

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

PUBLIC HEARING OF THE BOARD

Room E1.016  
State Capitol Extension  
1400 Congress Avenue  
Austin, Texas

8:30 a.m.  
Friday,  
September 15, 2000

PRESENT:

MICHAEL JONES, Chair  
JAMES DAROSS, Vice Chair

STAFF:

DAISY STINER, Executive Director

I N D E X

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CALL TO ORDER, ROLL CALL CERTIFICATION OF QUORUM	3
PUBLIC COMMENT on Senate Bill 1112, (Sec. 2306.111(d), Gov't Code) Regional Allocation Formula for HOME, Housing Trust Fund, and Low Income Housing Tax Credit Programs	
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P R O C E E D I N G S

1  
2 MR. JONES: I'd like to call to order the  
3 public hearing of the Board of the Texas Department of  
4 Housing and Community Affairs, concerning Senate Bill  
5 1112, Regional Allocation Formula for HOME, Housing Trust  
6 Fund, and Low Income Housing Tax Credit Programs. And  
7 this is a public hearing.

8 Attending the public hearing, at this point in  
9 time is the executive director, Daisy Stiner; the vice  
10 chairman, Mr. James Daross; and myself, Mike Jones.

11 And with that, I would like to turn over the  
12 agenda to our executive director, Ms. Daisy Stiner.

13 MS. STINER: Good morning, Mr. Jones.

14 Good morning. The purpose of this hearing is  
15 to provide the public with a formula that has been  
16 developed pursuant to Senate Bill 1112, from last session,  
17 that requires the department develop a budget -- pardon  
18 me -- a formula that will be utilized to allocate funds on  
19 the three of our housing programs.

20 Now, that formula has been developed over the  
21 course of the last year. It first had a public hearing  
22 when we went across the state to hold hearings on our  
23 state Low Income Housing Plan. The comments that were  
24 received from the public were taken into consideration in  
25 the final development of a budget -- I keep saying a

1 budget; we're not on that agenda item yet -- of the  
2 formula.

3 So since the development of the formula, we  
4 have met with several groups that will be impacted by that  
5 formula, and have listened to their comments. And this is  
6 the first of a series of public hearings that we will hold  
7 around the state again, to share with the public what that  
8 formula is.

9 I'm going to ask that anyone wishing to make  
10 comments this morning sign a witness affirmation form. I  
11 have two here, but anyone wishing to speak this morning  
12 must sign a witness affirmation form, and those are  
13 available right here at that desk.

14 Before we get started with the presentation of  
15 the formula, we have to two witnesses, and I'll just ask  
16 if they wish to address the board before or after the  
17 presentation by staff.

18 Mr. Schmidt, George Schmidt? You're coming --  
19 you would wish -- okay. You want to come forward before?

20 Okay. Very good.

21 Then we'll ask Mr. Schmidt to come forward and  
22 make his comments.

23 MR. SCHMIDT: Good morning. I'm George  
24 Schmidt, Real Estate Acquisitions Director for the Texas  
25 Housing Finance Corporation. It's a Texas-based tax

1 credit equity provider.

2 THFC has provided over 76 million in equity for  
3 more than 2,820 housing units in Texas. We target  
4 investment funds specifically toward difficult-to-develop  
5 rural areas and rural areas such as Uvalde, Eagle Pass,  
6 Laredo, Stephenville, Tyler, Odessa, Amarillo, San  
7 Antonio, and those areas as well.

8 We thank the department for requesting 50  
9 million for the Housing Trust Fund's budget from the  
10 Legislature, especially given the Housing Trust Fund is  
11 the only truly flexible, nonfederal source of gap funds  
12 that can meet the needs of developments in difficult-to-  
13 develop and high-poverty areas of the state.

14 We generally agree with the formula -- the  
15 Regional Allocation Formula presented that would provide  
16 more 9 percent tax credits, HOME, and Housing Trust Funds  
17 to these difficult-to-develop areas of the state while  
18 relying on the 4 percent tax credits and tax-exempt bonds  
19 to provide housing in the major metro areas of the state.

20 However, there are several critical things that  
21 the Legislature and the department should understand if  
22 this formula is to be successful.

23 Number one, the formula targets funds towards  
24 very high poverty areas and rural areas. To serve these  
25 areas, the Legislature must expect to see at least 30,000

1 in subsidy per unit in rural areas -- that's including tax  
2 credits, HOME, and Trust Funds -- and 60,000 in subsidy  
3 per unit in high-poverty, border areas.

