approved.

MR. FLORES: I think the ones on FEMA, they complained to Mr. Gerber, about two days ago in Congress.

MS. CRAWFORD: Yes, sir.

MR. FLORES: They were also FEMA approved. That is why I am asking now.

MS. CRAWFORD: Those are the travel trailers --

MR. GERBER: Those are the travel trailers, and those are the ones --

MR. FLORES: Yes. But I don't care what they are. Formaldehyde is in a lot of the compressed wallboard that they put in it.

MS. CRAWFORD: Right.

MR. FLORES: And that is what I am concerned about. You set them up, and then people breathe that stuff.

MR. GERBER: I know HUD has rules regarding formaldehyde in the use of --

MS. CRAWFORD: But, I don't believe --

MR. FLORES: Would you please research what that standard is through HUD and send me an email.

MS. CRAWFORD: Yes, sir. I will. I don't believe HUD certifies travel trailers, though. I think there is a difference. These are certified --

MR. FLORES: Well, forget travel trailers. I am on a second subject.

MS. CRAWFORD: Okay.

MR. FLORES: So we have to meet formaldehyde. What is the standard for formaldehyde.

MS. CRAWFORD: Okay. I will find out and email you.

MR. GERBER: In manufactured homes.

MS. CRAWFORD: Absolutely.

MR. FLORES: Okay. Thank you. So what do we need to do on this particular item, here, Kelly.

MS. CRAWFORD: Well, I still have a little bit more.

MR. FLORES: Oh, you have got some more. Okay.

MS. CRAWFORD: If you don't mind.

MR. FLORES: No, that is fine.

MS. CRAWFORD: The Southeast Texas Regional Planning Commission, and their subcontractors, the City of Beaumont, and the City of Port Arthur have reached 100 percent certified eligibility as well. They are administering $15.7 million directly, and they have delivered 26 manufactured homes, completed construction on twelve homes and twelve more are under construction. And four more will be under construction by tomorrow.

The City of Beaumont is currently working on a bid packet issuance. And the City of Port Arthur has eleven homes out for bid, and has awarded two homes for construction. So the Round One program has moved from program implementation into program management.

We have had some monitoring on site, with the Portfolio Management and Compliance Division's monitoring staff going out for the Southeast Texas Regional Planning

Commission subrecipients, the cities of Beaumont or Port Arthur. And they went out in December. They released a monitoring report related to both cities in January.

Both were cited for a finding regarding cost allocation methodology for indirect or shared costs. The corrected action includes a written methodology for allocating indirect costs. And they will be required to correct prior incorrect allocations by submitting, correcting journal entries. And their response is due in February, and we will report those results to you at the next Board meeting in March.

MR. GERBER: Just to give you a broader sense of context here, we on the first round of funds, that $74.5 million, we didn't think that the State of Texas was going to receive any additional funds. It was the decision of the Governor to put those funds in the hands of local governments and Councils of Government who were closest to the storm, and who had storm victims who had really been involved in the first responder like response, once the storm hit. And it was appropriate to do it that way.

I mean, we have contracted with these three Councils of Government. In the case of Southeast Texas Regional Planning Commission, they have subcontracted with the City of Beaumont and the City of Port Arthur which have capacity to administer large federal grants in their own right. And so those two communities are subrecipients of the Southeast Texas Regional Planning Commission.

With the second pot of money which we are going to move into in just a moment, because the size of that pot of money, $428.6 million, of which $222 million is being used for housing assistance program is so large, and frankly, so exceeded the capacity of the Councils of Government, as well as, frankly, the Department to administer, we then went out with a -- it was a great opportunity for outsourcing with people who in firms that had real capacity and knew what they were doing, to manage the complex amount of data and construction that was going to need to be undertaken. And we are going to walk into the Round Two funding in just a moment.

But our COG partners understand clearly the expectation that all of the housing to be built with the $48.3 million of Round One money will be done by Labor Day, with no exception. During the time between now and Labor Day, our Round Two partners have the -- our third party contractor, headed by the firm ACS is working to figure out what the needs are of those folks that the COG could not serve. And those are many thousands of applications.

And they are receiving those applications now, doing quite a bit of analysis. And then looking to set up lines of production for replacement of manufactured housing units, rehabilitation of units where possible, and many likely new construction to be undertaken. So that hopefully gives us just a little broader sense of context.

The COGs also have the difference of oftentimes of having higher levels of funding available for rehabilitation or for new construction, whereas, on the program two, it is going to be capped at a range between 60 and 75,000 depending upon the approval of this Board. And depending upon the size of the family. But it is going to be a statewide program, or a region wide program versus determined by the COGs jurisdictional boundaries.

So just to set a little bit more of a context up for you. Is there anything else that you wanted to add, or Kelly, anything else that you wanted to add to it?

MS. CRAWFORD: Not on Round One.

MR. GERBER: And the Houston-Galveston Area Council, the COG representing our folks in those eastern counties, that surge region have really done yeomen's work in moving this along. So we appreciate their hard efforts.

MS. CRAWFORD: Thank you.

MR. CONINE: Okay. Any other questions on Round One? Mr. Formaldehyde -- I mean, Mr. Flores?

(General laughter.)

MR. CONINE: I misspoke. Let's go to Round Two.

MR. GERBER: So moving to Round Two, I am going to ask Don Atwell with ACS, who is the project manager, to come forward. Sitting behind him will be Frank Banda, who is with the resident group, which is a partner in this, as well as John, I forget your last name. I am sorry. John Moody is with Shell Engineering. Those are the three lead partners in this.

And then we will describe some of the activities of Round Two. We just signed a contract with ACS and its partners on December 31. So it is all very new. And we are walking through, getting implementation of the Round Two projects. But Kelly, do you want to say anything. Otherwise, we will turn to --

MS. CRAWFORD: Sure. I would like to set up a little context. Round Two, this is the first status report for Round Two, because things were really starting to come along. We have several activities under Round Two, and we want to just maybe brief you a bit on those.

And then talk about ACS.

We have received $428.6 million in Round Two and $82.2 million went for multifamily rental housing stock restoration program. $42 million went to ORCA for restoration of critical infrastructure program. $60 million went to the City of Houston and Harris County program. $210 million went to the housing assistance program, which you will hear called HAP, with ACS; and an additional $12 million with Sabine Pass Restoration Program, SPRP, that has also been awarded to ACS to administer.

We -- I think the most significant work that has occurred has a lot to do with ACS. But I am happy to report that all of the $81.1 million to repair and rebuild five multifamily rental properties damaged or destroyed by Hurricane Rita have been awarded. And in fact, the commitments have been issued, and they are engaging in the environmental review processes at this time. That is going to restore rental housing units in the number of 813 for low income individuals and families. I note --

MR. GERBER: And we feel real good about the capacity of those builders, because they are involved largely in our multifamily programs.

MS. CRAWFORD: Absolutely.

MR. GERBER: They have real capacity. So that $81 million should move fairly quickly.

MS. CRAWFORD: Most have partners that have worked with our Department in other capacities. And then the City of Houston, Harris County $60 million was awarded to them, I will mention it briefly now, because you will be hearing about an amendment request a little bit later on, because I won't go away today, evidently.

And then I would like to give a brief overview of the HAP and the Sabine Pass program, and then turn it over to Don. The largest part of this program has been to address the destruction to individuals homes, within this program, because of the aftermath of Hurricane Katrina.

And the way to do that was to put $210 million plus an additional $12 million into the Homeowner Assistance Program, to serve low income homeowners that couldn't recover in any other way from Hurricane Rita. And we have done a lot of work in trying to plan this, and learn from Round One what worked and what didn't work. And how we were going to move forward in Round Two. And our biggest, as Mr. Gerber stated, our biggest brainstorm was to have a management firm to do this work.

And as he stated, we finally got the contract signed, and we are really excited to be working with ACS and their partners. I think that is enough said. And I will turn it over to him. I just wanted to make sure you had the background.

MR. ATWELL: Thank you very much.

MR. GERBER: Let me add, ACS and its partners are administering two programs for us. There is $210 million that goes to the housing assistance program, which is for eligible recipients within a 22-county area. $12 million was set aside at the designation of the Governor for the Sabine Pass Restoration Program.

That is a little town that is part of the incorporated city limits of Port Arthur that is receiving its own special allocation, so they don't compete in that broader pot, because that town was really the one that was hardest hit, and the viability of that community is at stake.

So for that tract that has been identified clearly in the Action Plan, that $12 million is set-aside. And that is what ACS has been contracted with to operate. Don, why don't you briefly walk through some of the progress you have made in the last week, and kind of where we are going.

MR. ATWELL: Sure. Absolutely. My name is Don Atwell. I am the project director for ACS. Mr. Chair, Mr. Gerber, and other members of the Board, thank you for your time. I also want to say very quickly, thank you for all your efforts to get us to this point. It was a six month process to get us here. And I think these programs that you have worked to get us to is a great program for Texas families. And I just want to say thank you for your efforts there.

It has been a busy month. We are on the ground, both up here in Austin, in San Antonio and in Southeast Texas, and have spent quite a bit of time meeting with the stakeholders down in Southeast Texas. We have met with all three COGs, both as a group, and then the Regional Planning Commission and DETCOG individually to talk about their applications. What worked well with picking up their applications, what their applications looked like, and defining a schedule for picking up the applications so that we can move them into our process.

And right now, we have scheduled to begin picking up the applications from Southeast Texas Regional Planning Commission next Thursday. That will be the first packet that we are picking up. And from there, we will move forward with the other COGs, and the faith-based organizations. We have been meeting with them as well, because they have a number of applications that are affected by this program. All told, it appears that there is about 4,000 applications out there currently to pick up.

And once we get those, we are going to image them, take the data off of them, and analyze that data so that we understand what the population looks like and ensure that the policies around the program are best designed to affect as many families as possible. As everyone has mentioned here, there isn't necessarily enough money to cover everybody that has applied for services.

So an understanding of what that population looks like is incredibly important. So the next set of activities is really picking up the applications. That will be done by mid-February. The imaging and data indexing will happen relatively quickly after that.

We are actually trying to figure out how to pull in some data that the COGs and one of the faith-based organizations are already scoring in a database, so that we can expedite the process, by tying their data to the images as opposed to keying it again, to just make the process go faster, because I do understand.

And as Mr. Gerber pointed out, the COGs are going to be done building by Labor Day. And we need to make certain by that date, or as close to it as possible, we are building homes. So that in that community, you don't see there be a time when we are not building homes. And so there is a lot of work to do now.

There has been a lot of work that has already gone on, both by TDHCA, by the COGs, and by the faith-based organizations to support these families. And our entire team is ready to pick up where they have left off, and put some homes, either new homes or rehab on the ground.

MR. FLORES: Mr. Atwell.

MR. ATWELL: Yes, sir.

MR. FLORES: Would you pull the speaker closer. I don't think anybody heard you but me and the people up here. They didn't hear you in the back. Pull the speaker toward you.

MR. ATWELL: How is that.

