

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

11:00 a.m.  
Thursday,  
April 26, 2001

Waller Creek Office Building  
Room 437  
507 Sabine  
Austin, Texas

BOARD MEMBERS:

MICHAEL JONES, Chair  
JAMES DAROSS, Vice chair  
C. KENT CONINE  
MARGIE BINGHAM  
ROBERT BREWER  
LYDIA SAENZ  
SHADRICK BOGANY  
VIDAL GONZALEZ

STAFF PRESENT:

I N D E X

<u>ITEM</u>	<u>PAGE</u>
CALL TO ORDER, ROLL CALL CERTIFICATION OF QUORUM	
PUBLIC COMMENT	
Item 1      Presentation, Discussion, and Possible Approval of Minutes of the Board Meeting of March 27, 2001, Including Ratification and Affirmation of Actions Taken.	
Item 2      Presentation, Discussion, and Possible Approval of Programmatic Items: (a) Approval of HUD income limits for Year 2001 (b) Approval of HOME LURA amendments (c) Approval of Housing Trust Fund Elderly Service Program Awards (d) Approval of HOME Awards Under the Department's Deobligation Policy	
Item 3      Presentation, Discussion, and Possible Approval of Report from the Finance Committee: (a) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for the Bluffview Senior Apartments, Denton, Texas, in an Amount Not to Exceed \$10,700,000, and Other Related Matters. (b) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for the Knollwood Villas Apartments, Denton, Texas, in an Amount Not to Exceed \$14,100,000 and Other Related Matters (c) Approval of the Second Quarter Investment Report	

- Item 4 Presentation, Discussion, and Possible Approval of Low Income Housing Tax Credit Program Items:
- (a) Approval of Determination Notices for:
    - Bluffview Senior Apartments, Denton, Texas
    - Knollwood Villas Apartments, Denton, Texas
    - Stonebridge Apartments, Austin, Texas
    - Montgomery Trace, Conroe, Texas
    - Southgate Village, College Station, Texas
  - (b) Approval of Addendum for Roseland Gardens, Dallas, Texas 59
- Item 5 Presentation, Discussion, and Possible Approval of Report from Audit Committee:
- (a) Approval of Amendments to Fiscal Year 2001 Audit Plan
  - (b) Discussion of Report to the Governing Board --
    - Financial Statements for the Year ended August 31, 2000
    - General Purpose Financial Statements for the Year Ended August 31, 2000
    - Report to the Governing Board -- Revenue Bond Enterprise Fund Financial Statements
    - Letter on Internal Control and Accounting Procedures
    - Internal Audit Report; Software License and Selected Software Management Controls
    - Status of Prior Audit Issues
    - Summary Status of Internal/ External Audits
- Item 6 Appointment of Board Members to Committees of the Board 81

REPORT ITEMS

EXECUTIVE SESSION

OPEN SESSION

ADJOURN

P R O C E E D I N G S

1  
2 MR. JONES: We're going to do some swearing in  
3 here, Judge Daross.

4 MR. DAROSS: I'm doing this in the capacity of  
5 a notary public, not as a judge.

6 Would you raise your right hand, please?

7 (Whereupon, the oath was administered.)

8 MR. JONES: Thank you, Judge Daross.

9 It's my privilege to introduce our two new  
10 board members of the Department of Housing and Community  
11 Affairs. Mr. Bogany is from Missouri City. He is a  
12 licensed real estate broker and manager of ERA Bogany  
13 Properties in Houston. He has served as director of the  
14 Housing Opportunities of Houston, Inc., and is a member of  
15 the National Texas and Houston Association of Realtors.

16 He earned a bachelor's degree in business from  
17 the University of North Texas, and he replaces Mr. Bethel  
18 of Lamesa, and that ought to be real easy to do.

19 (General laughter.)

20 MR. JONES: Mr. Bethel hardly ever said  
21 anything and kind of just disappeared into the woodwork.

22 Mr. Gonzalez is from Del Rio. He is the  
23 president and chief financial officer of Del Rio National  
24 Bank, and is past president of the Winter Garden Bankers  
25 Association. He serves on the state comptroller's Border

1 Advisory Committee, the Del Rio Rotary Club Housing  
2 Development Board, and the United Medical Center Board of  
3 Directors.

4 Mr. Gonzalez received bachelor's and master's  
5 degrees in Animal Science from Texas A&M University, and  
6 we're sure Governor Perry acknowledged that, and he will  
7 replace Dr. Bell Griffin.

8 We are so glad to have you with us and we look  
9 forward to working with you.

10 MR. GONZALEZ: Thank you.

11 MR. JONES: With that, the first order of  
12 business after the call to order is the roll call.

13 Mr. Daross.

14 MR. DAROSS: Present.

15 MR. JONES: Ms. Bingham.

16 MS. BINGHAM: Here.

17 MR. JONES: Mr. Bogany.

18 MR. BOGANY: Here.

19 MR. JONES: Mr. Brewer.

20 MR. BREWER: Here.

21 MR. JONES: Mr. Conine.

22 MR. CONINE: Here.

23 MR. JONES: Mr. Gonzalez.

24 MR. GONZALEZ: Here.

25 MR. JONES: Ms. Saenz.

1 MS. SAENZ: Here.

2 MR. JONES: Ms. Williams. She's absent. Mr.  
3 Jones is present. We have eight people present and one  
4 absent, and I certify that we do have a quorum.

5 Our next order of business is public comment,  
6 and the people who have asked to speak to us -- I have  
7 four witness affirmation forms, and the first one is Mr.  
8 Westbrook.

9 Mr. Westbrook, how are you today, sir?

10 MR. WESTBROOK: Very good. Thanks.

11 MR. JONES: Thank you for being here.

12 MR. WESTBROOK: My name is Gilson Westbrook.  
13 I'm the administrative agent for St. John Colony, a  
14 neighborhood association. We're located in Caldwell  
15 County. I have several items that I would like to address  
16 today.

17 The one in particular I wanted to speak on is  
18 going to be Item 2(d), but before I get to that particular  
19 item, I would like to say that a couple of weeks ago I sat  
20 through the Urban Affairs Committee hearing from two  
21 o'clock, because the item I was interested in came up  
22 approximately two o'clock in the morning, and I heard a  
23 lot said about the staff.

24 One of the things I would like to say about the  
25 staff, they have been very supportive of me. I find Ms.

1 Stiner and Ms. Sidera [phonetic] whenever I call them  
2 within 48 hours they do return my calls or have a staff  
3 person to return my call. So a lot of the things that  
4 were said within that 12-hour period I think was  
5 unfounded.

6 I've been working with this agency since 1974,  
7 and so I think I'm a credible individual that can say so.

8 The other thing I would like to address that  
9 would help me -- it's a personal thing -- is that you do  
10 email me the agenda, you post it on your website, but it  
11 would help me -- and I always found out that I'm not a  
12 unique individual -- if you would give summaries on your  
13 website of agenda items.

14 I'm not fortunate enough to be mailed a blue  
15 book, and 90 percent of the things that you probably  
16 address don't concern me, but if I do spot one it would be  
17 very nice if I could click on that and go over and get a  
18 summary of that item to see if it's worth my time to come  
19 down, because especially during the legislative session  
20 it's very hard to get in touch with key staff members that  
21 can brief you on an item that strikes your attention.

22 So if we can do that it would really help me  
23 personally, and like I said, I'm not a unique individual,  
24 so I'm quite sure some other people are like that.

25 The other thing I would like to speak about is



1 that at your last board meeting you tabled the appeal  
2 process, and I hope that this does not fall through the  
3 crack is that the staff do bring it back to you, and it  
4 would help me again when it does come, because I do  
5 receive by email the agenda item, is that I could have a  
6 chance -- maybe I might want to comment on it if I had the  
7 chance to read it and look at it.

8 And it kind of offends me a little bit every  
9 time you -- the staff they say, Well, you've got to  
10 request under the Open Meetings Act. Nobody has a form,  
11 but we scratched something down for them to correct that  
12 information. So it would just help me, and let's don't  
13 let that fall through the crack, because that leads me up  
14 to the item in which I'm addressing.

15 This particular item here is where two  
16 applicants for HOME application did an appeal, and under  
17 this same application period under which St. John Colony  
18 submitted a HOME application. We received notice from the  
19 staff that we would not be recommended for funding. We  
20 immediately said, Why not, and -- because in the letter is  
21 they were saying they had this money and they had all this  
22 money left over under CHDO, and we had applied under CHDO,  
23 and we said, Well, you have monies left over. And then  
24 the staff responded, Well, you did not apply for CHDO.