4           Housing developments in these areas cost more  
5 per unit, between 55,000 per unit in rural areas and  
6 75,000 to 90,000 in high-poverty, border areas. Land  
7 costs in border areas are typically high. There are  
8 utilities that need to be brought to the site, and there  
9 are fewer units per development that can be built,  
10 typically about 50 units per development.

11           Because there is so little rent revenue that  
12 can be generated, these developments can only raise  
13 between 600,000 to 1,200,000 in private bank debt. Most  
14 banks and mortgage companies will not provide the  
15 financing necessary for these developments, because the  
16 mortgage is not over 3 million and not within a major  
17 metro or CRA areas. This is economies of scale for the  
18 banks. These means that government subsidy must often be  
19 the primary source of funds for these developments.

20           Developers go into these areas to provide  
21 housing, but because the developments are small, there are  
22 no economies of scale. Their incentives go into -- the  
23 incentive to go into these areas are reduced further  
24 because the developments are scattered across long  
25 distances and are in unfamiliar markets that have small

1 populations. In addition, dealing with federal  
2 regulations on these HOME funds with tax credits increases  
3 the risk to developers that the deals will not get done,  
4 because the integration of HOME funds with tax credits can  
5 be rather complicated and risky for developers that are  
6 not as experienced with working with the two programs  
7 together, especially with compliance issues.

8 If the department performs its federally  
9 mandated charge to underwrite these developments with the  
10 maximum allowable tax credit rents, typically between 50  
11 and 60 percent of the area median income, and minimize the  
12 use of the tax credits at every juncture, developers will  
13 typically defer or forgo most of their fee.

14 A small -- developers need to be paid and  
15 rewarded for serving these areas if they're to be enticed  
16 to go out and do development in these areas, especially  
17 since what little fee they earn on these small deals is  
18 already exposed to interest-rate risk and construction-  
19 cost risk.

20 If the Legislature and the department truly  
21 want to serve the areas targeted in the Regional  
22 Allocation Formula, like we truly believe that they have  
23 done in the past allocations and will want to continue to  
24 do in this current formula, Housing Trust Funds must be  
25 increased and freely allocated along with these tax-credit

1 developments in these areas.

2           The current level of Trust Fund Financing is  
3 only sufficient to build less than 300 units a year --  
4 approximately 3 million a year in annual funds, 10,000 per  
5 unit in subsidy, approximately 50 units per property --  
6 that leads to approximately six properties throughout the  
7 state.

8           Otherwise the state will allocate a lot of  
9 federal tax credits to these areas without state subsidy  
10 support, and Texas will end up losing the federal subsidy  
11 for housing because the deals won't get done.

12           One final note about the 4 percent deals in  
13 major metro areas. Because the Legislature has it set up  
14 in priorities, the first priority area is 50 percent  
15 maximum rent restriction for 100 percent of the units.  
16 That is great for a preservation deal, because it's  
17 typically difficult to do new construction. However, what  
18 you'll end up with, while there is a good gap between the  
19 maximum income and the maximum rent level charged, and  
20 that helps to -- helps the affordability of the individual  
21 residents of the property, you will end up with 100  
22 percent for typically large formerly projects known as  
23 project developments created by HUD that will be  
24 preserved, which is great. But then you will see larger  
25 low-income, 100 percent low-income properties.



1           And it would be our suggestion if the  
2           Legislature -- if the department can convince the  
3           Legislature to consider a priority system that mixes the  
4           incomes on stagger basis for those properties, it would  
5           allow for them to have lower rents for some of the units  
6           and do some deep income targeting, and yet also allow for  
7           it to not have the stigma any longer of a project.

8           Thank you.

9           MR. JONES: Thank you, sir.

10          MS. STINER: I failed to add that the formula  
11          has been published, and we do have a staff presentation.

12          But, Sarah, do you want to come forward and  
13          just point out the new figures that were arrived for the  
14          formula --

15          MS. DALE: Sure.

16          MS. STINER: -- before the public, so the  
17          public will know what they're talking about. And then  
18          we'll continue with the public speakers.

19          Sarah, will you identify yourself, please.

20          MS. DALE: Hello. My name is Sarah Dale. I'm  
21          the manager of the Housing Resource Center. Do you want  
22          me -- or the director of the Housing Resource Center. I  
23          don't have a piece of paper; that's why I'm still saying  
24          "manager" until I see it.

25          But do you want me to go specifically over the

1 changes with regard to the numbers?