MR. FLORES: That is fine. But it is moveable. You can drag it over toward you. You don't have to move your body toward it. Is this the last time we are going to see you, or are we going to see you once a month?

MR. ATWELL: You are going to see me once a month. You actually, when the contract was awarded made me commit to you that I would be here once a month.

MR. FLORES: Oh good. So I don't have to insist on it. Somebody already did.

MR. ATWELL: Yes, sir.

MR. FLORES: How about a score card? Do we have a score card devised for us to keep score on you?

MR. ATWELL: I will. There will be a status report that includes statistics, as we get to the point where we are having statistics. But until the point there is actually we-built-this-many-homes sort of statistics, there will be a qualitative description of the process.

MR. FLORES: Will you give us a scale of how you anticipate to do your job, and then we can grade you against that?

MR. ATWELL: I would hope you would. Yes, sir.

MR. FLORES: I mean, will you. Will you present us something next meeting?

MR. ATWELL: Yes. I will.

MR. FLORES: Okay. Well, welcome aboard. If this job was easy, we would have done it ourselves, is what they normally say around here. Good luck.

MR. ATWELL: Thank you very much. We are looking forward to working with you all.

MR. CARDENAS: Mr. Atwell, how far do you go in the process? Do you go through construction?

MR. CONINE: Why don't you get in there, Tom.

MR. CARDENAS: How far do you go through the process. Do you go through construction?

MR. ATWELL: Yes, sir. We will be managing --

MR. CARDENAS: And all the way. Is it a turnkey project. You move in, you hand them a key, that type of thing.

MR. ATWELL: We will be managing through either rehabbing the home, or having a new home built. So yes, sir.

MR. GERBER: And it is really this data analysis that ACS and their partners are going to be doing to see how many of each line of production we have. How many new manufactured homes. How many new builds. How many rehabs we have. And you know, we have a limited budget. We have a limited amount of capacity in each one of those lines of production.

We are going to have to work through those issues, once they characterize the needs of that population. But we are going to be extremely oversubscribed for these very limited dollars. The state documented like $2 billion in need. And of course, we only received about 503 million total. But once we begin the process of construction, that will be done through

RFPs that this partnership will issue to hire home builders who have real capacity in their system to go and do much of that work, to hire skilled subcontractors who can deal with a variety of rehabilitation needs throughout the area.

And our hope is certainly, you know, to hire many locals through this process who are there, present and who have real capacity. The key is, we are looking for those contractors that we hire to do this, at ACS and their partners hire on behalf of the Department to do this work, to have real capacity. Capacity is key.

We are not be able to do onesies and twosies. We are talking about wanting to build you know, 250, 500 homes at a time; capacity to put systems into, you know, 250, or 500 homes at a time. So that is what the RFP is. We will feature what we were expecting and hoping to get.

MR. CONINE: Thank you, Don.

MR. ATWELL: Thank you, sir.

MR. CONINE: Any other questions?

MS. CRAWFORD: Can I update you on one final program that you haven't had an opportunity to hear about?

MR. CONINE: You may.

MS. CRAWFORD: And that is an affordable housing pilot program that we received funding for from

FEMA; $16.4 million. It is a demonstration project for an alternative housing solution to the FEMA trailer, And in the areas affected by the Hurricane Rita for a time period of over 24 months.

And it permits the use of FEMA funding to study alternatives to the FEMA trailer, for cost-effective solutions to meet a variety of housing needs. And we have preliminary plans for 20 units for a group site in Harris County. And the remaining homes will serve up to 130 East Texas households on their private home sites.

The Heston Group was selected to provide the units to be distributed. They have extensive knowledge in the quick deployment of the Heston Homes, due to work that they have done in an ongoing fashion for the Department of Defense.

And we are also working with the Harris County Housing Authority and hope to soon appoint them as administrator of the group portion site of this program. We are hoping to have a groundbreaking ceremony in both areas by early April, hoping to deploy those units no later than some time in August.

MR. GERBER: And closer to the end of the year.

MS. CRAWFORD: Perhaps end of the year. And then, do our due diligence and monitoring the technology to prove it out for the program.

MR. GERBER: And this technology is pretty interesting. Ms. Ray and I had a chance to see it in New Orleans last September. It is, for lack of a nice way of putting it, kind of a house in a box. And it is a panelist home that comes in a -- you know, comes prepackaged, and you can assemble it within a day.

And when it is up, it looks like a double-wide, but it has some fairly nice features and lends itself to reconfiguration in two-bedroom form or three-bedroom. You can keep adding to it, if you need to. But it was a very creative approach.

And FEMA is looking to see if it is an alternative to the formaldehyde-filled trailer, so we will see how that works for them. But FEMA selected this technology for us to test.

MR. FLORES: Keep going on that formaldehyde, and I am going to put my congresswoman on you guys.

MR. GERBER: Don't do that.

MS. RAY: It looked like a double-wide, but for you, Sonny, it is much more attractive and much more substantial looking than a double-wide.

MS. CRAWFORD: Yes.

MR. GERBER: Very much so.

MS. RAY: It looks more like a traditionally built home.

MR. FLORES: I'll get to go through the one they are going to build Houston, aren't I, Kelly?

MS. CRAWFORD: Yes, sir. We sure will. And by the way, they say that these can be assembled within eight to ten hours by a fairly unskilled labor force.

MR. GERBER: Why don’t we try that in your backyard, Mr. Flores.

MR. CONINE: We have got a competitive group upstairs in the rotunda over there that is going to see if they can compete with you.

MS. CRAWFORD: I liked those. I thought they were beautiful.

MR. CONINE: Yes. It is going to be fun to watch. Okay. Any other issues for these two. We will look forward to seeing you once a month.

MR. GERBER: We have got a change to the Action Plan that Jennifer Joyce is going to come forward and describe, and that will be our last disaster recovery item.

MR. CONINE: And that is on 8F.

MR. GERBER: That is 8F.

MR. CONINE: Go ahead, Ms. Jen.

MR. GERBER: Ms. Joyce, why don't you walk through the --

MS. JOYCE: my name is Jen Joyce. I am the program manager of Round Two of the CDBG funds and the HPP program. You do have before you, for this agenda item, the Action Plan amendment for Round Two CDBG funds. That Action Plan amendment was approved back in April by -- excuse me -- that partial Action Plan was approved back in April by HUD.

And it is the plan that lays out how exactly we are going to run the $428 million worth of programs. The Action Plan itself has a requirement as does HUD that if there is a change in the Action Plan that would affect the beneficiaries that we bring that before our Board, and then later on, to HUD for approval. And Mr. Gerber just went into detail explaining about the HAP and SPRP programs.

There is a proposed amendment within this plan that will affect the HAP and SPRP programs, and the number of eligible applicants. And I will go over a detail of that in a minute. But I just also wanted to point out that in the Action Plan itself, that you have in your Board book, you will see a lot of other changes that I am not going to touch on here.

And those are all administrative in nature. They don't affect the number of beneficiaries. And really, they are just administrative clarifications. We get a lot of questions in the community. And we want to take the opportunity while we are in the Action Plan to make it a little bit more clear and a little more transparent in the Plan itself.

Let's see. The main changes to the HAP and the SPRP program. Sorry, let me find my spot here. I had given Kelly the page for the changes. For the HAP and SPRP program right now, there is a $40,000 maximum that applies to new construction or the reconstruction of homes, as in addition to a $40,000 maximum for rehabilitation as well. There is $210 [sic], as Mr. Gerber, explained available for HAP and 12 million available for SPRP, so a $40,000 maximum under the current plan.

For the SPRP program, there is an additional $30,000 that is available to households who are in need of elevation assistance for their homes. And there is an additional $15,000 available for persons with disabilities. This proposal does not change that $30,000 nor that $15,000. What is being recommended for a change is taking the $40,000 maximum and, for rehabilitation, reducing it to 25,000; and for reconstruction, going from $40,000 to $60,000 for households up to four; 62,500 for households between five and seven; and 75,000 for households of seven or greater.

MS. RAY: Did you say 62,000?

MS. JOYCE: Yes. I'm sorry -- 67,500. Thank you; 67,500. So the main changes in the program affect the rehab by reducing from 40- to 25-, and then increasing for reconstruction based on household size with these numbers.

MR. GERBER: And let’s be clear about the changes on the rehab side. We are revising the recommendation you see in the Board book to raise what you see in here from $25,000 to $40,000 for rehab. We have had a chance to talk with the faith-based community that has been involved heavily in rehabs.

We had a chance to talk with community leaders there, over the last week, since the Board book was posted. And they have reported to us, and we believe, from what we know about doing rehabs throughout the state, that $40,000 is much more commensurate with the kinds of work we will be able to do that would make a meaningful rehabilitation difference and actually get that property to a safe and decent condition that can get a certificate of occupancy from their respective communities.

So that is important. Once you go beyond the $40,000 limit, we believe at that point, really, the house is just beyond, and really needs to, in order to make sure that we can spread these limited dollars as wide as we need to. It is also important to remember that in the first round of funds, the experience that we had was that we know what the real costs of reconstruction are. And we also know the capacity of these families to take on debt, which is very limited.

In fact, in order to make that first round of funds, that $40.3 million moved in Round One, this Board went and approved a million dollars out of the Housing Trust Fund to go and provide 2-, 3-, $4,000 grants to cover gaps in order to make those repairs or that new construction happen.

We know that those costs are winding up being. And we believe, based on our HOME Program, we know what it costs to build a home. And based on population size, it seems to make good sense, since we are building between four and 500 homes through the HOME owner-occupied rehab program to make it commensurate with the limits in that program, which are between 60- and 75,000, based again on family size. Did I describe that?

MS. JOYCE: Yes, sir, you did. And so if that is acceptable by the Board, then you would, I believe need to amend the action that is outlined in your Board book. Instead of a $25,000 rehab limit, you would be going up to $40,000.

MR. GERBER: So our recommendation to you is to, in your motion to approve, to raise the rehab limit from 25- to 40,000, as well as to go and recommend taking the maximum that a family can receive from 40,000 -- for a new home from 40,000 to between 65- and 75,000, commensurate with how we --

MS. JOYCE: Correct.

MR. CONINE: Why don't we get that motion. And then I have got quite a bit of public comment here.

MS. RAY: Mr. Chairman.

MR. CONINE: Yes, ma'am.

MS. RAY: I move to accept staff's recommendation.

MR. CONINE: With the change.

MS. RAY: With the change from 25- to 40- and then from 60- to 75-.

MR. CONINE: Okay. Is there a second?

MR. FLORES: Second.

MR. CONINE: I have got a second. I have nine witness affirmation forms.

MR. GERBER: I have one more thing that I omitted. We also would propose, Ms. Ray, if you could add to your -- we would recommend an addition to the motion, because the faith-based community has a significant number of applications, and because ACS and their partners have been working both to get the information from the applicants that the COGs can't serve, as well as those applicants that the faith-based community aren't able to serve, we want to put them on equal footing.

And so rather than give primacy to the COG applications alone, we want to give primacy to both the COG and the faith-based community applications, just to keep them on an equal par, because we don't want to victimize folks twice by putting them one after the other.