25 And so I said, Well, maybe I made a mistake,

1 and I immediately -- I called Ms. Stiner and she got in  
2 touch with Ms. Sidera, like I said, within 48 hours, and  
3 they called me back and said, Gilson, you did check that  
4 you were applying under CHDO, and we -- then was told the  
5 next move was that we cannot do anything until 72 hours  
6 after the board award, and we would have to go through  
7 this letter of notification. Being a small organization,  
8 we did file the proper paperwork.

9 And the funny thing about this is that the  
10 Attorney General's Office, because you said, Well, this  
11 has got to go to the Attorney General's Office -- is that  
12 they ruled in our favor, and we never did hear from you  
13 all. To comply with what the attorney general said you  
14 should have provided this applicant the information. We  
15 got the letter from the attorney general, plus we read it  
16 in the Texas Register. It said they concurred with St.  
17 John Colony's appeal.

18 So if we can get the courtesy of -- that you  
19 all were right. We didn't get you the information.

20 We met with staff concerning our -- Ms. Stiner  
21 says you need to sit down and work with staff. We met  
22 with them and they just sat there and shook their head.  
23 It's a good application to start with, but all the money's  
24 gone.

25 Then we come on around -- we said, Okay. We

1 have to wait until next year, being humble people. We  
2 received a letter and telephone -- and were we still  
3 ongoing with our project, and would we be interested in  
4 receiving funding under the award? We said yes. Letter  
5 indicating it was going to the Board with a recommendation  
6 another award. We were included on there. Look on your  
7 website. We'll list it. Hey. This is for real.

8           Then something happened it wasn't considered.  
9 It came up again and then all of a sudden it was just  
10 dropped, because the next thing we noticed on the website  
11 is that you had rescinded that, and so therefore nothing  
12 we can do, so we had to wait until the next go-round.

13           Then last week I received my agenda through  
14 email, which I appreciate, and I looked. I said, What's  
15 this? Well, being the legislative session I can't get my  
16 key staffers to identify this, so you have to go through  
17 the networking system and say, Hey. What's going on on  
18 this item here? Are they giving away some HOME monies?  
19 How can they give away HOME monies when they just said  
20 that they were rescinding? I don't understand this.

21           And then we find out there was an appeal that  
22 was made on that vast HOME award where a mistake was made,  
23 and now they are correcting that mistake. I said, Well,  
24 the same thing happened to us, and so when I come to you  
25 if you -- as much money as we can get out into the

1 communities -- I'm not against this item. I'm for this  
2 item -- as many awards as you can make let's make them.

3 But while you're making them the same thing  
4 happened to St. John Colony. Don't make us have to come  
5 back in June to ask for [indiscernible]. We appealed in a  
6 timely manner and now we're still appealing since we see  
7 that you are addressing those appeals.

8 Thank you.

9 MR. JONES: Ms. Stiner, would you like to bring  
10 us up to date on this situation?

11 MS. STINER: Thank you, Mr. Chair. I'm not  
12 sure I have all the facts but I do recall that St. John's  
13 Colony applied in the last round and we assigned staff to  
14 work with them. The best of my recollection is, sir --  
15 and we can go back and research this, and I know Mr.  
16 Westbrook and Mr. Didio [phonetic] and Ms. Morris have  
17 been talking, but the basis of appeal was that we were not  
18 aware that a CHDO agreement -- further at the application  
19 the applicant did not qualify in the CHDOs, so there's a  
20 big difference from what we're doing here today.

21 Again, I won't make a final statement saying  
22 there's no basis for the appeal, but the basis for the  
23 appeal -- the original appeal was that they were not  
24 funding under CHDO, but they were not eligible for CHDO  
25 funding. But I know that staff has talked with Mr.

1 Westbrook this morning and they're willing to go back and  
2 look at it, and certainly if there's a basis for coming  
3 back before this board on an appeal basis the same  
4 procedure we're following -- until an appeals process is  
5 in place we certainly can extend that to anyone who has a  
6 valid reason.

7 But my recollection -- again, that's been  
8 several months ago -- was that even though you applied for  
9 CHDO funding the applicant was not an eligible CHDO, so  
10 therefore that -- we could not move forward on that.

11 And that's it as an overall summary. If there  
12 are more specific details -- I see the staff sitting out  
13 there nodding in agreement, but we still extend to Mr.  
14 Westbrook an opportunity to come back in and make whatever  
15 appeal he feels that is warranted by St. John's Colony.

16 MR. WESTBROOK: Thank you.

17 MR. JONES: My concern would be -- and what I  
18 hope staff could provide us would be some perspective.  
19 And I thank Mr. Westbrook for his compliments of our  
20 department, and then also with regard to this information  
21 he has given us about perhaps that it didn't go real  
22 smoothly. I'd like to get staff's explanation -- and not  
23 right now. I understand that you need to check that  
24 out -- but your explanation on that, and then also if  
25 there's a solution to his problem if you could inform us

1 of that too I'd appreciate it.

2 MS. STINER: We'll be happy to.

3 MR. JONES: Thank you so much.

4 The next witness affirmation form I have is  
5 from Mr. Barry Palmer. Mr. Palmer.

6 MR. PALMER: Mr. Chairman, we have three  
7 speakers on the same item, and we would ask if it would be  
8 possible to speak when the item comes up on the agenda.

9 MR. JONES: That would be fine. Which item is  
10 that?

11 MR. PALMER: That's the Roseland Gardens tax  
12 credit consideration.

13 MR. JONES: And that would apply to Ms. Lott  
14 and Mr. Lott. Is that correct?

15 MR. PALMER: Yes.

16 MR. JONES: Thank you.

17 Those are the only witness affirmation forms  
18 that I have. Would anybody else like to speak to the  
19 Board?

20 (No response.)

21 MR. JONES: Would anybody else like to speak to  
22 the Board?

23 (No response.)

24 MR. JONES: Would anybody else like to speak to  
25 the Board?

1 (No response.)

2 MR. JONES: With that, I will close public  
3 comment then subject to those three individuals that would  
4 like to speak on Item Number 4(b).

5 The next matter we need to take up is Item  
6 Number 1 on the agenda I believe, which is presentation,  
7 discussion, and possible approval of the minutes of the  
8 board meeting of March 27, 2001, including ratification  
9 and affirmation of actions taken.

10 And I would like to make first as a chair a  
11 comment and a proposed amendment to the minutes in this  
12 regard. I would like to clarify a matter reflected on  
13 page 7 of the minutes of the March 27, 2001, board  
14 meeting.

15 During consideration of Agenda Item 3(d) a  
16 motion was made, seconded, and passed to adjourn the  
17 meeting. I believe there was a misstatement there and it  
18 should have been recess the meeting, and that's what we  
19 all understood.

20 A short recess followed, during which time none  
21 of the board members left the dais. Within less than five  
22 minutes it was determined among the board members that the  
23 board meeting need not be adjourned, and the meeting was  
24 called back to order to resume the business of the  
25 meeting. Again, it was treated as a recess.

1           General counsel has advised that under these  
2 circumstances it is not necessary to post again any of the  
3 actions taken by the Board after the brief recess, but  
4 that for the record the Board should ratify and reaffirm  
5 that all actions taken by the Board post what was called  
6 an adjournment and what was instead a recess were and are  
7 effective when taken on March 27, 2001.

8           And I would make that as a revision to the  
9 minutes.

10           MR. DAROSS: So moved.

11           MR. BREWER: Second.

12           MR. JONES: We have a motion that the minutes  
13 be approved as revised pursuant to my statement. Any  
14 further discussion?

15           (No response.)

16           MR. JONES: All in favor of the motion, please  
17 say aye.

18           (A chorus of ayes.)

19           MR. JONES: All opposed, nay.

20           (No response.)

21           MR. JONES: All abstentions.

22           (No response.)

23           MR. JONES: The motion carries.

24           We will then turn to item number 2 on the  
25 agenda, and Ms. Stiner, would you go through the



1 programmatic items for us?

2 MS. STINER: Yes, sir. Thank you, Mr. Chair.

3 MR. JONES: Thank you.

4 MS. STINER: Item 2(a) is approval of HUD  
5 income limits for year 2001.

6 As the Board may recall, each year the Board is  
7 asked to approve those limits as provided by HUD.

8 Sara Newsom, manager of our -- will you come  
9 forward and make the presentation, please?

10 MS. NEWSOM: I'm Sara Newsom.

11 MR. JONES: Excuse me.

12 MS. BINGHAM: Just one question before you  
13 start.

14 MS. NEWSOM: Yes.

15 MS. BINGHAM: The approval of the income  
16 limits -- we're talking about the income limits for all  
17 programs or are we talking about multifamily? Which ones?