2 MS. STINER: Yes. Since those have been made  
3 public.

4 MS. DALE: Okay. We had done the numbers on  
5 the statewide formula, and discovered this morning that  
6 actually there was a small glitch in the computer program,  
7 and so we've done some minor adjustments on the statewide  
8 which would impact the tax credit and the Trust Fund, and  
9 we've put -- the new numbers are back in the back at the  
10 table in the information packet.

11 And they were really relatively minor  
12 percentage changes. As far as what happened was, in  
13 Region 1, rather than being -- I don't know. Do you want  
14 me to go through all of these?

15 MS. STINER: Just give us the new numbers and  
16 tell the public where they need to have the corrected  
17 sheets. Do we have enough to hand out?

18 MS. DALE: Okay. Yes. The corrected sheets  
19 are in the back, and we can certainly make more copies if  
20 they are necessary.

21 But the statewide: Region 1, instead of being  
22 4.01 percent, it's 3.61 percent; for Region 2, it went  
23 from 2.41 percent to 2.33; Region 3 went from 20.07  
24 percent to 17.45; Region 4 went from 4.71 to 5.42; Region  
25 5 went from 3.83 to 4.11; Region 6 went from 22.54 to

1 21.3; Region 7 went from 11.32 to 10.26; Region 8A went  
2 from 9.62 to 9.83; Region 8B went from 14.08 to 17.95;  
3 Region 9 went from 2.58 and actually stayed at 2.58; and  
4 Region 10 went from 4.83 to 5.17.

5 We'll have these new numbers up on the website  
6 hopefully by the end of the day. I've pulled the old ones  
7 off until we can get these new ones on and the corrections  
8 made.

9 MS. STINER: Thank you, Sarah.

10 The next speaker we have is Bruce Spitzengel.

11 MR. SPITZENGEL: Daisy, is there going to be  
12 any more presentation? I'd be glad to wait until after  
13 the presentation.

14 MS. STINER: No. That was the extent of it;  
15 the formula has been made public.

16 MR. SPITZENGEL: Good morning. My name is  
17 Bruce Spitzengel, with Grant Works, and I just have a  
18 couple of comments. What I'd like to do is, one, get some  
19 clarification on the process of adopting these particular  
20 formulas. Has that been determined? Is that going to be  
21 coming before the board, like in October, as far as the  
22 adoption of this formula, or is the board going to be the  
23 one adopting this, or how will that be done, Daisy?

24 MS. STINER: Bruce, I don't have the  
25 legislation before me, but it said that the department

1 shall develop the formula. That formula has been  
2 developed. We're presenting -- we're having a public  
3 hearing now.

4 MR. SPITZENGEL: I understand.

5 MS. STINER: When we finish those public  
6 hearings, that formula will be the one that we will  
7 utilize for application to the various loan programs.

8 MR. SPITZENGEL: Okay. So this is basically  
9 the final step. It doesn't go before the board for any  
10 formal approval?

11 MS. STINER: Of course, if you want us to take  
12 it before --

13 MR. SPITZENGEL: No. I'm not pursuing it. I'm  
14 just trying to get clarification on that, whether it's  
15 going to any further steps beyond this public hearing.

16 MS. STINER: Mr. Jones, would you like for that  
17 to come back before the board?

18 MR. JONES: Let me say this. We'll be visiting  
19 with counsel about that, our legal counsel --

20 MS. STINER: Okay.

21 MR. JONES: -- and do whatever the legislation  
22 instructs. Obviously, right now we're in a public hearing  
23 mode, and we are going to comply with the legislation and  
24 have those public hearings.

25 MR. SPITZENGEL: Absolutely.

1 MR. JONES: Thereafter, after we have the  
2 public hearings, this may well be something that the board  
3 wants to give input on to staff. And the legislation  
4 itself -- and we don't have counsel here, and are really  
5 not prepared to address it. The legislation itself may  
6 say this is something that staff can do without our input.

7 MR. SPITZENGEL: I understand.

8 MR. JONES: I do say we may hear things during  
9 the public hearing where we may want to have input, and I  
10 guess the answer to you is, whether it will be a  
11 discussion item or a formal resolution that needs to be  
12 passed, will depend upon our counsel's view of the  
13 legislation.

14 MR. SPITZENGEL: Understood.

15 MR. JONES: Thank you.

16 MR. SPITZENGEL: Appreciate the information.

17 MR. JONES: Sure.

18 MR. SPITZENGEL: In terms of looking at the  
19 HOME formula, there's one question that I have, and that's  
20 always been a particular sticking point for me, is looking  
21 at a percent of poverty in a particular region as opposed  
22 to also looking at the total numbers of poverty in that  
23 region also.