MS. RAY: Mr. Chairman, I accept that amendment to my motion.

MR. CONINE: Accepted. Okay. Due to the time it is currently, and the Chair is getting real tired, we are going to limit these public comments to two minutes if you can. And try not to repeat what someone else has already said. John Henneberger.

MS. JOYCE: While Mr. Henneberger is on his way up, if I could just clarify for the record, the HUD requirement.

MR. CONINE: Sure.

MS. JOYCE: We did have additional comment that we have received up to date, including a public roundtable, which was attended. But I believe that comment will be duplicative of what you will probably hear in here today.

MR. CONINE: Thank you.

MR. HENNEBERGER: my name is John Henneberger with the Texas Low Income Housing Information Service. Again, my perspective is that of the low income consumer in this. First of all, I would like to say that we appreciate the changes that the staff has recommended. We believe this is basically a good approach, and we are supportive of the concept that staff has presented.

There will be problems along the way. We realize that. I want to point out three caveats and concerns that we have. First of all, is the question of the level of funding for rehabilitation of houses. We believe that if a house can be rehabilitated to meet the full codes that the city imposes, that it ought to be on a par with the new construction house.

In essence, if you are going to spend $60,000 to build a new house, if you can rehabilitate an older house, many of these are old historic houses. Many of them are built with a lot of architectural detail. A lot of really substantial lumber in them. If you can bring those houses up to code within the same amount of money that you would spend to bulldoze the house and replace it, that you ought to authorize that amount of money to be spent.

In other words, I am arguing that we ought to go from 40,000 max to 65,000 max on a rehab. The second two issues are just things that I would like to ask you to look for in the future. Historically, the failings of large projects like this that produce a lot of houses quickly are in the area of quality control.

And we have had some discussions with your contractors, Mr. Gerber, and your staff about these issues. There is a long history of HUD programs; the HUD 235 program, a lot of the standard rehabilitation programs the cities have undertaken. The biggest lesson we can learn from the problems that government encounters when it does large scale rehabilitation and new construction programs is that you need to build in, up-front, a lot of independent inspection of the quality of the units. That if you don't do that work, that is where problems occur.

And then finally, I am concerned about what the effect will be on clusters of new houses that are built by the same homebuilder in an individual neighborhood. It is important that we not stigmatize these units by making them readily identifiable as a low income unit that the State of Texas built. And we need to mix architectural styles and designs so that we don't create a homogenous line of repetitive houses, and repeat the problems of some of our old HUD programs, that have created bad situations in neighborhoods.

I think staff is going the right direction. We support this program in general. Those are just three caveats.

MR. CONINE: Thank you, John. Adam Saunders and Robert Williamson will be next.

MR. SAUNDERS: I cede the amount of time to --

MR. CONINE: Who are you? Okay. So the next one is Robert Williamson.

MR. WILLIAMSON: Mr. Chairman, with all due respect, I am a City Councilman in Port Arthur, and our Mayor is here. May she go first.

MR. CONINE: Sure. If she would give me her name, we would be glad to.

MR. WILLIAMSON: Thank you. Dolores Prince.

MR. CONINE: Okay. Mayor Prince, welcome.

MS. PRINCE: Good afternoon. Mr. Gerber, Board Chair and the other Board members, I want to thank you all so much for allowing us this opportunity to come before you and speak to you this afternoon. There are several of us here from Port Arthur. And Mr. Gerber, I do want to thank you for the positive meeting that we have been able to have with you. So thank you so much.

My name is Dolores Bobbie Prince, and I am the Mayor of the City of Port Arthur.

In 2005, Hurricane Rita damaged approximately 4,000 structures in the City of Port Arthur. And most of those homes that were damaged were in an already impoverished area, an area that we trying so hard right now to revitalize. There will be great opportunities in these areas for reconstruction.

And approximately 30 percent of these homes are beautifully constructed homes, and they are structurally sound. These are the homes that we are trying to rehab, that we would ask that you consider rehabbing. They meet the needs of the families that are occupying them. And some of these families are extremely large families, so an 880-square-foot home would not accommodate these families.

Their lives are embedded in the walls, the floors, and the bricks of these homes. This is their being. This is where they have lived all of their lives. And if we tear down their homes, we tear down their lives. And if we rehab them, we restore their lives. This is where we hope rehabbing would be possible, versus reconstruction, even though that might seem more attractive to some. For others, it would be more accommodating.

We try to improve the lives of our citizens mentally, emotionally and physically. And to take away those homes that are so valuable to them would certainly destroy them. So I am asking that you consider working with the families to see whether or not it would be their desire to reconstruct or to rehab their homes.

I have been in some of the homes that have been rehabbed, and they are awesome. They are beautifully done. And I see them as perfectly contented with that. And so I urge you to consider those options, when you come, based upon the wishes of the families that are currently in these homes, and a fair study of that particular home. I thank you again. I realize that time is short. And Councilmember Williamson will speak next.

MR. CONINE: Thank you.

MR. WILLIAMSON: Good afternoon. I am Robert Williamson, Council member, District Six, City of Port

Arthur. I am here today to convey three messages to you. First, thanks. Thank you very much for your efforts thus far on behalf of our less fortunate citizens. Your efforts have made a considerable difference in their lives, and we hope to make an even greater difference in their lives with the Homeowner Assistance Program.

Next, I would like to ask you to be guided by the recommendations of our faith-based groups. We have partnered with these groups. The cities put a quarter of a million dollars of local tax money into this program. And we have seen great success here.

History is being made. No where in recent history do I know of a larger group of different faiths that have come together to do so much for so many people over the last 2 ½ years. Millions of dollars donated, hundreds of thousands of volunteer hours. Thousands of houses repaired, and hundreds of houses reconstructed from scratch.

These folks, when they speak to you, know whereof they speak. They have developed significant expertise over the last 2 ½ years. They have been driving the nails. They know the houses. They know the clients. They know the culture. They know the country. And so you can rely on their recommendations.

Next, I would like to recommend to you, just based on my personal experience with writing resolutions and contracts, that the more flexibility you build into this amendment, the fewer problems you have, and the smoother the decision making process goes in the flow of the housing assistance program. What I mean to say is, that Mr. Gerber is going to be making some decisions here, based on the numbers that are put into the amendment.

The more discretion he has, to make those decisions, the smoother the transition. An example would be that if you set a $40,000 cap on rehabilitation, and if you run into a home that is 130 years old, has lots of character, six people live there, but gosh it is going to cost $42,000 to fix it, do you really want to tell that homeowner that for $2,000, you are going to destroy that home. Certainly, you don't want to do that.

Mr. Gerber doesn't want to do that. So let's build enough flexibility into this plan so that we can avoid those kinds of problems. And I thank you for your time.

MR. CONINE: Thank you. Would you like to address his comments about flexibility or lack of.

MR. GERBER: None, than to say is that our hope is that, it is hard to sort of deal with these things on a case by case basis. And we are certainly trying to build a system that we think can accommodate the needs, the individual needs, recognizing that they are all individual, and that everyone has their own unique circumstance.

And we want to be as compassionate in this as we can. But at the same time, we do want to move those funds. I think our hope is that in that instance, that perhaps those $2,000 extra dollars might be able to be picked up from you know, some other source of funding, to assist. I just worry about the complications that could come from not having a hard and fixed amount.

We started dealing with that in the original Action Plan of $25,000, and if we went above that up to $40,000, I would have discretion to go up to $40,000. And as we all sort of worked through this issue over the last week, I think everyone agreed that you know, that sort of makes me judge and jury of this thing.

And that is a hard position to be in, when you have potentially thousands and thousands of stories that are all compelling. There is a compelling state interest, I think, that in listening to elected officials, and to other community leaders, and the faith-based community, that we want to make these dollars go as far as we can.

And we know that we have potentially fifty, sixty, 70,000 properties that are in need, with only the funds if we use it the way we are looking to amend this Action Plan, we will probably hit 3,000, or 3,500 families at best.

So you know, I think we want to be deferential to you all. And if you think that would be helpful, I certainly respect that. At the same time, I think again, in the interest of trying to move funds, as widely as we can, and hopefully turn communities really on the road to recovery, you know, that is a tough choice. That is a tough call.

MR. WILLIAMSON: We understand. I certainly wouldn't want to be in your position. And if I was, I would have to add those magic words, or his designee.

MR. GERBER: Well, then, is it $2,000, is it $5,000. There is a lot of compelling stories, and a lot of --

MR. WILLIAMSON: We certainly understand that. We understand that.

MR. GERBER: I hope it is $2,000.

MR. WILLIAMSON: We understand the need for those caps. We know that other funding will have to be required on a local level, particularly housing unit, if nothing else. We thank you for your consideration. We know you have some tough decisions to make. And we know that everyone here is operating in good faith, and you want the best interest of our citizens. Thank you.

MR. CONINE: Thank you. Thank you, Mayor.

MS. PRINCE: I thank you all so much for the vote that you just made, too, raising that 25 up to 40.

MR. CONINE: We haven't made it yet, but we will get there. Andy Narramore. Stephanie Lundgreen is next. You have got a foursome. Okay. Make sure you tell us who you are, before you get started.

MS. LUNDGREEN: I am Stephanie Lundgreen, and I would like to defer to Andy Narramore to go first, please.

MR. CONINE: Okay.

MR. NARRAMORE: Thank you. My name is Andy Narramore. I am Director of Nehemiah's Vision. We are a faith-based organization formed by the leaders of Southeast Texas to repair and build homes of those who were affected by Hurricane Rita. We are part of the disaster relief network of the Southern Baptist Convention.

And we have come also to share a close partnership with SETIO, Southeast Texas Interfaith Organization, whose goal is to multiply the effectiveness of the people of faith in the area, as we help in the recovery process. Nehemiah's Vision has worked alongside Rita Recovery, our Methodist counterpart, Lutheran Social Services, Hardin County Disaster Relief Committee, and other faith-based groups to repair and rehabilitate over 1,600 homes.

Nehemiah's Vision has built from the ground up ten homes, in addition to those organizations collectively are still actively working on over 300 homes and have a thousand families on file awaiting help. I would like to share some insights that I have gained over the past 28 months leading Nehemiah's Vision to restore 492 homes in six counties. The conditions, we restored their homes to conditions better than they were, before those owners evacuated them. And ten of which had to be completely demolished and rebuilt.

And hope the insights would help you shape your final Homeowner Assistance plan. Our organization which is designed to leverage over $4 million worth of free volunteer labor hours so far, when available, against the total costs of repairs have averaged, material costs per home of $15,000. Those homes that we repaired or rehabilitated, with a high end cost of one home taking $51,000, not including extensive volunteer labor. Our demolish and rebuild jobs have averaged $41,000 on homes with a 950,000 square foot foundation.

Again, while we do not use -- we do use professional plumbers, concrete workers, electricians and flooring installers, we coordinate these with extensive volunteer hours. And when you factor 100 percent contract labor and the cost of meeting higher federal standards, these averages will easily double.