18 MS. NEWSOM: We're speaking for the bond  
19 eligible tenant loans.

20 MS. BINGHAM: Is that in the multifamily bonds?

21 MS. NEWSOM: Yes, ma'am.

22 MS. BINGHAM: Are those 501(c)(3)s or all of  
23 them?

24 MS. NEWSOM: All of them.

25 MS. BINGHAM: All the multifamily bonds issued?

1 MS. NEWSOM: Correct.

2 MS. BINGHAM: Okay.

3 MS. NEWSOM: Correct.

4 MS. BINGHAM: Because I thought we were bound  
5 by the others for the --

6 MS. NEWSOM: Correct.

7 MS. BINGHAM: Okay.

8 MS. NEWSOM: I'm Sara Newsom, housing  
9 compliance manager in the compliance division.

10 Each year the first board meeting after the HUD  
11 income limits are issued we come before the Board to  
12 request approval of the eligibility limits for the tax-  
13 exempt multifamily bond properties. They are found behind  
14 tab 2 of your books. This year using the same methodology  
15 as we have in the past the limits will be -- and this is  
16 overall for 100 percent occupancy in our tax-exempt bond  
17 properties -- if it's a single household the upper limit  
18 will be 70,840. For more than one household member in a  
19 household that limit will be 90,160.

20 And there's also in the second column the  
21 reexamination or the recert limit.

22 MR. BREWER: Is that an increase over last  
23 year?

24 MS. NEWSOM: Yes. That is an increase over  
25 last year. Just according to the median family income,

1 just that normal progressive increase.

2 MR. BREWER: Okay. Thank you.

3 MS. BINGHAM: What did we do about those bond  
4 projects -- developments and have we tied the -- for  
5 example, if we've already done the bond transactions that  
6 the developers acquired, could you or can -- adjust their  
7 rents for the tenants to fit this new procedure unless we  
8 set out something else in the covenant that --

9 MS. NEWSOM: Under the new priorities for the  
10 bonds the rents will be limited to 50 or 60 percent  
11 calculation of the rents --

12 MS. BINGHAM: Okay.

13 MS. NEWSOM: -- which will fluctuate with  
14 median income.

15 MS. BINGHAM: Okay.

16 MS. NEWSOM: These -- the newer bonds that  
17 we've been doing in the last several years -- the  
18 eligibility limit automatically adjusts --

19 MS. BINGHAM: Right.

20 MS. NEWSOM: -- so this limit does not affect  
21 all the bond properties.

22 MS. BINGHAM: I think that's where the  
23 confusion is. I know a couple of years ago we had a  
24 Dallas development, and we spent a couple of months trying  
25 to figure out how would we adjust -- what commission would

1 we give the developers.

2 Where is the multifamily bond finance person?  
3 Maybe they can help clarify what the intent here is.

4 I'm trying to find out -- I know we discussed  
5 it the last year, but I'm trying to determine how -- we  
6 know going forward, unless we decide to do some specific  
7 targeting, that these are the rules that apply, but for  
8 those that are already out there -- I don't think they  
9 should be confused -- see this on the internet and think  
10 they can go to the 90- if we've already done some other  
11 restrictions or set some special conditions in the  
12 covenant.

13 And for example, if there's new legislation  
14 saying we can only do deals targeted at a special  
15 population how would that affect this -- what's being  
16 recommended here today? Obviously it may override it, but  
17 I'm particularly concerned about those deals that are  
18 already in place where we have special targeting in  
19 exchange for restructuring and that sort of thing.

20 MR. ONION: The multifamily bond transactions  
21 that were done previously are subject to whatever land use  
22 restrictions were put in place at that time. Those that  
23 have eligibility requirements that don't fluctuate would  
24 remain the same.

25 MS. BINGHAM: So these are just for those that

1 fluctuate and not the special targeting that we have done  
2 as a --

3 MR. ONION: Correct.

4 MS. BINGHAM: Thank you.

5 MR. BREWER: Sara, is this just a typo on this?

6 It says Proposed incomes. Now the recommendation's for  
7 2001, but up above it says 2000.

8 MS. NEWSOM: That is a typo. I'm sorry. Yes.

9 MR. BREWER: Okay. Thank you.

10 MR. BOGANY: Can I ask you a question? Would  
11 you explain to me, are you saying on these bonds -- this  
12 particular issue that the tenant can't make more than  
13 \$70,000 and they would qualify for this particular  
14 apartment complex?

15 MS. NEWSOM: Yes. What these limits will do is  
16 anyone that is applying for occupancy at any of these bond  
17 issuance that we have done in the state of Texas their  
18 income must be under 70- or under \$90,000.

19 MR. CONINE: We're saying that's the median?

20 MS. NEWSOM: No. That's the cap.

21 MR. CONINE: That's the cap.

22 MS. NEWSOM: That's the overall cap for  
23 occupancy.

24 MR. BOGANY: So if I made \$70,000 a year I  
25 could get a subsidized apartment? Is that what you're

1 saying?

2 MS. NEWSOM: That's not exactly correct.

3 MR. BOGANY: Okay.

4 MS. NEWSOM: That means that you can move on to  
5 one of the bond properties. You would not be one of the  
6 low income unit set asides.

7 MR. BOGANY: Okay.

8 MS. NEWSOM: There's an overall cap on the bond  
9 properties plus a low income set aside.

10 MR. BOGANY: So the 70,000 is just if I wanted  
11 to rent one of those units and pay regular market rent or  
12 what have you --

13 MS. NEWSOM: Correct.

14 MR. BOGANY: -- I would be able to do that?

15 MS. NEWSOM: Correct.

16 MR. BOGANY: But to get subsidies I'd have to  
17 meet certain other guidelines?

18 MS. NEWSOM: Yes.

19 MR. BOGANY: Thank you.

20 MR. CONINE: Move for approval, Mr. Chairman.

21 MR. BREWER: Second.

22 MR. JONES: We have a motion for approval and a  
23 second. Is there any further discussion?

24 (No response.)

25 MR. JONES: Hearing none, I assume we're ready

1 to vote. All in favor of the motion, please say aye.

2 (A chorus of ayes.)

3 MR. JONES: All opposed to the motion, please  
4 say nay.

5 (No response.)

6 MR. JONES: The motion carries.

7 MS. STINER: Mr. Chair, Sara's still there and  
8 we'll ask her to make the presentation. It's a LURA  
9 amendments of our HOME Program. We have two that we're  
10 presenting today.

11 MS. NEWSOM: Yes. Those can be found behind  
12 Tab 2(b).

13 The first one is Commonwealth Apartments. To  
14 summarize the issue this particular property has tax  
15 credits as well as HOME funding. The HOME funding  
16 amounted to about a 7 percent amount in the -- versus a  
17 total amount of funding for the property. However, all of  
18 the units are 100 percent or 70 of the units, all of them  
19 were restricted as HOME units, meaning that all 70 of the  
20 units had a tax credit rent limit plus a HOME rent limit.

21 What has happened is that the HOME rents, fair  
22 market rents, are much less than the tax credit rents, so  
23 the property is not as financially feasible as it needs to  
24 be to take care of expenses, et cetera.

25 They have come to us and asked for a reduction

1 in the number of HOME units from 70 to 14. This property  
2 is remember still 100 percent restricted under the tax  
3 credit rents.

4 MS. BINGHAM: Is this one of the developments  
5 where we had the assistance with the HOME funds in order  
6 to make these rules --

7 MS. NEWSOM: Yes.

8 MS. BINGHAM: Did we inadvertently put the HOME  
9 restrictions on all 70 units as opposed to putting it in  
10 line with the amount of HOME subsidy?

11 MS. NEWSOM: Correct.

12 MS. BINGHAM: So in some instances we are  
13 amending our error?

14 MS. NEWSOM: Yes. This was one of the very  
15 first HOME tax credit properties, so we've learned a  
16 lot --

17 MS. BINGHAM: The reason I raised that  
18 question, I just wanted to make it clear that this  
19 would -- if it was our error then we need to correct our  
20 error as opposed to having a lawsuit by someone saying  
21 that the department didn't do it here in order to --  
22 before we change the LURA agreement.

23 MR. JONES: I also note that the recommendation  
24 just says that the owners request that this does -- both  
25 of these requests come with staff approval, and staff



1 requests that we also make these changes. Correct, Ms.  
2 Stiner?

3 MS. BINGHAM: But I wanted to clarify why we're  
4 making them --

5 MR. JONES: I understand.

6 MS. BINGHAM: -- because this was one of our  
7 first HOME/tax credit deals and we didn't give a developer  
8 tax credits and HOME money and then give him opportunity  
9 to change all the agreements that were in place, but that  
10 it was never intended that way. So that's all -- I'm  
11 trying to get that on the record.

12 MR. JONES: And I appreciate that. I think our  
13 staff agrees with that interpretation.

14 MS. NEWSOM: Yes.

15 MR. CONINE: It was -- let me frame the  
16 question a little differently -- it was originally  
17 underwritten by our staff to have the 56-14 as opposed to  
18 all 70?