24 And right now, if I'm not mistaken -- and I  
25 would appreciate clarification on this -- that percent of

1 poverty -- does that represent 50 percent of the formula,  
2 Sarah? It does represent 50 percent of the formula? What  
3 I'd like to see is how the formula would be adjusted if we  
4 were to break that down to 25 percent of poverty, 25  
5 percent number of poverty. I think those are important  
6 numbers to look at.

7           It's just another way of looking at these  
8 things, and see how it adjusted across the region. I  
9 don't have a particular problem with formulations as it's  
10 being presented, other than I would like to look at some  
11 different scenarios on that.

12           MR. JONES: Somebody does have a problem with  
13 that.

14           (General laughter.)

15           MR. SPITZENGEL: Fortunately, I'm not trying to  
16 read from a script.

17           MR. JONES: You may not; somebody obviously  
18 did.

19           MR. SPITZENGEL: I didn't know if the play  
20 started soon or not.

21           In terms of some other issues that I think are  
22 related that will be coming up in the future, I think that  
23 what I would like staff and certainly the board to be  
24 looking at is the way, particularly in the HOME Program,  
25 how the funds are being broken out for different programs,

1 which there are primarily five different programs here,  
2 being Owner-Occupied, Rental, Homebuyer, Tenant-Based  
3 Rental Assistance, and Demonstration Funds. I would like  
4 that formula to be looked at again before we go out for  
5 applications, if that's possible. I don't know. I don't  
6 think we've done a consolidated plan for 2001 yet.

7 MS. STINER: It's coming up in November. We  
8 start --

9 MR. SPITZENGEL: Oh, I'm sorry.

10 MS. STINER: -- Consolidated -- the hearings  
11 for the Consolidated Plan is coming up November.

12 MR. SPITZENGEL: When are we anticipating  
13 applications for HOME being due? Has anybody discussed  
14 that yet?

15 MS. STINER: We've discussed it, Bruce. If  
16 you'd like to visit with staff, you know, outside this  
17 public hearing, we can talk to you about that. But, of  
18 course, the schedule for the funding is going to depend on  
19 getting through this formula, because this formula will be  
20 applied to those programs.

21 MR. SPITZENGEL: Exactly.

22 MS. STINER: Yes.

23 MR. SPITZENGEL: And that's what's coming up,  
24 and I understand that. But what I'm concerned with is  
25 that the process has to move on.

1 MS. STINER: Sure.

2 MR. SPITZENGEL: We're all interested in  
3 getting these funds out there as quickly as possible,  
4 getting the dollars expended. It makes everybody look a  
5 lot better when you have a good expenditure rate.

6 And one of the things I want to happen is that  
7 before we go out and do the next application round that it  
8 has been looked at very carefully where the demand is for  
9 these various dollars, what the small, rural Texas is  
10 looking for and needs, and not -- and basically, maybe  
11 with everything with the exception of CHDOS, putting a ban  
12 on any fundings going to PJs. And that's something I  
13 would like to see, because these are rural Texas funds;  
14 they are provided to the state based on a HUD formula that  
15 looks at areas outside of PJs.

16 Now, there is some questions about what's  
17 rural, because you do have communities that are in  
18 metropolitan areas but they are not a PJ. They are  
19 essentially rural communities, but just -- you know, we  
20 have another agency over here, the Census Bureau, which  
21 defines what's a metropolitan area, and then you have over  
22 here another agency that says, you know, this is rural,  
23 what is not rural. And it gets a little bit confusing.

24 There are a substantial number of  
25 communities -- you take Houston/Galveston area, and you



1 have seven counties out of the 13 are in a metropolitan  
2 area. And -- but there's a lot of rural communities out  
3 there with desperate, you know, poverty needs, housing  
4 needs. And it doesn't make them, per se, PJs or  
5 metropolitan by virtue of being in a metropolitan county.

6 And I think if y'all looked at some of these maps, you  
7 would see that.

8 But anyway, getting back to the issue here, I  
9 think the formulations are a good beginning, in terms of  
10 what we're -- y'all need to accomplish to comply with the  
11 Legislature. I wasn't particularly dissatisfied with the  
12 way the formula was done before when it was divided  
13 equally among the eleven regions. That certainly worked  
14 well. Certainly some regions are going to be hurt, others  
15 are going to be benefitted, any time you do a formulation.