I am concerned that as your HAP is written, the financial caps for rehabilitation will not be adequate. That was referring to the 25,000. And it is going to be close with the 40,000. Please consider adjusting upward the cost of the realistic cost.

In leading our organization, I have tried to keep about three points in mind, as we look at the needs of the folks. I would like to tell you these points, and tell you how I feel like they will relate to you, as you carry out your Homeowner Assistance Program.

First of all, we act in respect and compassion to those who are our clients, because they are homeowners. They are not tenants of a housing project. They are homeowners. And I urge you to allow flexibility in the caps and err in favor of the homeowners' needs.

Second, we assist the scope of the work with an understanding that every fund that we save on one home will translate to another family being helped. And your task is similar.

One example that would make a huge difference would be in the test for lead based is used in a home. If the contractor went the easy route and just assumed that anything that was built earlier than 1978, that it had lead extensively, it would be a huge cost. But in reality, if you will do testing on every home, you will find that that cost with savings would be substantial. And we'll be able to do more homes.

And thirdly, I encourage you to listen to counsel and wisdom of construction professionals and civic leaders that are acutely aware of how to do the work in the local arena, and leaders in the construction profession of Southeast Texas will provide a wealth of knowledge and help, and keep you from steering into some land mines that are really out there. Finally, I would like for you to keep in mind that the same faith-based organizations that have been working for 28 months will be the ones that will become the safety net as these federal funds go away. Our volunteers are very weary. Our donations have been exhausted.

And there is going to be many additional issues, such as where to house folks while you are doing your work, that we are going to be left to deal with. And so let's make sure that it works well. Thank you so much for what you are doing. I know it is going to be a great thing to our community, and we appreciate your efforts.

MR. CONINE: Thank you, Mr. Narramore. Yes.

MR. MUNOZ: Mr. Chair, just in the interest of time and equity, to the extent possible, that we adhere to the time limits, in order to hear from everyone equitably.

MR. CONINE: He had gotten two other donations of two minutes, so that is why I let him go the six minutes. Who is going to be next?

MS. LUNDGREEN: Good afternoon. I am Stephanie Lundgreen. I am actually the case manager for Catholic Charities. And we are also members of Southeast Texas Interfaith Organization. I am also the chair of the Southeast Texas Case Management Roundtable, which is made up of twelve organization, both faith-based and other non-profits. Our faith-based organizations have developed working relationships with thousands of families that we may refer to TDHCA, and I have a couple of points.

We want TDHCA to build on existing case management. These cases have been extensively and professional case managed. Through our case management roundtable, we have worked not only to standardize case management but also to standardize the collection of the documents needed to verify the information.

My second point is, we also want the cases managed by faith-based organizations to be treated equally as those with the Councils of Government. A good example would be if a new case came on board with the Council of Government like this last November. We have a case that has been on the books for over a year and a half.

We would not want that faith-based case to be not have preference over the brand new case that came into the COG, and especially if -- since more of the faith-based case referrals came through the 211 system, and they were referred to faith-based organizations instead of the COG.

These families were -- my third point is, these families will need ongoing support to complete the extensive documentation required to complete the TDHCA process. We want to ensure that TDHCA hires sufficient staff to provide ongoing support and that they should seek the ongoing support of faith-based organizations, as it is our families who will go through this process, many of whom are disabled, elderly, or have literacy issues.

Finally, during reconstruction, we are concerned about our families being displaced for a few months, at their own expense, when they do not have the resources to do this. Honestly, if they had the resources, they wouldn't be asking for the help.

And finally, thank you very much for your willingness to work with us. I believe this program will only be successful if we work together. Thank you.

MR. CONINE: Thank you. Two minutes.

MR. KEMP: I am under the gun.

MR. CONINE: Yes. You are.

MR. KEMP: My name is Loye Kemp. I have approximately 17 years' experience doing rehab work. I worked as a housing inspector for the City of Port Arthur, working with federally funded programs. I am now employed by Lutheran Social Services as construction coordinator, and have been working with the Rita recovery efforts in the City of Port Arthur, partnering with the Southeast Texas Interfaith Organization.

Since we began work over two years ago, we have done repairs on several hundreds of homes, and we have completed complete rehab projects on 85 homes. Of these 85 homes, all 85 will meet all codes, electrical, all state and local codes. Using local qualified contractors, and hundreds, hundreds of volunteers, we were able to restore these homes for an average cost of $30,000 per home.

The City of Port Arthur recently put seven projects out for bid, under the TDHCA Round One funding program guidelines. The average bid on these ranged from $28,000 to 58,000. When you do a rehab job, you must have funds to complete the unforeseen problems that do and will creep up. If you have a $60,000 cap, you will be able to address these projects.

We urge you to raise the limit for rehab to $60,000, or at least have an appeal process that programs or projects can be brought to, some type of appeal program. We have greater -- and we know this, because we have been working in it for several years -- greater than 40 to 50 percent of the people want to stay in their homes.

I would like to thank you for all of your concerns and hope that you will heed some of the knowledge that we have learned. Thank you.

MR. CONINE: Thank you. We appreciate your testimony. Yes, sir.

MR. HIGGS: I want to confirm that I have two minutes.

MR. CONINE: Two minutes.

MR. HIGGS: Should be a [inaudible].

MR. CONINE: Got it.

MR. HIGGS: Okay. My name is Joe Higgs with Southeast Texas Interfaith. And I want to confirm with you that we know that this is going to be hard work. And this is for you new Board members, this is not a typical project that you are going to be seeing over the next few years. This is a disaster recovery project. It is not like the housing projects that you are going to see in other dimensions.

And so it has got some particular needs that people who are recovering from hurricanes have. We want this plan to succeed. People need it. And we want to work with you to make it succeed. But I want to just point out, I think you have heard from the testimony of people who know a lot, that the question of where you set the benefit levels matters a lot, because if you set the rehabilitation too high, well, we end up spending more money, and we waste money, and fewer people get helped.

But if you set it too low, very many people are not going to be able to restore that nice house like what might be in Eastwood or some area of Dallas. And so we want people to have a real shot at rehabilitating homes, if it is a home that could be rehabilitated, if there is a person who needs to stay in that home, and if the value is really going to serve that family and the neighborhood when it is over.

We are not asking you to rehabilitate houses that should be demolished. But if it is a house that could serve that family, it will serve the neighborhood, and it will be available when that person dies for the next family to come along, well, why not rehabilitate a 1,500, 1,800 square foot, in place of putting up a small one. So we are not asking you to waste money. We are asking you actually to think ahead ten years, 20 years: What is going to be the value of that neighborhood?

Mr. Gerber has raised some concerns, and we understand them. One of them is we want to stretch the money as far as we can. Well actually, if you think about it, if you -- if we set it up so we demolish all the houses, then it is going to be an average of probably 60 or $65,000 per unit. But if we can rehabilitate 20 percent of the units, for even $50,000, you are going to actually serve more people, because the unit cost for those is $50,000, not 60- or 62,000.

As a matter of fact, we have done a little of the math on it. You could serve 143 more families if you have an average demolition or an average cost of rehabilitation of $50,000. 143 more families get served, even if the average rehabilitation cost goes up to $50,000. We don't think it is going to, but there needs to be some provision for families, if they have got a good house that could be saved, to give them that chance to do it.

And our concern is if we have a rigid $40,000 cap, it is going to be very difficult for families to do that, because we as faith-based groups, it is costing us 30 to do it. It is costing the cities between 18 and 53. Well, I don't see private contractors coming in from all around the state, and being able to do this for 40,000 or less. Therefore, you are pushing all of these poor folks into demolition. And I don't think they are going to be happy.

So we feel like there has got to be some way, in compelling case, if it is over $40,000, to help them get the extra five, $10,000. Anything under $60,000 still saves money. Still rehab gets more money to other people. If it is even up to $50,000, you are going to save more houses than you are, if you make a rigid cap that says, you are 40,000, you are 42,000, you have got to demolish, because they are going to turn to us. They are going to look to us for the money.

And as Mr. Narramore said, the money is gone.

We have done what we can. So we want you to consider that this is an important decision. And even after it maybe plays out for a few months. We want you to adopt this today. We don't want you to delay it.

But if this plays out over the next three or four months, and it turns out that there is a bunch of people in that 40 to $50,000 category, we think you have got to be ready to come back and revisit this, because believe it, we are going to be letting you know about it, if that turns to be the case. If it works like they plan it, great. We are all happy. We want it at 40,000.

But if it doesn't work that way, then we need to be ready to come back and revisit it. And so far, TDHCA staff has been great in talking to us. They have listened to us. They haven't always done what we wanted them to do. But we think that over time, we can figure out how to solve this. We are putting it on your radar. This may not work like you plan it today.

MR. CONINE: Okay. And I think we understand and know that, and want to give it the old college try, because the flaw in your math is, that even though you may be able to do a cheaper house by going from 40 to 50, there may be a house on the next block you can do for 35.

And there are so many down there that can't be served, that we want to make sure that we can get as many as we possibly can. If in three months, it is not working, we will be back.

MR. HIGGS: Yes. That is true. There may be one that you can serve for 35. But if all of them get pushed into demolition, your average is going to be 60 or 65. And you know, you are going to serve a lot fewer than if you --

MR. CONINE: I want the man sitting right over there, once he does the research, that is the guy you want to talk to.

MR. HIGGS: Yes. And we will be back, you know, when that is it.

MR. CONINE: When he tells us it can't be done, we will be right here. Thank you for your testimony. Any other? That is all the public testimony on that particular item that I have. And I think we have got a motion on the floor. Did we get one on the floor?

MS. RAY: Yes, sir.

MR. CONINE: That is right. We did. Any other discussion about the motion on the floor, based on anything.

MS. RAY: The only other point I would like to make, and it is my motion that is on the floor, for the Board to consider, and it might already be in the process, an appeal process for those instances where there might be a five to 10 percent increase over the amount of $40,000. I would like to see us consider an appeals process, so that we can make some decisions that might be beneficial to the organization.

MR. CONINE: Do you want to speak to that. And the way the program, since you know how it works.

MS. JOYCE: Jen Joyce.

MR. GERBER: Why don't I speak to it. Sorry, Jen. I think that an appeals process, Ms. Ray, has some merit. One of the things we are struggling with on rehabs is we have anticipated in our contract with ACS and Shawn Resnick a certain amount of production in these three lines; we are paying for a certain amount of production.

And we are not quite -- and through the analysis that they are going to do, they are going to set that up. But there is some limit to capacity on each one of those production lines. And we are frankly paying to have them sort that out, but also to give us the maximum that they can under the contract and then do their analysis.

What we are talking about in rehabs is, the thing I am concerned about is, you could potentially have thousands of what are essentially custom builds. You have got to go back. And it is a custom job. And that is a fine approach. But we will be at this for years and years. And there is some function. These families have waited.

And we have had a chance to talk to the faith-based community again over last week, and including last night. The thing that really scares me is that we have already -- we are already at two and a half years. And we could really drag this out. I don’t know if that number of rehabs that the system can handle is 300 rehabs or 700 rehabs. I don’t know what that analysis is going to bear out.