19 MS. NEWSOM: The original underwriting -- and I  
20 think I'm speaking correctly -- was underwritten with all  
21 70 units restricted under the HOME rents. However, I  
22 think it was also with the impression that the HOME and  
23 tax credit rents would be the same, and in reality they're  
24 not.

25 MR. CONINE: Where is the project? What town

1 is it?

2 MS. NEWSOM: I can't remember.

3 MR. CONINE: I see Sycamore Street.

4 MS. NEWSOM: Nacogdoches.

5 MR. CONINE: Nacogdoches?

6 MS. NEWSOM: I think so.

7 MR. JONES: It's a beautiful city, by the way.

8 MS. SAENZ: So what happens if we do not change  
9 this? Does this man go bankrupt?

10 MS. NEWSOM: What would happen if we do not  
11 amend the LURA is that we would have to enforce the lower  
12 HOME Rents which could cause some financial hardships on  
13 the property.

14 MR. CONINE: What kind of rent differential are  
15 we talking, either on a per unit basis or a gross annual  
16 income basis? Give me a little better idea.

17 MS. NEWSOM: I'm sorry. I can't, and I'm not  
18 sure Tom can tell us that either. I can get you that  
19 information.

20 MS. STINER: I was going to say -- excuse me,  
21 Mr. Chair. May I?

22 MR. JONES: Sure.

23 MS. STINER: I think the staff can pull some  
24 tax credit rents and HOME rents. We can get it to you.

25 MS. NEWSOM: We can get those very quickly.

1 Unfortunately, I'm just not that prepared.

2 MR. CONINE: I'm just trying to get an idea of  
3 your definition of financial hardship as opposed to still  
4 having a stock, if you will, of HOME rental units in  
5 certain areas of our state.

6 MS. NEWSOM: Perhaps this would make you feel a  
7 little bit more comfortable. Underwriting staff has been  
8 involved in this process for quite some time, and in  
9 this --

10 MS. BINGHAM: Mr. Chairman, could we go to  
11 another item while they pull the information?

12 MR. JONES: Sure. I'd be delighted to.

13 Could you pull that information for us and --

14 MS. NEWSOM: You bet.

15 MR. JONES: Thank you.

16 There's someone standing. Yes, ma'am?

17 MS. BLAKE: Am I allowed to speak?

18 MR. JONES: It depends.

19 MS. BLAKE: I'm representing the owner.

20 MR. JONES: Okay.

21 MS. BINGHAM: Oh. You know the difference  
22 between your rents.

23 MR. JONES: You sure do.

24 MS. BLAKE: I do.

25 MR. JONES: If you could come up and identify

1 yourself we'd be happy to hear from you.

2 What town are you in?

3 MS. BLAKE: Bryan-College Station.

4 MR. JONES: So we're not even in the right  
5 town.

6 MS. BLAKE: No, but the complex is in  
7 Nacogdoches. I don't live in Nacogdoches. I'm Paula  
8 Blake and I'm representing Emanuel Gloxson [phonetic] and  
9 at the time the rents -- was this two years ago this  
10 started? This started about two years ago. The rents  
11 vary from the one to the three bedroom anywhere from \$80  
12 to \$110 per unit, so it will be a big financial burden.

13 MR. JONES: Does anybody have any further  
14 questions of Ms. Blake?

15 MR. CONINE: I'd still like to see --

16 MR. JONES: I understand.

17 MS. BINGHAM: That's why I think we need to --  
18 could the staff pull the underwriting report on this? If  
19 we could move to another -- let the staff pull the  
20 underwriting reports and other information.

21 MR. JONES: We'll certainly do that, Ms.  
22 Bingham.

23 Ms. Blake, if you would please fill out a  
24 witness affirmation form and return it. And just for your  
25 knowledge we're going to be coming back to this item so

1 you may want to stick around. There might be further  
2 questions. Thank you.

3 And if you would if you could respond to the  
4 board members' request we will bring it out --

5 MS. NEWSOM: Okay.

6 MR. JONES: Okay?

7 Let's move then to 2(c). Ms. Stiner.

8 MS. STINER: We have another part of 2(b).

9 MR. JONES: Okay.

10 MS. NEWSOM: The second portion of 2(b) is an  
11 amendment to the deed restriction on Pecan Place  
12 Apartments, which is a HOME and, again, tax credit project  
13 in Denton. Summarized is that this property -- and you  
14 can -- there is a copy of the plat -- was a rehab for a  
15 multistory property and the tax credit deed restriction  
16 just encumbered the tax credit portion, the building  
17 itself, but the HOME LURA encumbered the legal for the  
18 whole plat, the whole entire parcel.

19 And the housing authority would like to have a  
20 release on the back portion of that parcel so that they  
21 could continue with development. And it's my  
22 understanding they don't have any concrete plans at this  
23 point, but do anticipate putting some sort of affordable  
24 housing.

25 MS. BINGHAM: I move for approval, Mr. Chair.

1 MR. JONES: We have a motion.

2 MR. BREWER: I second it.

3 MR. JONES: We have a motion made and seconded.

4 Further discussion of the issue?

5 (No response.)

6 MR. JONES: Hearing none, are we ready to vote?

7 (No response.)

8 MR. JONES: I assume we are. All in favor of  
9 the motion, please say aye.

10 (A chorus of ayes.)

11 MR. JONES: All opposed to the motion, nay.

12 (No response.)

13 MR. JONES: The motion carries.

14 I believe that would move us to Item 2(c), Ms.  
15 Stiner.

16 MS. STINER: Thank you, Mr. Chair.

17 I ask staff to come forward and make a  
18 recommendation on elderly projects. Mr. Burrell or Mr.  
19 Hoffpauir. Mr. Hoffpauir, Keith Hoffpauir, manager of the  
20 Housing Trust Fund, will you come forward and make the  
21 presentation, please?

22 MR. HOFFPAUIR: Good morning, Mr. Chairman,  
23 board members, Ms. Stiner.

24 MR. JONES: Good morning.

25 MS. STINER: Good morning, Keith.

1 MR. HOFFPAUIR: My name is Keith Hoffpauir.  
2 I'm the manager for the Housing Trust Fund program, TDHCA,  
3 and just briefly this morning I'd like to introduce to the  
4 Board our senior planner. This is Stacy Higgins. We were  
5 fortunate enough to get her away from the City of San  
6 Marcos, and she's been with us since January. She's doing  
7 an outstanding job in the program and had a lot to do with  
8 getting these recommendations worked up for presentation  
9 this morning.

10 Let me give you a little background on the  
11 program, and then we'll get into the organizations  
12 recommended for funding.

13 This program was created as a result of the  
14 passage in 1999 of House Bill 3340. The purpose behind  
15 the bill was to expand long-term housing options for low,  
16 very low, and extremely low income elderly persons.

17 TDHCA formed a work group that began meeting in  
18 November of 1999 to address the goals outlined in the  
19 bill, and that work group consisted of the following  
20 organizations: Texas Department on Aging, the Texas  
21 Association of Homes and Services for the Aging,  
22 Department of Human Services, Health and Human Services  
23 Commission, Representative Naishtat's office, the  
24 developer of affordable housing for the elderly, and the  
25 Avenida [phonetic] Guadalupe Association, and TDHCA.

1           After several months of research and review and  
2 given the limited resources available for implementing the  
3 bill the decision was made by the work group that the most  
4 effective way to address the goals of the bill was to  
5 grant funding to agencies for the provision of services to  
6 the elderly.

7           The work group's findings were that those  
8 elderly persons that had access to outside assistance and  
9 services were more likely to remain in their residences  
10 and living independently, and that was one of the goals of  
11 the bill that we extend the period of independent living  
12 for the elderly as long as we are able to. This would  
13 relieve some of the stress on already strained assisted  
14 living facilities.

15           There was a NOFA published in August of 2000,  
16 and there were six Respondents to that NOFA -- or to that  
17 RFP. We have reviewed the trust fund program. This was  
18 transferred to the Trust Fund program in November and we  
19 have reviewed these proposals and we developed program  
20 outline criteria, our [indiscernible] criteria and scope  
21 of proposals.

22           We have three recommendations for you this  
23 morning. Each of these applicants will receive an amount  
24 of \$50,000 per year for a period of two years. That gives  
25 each organization kind of a continuum of time to offer



1 these services so we can see what the results would be at  
2 the end of that period.

3           The first applicant being recommended for  
4 funding is the Area Agency on Aging of Central Texas, in  
5 Belton, Texas, and they will be providing services such as  
6 meals, nutrition counseling, transportation, companionship  
7 counseling, health services, financial services, and  
8 protective services. They anticipate serving 88 elderly  
9 persons through the process of this program.