16 Like I said, I will conclude that I would like  
17 to see a formulation splitting out percent of poverty --  
18 or poverty, both in number and percent, and just how that  
19 affects this particular formula.

20 And again, one last comment, I would like to  
21 seriously see a review of where the demand has been for  
22 HOME funds. And I can assure you and I can tell you,  
23 based on my review of the statistics, that owner-occupied  
24 has been the demand. And this is the need of rural Texas.

25 They don't have -- when I say about rural Texas, I'm

1 talking about small communities -- they don't have a great  
2 need for many of these other programs. They're not in a  
3 growth mode.

4           What they are trying to do is protect their  
5 existing housing stocks. As I've always said, Your  
6 community goes as your housing goes. If you're going to  
7 let your housing go, there goes the community. And the  
8 one thing that they can protect is single-family homes,  
9 and that they have the greatest impact has been with this  
10 program.

11           We have gone into communities where we have  
12 done four -- and we're getting ready to go into one  
13 community -- five of these grants. We are now having  
14 problems finding people that qualify. That was even under  
15 the old 80 percent area median income rule.

16           But what that tells me is, in a community of  
17 1,000, we've had a substantial impact on that community's  
18 housing stock. And that housing is going to be good for  
19 another 15 -- ten to 15 years.

20           And that means the bulk of the people we're  
21 dealing with are elderly and disabled. I would venture in  
22 owner-occupied, it's over 95 percent elderly and disabled.

23           So special needs is what owner-occupied has always been,  
24 because that's where you find the people that qualify.

25           Now, we have made efforts in my organization in

1 talking with the communities that we work with to try to  
2 diminish or even eliminate this 30 percent rule, which is  
3 way of line with reality. It needs to be bumped up to a  
4 minimum of 50 percent, and I think the Legislature is  
5 looking at that very closely, because it provides a real  
6 burden to find people -- this is below poverty level, and  
7 practically -- well, it is every county of the state --  
8 it's below poverty level, that 30 percent. And it just  
9 makes no sense to tell somebody that's making \$750 a  
10 month, Gee, you make too much money. So that story has  
11 been told; it's been told to a number of people,  
12 particularly in the Legislature.

13           Again, thank you for the opportunity to speak  
14 on this. I would like to see some -- just where y'all  
15 have not just one formula to look at, but several formulas  
16 to look at and to, you know, finally make a decision on  
17 that. Thank you.

18           MR. JONES: Thank you.

19           MS. STINER: Thank you.

20           The next speaker, John Henneberger.

21           MR. HENNEBERGER: Mr. Chairman, Judge Daross,  
22 Ms. Stiner, thank you for the opportunity to testify here.

23           I'm here to appear before you to support the department's  
24 recommendation regarding the Regional Allocation Formula.

25           I believe it's been -- it is an appropriate formula. It

1 meets the standard of being understandable and reasonable,  
2 and utilizes the best data which is available to us at  
3 this time in order to appropriate our housing dollars.

4 I want to thank the department and Ms. Stiner  
5 and Sarah Dale for making this process a very deliberate  
6 one, a very careful one, properly structured one, one that  
7 has fully involved the public and academic experts in the  
8 structure of this formula. I think it's been a very good  
9 process.

10 I would say that the formula isn't perfect. It  
11 is based on the best available data that we have at this  
12 time. And hopefully we'll get better data, come the 2000  
13 Census release and come new initiatives that the  
14 department is undertaking, which I think are great, with  
15 Texas A&M regarding collecting better demographic data on  
16 housing demand.

17 The missing component in the formula is housing  
18 supply. And if we could plug that variable into this  
19 formula, then the dollars would be, unarguably, being  
20 allocated based on need. And that is the ultimate goal of  
21 the legislation.

22 I'd like to mention just a couple of things to  
23 consider for future amendments to this formula, and before  
24 I do that, I'd like to mention what I believe the proper  
25 process for the amendment of the formula should be.

1           In my sense, this formula is central to the  
2 allocation of all resources. It underlies all of the  
3 funding allocation decisions the department will make in  
4 the future, and thus is of concern to everyone who cares  
5 about housing, to local governments, to low-income people,  
6 to developers, to everyone.

7           I believe it's proper that the department  
8 should adopt on an annual basis any revisions to this  
9 formula by formal rule and hold a hearing, such as this  
10 one, before the board of directors, prior to the adoption  
11 of that rule. Publishing the proposed formula in the  
12 Texas Register and formal adoption by the rule is a  
13 process which is well known and accepted as a reasonable  
14 and prudent way to secure public input and to notify all  
15 the interested parties of changes which will affect them  
16 in a way that they care very deeply about.