But when we start talking about appeals and we start talking about other things, we start -- I am seeing delays, and since I had -- as has been talked about, got grilled on Thursday about why aren’t you moving money fast enough by a whole bunch of members of Congress, I am interested in us getting this job done by the five-year mark. And I don’t see that happening in the most effective way for these communities if we so dramatically expand the number of rebuilds.

We can do that, but we are going to wind up, I think, having ultimately some recasting of the system, and I think some additional costs attendant with it. And that is the one thing that just concerns me about that, but I think the faith-based folks were right in that, we will know a lot more in the next several months.

MR. CONINE: And I would echo his sentiments. Let's give it a chance to work, and let's see what the demographics pop out of -- the numbers that actually pop out. And if we have a problem in that area, we can address it when we have a problem, as opposed to trying to cover all of our bases from the get go.

We have got to get this money out the door. And we have got to get some contractors building some houses, and I think we have given them an adequate target to hit at.

MS. RAY: Mr. Chairman.

MR. CONINE: Yes, ma'am.

MS. RAY: Based on that discussion, I move the previous question.

MR. CONINE: Okay. Motion is already on the floor.

MR. HAMBY: It is already on the floor.

MR. CONINE: All those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries. Item 8G.

MR. GERBER: Commissioner, if I could just add to the faith-based folks and to the Mayor, we will very much work with you. And we don't want to reinvent the wheel. We have already done that once. And if we can avoid that, we are committed to that partnership. And if you see a problem, we want you to continue to throw a flag, as you have already. And we are so appreciative of your all collective leadership. Thank you.

MR. CONINE: Item 8G.

MR. FLORES: I might note that the Director has full license to come to us at any time, for the Board for us to reconsider at any Board meeting.

MR. GERBER: True. Moving to the next item really quickly, for the $60 million that was intended for Katrina evacuees that went to collect a way to Houston and Harris County, they decided on their own to give $40 million of it to Houston and $20 million went to Harris County. Harris County has been dealing mostly with the services, an array of services that you see listed on pages 1 and 2. And what they are essentially doing is just changing up the mix of services.

David Turkel can provide greater detail. But essentially it is just a range of services from counseling programs to medical services to youth offender services, which are reflective of some of the issues that the County is dealing with, but all of which are very much within the clear boundaries of the CDBG program. And we have really served as a passthrough, giving maximum discretion to Harris County and to the City of Houston on how they wish to spend their funds.

And so we would recommend your approval. If you need specific information on any of these projects, David Turkel --

MS. RAY: That's 8G?

MR. GERBER: Yes, ma'am, 8G. Yes.

MR. FLORES: Mr. Chairman, I just want to ask Mr. Turkel, if indeed all of this is only for the Katrina evacuees and not for the regular Harris County, Houston programs.

MR. TURKEL: David Turkel with Harris County. Thank you, Mr. Gerber. The answer is these programs are only for the Katrina evacuees.

MR. FLORES: Dedicated to them. It is not going to get mixed up with general funds and so on.

MR. TURKEL: Absolutely not.

MR. FLORES: Okay. That was my only concern. And obviously it passes muster with the HUD rule, Mike, from what you told me.

MR. GERBER: Yes, sir.

MR. FLORES: These changes. So I have no problem.

MR. GERBER: We've checked with HUD, and they're very comfortable with --

MR. FLORES: Motion to approve staff recommendation.

MS. RAY: Second.

MR. CONINE: There is a motion and a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: The motion carries. Thank you.

MR. GERBER: Item 9, Robbye Meyer, Director of Multifamily, is going to be coming forward and walking through some housing tax credit amendments. And we will start with Villas of Rock Prairie. Robbye, why don’t you go ahead.

MS. MEYER: The Villas of Rock Prairie, application 94114. This amendment is for your consideration. It is a development that is in College Station, Texas, and it involves an owner who is requesting a change; actually, a loss of property that has been taken by eminent domain. They are losing four one-bedroom units in two of the buildings, and they are losing .38 acres of property. Staff is recommending approval for the amendment without penalty.

MR. CONINE: I have a witness affirmation form from Deborah Griffin.

MS. GRIFFIN: Hi. I am Deborah Griffin. This is a pretty straightforward case. The only reason I wanted to speak, this is a TxDOT eminent domain taking, over which I obviously have no control over. We have negotiated. This isn't about the price. You can't stop them from doing it. I can't stop them from doing it.

It is just a technicality that I am even up here before you, because there is a significant change to the site, and I am losing units. I have to come before you, but I also have to pay $2,500 to do it. And so I am really just asking for you all to consider waiving the fee, since this is not a voluntary loss of property.

MR. FLORES: Chairman, may I ask the witness a question?

MR. CONINE: You may.

MR. FLORES: Did you get compensation from the State of Texas?

MS. GRIFFIN: Yes, I did.

MR. FLORES: How much?

MS. GRIFFIN: Well, it is broken down into a number of pieces.

MR. FLORES: The bottom line.

MS. GRIFFIN: The bottom line is $418,000 plus -- that is the cost of the taking, the cost to cure the damages, the easements. They also are required to reimburse us as causing tax credit recapture and a number of other things, because although we are the last year of taking the credits, we are in the 15-year period, and there is recapture of the accelerated portion. So they are having to pay tax credit recapture. I told them it would be less expensive to build a bridge going over the property, but you know --

MR. FLORES: Yes. But the bottom line is you have some money back that has benefitted you and your partnership, and you are not putting it back into the project. That is my concern for this. It looks like to me that you have got $418,000.

MS. GRIFFIN: No. The lender takes it. One of the things I am having to reimburse, the lender, most of it gets applied to pay down the loan.

MR. FLORES: It is still to your benefit. If it pays off the loan, it is to your benefit, to your company's benefit, too.

MS. GRIFFIN: Right. But the debt service doesn't decrease. It helps the end of it. It helps at the end of the project. So we are rehabbing the remaining units. We have a permanent loss of four units. All of the compensation is for lost rentals on those units. And they have already started relocating the tenants and that sort of thing.

MR. FLORES: It sounds a bit complicated. But, Robbye, what is our policy regarding all of these changes that come to us where there is a benefit to the partnership, which it seems like to me there is no compensating benefit to the tenants, to the project. Do we have any policy? I went through all of these things. And in all of these things, the partnership is asking for something back from us, but they are not putting anything back in the project.

It seems like to me, we need to have a policy that if I ask you for something, you are going to give me something back. And I don't quite see that as going through any of these project. Not only this one, but many others.

MS. MEYER: This is a unique case, because it is being taken by eminent domain. They are being compensated for the parcel of property, but they also have a possible recapture of $213,000.

MR. FLORES: But they also got compensated for the piece of land that they lost.

MS. MEYER: That is true.

MR. FLORES: And so therefore at least that amount should be going back into the benefit of the project and the tenants.

MS. MEYER: Well, it is paying down part of the debt service.

MR. FLORES: Which it goes to their benefit, paying down their debt.

MS. MEYER: That is true.

MR. FLORES: And now they are wanting the $2,500 back. Is that the other thing. It seems like to me we are talking about insult to injury here. For something you have got a benefit to a certain amount of money for the loss of your land, and then we are getting nothing back. And you want us to forgive your $2,500 fee.

MS. GRIFFIN: And believe me, I understood. This case is so ridiculous, and there is nothing I can do to do stop it. The only reason that I am asking --

MR. FLORES: I am not asking you to stop it. I just want to give the project some benefit.

MS. GRIFFIN: Okay.

MR. FLORES: And I don't see the benefit.

MS. GRIFFIN: Well, the benefit is that we are rehabbing the remaining eight units. And we can't rebuild the four units. We have already gone to Resnick. We cannot rebuild the four units. IRS does not allow that.

MR. FLORES: You could put some more appliances in. You could put in carports. You could paint parking lots. You could do more --

MS. GRIFFIN: But we already -- we have no deferred maintenance. The property is in excellent condition. We are a -- you know, we have happy residents. As a matter of fact, our residents did not want to move. Eight out of the twelve people insisted on staying and waited until people died in other units. This is their home. And you know, we take very good care of this project.

The only point on the $2,500 is that I am having to appear for you, asking for an amendment for which I can do nothing about. It is TxDOT will take the land and will take the building.

MR. FLORES: You are trying to cloud the issue. The issue is not the taking of the property. The issue is you have received some benefit, and you are not putting the benefit back in the project of an equal amount. That is what the bottom line is. You are trying to cloud the issue back here with TxDOT. That is not the issue here.

MS. GRIFFIN: I am sorry. I am not trying to cloud the issue. What is it that you are asking for.

MR. FLORES: How much did you get for the land. How much compensation did you get for losing .38 acres out of that total amount of $418,000.

MS. GRIFFIN: The land portion is $110,000, which goes to the lender.

MR. FLORES: So you owe us $110,000.

MS. GRIFFIN: But it doesn't go to the partnership. It goes to the lender. This triggers a prepayment penalty. It goes to the lender. They pay down the loan. And they do not recalculate debt service. We have to pay the exact same amount of debt service --

MR. FLORES: For a lesser period of time. For a lesser period of time, because now you have less debt.

MS. GRIFFIN: For a lesser period of time.

MR. FLORES: You have less debt. So obviously, you have less payments.

MS. GRIFFIN: No. The payment is exactly the same. They don't recalculate the debt service.

MR. FLORES: That sounds like pretty funny math to me.

MS. GRIFFIN: No, it is not funny math. Just because there is a pay down of the loan.

MR. MUNOZ: The payment is the same, but it is for a shorter period of time.

MS. GRIFFIN: No. Not for a shorter period of time. The loan still matures at the exact same period of time. The debt service payment is not recalculated.

MR. MUNOZ: The 100,000 goes in to service the debt, and the debt period and the amount doesn't change.

MS. GRIFFIN: The principal amount of the debt decreases. That only affects at the point in time when you sell the property or refinance, there is less debt to pay off. They don't reconstitute the loan payment. The debt service remains the same.

But the principal balance is lower, because the debt service is based on the original principal balance, just as when you pay it down every month, the debt service doesn't change. There is a fixed debt service payment amount. But what it does impact is that you have less principal to pay off at the point in time that you sell the property, whenever it is sold.

MR. CONINE: I think we are clouding the vision of what we have done somewhat in the past, when we got stuck with maybe fewer units than we used to get.

MR. MUNOZ: Yes.

MR. CONINE: Or should have gotten.

MR. MUNOZ: Yes.

MR. CONINE: This was a case where the State just came through and said, we are going to take that. And so you can build fewer units. And so instead of her project being this big, it is now this big. And she had to come back through to get us to approve that, although she couldn't control the State coming through. So it is not that -- and a proportionate share of the credits got returned, got kicked back.

MS. GRIFFIN: Will be returned. That is correct.

MR. CONINE: So everything proportionately is still equal. But she had to come back through here to get approval.

MR. FLORES: Well, I got the part about the approval.

MR. CONINE: Proportionality.

MR. FLORES: But the debt is less because she got compensation.