10           The second recommendation is for South Place  
11 Community Action in Levelland, Texas. They also will be  
12 providing community care, health services, companion  
13 services, nutritional assistance, transportation, and some  
14 employment. They also would be serving a large number of  
15 elderly, 208 persons.

16           The third organization recommended is the  
17 Temple Housing Authority in Temple, Texas. They will be  
18 offering services such as emergency response system,  
19 health maintenance, homemaker services, respite care,  
20 transportation, home modification, and personal care  
21 assistance, including meals, and they anticipate servicing  
22 202 people within their community.

23           At this time I'll answer any questions of board  
24 members.

25           MS. BINGHAM: I have several. You indicated

1 that these are two-year contracts?

2 MR. HOFFPAUIR: Yes.

3 MS. BINGHAM: \$50,000 for two years. That  
4 doesn't go far.

5 Ms. Stiner, why were you so cheap on the amount  
6 of money. \$150,000 doesn't seem a lot [indiscernible]  
7 RFP, and that was my first question. And my second  
8 question was I notice the Area Agency and -- well, there  
9 will be another one in Region 7. I was surprised that --  
10 this is what they specialize in. Was there some reason  
11 they didn't score higher, that they had other money, or  
12 what? It's not a big deal but I was wondering just out of  
13 curiosity.

14 MR. HOFFPAUIR: With regard to the Area Agency  
15 on Aging?

16 MS. BINGHAM: I know there were two of them and  
17 both of them scored -- well. I'm sorry. The top score of  
18 Area Agency on Aging of Belton -- okay. That answers my  
19 question. I know they specialize in this so I was  
20 wondering why they didn't score higher.

21 MR. HOFFPAUIR: Okay.

22 MS. STINER: I'll take a stab, Mr. Chair, with  
23 your permission to respond to the level of funding.

24 MR. JONES: Thank you.

25 MS. STINER: Ms. Bingham pointed out we ended

1 up last session with a number of unfunded mandates that we  
2 have to go and find funds for, so working with several of  
3 the organizations it was determined that since we had had  
4 a level of funding to respond to the housing need, a lot  
5 of the other departments had the money for programs, so  
6 the one need that we identified was for the need to fund  
7 coordinators, persons who would be responsible for making  
8 sure these programs were operating according to how they  
9 should operate.

10 So that's what our funds went for, but the  
11 other organizations are contributing the operating funds  
12 for the programs.

13 MR. JONES: You do realize, don't you, that I  
14 will drive back to Tyler, Texas, tonight, and I will face  
15 those people.

16 Other questions or comments?

17 (No response.)

18 MS. BINGHAM: I make a move for approval.

19 MR. JONES: There's a motion for approval.

20 MR. DAROSS: Second.

21 MR. JONES: It's been seconded. Thank you.

22 Further discussion?

23 (No response.)

24 MR. JONES: Hearing none, I assume we're ready  
25 to vote. All in favor, say aye.

1 (A chorus of ayes.)

2 MR. JONES: All opposed, nay.

3 (No response.)

4 MR. JONES: Motion carries.

5 MR. BREWER: Mr. Chairman, I'd just like to  
6 make one point in regards in this. HUD's got a similar  
7 program but they put something like 1.5 million into it  
8 for social services coordinators, and it's a grant based  
9 on what you submit for a three-year period so those that  
10 perhaps didn't get involved -- but HUD's is primarily  
11 going to individual communities and to the public housing  
12 authorities for use with the elderly in 202 housing,  
13 especially so there's other avenues plus the program here.

14 And my only question would be will we ever  
15 anticipate other than just going to agencies like the  
16 Agency on Aging to look at this to expand it to individual  
17 communities versus just going and adding another person  
18 basically is what it's going to do in the various  
19 agencies, because I'll tell you -- and the reason I say  
20 that is I was fortunate enough to get one through HUD for  
21 one of my HUD facilities, and they're worth their weight  
22 in gold, and they really do provide the services,  
23 coordinate, and we will keep people -- the elderly in  
24 place longer because of having these services.

25 So I think it's an excellent program. I would

1 only ask that if there is an opportunity where communities  
2 can come to you as well as agencies that might be  
3 something to consider.

4 Thank you.

5 MS. STINER: Mr. Chair, we certainly can look  
6 into that. This was a mandate to do it in coordination  
7 with these agencies, but that doesn't preclude the  
8 department from taking a look at implementing this as a  
9 permanent activity within the department. It's a great  
10 recommendation. We'll look into it.

11 MR. JONES: Thank you.

12 I believe that then takes us to 2(d). Ms.  
13 Stiner.

14 MS. STINER: Thank you, Mr. Chair.

15 This board voted on a deobligation policy some  
16 several months ago, and this is our first opportunity to  
17 make a recommendation under that policy. I'm going to ask  
18 Pam Morris, who is the director of housing finance  
19 programs, to come forward. While she's coming I'd just  
20 like to note that there is a committee within the  
21 department who's looked at this issue and meet on a  
22 regular basis in developing procedures for the program.

23 So, Pam, will you make a presentation and just  
24 give the Board some background on how we came to make this  
25 recommendation?

1 MS. MORRIS: Yes, ma'am.

2 I'm Pam Morris, the director of housing finance  
3 programs. Good morning.

4 MR. JONES: Good morning.

5 MS. MORRIS: I wanted to just give you a little  
6 history of what had transpired with regard to this  
7 particular appeal.

8 When we went out for notification on our mini-  
9 cycle we had an applicant that was going to be awarded  
10 potentially out of the mini-cycle, bring to our attention  
11 after some open records requests that they had found an  
12 error during the 2000 funding cycle. We took the  
13 opportunity to obviously look into the issue and find out  
14 if an error had occurred.

15 We did find out that there had been an  
16 oversight on the part of the HOME staff during the 2000  
17 awards with regard to the owner occupied rehabilitation  
18 activity and also the special needs category.

19 The City of Gilmer had applied under the  
20 special needs set-aside. They had noted on their  
21 application very clearly that they were going to be  
22 serving 100 percent special needs. The staff overlooked  
23 that erroneously and put them in the regular owner  
24 occupied, non-special needs category.

25 Therefore, it bumped City of Jefferson out of

1 the non-special needs, owner occupied category, being that  
2 Gilmer received the award and they were the highest  
3 scoring applicant. If we had properly set aside Gilmer's  
4 application in the special needs category they would have  
5 received the award, because they were the top scoring  
6 applicant in the special needs category for owner  
7 occupied.

8 And also City of Jefferson would have received  
9 an award only for the amount of 200,000, even though they  
10 had asked for 500,000, because they were the next highest  
11 ranking score applicant after Gilmer would have been taken  
12 out and they would have only received 200- because that's  
13 what was left in the balance at the region.

14 So in looking at all that it was very clear  
15 that it was our fault that the error occurred, and we felt  
16 that since it had been brought to our attention that it  
17 was appropriate to make it right, and that's why we  
18 certainly support the appeal process that we're trying to  
19 define so that these things can be brought to our  
20 attention timely after an oversight has occurred and we  
21 can correct it.

22 So what I'm basically recommending is that we  
23 go forward and award City of Gilmer an additional 300,000  
24 because they had already received 200,000, and we also  
25 will have to amend -- or we're recommending that we amend

1 their HOME contract to show that it is 100 percent special  
2 needs required, as the first contract did not indicate  
3 that being that we did not catch the error.

4 Then the second recommendation is that we also  
5 award City of Jefferson 200,000, which was all that was  
6 available in the region during the cycle for owner  
7 occupied rehabilitation. Both of these -- this amendment  
8 and this new award would also receive up to the 4 percent  
9 in admin dollars that I failed to put in my writeup. I  
10 apologize, but that will coincide with that.

11 MS. BINGHAM: I have two questions. Where are  
12 these -- are these both in Region 4?

13 MS. MORRIS: Both in Region 4.

14 MS. BINGHAM: What part of the state is that?

15 MS. MORRIS: It's northeast. I don't know if I  
16 could tell you exactly what it's next to, but I know --

17 MS. BINGHAM: Had these -- had both of these  
18 received funding, both of them in Region 4, how would they  
19 have stacked up if we were trying to allocate money across  
20 the region?

21 MS. MORRIS: Based on the new 2001 cycle or  
22 the --

23 MS. BINGHAM: Based on the regional allocation  
24 theory. If both of these had been funded at the level  
25 that they requested how would they have stacked up if we



1 had gone across the region, all the Texas regions?

2 MS. MORRIS: Well, I don't recall off the top  
3 of my head what the percentage is --

4 MS. BINGHAM: I don't need to know -- I notice  
5 that both of these are in Region 4, and is there anything  
6 else in Region 4 -- did not receive anything -- how would  
7 it have stacked up had they got everything they -- I'm  
8 just thinking of the regional -- I'm in support of this.  
9 I'm just thinking about the regional allocation theory.  
10 How would they have stacked up if -- both of these are in  
11 Region 4.