17           And so that's my recommendation is that in the  
18 future on an annual basis, as the department adjusts this,  
19 it do it by formal rule. And Ms. Stiner has -- and we've  
20 talked about this in these discussions that we've had, and  
21 I think we're in agreement on that.

22           The second thing I'd like to mention is  
23 something a previous speaker spoke to, which is the  
24 targeting of HOME Funds. And I believe that is is -- I  
25 think the department has taken good strides toward the

1 proper targeting of the HOME Funds to nonparticipating  
2 jurisdictions. I believe the department should, if not as  
3 part of this rule, then part of a related process, make a  
4 formal decision not to expend HOME Funds other than  
5 certain select special needs categories, such as statewide  
6 competition for the disabled and certain CHDO funds,  
7 exclusively in participating jurisdictions. It's money  
8 that we are allocated for the benefit of those  
9 communities, and it's proper that it go to those  
10 communities.

11 There's an issue which will appear before the  
12 board in the Regional Allocation Formula which is -- which  
13 may prove to be an issue in the future, and I'd like to  
14 bring that up.

15 The Regional Allocation Formula says the  
16 department will allocate the money within your eleven  
17 uniform state planning regions based on this formula of  
18 need. What it doesn't say is how it will -- the  
19 department will treat applications within each of those  
20 regional areas.

21 Increasingly, those of us who look at the  
22 housing problems of the state are concerned with the  
23 problems of small cities and rural communities in the  
24 state. And while I disagree with the previous speaker  
25 about the income-targeting issue that he brought up, and I

1 believe that 30 percent is a good standard to apply, I do  
2 agree with him that rural communities and small towns need  
3 special attention.

4           If this formula has the effect of allocating  
5 the money within regions, but then only getting the money  
6 into the metropolitan areas within the regions, then we  
7 will have failed to address the concerns of the  
8 Legislature that the funds be allocated based on need.

9           And I suggested and would suggest to the board  
10 that the board set up a process so that when applications  
11 are brought before you, you are made aware of the fact of  
12 whether the applicant is within a participating  
13 jurisdiction or is outside of a participating  
14 jurisdiction.

15           Or perhaps we work in the future on refining  
16 that formula even further and talk about using the  
17 definitions of the Rural Development Agency in their small  
18 town and rural definition so you have a special flag to  
19 note whether or not that application is serving a small  
20 community or rural area.

21           I think the Housing Resource Center should  
22 generate a set of statistics within each region, breaking  
23 out the percentage of the eligible population within small  
24 cities and rural areas and within participating  
25 jurisdiction, and the board should monitor on a continuing

1 basis that the funding is going roughly proportionately to  
2 the small cities in terms of their need, as well as  
3 proportionately within the regions.

4 And I'm sorry that's kind of confusing, but I'm  
5 just saying -- try to make that a little clearer -- don't  
6 just stop at the regional level; worry about whether the  
7 money is going into the rural and the small town areas.  
8 And your department -- your Housing Resource Center has  
9 excellent resources to provide you the figures to track  
10 that type of thing as you make your decisions.

11 It's not required in the legislation, but I  
12 think it is a concern, and I think proactively responding  
13 to it would ensure the department has more flexibility to  
14 address that in the future.

15 Finally, my last point has to do with the  
16 Single Family Mortgage Bond Program. And I believe the  
17 department should take a look at the allocation policy for  
18 the Single Family Mortgage Bond Program. I have been  
19 looking at that program for over two years now and looking  
20 at the geographic distribution of those loans, looking at  
21 the geographic availability of credit in the state, and  
22 there's some troubling trends that have emerged.

23 And I think I may have shared this with you all  
24 at a previous meeting, but rural and small town Texas has  
25 a home mortgage loan denial rate among borrowers that



1 equals that of the most red-lined inner city neighborhoods  
2 in the state. The most disinvested communities, which are  
3 classically seen as areas which are starved for mortgage  
4 credit -- if you look at the counties which meet the  
5 definitions of "rural" in Texas, their credit denial rates  
6 for mortgage loans are equal to those in the inner city.

7 That's a problem which is not addressed within  
8 the scope of this bill but is certainly one the department  
9 should probably consider in thinking about the allocation  
10 of the Single Family Mortgage Bond Program. And I think  
11 that will be a challenge to look at in the long term for  
12 the department.