MR. CONINE: I know. And the number of units are less. And the number of credits are less. Everything is less. It just got shrunk a little bit. That is all. It is not like we have still got the big pie, and we didn't get what we were supposed to get. This is different. This is a shrinkage.

MR. FLORES: Yes, but --

MR. CONINE: She is coming back through, asking for our approval for the shrinkage, because the State took the --

MR. FLORES: But she kept the money for the thing because she reduced the debt. Therefore there is a compensation.

MR. CONINE: The partnership owned that piece of land. The State wanted it. They bought it. She can't build apartments on it.

MR. FLORES: I understand that. But she got compensated for a certain piece of land. She reduced the debt. And she got benefit from it.

MR. CONINE: She reduced the tax credits, too, Sonny. She reduced the tax credits. So if Gouris in underwriting --

MR. FLORES: I guess I don't have enough information.

MR. CONINE: If Gouris was re-underwriting it, in theory, he would just all be at the same point. You get back to the same point. With fewer units, fewer credits and less debt. That is the way I see it.

MR. FLORES: Robbye, what will happen if we postpone this for 30 days.

MS. MEYER: Would this be a problem for you, to postpone it.

MR. FLORES: Is there any problem to postpone it for 30 days.

MS. GRIFFIN: I have no control over TxDOT's timing. Right now, they are scheduled to close March 1. I literally have no control. What they will do, if I ask for a postponement, they will take it by condemnation and it will go to court.

MR. MUNOZ: Sonny, we would postpone it for what.

MR. FLORES: So I can take a look at a detailed long list of how they arrived at 418-, to see what benefits she derived. I am still convinced that there was some benefit derived by that partnership that they are not compensating the complex for.

MR. CONINE: The tenants still have the same features in the project that they were supposed to have. We have just got a little fewer land, and fewer units, fewer tax credits, less debt. It is all proportional. I hear where you are coming from. You are thinking we have got less number of units. But you are thinking about a bigger project. Yes, Ms. Ray.

MS. RAY: Mr. Chairman.

MR. CONINE: Yes.

MS. RAY: I move staff recommendation.

MR. CONINE: Do I have a second. I will second. There is a motion and a second on the floor to take staff recommendation which is, to approve the change request with no penalty or get out of jail free card.

MR. FLORES: And you are going to forgive her $2,500 fee.

MS. RAY: Well, didn't that?

MR. CONINE: No. That was not part of the staff recommendation.

(Simultaneous discussion.)

MR. FLORES: Just asking.

MR. CONINE: Any further discussion on the motion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All those opposed, say no.

MR. FLORES: No.

MR. CONINE: The motion carries.

MS. GRIFFIN: And I don't get my $2,500.

MR. CONINE: No, you don't. Sorry.

MS. GRIFFIN: Thank you.

MR. CONINE: I know you are sorry you asked right now. Six dollars an hour is about what that works out to.

(Simultaneous discussion.)

MR. GERBER: Robbye, Park at Pineywoods.

MS. MEYER: Park at Pineywoods, 01420. This is a bond 4 percent transaction. This is a similar request that has come before the Board before, with this limited partner, which is Sun America, where they were involved in. And again, this case, the original general partner was either removed or withdrawn. The Department approved the transfer back in September of 2001.

Sun America later brought in Trammell Crow to finish the development, once the removal took place. Trammell Crow reviewed the development, and found that it was infeasible to build that particular development. They came in, talked to the Department. And although there wasn't a formal approval process at that time, we agreed to it. And they were told to come back at cost certification with the final numbers and everything.

That is exactly what they have done. And staff is approving. Recommending the Board approve the amendments with the one additional requirement, that they do provide microwaves for all the units, and no penalties are recommended for assessment.

MR. CONINE: I have -- excuse me. I have witness affirmations, only if needed from the Board.

MS. RAY: Mr. Chairman, I move staff's recommendation.

MR. FLORES: Second.

MR. CONINE: Moved staff recommendation, second over here. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries.

MS. MEYER: The next amendment is Residence on Stillhouse Road, 02040. This amendment involves a change in the number of parking spaces, the building configuration and the site plan. The number of parking spaces was reduced from 140 to 109. It does still meet local code.

The building configuration was changed from inline fourplexes to common corner, a building with common corners and two common walls. The net rentable area was increased from 51,400 to 55,328. The site plan does condense. The site plan condenses the site improvements into a smaller area.

Our staff does recommend the Board approve the amendments with the assessment of appropriate penalties according to the 2008 QAP. And this amendment has been around and known by the Department and they had the option to do this amendment before the penalties went into effect. However, they chose not to do that, and pay the appropriate fees. And so now we are before you for that.

MR. GERBER: And I would just add, if I might, Ms. Ray, that this is reflective of some changes that this Board has sought to have developers come forward beforehand with changes. When you all make awards of funds of credits, the Department has underwritten a particular deal, based on a particular structure, based on certain expectations. And when the change -- when the deal to the property that is built is dramatically different, it brings up an entirely different set of financials, and issues for the Department to deal with.

And it is just a departure from what you all signed on for. And so holding, we want to work with developers, and these are very reasonable amendments to make. But because it came to us after the fact, that is why we are seeking the penalties. And you will see other instances where, if they come to us beforehand, we are fine, and we recommend none.

MS. RAY: My question, Mr. Chairman, to the staff would be, when they put in this particular case --

MS. MEYER: You can have up to ten points for the next two consecutive cycles on the competitive round, and you can prohibit them from participating in the bond program for up to 24 months, or $1,000 a day from the time of non-conformity.

MR. GERBER: And it is just important to note that the Board has that flexibility. There is often times at the end of the day, one or two point differences that separate winners from those who are not winners in the tax credit cycle. And so a one point or two point penalty can make a very significant difference.

Just from a historical perspective, the Board has over the last several months, since awarding penalties has done so in that one to two point range, again reserving the option to go fully to ten points, as we deem appropriate. That discretion lies squarely with you.

MS. RAY: Thank you.

MR. GERBER: Mr. Hamby.

MR. HAMBY: Ms. Ray. Kevin Hamby, General Counsel, and Secretary of the Board. As Mike said, the Board has been very judicious in issuing those. Some of the guidelines that we have provided to the Board in discussing penalty points are, the seriousness of the change, the reason for not changing.

In this case, it may have been a 2007 application that they didn't want to have impacted before they did the new -- so it is much like any other. Like what you do with the administrative penalties. You look at is it an action you want to prevent in the future. And you look at the seriousness of what happened, and how it impacted the people that you intended to benefit with our original proposal.

MR. CONINE: Okay. I have got some witness testimony here. Rob Musmeche. And he has got two extra minutes from Mark Musmeche.

MR. MUSMECHE: Thank you, Chairman Conine, Mr. Gerber, and members of the Board. My name is Rob Musmeche. And I am here representing the general partner and developer of the tax credit project known as Residence on Stillhouse Road in connection with this action item. This is one of those handful of deals that is still left over and fell into the cracks, as this ongoing evolution of the adherence to obligations process was being developed, beginning in the 2006 QAP.

It now requires amendments that are after December 1, 2006 be preapproved, or subject to death penalty sanctions. We can't get preapproval today for architectural design changes that were made five years ago. This is a 2002 deal. Construction began in 2003, long before this Board adopted its death penalty sanctions which were required for December '06 approval requests.

The project was begun in 2003. It was completed in 2004. In 2005, we submitted a cost certification package, where it sat in underwriting for two years, because the general contractor had defaulted and there was some title issues that we had to clear up.

And 2007 was when we were first able to do so. And those issues were resolved in 2007. And staff disagreed with us.

We didn't believe that an amendment was required at all, because what we have, members of the Board, is an architectural design change from a linear design of four units in a row, to a box with four units. We didn't believe that that is significant. Nevertheless we disagreed in the situation because what is a significant change in architectural design, the language of the QAP is vague as to this fact.

In the American College Dictionary and Merriam Webster both define significant as having importance in its effect. Importance in its effect. For example, there is a significant change in the tax law. Or the rise of gas at the pumps has risen significantly over the past few months and years.

When we have a change in design from four units in a row to four units in a box, where square footage was increased, we asked, is this a significant change, and we submit that it is not. We asked if this is an important change back in 2003 when this was done, and we submit that it was not, because something that is an important effect in the context of an adherence to obligation sections of the 2002 QAP, is limited to whether or not the change materially altered the development in a negative manner, or whether the change would have adversely affected the selection of the application. You have heard staff. Staff agrees. The change related to this amendment did not materially alter the development in a negative manner. It did not adversely affect the selection of the application. We didn't change the unit mix.

We didn't change the building type. We didn't forget anything. We didn't substitute any scoring or threshold items. We didn't forget bathrooms or bedrooms or appliance packages. We improved the project over that which was actually proposed in the application. We increased the square footage of the net rental area by 13 percent.

We increased the greenbelt space, because we originally didn't have topographical surveys when we provided our application, and we found that there was a ponding effect in part of the property. So therefore, we condensed the area, created a greater greenbelt space, and allowed for our seniors which are the residents of this unit, this project, to have a greater and closer access from their parking spaces to their actual homes.

We did in fact reduce the number of parking spaces. But we in fact, increased the square footage of the concrete. The parking spaces went from 140 to 109. At the time, there was no code requirements, and even today, for seniors, that is more than double the national standard, which is .75 parking spaces per unit. We have 1.44. Construction is a fluid process. It is always in flux.

And until the occupant is in place, things change daily. We will never have permit ready construction plans available during the application round. I have one more minute, Mr. Chair.

MR. CONINE: Okay. Wrap it up.

MR. MUSMECHE: The system still works, because the community benefitted from this project. We have 100 percent occupancy today. The changes that we made were not intended to cheat the taxpayer or subvert the application process with a bait and switch. Rather, our changes reflect smart development and critical thinking in the field.

We made thoughtful changes to enhance the tenant quality of life and our decisions were good for this program, and served the best interests of the citizens of this state. We are active in the application round again this year. Please don't put us out of business for two years. We respectfully ask that you approve the amendment and exercise your discretion with the assessment of a zero penalty, the way that this Board has done time and time again, all last year, for projects that were less deserving of your discretion and leniency. With that, I close. And I thank you.

MR. CONINE: Any questions of the witness.

MR. FLORES: I have got a question for Robbye.

MR. CONINE: Okay.

MR. GERBER: Yes, sir.

MR. FLORES: Robbye, how do you answer his situation about this being a 2002 deal and those rules were not in effect at the time, and therefore he doesn't have to do anything about it today.

MS. MEYER: That fact is true. They weren't in effect until December of 2006. However, he knew the changes. The amendment was there. I think staff's main concern with this one is, we received the new amendment letter, and if you see, his request letter was back in April of 2007. This applicant, we don't -- I mean, we don't believe that it negatively affected the development. However, they avoided possible penalties in the 2007 round by not completing this amendment last year.

MR. FLORES: But you know, being that he got a deal way back in 2002, does that exempt him from notifying us of any of these changes?

MS. MEYER: No. Actually, we put everybody on notice in 2005, of the possible --

MR. FLORES: But it goes back, before? All the previous deals. The new rules also include the previous deals, not just the ones from 2005 forward.