12 MS. MORRIS: Yes.

13 MS. BINGHAM: If Region 4 had gotten this  
14 allocation what else would have been knocked out and how  
15 would we have looked in terms of spreading the money  
16 throughout the different regions of the state?

17 MS. MORRIS: Well, I'll try to answer that  
18 question. When I look at Region 4 for owner occupied  
19 assistance based on the 2000 round --

20 MS. BINGHAM: I'm talking about the total  
21 allocation. Not for the owner occupied or rental or  
22 whatever, but when we do -- when we look at them they have  
23 a million dollars. We're making all the awards at one  
24 time, and normally we'll try to get so much -- we try to  
25 at least not leave out -- we go toward not leaving out a

1 region of the state.

2 MS. MORRIS: Right.

3 MS. BINGHAM: I'm just saying -- it's probably  
4 not material right now. I thought maybe you knew the  
5 answer, but if you don't it's okay, but I'm just saying  
6 how would we have looked had these gotten the amounts that  
7 you are now requesting what regions probably would have  
8 gone without any money?

9 MS. STINER: Mr. Chair?

10 MR. JONES: Yes, ma'am.

11 MS. STINER: I can't answer either, but I'd  
12 like to offer -- we have looked at the regional  
13 allocation, and it is going to be an impact on the way we  
14 have allocated funds since we're talking particularly  
15 about HOME right now. In the HOME program we were doing  
16 equitable distribution across all the eleven regions  
17 regardless of what variables were there.

18 But for instance we divided up the money and  
19 gave Region 1 through 11 the same amount of money in terms  
20 of allocating the HOME dollars. With our new regional  
21 allocation formula there are a lot of variables that are  
22 going to come into play, including population, poverty  
23 ratings, and other variables, so we will see some  
24 adjustments relative to how many awards we're able to make  
25 in a region based on those new variables and that new

1 formula.

2 But given what we did in 2000 we don't have  
3 those numbers right now, but there will be an impact.

4 MR. JONES: And Region 4 is a beautiful area of  
5 the state.

6 MS. BINGHAM: I'm trying to figure out where it  
7 is.

8 MR. DAROSS: There's too much water, though.

9 MS. MORRIS: Furthermore, the City of Gilmer we  
10 had funded in special needs. That is not going to be part  
11 of the regional formula, the special needs category, so  
12 that will be based on highest-ranking score, particularly  
13 non-PJ being the priority. So it will be subject to the  
14 regional --

15 MS. BINGHAM: Thank you, ma'am.

16 MR. JONES: Anything else?

17 (No response.)

18 MR. JONES: Do we have a motion?

19 MR. DAROSS: So moved.

20 MR. JONES: We have a motion. Do we have a  
21 second?

22 MS. SAENZ: Second.

23 MR. JONES: We have a motion and a second.  
24 Further discussion concerning the motion?

25 (No response.)

1 MR. JONES: Hearing none, I assume we're ready  
2 to vote. All in favor of the motion, please say aye.

3 (A chorus of ayes.)

4 MR. JONES: All opposed to the motion, please  
5 say nay.

6 (No response.)

7 MR. JONES: The ayes have it. The motion  
8 carries.

9 That will bring us to item 3 on the agenda,  
10 which is the presentation, discussion, and possible  
11 approval of the report from the Finance Committee.

12 Ms. Stiner, I'll let you handle that also if  
13 you don't mind.

14 MS. STINER: No, sir. Thank you very much.

15 The Finance Committee met this morning and  
16 considered the following items. Item 3(a) was approval of  
17 a multifamily mortgage revenue bond from Bluffview Senior  
18 Apartments in Denton, Texas. The committee recommended  
19 approval to the full board for consideration. I think  
20 that was Resolution 01-12, and the committee would offer  
21 to the Board for its consideration approval of that  
22 particular item.

23 MS. BINGHAM: I so move.

24 MR. BREWER: I second.

25 MR. JONES: We have a motion that's been made

1 and seconded. Further discussion concerning the motion to  
2 approve Resolution 01-12?

3 (No response.)

4 MR. JONES: Hearing none, are we ready to vote?

5 (No response.)

6 MR. JONES: All in favor of the motion, please  
7 say aye.

8 (A chorus of ayes.)

9 MR. JONES: All opposed, nay.

10 (No response.)

11 MR. JONES: Motion carries.

12 Item 3(b).

13 MS. STINER: Yes, sir. Mr. Chair, the  
14 committee also considered presentations made by the staff  
15 for issuance of a multifamily mortgage revenue bond for  
16 Knollwood Villas Apartments in Denton, Texas, and also  
17 wanted to recommend for the Board's consideration approval  
18 of this particular item as well, Resolution 01-13.

19 MS. BINGHAM: I move for approval.

20 MR. JONES: We have a motion that Resolution  
21 01-13 be approved. Is there a second?

22 MR. DAROSS: Second.

23 MR. JONES: Motion was seconded by Mr. Daross.  
24 Further discussion of the motion?

25 (No response.)

1 MR. JONES: Hearing none, are we ready to vote?

2 I assume we are.

3 All in favor of the motion, please say aye.

4 (A chorus of ayes.)

5 MR. JONES: All opposed, nay.

6 (No response.)

7 MR. JONES: Motion carries.

8 Item 3(c), Ms. Stiner.

9 MS. STINER: Mr. Chair, the CFO Mr. William --  
10 Bill Dally made a presentation this morning on the second  
11 quarter investment report. It was considered by the  
12 committee. There was no action taken on it but depending  
13 on the pleasure of the Board Mr. Dally can come forward  
14 and make the presentation again.

15 The only thing we didn't ask him to do was to  
16 present the inverse relationship of the bond market in our  
17 investments to the stock market. I don't know if you have  
18 time for that presentation.

19 MR. JONES: I would request that Mr. Dally  
20 report to the Board as he did to the committee.

21 MR. DALLY: Good morning, Mr. Chairman, board  
22 members, particularly new board members, and Ms. Stiner.

23 I want to maybe lengthen my discussion just for  
24 the benefit of the new board members on this Public Funds  
25 Investment Act. As a state agency we are under that

1 particular act, and that requires that a quarterly  
2 investment report be done.

3           The layout I just described as you'll see under  
4 3(c) -- essentially on that left-hand column we see all  
5 our various bond indentures and then the related  
6 investments to it. Let me give you a big overview.

7           Our portfolio is entirely fixed income. The 65  
8 percent of it are the mortgage-backed securities. These  
9 are the assets that are the result of our bond issuance.

10           The other significant investment are the GICs  
11 and investment agreements. When we go out with our bond  
12 issues we'll put those bond proceeds in a temporary  
13 guaranteed investment contract. Excuse me. I said GICs  
14 but guaranteed investment contract investment agreement,  
15 and then as lenders and servicers bring those loans  
16 they'll be pulled into certificates and become Fannie Mae  
17 or Ginnie Mae certificates, and then those are what's  
18 shown and reflected here in our portfolio.

19           In general the size of the portfolio is about  
20 \$1.1 billion, which is roughly the equivalent of our  
21 outstanding bonds. Overall the portfolio did not grow  
22 significantly this year. It will grow from quarter to  
23 quarter depending on if we have any bond issuance; in  
24 other words if we have new proceeds.

25           We are required under GASB 34 to report the

1 fair market value. I will point out to you that just as a  
2 matter of course we make below market loans, and so the  
3 comparison of our portfolio is always against the market  
4 rates, and so if you look at the -- about midway through  
5 you'll see that our fair market value and the carrying  
6 value of the portfolio -- there is about an \$8 million  
7 difference -- we're under water about that much.

8           However, the other thing that shows from  
9 quarter to quarter is the change in market value. You'll  
10 note that that went up about \$17 million. That's the  
11 result of just market as a whole as the interest rates  
12 have dropped, and particularly loan rates, which were  
13 about 7 percent at the end of that quarter, the overall  
14 portfolio value will rise.

15           There's not really as much particular interest  
16 in the value of that per the market value as it is  
17 important that originally when the bonds were issued and  
18 the mortgage rate set that the cash flows that were  
19 balanced so that the debt service would always be paid on  
20 those bonds. So there will be times when interest rates  
21 begin to rise again that you're going to see some  
22 negatives in the fair market value.

23           However, we're not going out to sell these  
24 securities. We're going to hold those for the most part  
25 until maturity, because that's what [indiscernible] bonds.



1           The other significant thing is we purchased or  
2 had about \$18 million in mortgage-backed securities for  
3 this last quarter. It shows our activities as far as  
4 making loans.