13 But this bill -- and this is very important  
14 legislation -- it is about spending the money where it's  
15 needed the most and making sure that the money is spent  
16 fairly. Certainly, we should not just stop with the HOME  
17 Program and the Tax Credit Program, but we ought to also  
18 look at the other resources that are available to the  
19 department.

20 Thank you very much, and thank your staff very  
21 much, for this very good process for adopting the formula.

22 MS. STINER: Thank you, John.

23 MR. JONES: Thank you, sir.

24 MS. STINER: The next speaker, Reymundo Ocañas.

25 MR. OCAÑAS: Good morning, Mr. Chairman, Judge

1 Daross, and Ms. Stiner. Thank you for having me this  
2 morning.

3 I want to also express our support of the  
4 formula on behalf of the Texas Association of CDCs. We  
5 were part of the process throughout the year with the  
6 Housing Resource Center as it developed the formula.

7 I do want to say, however, that on the actual  
8 memo that was published with the information that there's  
9 an error. I think this was intended to be the plan for  
10 how the formula was developed, but there was not a meeting  
11 in July of 2000 with the advocates you see here. The  
12 meeting we had was the last week of August of 2000. So I  
13 just wanted to make sure that you noted that. But I think  
14 that was intended to be a plan, but the meeting did not  
15 take place until August. So just didn't want the public  
16 to think that that happened, because it didn't.

17 But I do want to say that that formula itself  
18 is solid in terms of what we see as a good effort of the  
19 department, in terms of, you know, considering the  
20 different factors that are relative to determining need.  
21 We did get testimony during the Low Income Housing process  
22 to the Resource Center about, you know, maybe considering  
23 housing stock as an additional -- existing housing stock  
24 as an additional factor. But I think, considering the  
25 trouble we have with getting that kind of data updated in

1 terms of what is really affordable housing stock in each  
2 area and region, that this is a great beginning. The 25-  
3 25-50 formula is a great beginning, so we're supportive of  
4 the department and hope that, at least this year, you'll  
5 be able to implement it. And we'll give you feedback at  
6 the end of the year and see how, particularly with the  
7 nonprofits, how that's affecting their production and  
8 their development.

9 I do want to ask the board and Ms. Stiner and  
10 staff about how deobligated funds will be handled, and if  
11 the formula will then reapply those funds as they are  
12 brought back into the funding process. I see that for the  
13 Trust Fund, already they are considering deobligated funds  
14 from '98 and '99 to be a part of the funding cycle for  
15 2001. So -- but I don't see that for HOME. So I want to  
16 just ask if that's going to be officially a part of the  
17 process that the formula will then be reapplied to those  
18 funds that are brought back in.

19 MS. STINER: Once the board adopts, you know,  
20 the priority allocation of deobligated funds, whichever  
21 those funds are prioritized to the housing program will be  
22 brought back into the -- those various housing programs.

23 MR. OCAÑAS: Good.

24 MS. STINER: And I think there's going to be  
25 discussion later today on the deobligation policy.

1 MR. OCAÑAS: Great. Well, we appreciate your  
2 support, and I'd appreciate your patience as we ask for  
3 that every single meeting we're at.

4 MS. STINER: Right.

5 MR. OCAÑAS: But it's important to us and  
6 important to you groups.

7 MS. STINER: We've been working on it. Thank  
8 you.

9 MR. OCAÑAS: Good. I appreciate that. I  
10 appreciate your effort on it.

11 And also we do support -- although I have to  
12 admit that a majority of my nonprofits are in metropolitan  
13 areas, but we have a significant number of them that are  
14 in rural areas and very poor border areas that need our  
15 support as well. So we support -- and we've asked the  
16 groups, you know, if we're supporting this non-PJ effort  
17 on the HOME dollars, you know it's going to mean probably  
18 less dollars available to you as nonprofits in your  
19 metropolitan areas. And they said that they thought it  
20 was fair, that if they could apply to the local PJ for  
21 HOME funds, then the rest of the money that's available to  
22 TDHCA should go as much as possible to the rural areas  
23 that are not in the metropolitan areas. So they want to  
24 be fair as well, and we hope that the department takes  
25 that stance and continues with that effort.

1           Wanted to again also support the Rider 3 issue  
2 about the 30 percent targeting issue. I think the idea,  
3 particularly in rural and border areas is to also push  
4 mixed-income developments, and that just because the  
5 department has a goal of trying to reach a certain  
6 percentage of their funds to 30 percent or below, that it  
7 doesn't mean that a single application should be for all  
8 serving 30 percent families or below.