MS. MEYER: That is correct, because we put everybody on notice a year in advance.

MR. FLORES: Okay. That is it. Thank you. Kevin, did you want to say something.

MR. HAMBY: Mr. Flores, all three requirements are, that whenever we pass the rules, whenever you make an amendment request, et cetera, the rules that are in effect when you make the request are the rules. That is written into our contract. That is written into the agreements. That is written into our rules, that you have to follow the rules of the State of Texas.

Whenever this Board passes a rule, in its quasi-legislative function, it is therefore, the law of Texas. Sorry, Robbye. At that point. And therefore, you are enforcing your rule at the current time, whenever they make the request. They could obviously choose not to make that request, and not be subjected to those rules. But then they won't get 3609s.

MR. FLORES: Thank you. You answered my question.

MR. GERBER: Mr. Chairman.

MR. CONINE: Yes.

MR. GERBER: This was matching in 2002, that you signed the certification from the Department, that said that the application that you were submitting to the Department was reflective of what you were going to build.

MR. MUSMECHE: That would be correct, Mr. Gerber, but we didn't have pre-construction permit ready drawings at that time. And I think it is important to point out again, no we didn't sit around and lay behind the law. The fact is, that all of last year, this body was going through an evolutionary process of this adherence to obligations. And we provided and requested public comment. We were anticipating an opportunity.

And in fact, we did participate in that big discussion, to see if the rules would be more certain about what in fact is an architectural design change that is so significant that it would require an amendment. We disagree with whether or not these changes are so important in effect or significance that they require an amendment. Nevertheless, we are here today.

We have a four unit row design on the application. And it becomes a box. But we increased the square footage. But today, in light of the certainties of the uncertainties involved, we would probably ask staff permission for the change in a roof color. But that is not where we were back in 2003. The bottom line is, the net effect is, this is better.

This project is a better project. And I think that it is important to point out, that the Board has the ability in Section C of the adherence to obligations paragraph, that in addition to, or in lieu thereof, the penalties in subparagraph a and b of this paragraph, the Board may assess a penalty of up to $1,000. This Board has the ability of --

MR. CONINE: We are familiar with what we have the authority to do.

MR. MUSMECHE: Sorry, Mr. Chairman.

MR. CONINE: The question is, I have a question. Is this project in the City of Paris.

MR. MUSMECHE: Yes, sir.

MR. CONINE: What are the parking requirements for the City of Paris related to multifamily?

VOICE: [inaudible].

MR. CONINE: Okay. Hang on. Let him answer the question, unless you want to come up here.

MR. MUSMECHE: It was outside of the jurisdictional limits at the time of the application itself.

MR. CONINE: Okay. So it wasn't under a --

MR. MUSMECHE: It does meet code today. And in fact, I have a letter from the City of Paris.

MR. CONINE: That is all the questions that I have. Any other questions, or is there a motion.

MR. FLORES: Chairman, I move staff recommendation with a penalty of one point.

MR. CONINE: Is there a second. No monetary?

MR. FLORES: No monetary charges.

MR. GERBER: Mr. Flores, to clarify, it is one point for one year, or one point for two years?

MR. FLORES: One point for one year.

MR. CONINE: Is there a second.

MS. RAY: Second.

MR. CONINE: Any other discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries. Thank you.

MS. MEYER: Next amendment, Rosemont at Bethel, 04447. This owner is requesting approval to reduce the overall size by 3.6 acres for approximate cost of $325,000. And is requesting the substitutes for approximate cost of $549,308. They covered 273 parking places out of the 483, which weren't originally proposed to be covered.

They are increasing the square footage of the clubhouse by 611 feet, and increasing the overall building area at 17,924 square feet. The staff is recommending the Board approve the amendment with the appropriate penalties, because the amendments are being requested after the implementation.

MR. CONINE: No witness affirmation?

VOICE: I will be available for question if needed.

MR. CONINE: All right. Thank you. Do I have a motion?

MS. RAY: Mr. Chairman, I move staff recommendation with a one point penalty for one year.

MR. CONINE: Is there a second.

MR. FLORES: Second.

MR. CONINE: There is a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: The motion carries.

MS. MEYER: The next amendment is for Mesa Vista, 05026. This amendment is, this owner actually previously requested an increase in their site from four to six. And the Board has previously approved that. Now, they are requesting an increase of six buildings instead of five. This will allow them to put all the one-bedroom units for elderly accessibility on the ground floor.

And that is the reason why they are requesting the change in the site plan and the buildings. It would be beneficial for this developer in the efforts for them to market to elderly tenants. Staff is recommending the Board approve the amendments with the assessment of appropriate penalties, because an amendment is being requested after the implementation.

MR. CONINE: And I do have some public comment on this one. Ms. Cynthia Bast, and Mr. Rick Deyeo.

MR. CONINE: Two minutes. Like the basketball. Two minutes.

MS. BAST: Thank you. Good afternoon. I am Cynthia Bast of Locke, Lord. And we submitted the amendment request on behalf of the property owner and the developer. And Mr. Deyeo is with the developer.

A brief background on this project. Mesa Vista was a joint venture between a housing authority and a for profit developer, intended as replacement housing for some housing units of the housing authority that had been demolished. As Ms. Meyer mentioned, the amendment has been recommended for approval by staff, so we ask for your confirmation of approval of the amendment.

Briefly, the amendment actually has two parts. The first is the addition of a building on the site plan. After construction commenced, the housing authority approached the developer and asked if all of the one-bedroom units could be placed on the ground floor to better serve the elderly tenants who had been residing in the properties that had been demolished.

The developer was able to accommodate that during the construction process without changing any square footage, without changing any unit size, without changing any of the point items that were in the tax credit application. And so today, the housing authority and especially the tenants with this completed project are very pleased with that result.

The second part of the amendment that is mentioned in your writeup involves the designation of ten units on the property as public housing units. Again, this was requested by the housing authority after the tax credit application was submitted, to try to support those residents who had been in those homes that were demolished. Again, the project was able to accommodate the request and remain financially viable.

So we have another win win situation, which allows Mesa Vista and the housing authority to serve the lowest income tenants possible. With that, we believe that the Board, in addition to approving the amendment request should waive the penalties. And I will finish very briefly. As Mr. Gerber and Mr. Hamby pointed out, as we began this discussion of amendments on this agenda item, the penalties are there to be considered for the seriousness of the infraction, to be considered if it was something that you want to prevent in the future.

I want to point out that with regard to the public housing units, we did ask for those in advance. We asked for those in December of 2006, is when we first approached the Department about that. We admit that the change in the site plan was done during construction. But again, it was another one of those situations, once you are under construction, incurring construction period interest, have crews at the ready, you can't stop a process for 30, 45 or 60 days to go seek an approval.

And so, we sought the approval after that was complete. So we believe that at the end of the day, we have a property that is really best at serving the particularly low income residents and the elderly residents of the City of Donna in the Mesa Vista homes. And we believe that this amendment should be approved without penalty. Thank you.

MR. CONINE: Mr. Deyeo, you have got a minute left.

MR. DEYEO: That is fine. I was going to go ahead and let her take my time, anyway. Rick Deyeo, President of RealTex Development Corporation, the developer in the project Mesa Vista. When we put our application together, it was in 2005. Once again, in the 2005 QAP, there was not a requirement that you had to come for a positive change.

If you look on our application, we built exactly what is in the application. None of the square footage changed. None of the rents -- are still. Our rents are still to the same tenant base that we had originally intended. And that is X number of units at 60 percent or less of median income and Y number of units to those of 30 percent or less of Area Median Income.

The difference here is, we are now able to accommodate ten public housing units. We are joyful of that. As it relates to the building, we were able to take a two story building that was set aside for elderly, and we were going to put the elderly tenants in, and accommodate the housing authority and the City. The City also came to play by giving us two additional acres.

And we took that two story building. And we took the floors. And we made it two one story buildings. By going to six acres from four acres, our density for the site, for the project actually went from 16 units per acre down to 12 units per acre. We have much more green space now. We have more amenities than we had in the original application. There is a lot of positives.

Everything, every change that we made in this particular project was for the positive, was for the benefit of the people that are going to live there. And everyone is lovely. They love the place. It is 100 percent occupied. There is no problems at all with the project. And it is ready to go.

Once again, in 2005, I have participated in this a long time, and back in 2005, if it was a positive change, there was no need to come for an amendment. Now the project is finished. We are ready to get our 8609s, and we have to comply with the current QAP. So the amendment is recommended. We would just request that you don't assert any penalties to us.

MR. CONINE: Any questions of the witnesses.

MR. FLORES: Let me ask a question of Cynthia. Cynthia, is this the same project that came here, that had this large parcel of land and a lot of public space, and the Donna Housing Authority had some units already on the ground. Is this the same project.

MS. BAST: The Donna Housing Authority did have some scattered site throughout Donna that had been demolished as part of its public housing. And I am not sure what you are remembering, Mr. Flores --

MR. FLORES: Well, what I am remembering is, there was a project. You have got to remember, we see a lot of parks on the side of the street, you know. And it had a lot of property around it. And part of it was our project that was going in the middle of it. And I am just trying to figure out if that was the same one. And I don't know if that Donna Housing Authority some public housing somewhere in the Valley.

MS. BAST: I don't think this is the one you are remembering, Mr. Flores.

MR. FLORES: This is not the one.

MS. BAST: This is the first tax credit project undertaken by the Donna Housing Authority.

MR. FLORES: Okay. It is a different one. Okay. Well, let me ask a second question. 76 units, and then you are talking about 20 units being affected. Is that right. And all you did is, you had two floors, and now you have one floor and you spread it out.

MR. DEYEO: There was 20 units of elderly that the Housing Authority actually demolished, that was dilapidated. And what we tried to do there, with the Housing Authority, is they wanted us to make sure we had 20 one-bedroom, one-bath units to accommodate those elderly people. And then they came back to us, can we take that building that had those 20 one-bedroom, one-baths and make them both one-story buildings instead of a two-story building.

MR. FLORES: But this is not an elderly project. It is just --

MR. DEYEO: No. We were just trying to help accommodate the Housing Authority and some of their elderly tenants that were being displaced.

MR. FLORES: Okay. Thank you very much.

MR. CONINE: Any other questions of the witnesses.

(No response.)

MR. CONINE: Do I hear a motion.

MS. RAY: Mr. Chairman, I move staff recommendation with the exception of, I move zero penalties on this particular project.

MR. CONINE: Is there a second.

MR. CARDENAS: Second.

MR. CONINE: There is a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries. Thank you.

MS. MEYER: The last of the amendments, Hamilton Senior Village, 07177. This owner is asking or requesting to reduce this site by 2.6 acres. This reduction is in response to some negative public concerns. And what they are proposing is, that it will allow space in between the neighborhood and the development.

The owner proposes to construct a fence, a privacy fence between the neighborhood, and the development, and to add some other amenities, which is R19 wall insulation, R30 ceiling insulation and a community laundry room, along with laundry connections. Staff recommends the Board approve the amendment without penalties, because it is being requested in advance.