5           Are there -- oh. One other thing I want to add  
6 for the new members. You will be required -- I know  
7 you've seen some things about training. One of the other  
8 issues is there's a videotape that you'll need to watch  
9 which will outline the Public Funds Investment Act and  
10 your duties with regard to that, and I'll need you to  
11 watch that and then I'll need -- for the purposes of the  
12 auditors I'll need you to sign that you did watch it.

13           The second thing that will happen is each year  
14 I will bring to the Board an investment policy on what we  
15 invest in. Are there any other questions?

16           MR. JONES: Anything else?

17           MS. STINER: No, sir. No action is required.

18           MR. JONES: Thank you. We appreciate your  
19 time.

20           MR. DALLY: Thank you.

21           MR. JONES: I think that brings us to Item 4.

22           Ms. Bingham, would you like to present that?

23           MS. BINGHAM: Sure. Mr. Chairman, there's a  
24 separate book for the tax credit determination notices.

25           The first one -- for the sake of the new board

1 members when a developer receives a 4 percent allocation  
2 of bonds they are also entitled to a 4 percent -- they  
3 receive an allocation of the bonds [indiscernible] for the  
4 Bluffview and Knollwood they are also entitled to 4  
5 percent tax credits should they make application, and it's  
6 duly underwritten by the department.

7 So the items on the agenda are what they call 4  
8 percent tax credit, and the department has to approve the  
9 determination notices for those tax credits.

10 Mr. Njie, you are going to help with this  
11 presentation. The first one is for the tax credit for the  
12 Bluffview, which we have already done the bonds on a few  
13 minutes ago. The first one is Bluffview.

14 MR. NJIE: For the record, my name is Cherno  
15 Njie, manager of the tax credit program. The first  
16 project we have to present is Bluffview in Denton, Texas.

17 We are recommending an annual allocation amount  
18 of \$728,563. This is an elderly property comprised of 250  
19 units. The property needs to be rezoned. That is one of  
20 the five conditions that we released it for the developer  
21 to comply with, and there are other as well.

22 There are no noncompliance issues. That's one  
23 of the things we check for, to see that there are no  
24 material noncompliance outstanding, and the project is  
25 also consistent with the local consolidated plan for the

1 City of Denton. And the numbers pencil out. The issuer  
2 of the bonds is the Department of Housing and Community  
3 Affairs.

4 And with that I present that. We recommend  
5 that the Board act on that recommendation.

6 MR. BREWER: Mr. Chair, I recommend approval  
7 subject to the conditions that are outlined by staff.

8 MR. DAROSS: Second.

9 MR. JONES: The motion's been made and  
10 seconded. Further discussion of the motion?

11 (No response.)

12 MR. JONES: Hearing none, I assume we're ready  
13 to vote. All in favor of the motion, please say aye.

14 (A chorus of ayes.)

15 MR. JONES: All opposed, nay.

16 (No response.)

17 MR. JONES: The motion carries.

18 MS. BINGHAM: The next one is Knollwood Village  
19 by the same developer.

20 MR. NJIE: That is correct.

21 MS. BINGHAM: We also voted on the bonds for  
22 that one a few minutes ago, and now if the tax credit  
23 allocation --

24 MR. NJIE: That is project number 01-408 in  
25 Denton. This is a family property. Total number of units

1 264. Staff is recommending an annual allocation of  
2 932,246. The project is subject to rezoning. Again,  
3 there are no material noncompliance issues, and we move --  
4 we recommend that the Board approve this project.

5 MR. DAROSS: I move we approve this project.

6 MR. JONES: We have a motion. Is there a  
7 second?

8 MR. CONINE: Second.

9 MS. SAENZ: Second.

10 MR. JONES: The motion has been made and  
11 seconded. Any further discussion of the motion?

12 (No response.)

13 MR. JONES: Hearing none, I assume we're ready  
14 to vote. All in favor, please say aye.

15 (A chorus of ayes.)

16 MR. JONES: All opposed, nay.

17 (No response.)

18 MR. JONES: Motion carries.

19 MS. BINGHAM: The next one is Stonebridge  
20 Apartments in Austin, issued by Travis County Housing  
21 Finance, Austin, Texas.

22 Mr. Njie, do you want to --

23 MR. NJIE: That is project number 01-422 in  
24 Austin. It's a family property, 280 units, all of which  
25 are low income. The issuer of the bonds is the Housing

1 Finance Corporation. An annual allocation of 943,425 is  
2 being recommended. There are no material noncompliance  
3 issues. The project is consistent with local need.

4 We have three conditions enumerated as  
5 conditions for the award of the tax credits, and we ask  
6 that the Board act on this recommendation.

7 MS. BINGHAM: Just for a point of information I  
8 would say to the board members the reason you have a  
9 number of conditions on these is that once they get  
10 their -- pulled out by the lottery and they get their  
11 reservation numbers or dates they have 120 days to close  
12 the transaction, and you can't get any extensions on that.

13 Governor Perry can't give you an extension on that, so  
14 it's a drop-dead date, and in many instances we don't see  
15 the need to stop a deal.

16 For example, if the gentleman doesn't -- he's  
17 working -- the other project we're talking about the  
18 gentleman doesn't get the loan it's not going to close  
19 anyway, so there's no harm, no foul, so we normally allow  
20 them to move forward as long as we understand the  
21 conditions.

22 MR. BREWER: Cherno, I have a question. For  
23 the tax exempt then the cap on the units is 280, but for  
24 just the low income housing tax credits it's 250?

25 MR. NJIE: The cap is 280 for the 4 percent tax

1 credits [indiscernible] bond projects.

2 MR. BREWER: Okay.

3 MR. NJIE: Not just the low income component  
4 but the entire project.

5 MR. BREWER: Okay.

6 MR. NJIE: For the regular 9 percent tax  
7 credits the cap is 250 again on the entire project, not  
8 just the low income component.

9 MR. BREWER: Okay. Thank you.

10 MS. SAENZ: I move that we accept staff  
11 recommendation for project number 01-422.

12 MR. DAROSS: Second.

13 MR. JONES: The motion's been made and  
14 seconded. Any further discussion?

15 (No response.)

16 MR. JONES: Hearing none, I assume we're ready  
17 to vote. All in favor of the motion, please say aye.

18 (A chorus of ayes.)

19 MR. JONES: All opposed, nay.

20 (No response.)

21 MR. JONES: Motion carries.

22 MS. BINGHAM: The next one is Montgomery Trace  
23 Apartments in Conroe, Texas.

24 Mr. Njie, I did review this but because of my  
25 expensive dual office holding responsibilities I didn't

1 get a chance to call you to -- what is Lend Lease Mortgage  
2 Corporation?

3 MR. NJIE: Lend Lease is a syndicate and is an  
4 issuer -- is an investor in this property.

5 MS. BINGHAM: Who is issuing the bonds though?

6 MR. NJIE: The bond is Montgomery County  
7 Housing Finance Corporation.

8 MS. BINGHAM: Okay. That's an error --

9 MR. NJIE: That's correct.

10 MS. BINGHAM: -- on your sheet here. So it is  
11 the Montgomery County housing finance agency?

12 MR. NJIE: That's correct.

13 MS. BINGHAM: Okay.

14 For the sake of the new board members, the  
15 developers have a choice on who -- the Texas Department of  
16 Housing and Community Affairs can be an issuer or any  
17 local or county housing finance agency can be an issuer.  
18 Some people choose to get theirs from the local. Some  
19 choose to come to the state. I don't want to talk out of  
20 school but I know the fees are an issue.

21 For example, in the state of Texas your fees  
22 are lower. Application fees are lower, but the other  
23 fees -- or I am told are not as competitive. They're  
24 certainly not as competitive as Houston Housing Finance in  
25 terms of the compliance fees and other fees that you pay

1 that the agency is receiving, but there are a number of  
2 reasons people may go to -- may come to the state or may  
3 go to their local housing finance agency.

4 But that's Montgomery County. Thank you.

5 MR. NJIE: This is project number 1420 in  
6 Conroe, Texas. We are recommending an annual allocation  
7 of 682,327. The project is comprised of 208 units, all of  
8 them for families, and there are no material noncompliance  
9 issues. The recommendation is subject to four conditions  
10 that we outline in the report.

11 MR. JONES: The chair would entertain a motion.

12 MR. DAROSS: I move we approve project number  
13 01420, Montgomery Trace Apartments.

14 MR. CONINE: Second.

15 MR. JONES: The motion's been made and  
16 seconded. Further discussion?

17 (No response.)

18 MR. JONES: Hearing none, I assume we're ready  
19 to vote. All in favor of the motion, please say aye.

20 (A chorus of ayes.)

21 MR. JONES: All opposed, nay.

22 (No response.)