9           So -- and my groups -- I wanted to share with  
10 you that the nonprofits that we polled in our 2000  
11 production survey, 18 percent of their production goes to  
12 families at 30 percent or below. So I think that it's  
13 doable, and we don't want you to stray from the goal  
14 established in Rider 3 of trying to meet the 30 million, I  
15 think, as opposed to 15 percent -- the 30 million and then  
16 the 20 percent up to 50 percent.

17           So it's -- we think it's possible, and what our  
18 groups do, for example, when they're developing single-  
19 family housing in rural areas, is they build one out of  
20 four owner-occupied housing developments for people at 30  
21 percent or below, or they do the same with apartment  
22 developments. So it's a doable thing. It's about  
23 marketing, and it's about applying the best process you  
24 can to make sure that the families that are the poorest  
25 are getting served first. And I think that's what Rider 3

1 is about.

2 I also asked for a clarification from staff,  
3 and I think Ruth Cedillo answered me very accurately, that  
4 it's also, I believe, that the percentage goal is applied  
5 so that if the 30 percent of median income is lower in a  
6 local area than the statewide average, that you're allowed  
7 to use the higher. So that also certainly helps in  
8 applying the goals.

9 But do not stray from the goals. The poorest  
10 families in Texas need that, and it's doable. If our  
11 nonprofits can do it, then city governments can do it;  
12 private developers can do it.

13 And again, I just wanted to applaud the  
14 department for its effort in developing this formula.  
15 Like John Henneberger said, it's not a perfect one, but we  
16 don't expect anybody in this process to claim that it is  
17 perfect, but it's certainly a great start. And we hope to  
18 work with you as you implement it, and hope to hear soon  
19 about when the funding windows will be open for  
20 applications, and hope to hear about the process for the  
21 next round so that we can improve the formula once the  
22 2000 Census figures are available.

23 Thank you.

24 MS. STINER: Thank you, Rey. And as we  
25 announced before, we will be soon entering into the

1 hearings for the consolidated plan when a lot of the  
2 issues that we've talked about this morning would be --  
3 will be addressed, and we'll get a chance to hear from the  
4 public in terms of what particular activities will be  
5 prioritized under the HOME, as well as the other housing  
6 programs. So that will be up on our website, and we'll  
7 get busy on that very soon.

8 Unless there are other speakers, those who  
9 haven't signed up, that concludes comments by the public.

10 Ms. Cedillo, Ms. Dale, would either of you like  
11 to wrap up or -- this public hearing before we adjourn?

12 MS. CEDILLO: My name is Ruth Cedillo, deputy  
13 executive director for the agency. I just wanted to point  
14 out that along with the formula, the department is  
15 required to do the needs assessment, and that will be part  
16 of the process also. Our agency has an exceptional item  
17 in our legislative appropriations request, and we are  
18 asking for seven positions, so we can have a regional  
19 development coordinator in each one of the eleven service  
20 regions and then one staff person who will be working with  
21 Sarah here in Austin. And those regional development  
22 coordinators will be working with the communities in  
23 developing the needs assessment for their local areas.

24 And the staff that will fill those positions  
25 will be from the localities, and we're not hiring here in

1 Austin. And the reason that we only requested six  
2 positions is that we already have offices in Lufkin, Mount  
3 Pleasant, Lubbock, El Paso, Laredo, and Edinburg. And we  
4 felt that we stood a better chance of getting additional  
5 FTEs if we narrowed it down to the six.

6 And we have -- I had spoken to some of our  
7 staff who's already in Lufkin and Mount Pleasant, and they  
8 understand that they would be taking additional  
9 responsibilities in the system with needs assessment.

10 MS. STINER: That concludes our -- thank you.

11 MR. JONES: I'd just like to thank everybody  
12 that's given us this input, particularly, you know, George  
13 and Bruce and John and Rey, we appreciate you coming and  
14 giving us this input. But I also want to thank, not only  
15 the staff for the work they've done on this formula, but  
16 also for all the groups that have given us input along the  
17 way and given of their time. We really appreciate that.  
18 Thank you so much. We really do.

19 And with that, I'll adjourn the hearing. Thank  
20 you very much.

21 (Whereupon, at 9:15 a.m., the public hearing  
22 was concluded.)



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MEETING OF: Public Hearing of the TDHCA Board  
Regarding Senate Bill 1112

LOCATION: Austin, Texas

DATE: September 15, 2000

I do hereby certify that the foregoing pages,  
numbers 1 through 33, inclusive, are the true, accurate,  
and complete transcript prepared from the verbal recording  
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