MR. CONINE: I have a witness affirmation form. Lewis Williams.

MR. WILLIAMS: Mr. Chairman, I won't take up any of your time, if you don't have any questions. If you have got some questions, I would be glad to --

MR. CONINE: Any questions of the witness required?

MS. RAY: Mr. Chairman, I move staff recommendations.

MR. CONINE: There is a motion on the floor. Is there a second.

MR. CARDENAS: Second.

MR. CONINE: There is a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: The motion carries.

MR. GERBER: Ms. Meyer, if you would quickly walk through 9B.

MS. MEYER: This next presentation on 9B is staff is requesting the Board's approval to ratify some adjustments that staff made in scoring. This was an error that staff made. Each year the Department has, we allocate credits on a competitive basis. And in part of that, the application has a preapplication period, that allows applicants to look at everybody else that they are competing with, and look at the scores, and see how competitive they are, and make a decision of whether they want to file a full application. This preapplication involves some help with the Department. And we produce a reference manual.

We had some incorrect information that was published in our reference manual. It had to do with the Affordable Housing Needs Score. We had 199 applications, preapplications that were filed. In that, of the 168 preapplications, and we had also what we call notices of intent. But we had 168. Out of that 168 applications, eleven of them were actually adjusted by staff for this scoring.

And the score goes throughout the State of Texas and it gives a scoring from one to six in different areas of the state, depending on the need, the housing need for that particular area of the state. That was one error that staff made, and we do need the Board's acceptance on that. What we actually did, and what we are asking the Board to do is, give staff the ability to adjust the score to either use the incorrect score for those eleven that were affected, or use the score that was actually the correct score, that is published in the housing needs rule.

The next part has to deal with the eligible basis increase for qualified census tracts. We had an error in our calculation. And in the site demographics, it was actually seeing parts of those qualified census tracts, some of them we were showing as eligible when they really weren't, and some that were ineligible that really were. Staff is requesting the Board's permission to count them as eligible at this point in time.

I can't give you an exact figure of how many applications that would affect, because we don't ask for the census tract number during preapplication. And staff is asking the Board to ratify staff's decision to adjust those scores. The scores were, all the applications have been reviewed.

We posted the results of that yesterday to the website. And we only have three deficiencies remaining and they are not score related. So the scores are relatively final. I guess you could say, final.

MR. CONINE: Any questions of Ms. Meyer.

MR. GERBER: We regret the error. And our intent is to try to make everybody whole in this process. And we have coordinated closely with all involved to try to make sure we are meeting everyone.

MS. RAY: Mr. Chairman, I move staff recommendation.

MR. CONINE: Do I hear a second.

MR. FLORES: Second.

MR. CONINE: There has been a motion and a second for the staff recommendation on this item. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. FLORES: Mr. Chair.

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries. Mr. Flores.

MR. FLORES: Before you go on to the next one, I just want to make sure the new Board members understand that there was a regrettable error by our staff. And they went through a lot of process trying to figure out the best and most equitable way to correct it.

And I went through long conversations with two of our staff members. And it appears to be this is the most fair and equitable way of doing it. And hopefully, the development community would feel that way. Just wanted to pass that on.

MR. CONINE: 9C, Mr. Gerber.

MR. GERBER: This involves the transfer of ownership of the general partner for a group of developments. Cascade affordable housing, which is a for profit, not a non-profit as stated in your Board materials, has requested approval to transfer the ownership interest of Southwest Housing and 46 tax credit and bond developments to them. Southwest Housing in recent years has been under federal investigation.

And in 2007, the principal owner was indicted on several counts by the Department of Justice and is currently awaiting trial. Cascade currently owns three properties in Texas that are monitored by TDHCA. One of the properties, the Dominion in Houston was found to be in material noncompliance. And in your Board materials, you will find a history of the compliance for the Dominion properties. Cascade purchased the property in late 2005.

And as you can see, the uncorrected score of material noncompliance is 93. Cascade has recently corrected all issues of noncompliance. However, the corrected score is still above the threshold of noncompliance, and will remain with that score for a period of three years, from the date of noncompliance, from the date that the noncompliance issues were corrected. Pursuant to the Board approved compliance rules and the Texas Administrative Code, the Department will not approve a transfer to an owner in material noncompliance, though the Board has the authority to waive its rules for good cause.

Staff believes that the transfer of these properties is in the best interests of the current and future tenants of these properties, the Department as a whole and the State of Texas' interest. The Department does have a concern with the Pinnacle Management Company that Cascade has employed to handle the day-to-day operations of the properties.

At the time of the publication of the Board materials, Pinnacle was noted to manage 22 affordable properties in Texas. Eight of those 22 have uncorrected issues of noncompliance, with two of those properties being in material noncompliance. Cascade has agreed in writing, that if the Department identifies issues of noncompliance under the management of Pinnacle for these properties, the Department may request a replacement of the management company, and Cascade will comply with that request.

Staff is recommending with that understanding, that the Board approve the transfers, with the acknowledgment of the waiver of Section 60.122 of the Texas Administrative Code and the agreement from Cascade to again, replace Pinnacle in the future if issues arise with the properties.

MS. RAY: Mr. Chairman, I move staff recommendation.

MR. FLORES: Second.

MR. CONINE: There is a second. I have three witness affirmation forms. Any of you gentlemen wish to speak.

VOICE: Only if you wish to speak to us.

MR. CONINE: There is a motion on the floor with a second. With no further discussion, all those in favor of the motion, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: The motion carries.

MR. GERBER: Mr. Chair and Board members, I will just acknowledge that the gentlemen that didn't speak representing Cascade and Pinnacle, they have been dealing with us in a very straightforward way, spent a lot of time with our staff working through these issues. And we hope that as we continue to have issues, which we inevitably will, that we will be able to talk in such a forthright manner, and address those. But we appreciate your commitment to the successful and well management of these properties.

MR. CONINE: And I am sorry I kept you so long. But we got you to the finish line. Thank you.

MR. GERBER: 10A, Mr. Chair and Board members is the issuance of determination notices for housing tax credits that are associated with mortgage revenue bond transactions with other issuers. This is the layering of 4 percent tax credits onto bond transactions that are issued by the local issuers.

The first is Artisan at San Pedro Creek Apartments in San Antonio. This is a 4 percent tax credit deal, a Priority Two application proposing 252 new construction units, targeting the general population. The Department has received two letters of support from the community and no letters of opposition. The applicant is requesting $1.149 million in housing tax credits and staff is recommending approval of $1,149,825 in tax credits, and we urge your --

MR. CONINE: Yes. Let's do them separately here.

MR. GERBER: The Greenville has actually been removed. Sorry.

MR. CONINE: Do I hear a motion to approve.

MS. BINGHAM-ESCARENO: Move to approve.

MS. RAY: Second.

MR. CONINE: I heard a motion and a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: The motion carries.

MR. GERBER: Item 10B, Mr. Chair and Board members --

MR. CONINE: Well, let me make sure that we understand, that Greenville has been withdrawn.

MR. GERBER: Yes, sir. Greenville has been withdrawn.

MR. CONINE: All right. Thank you.

MR. GERBER: They were both the applicant. Item 10B is regarding resolution 08-008 which includes the inducement of one tax exempt bond application. This application was previously induced at the November 8, 2007 Board meeting. It initially requested $11.5 million in volume cap.

However, due to the current conditions in the market, the applicant is requesting an increase in the bond amount to $14 million for West Oaks Seniors Apartments in Houston. The application will reserve approximately $14 million on 2008 state volume cap. And upon Board approval to proceed, the application will be submitted to the Texas Bond Review Board for placement on the 2008 waiting list. The Board has previously approved seven applications for the 2008 program year.

It should be noted that approval of the inducement resolution however, does not assure that the development will ultimately receive approval for the issuance of private activity bonds. The Department has not received any letters of support or opposition for this application. And staff is recommending approval of the increase from 11.5 to $14 million for this inducement.

MR. CONINE: You know who got to the microphone. I don't know what he wanted.

MR. GERBER: Yes, sir.

MR. CONINE: Do you want anything at this point.

MR. HAMBY: I am just assuming that you all are going to go through this one, and I wanted to catch you before you did your motion to adjourn.

MR. CONINE: Okay.

MR. GERBER: If I might just clarify for Board members. This is only a motion to induce, which kicks in a 150 day process in which the community is heavily involved. There will be a hearing held. And so we will be bringing back to you refinements to the structure and more clarity on it, and see whether or not it is a workable deal, before that 150 day point, certainly. But at this point, we recommend inducement.

MS. BINGHAM-ESCARENO: Move to approve the inducement resolution.

MR. CONINE: I have got a motion. Do I have a second.

MS. RAY: Second.

MR. CONINE: I have got a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(Chorus of ayes.)

MR. CONINE: The motion carries. Go back to Item 1 on the agenda, which is the election of Board officers and appointment of Board committees. We are going to actually do that at our next meeting, after we get a chance to get to know one another. And but in the interim, I would like to appoint as Chairman, an interim Audit Committee Chair, Ms. Gloria Ray, along with her current Audit Committee companion Sonny Flores.

And we are going to get Leslie to join in the Audit Committee on an interim basis, from now until we meet again in March. Also, I would like to thank for the endurance contest that you just completed, Ms. Jackie

King, sitting right here, from the Governor's Office. And back in the back, Carolyn Scott from Lieutenant Governor Dewhurst's office. Thank you for winning the endurance contests. Is there any -- we have the Executive Director's report, I guess as a final item.

MR. GERBER: Mr. Chairman, I will just defer. There are some items at the end that deal with program delinquencies in our first time homebuyer program, and we commend that to you. Suffice to say, we are not seeing significant increases in the number of delinquencies as you are seeing in, and foreclosures, as you are seeing in other programs, and in the market generally.

It is hovering around the same as it was last year. That is encouraging, although we are always mindful. And we will continue to report to you about trends in delinquencies and foreclosures as we go through this next year.

There is other information about the status of certain HOME amendments as well in here. We are always wanting to make sure that those who have HOME contracts live up also to their commitments and that they meet their deadlines as well. So the Board has asked for report, readouts on those. And that is provided to you as well. I will stop there.

MR. CONINE: Anything else, Counselor.

MR. HAMBY: No.

MR. CONINE: I thank all of you, the new Board members. I appreciate your winning the endurance contest as well. Welcome. We are glad to have you. And I know it is going to be fun. And we will try to make it as fun as possible.

And again as you saw earlier this morning, the cumulative benefits to the low income citizens of the State of Texas is definitely rewarding, and I think you find that to be the case. This meeting is adjourned.

(Whereupon, at 4:10 p.m., the meeting was concluded.)

C E R T I F I C A T E

MEETING OF: TDHCA Board

LOCATION: Austin, Texas

DATE: January 31, 2008

I do hereby certify that the foregoing pages, numbers 1 through 265, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Housing & Community Affairs.

02/08/2008

(Transcriber) (Date)

On the Record Reporting
3307 Northland, Suite 315
Austin, Texas 78731