23 MR. JONES: Motion carries.

24 MS. BINGHAM: The next one is Southgate  
25 Village, which is in College Station.



1 MR. NJIE: That is correct. Project number  
2 01405, Southgate Village in College Station.

3 This --

4 MS. BINGHAM: And before you start your  
5 presentation, again, I didn't -- I talked to you this  
6 morning about this but on page 3 of your presentation  
7 there was some dispute -- I guess it wasn't dispute  
8 because you worked it out. Did you talk to the  
9 developer -- the nonprofit developer about why they would  
10 submit that acquisition cost overstated.

11 I know you correctly reduced it, but I think it  
12 lends to the credibility of people when they give you  
13 erroneous information. But did you talk to them about  
14 that --

15 MR. NJIE: I did not talk to them personally.  
16 I think Tom in Underwriting maybe --

17 This is part of a five property portfolio that  
18 was purchase by the nonprofit entity, and one of the  
19 projects, Parkside Village, had additional costs that were  
20 not included in the information that was sent.

21 Tom, do you want to elaborate?

22 MR. GOURIS: Tom Gouris, director of credit  
23 underwriting.

24 We did discuss this issue with the applicant,  
25 and it was -- in the timing of things, trying to get all

1 the information in they were trying to account for all of  
2 their holding costs for the project, which we do allow  
3 [indiscernible] holding costs because [inaudible] and I  
4 think the majority of the discrepancy was how they  
5 accounted for those holding costs. And once we reconciled  
6 those two I think we came to pretty close agreement on  
7 what that should be.

8 MS. BINGHAM: How much did you reduce the  
9 total?

10 MR. GOURIS: On the --

11 MS. BINGHAM: No. On the acquisition.

12 MR. GOURIS: We --

13 MR. NJIE: It's about 292,000.

14 MS. BINGHAM: That's \$292,000. Did you all  
15 agree that would be the reduction?

16 MR. GOURIS: Did they agree with it?

17 MS. BINGHAM: Yes.

18 MR. GOURIS: I think they still had some  
19 concerns if they could show some evidence for additional  
20 information but because of time constraints, they were  
21 willing to accept this as I understand it.

22 MS. BINGHAM: So they were able to provide you  
23 the documentation that you would agree with on the  
24 292,000 --

25 MR. GOURIS: Because of the short time frame,

1 so --

2 MS. BINGHAM: Thank you. Two hundred here and  
3 two hundred there --

4 MR. NJIE: Considering for -- I think we mainly  
5 just did the adjustment in the acquisition cost leading to  
6 a reduction of 292,000 from what the applicant was  
7 claiming, and the property also has about 159 Section 8  
8 contracts, and we are recommending it subject to three  
9 conditions outlined in the report.

10 Again, no issues of material noncompliance.  
11 The project is consistent with local consolidated plan.

12 MR. DAROSS: I move we approve project number  
13 01405, Southgate Village Apartments.

14 MR. BREWER: I second.

15 MR. JONES: The motion -- there's been a  
16 second, I believe, by Mr. Brewer. Further discussion,  
17 comments?

18 (No response.)

19 MR. JONES: Hearing none, I assume we're ready  
20 to vote. All in favor of the motion, please say aye.

21 (A chorus of ayes.)

22 MR. JONES: All opposed, say nay.

23 (No response.)

24 MR. JONES: The motion carries.

25 Without any objection the chair would suggest

1 that we take a five-minute recess.

2 (Whereupon, a short recess was taken.)

3 MR. JONES: After our recess, we are now on  
4 Item 4(b), and I believe we have three speakers that would  
5 like to speak on that item, the first one being Mr. Barry  
6 Palmer. Is that correct?

7 MR. PALMER: Yes.

8 MR. JONES: Thank you, sir.

9 MR. PALMER: Thank you, Mr. Chairman. My name  
10 is Barry Palmer. I'm with the law firm of Coats, Rose  
11 [phonetic], and we represent the Dallas Housing Authority,  
12 the sponsor of the Roseland Gardens project, which is the  
13 next item on your agenda.

14 This is a senior facility, a new construction  
15 senior facility that went into the bond lottery in October  
16 and received an allocation and, pursuant to the  
17 department's rules, filed its application for tax credits  
18 in December, based on the best estimates we had at that  
19 time of what the project would cost.

20 The Dallas Housing Authority being a public  
21 agency is required to publicly bid its construction  
22 contracts, and we went through that process getting ready  
23 for the closing. We received our bids in March about the  
24 same time that we received an allocation from the  
25 department at your last month's meeting of tax credits on

1 the project.

2 Our bids came in substantially higher than we  
3 had expected, and it's created a gap on our funding. This  
4 is a project that has to close by May 2. We are ready to  
5 close. However, we need to address this gap in funding.  
6 We have requested from our tax credit investor that they  
7 buy the additional credits that the project would qualify  
8 for based on the amount of basis that we create. They are  
9 willing to do that. They are not willing to close however  
10 unless we get the higher allocation such that our sources  
11 and uses will balance.

We have a couple of speakers from the Dallas Housing Authority here today  
13 to talk to you about the project to address both the  
14 importance of this project to the Dallas community as well  
15 as the circumstances why the project -- the construction  
16 cost is somewhat higher than the department's guidelines.

17 Thank you.

18 MR. JONES: Would the next speaker be Ms. Lott?

19 Thank you.

20 MS. LOTT: Good afternoon. Ann Lott. I am the  
21 president and CEO for the Dallas Housing Authority.

22 Roseland Homes was originally constructed in  
23 1942 next to an area called Freedmans Town, and it was  
24 called Freedmans Town because it was an area that  
25 emancipated slaves had settled after the Civil War. 611

1 units were built in 1942, and it was DHA's first  
2 development that was used to house black families, so for  
3 that it has historical significance.

4 Roseland Homes is located --

5 MR. JONES: Excuse me. Was there a recent  
6 article in the Dallas Morning News about this?

7 MS. LOTT: I am sure there was a recent  
8 article. There's a lot of articles in the newspaper.

9 (General laughter.)

10 MS. LOTT: Roseland Homes is located in the  
11 inner city, and over the years the area has experienced  
12 some economic decline. It is now experiencing a  
13 resurgence and a gentrification.

14 In 1998 DHA applied and received Hope 6 funding  
15 in the amount of \$34.9 million to revitalize this site.  
16 We're using the Hope 6 funds and we're leveraging the  
17 funds with tax credits and other sources of income to  
18 demolish all 611 units and replace them with 698 units.  
19 The development is occurring in eight phases, and the  
20 funds received from this particular allocation will be  
21 used to develop the fourth phase of the development, which  
22 is Roseland Gardens.

23 Roseland Gardens will be a 101-unit facility, a  
24 high-rise for senior citizens 62 years of age and over.  
25 The seniors that will live in the site currently live at

1 the Roseland Home site, and some have lived there for as  
2 long as 40 years. The seniors will earn substantially  
3 less than 30 percent of the area median income, and most  
4 of them receive a fixed income of Social Security or SSI.

5 DHA will provide rental assistance to the  
6 seniors using Section 8 project-based assistance. We have  
7 already signed a AHAP [phonetic] with HUD for the next ten  
8 years, and we're requesting the TDHCA to consider  
9 increasing the amount of tax credits from the \$276,000  
10 awarded to \$386,000 that's needed for construction. We're  
11 making this appeal because without the tax credits that  
12 will run more consistent with the construction costs it's  
13 very likely the project will lose its bond financing.

14 Next we're going to have another staff person,  
15 Mr. Lott, speak with you regarding some of the  
16 construction costs.

17 MR. JONES: Thank you.

18 MR. LOTT: And usually at this point it's my  
19 duty to say we are not related.

20 But personally, I get to explain why my  
21 original number was off, and part of it is typically Davis  
22 Bacon wage requirements that housing authorities are  
23 under. I didn't put that into my original estimate  
24 because I didn't think we were going to have to comply  
25 with that. Unfortunately we do because of the HAP

1 contract associated with the Section 8 units, so we did  
2 have to comply with the Davis Bacon. That typically cost  
3 us about 10 to 15 percent over a normal developer.

4 Then when you look at the building as a whole  
5 and designing this building, every unit in the building is  
6 handicapped adaptable rather quickly. All the kitchens  
7 have five-foot turning radius. All the bathrooms have  
8 five-foot turning radius for wheelchairs. Wheelchairs can  
9 move in and out of the complex. The corridors -- common  
10 corridors are wide enough that two wheelchairs can pass  
11 simultaneously throughout the corridors and still have  
12 hand space that they don't collide.

13 Also the amenity levels for the seniors in the  
14 areas -- library rooms, nurse's station that will be  
15 manned by volunteer nurses from Baylor Hospital, which is  
16 right down the street from this project, maintenance  
17 areas, the resident council office, exercise areas, and so  
18 forth. All the doors in every one of the units are all  
19 three-foot doors instead of the normal. Even the closet  
20 doors are three feet wide.

21 MS. BINGHAM: Why don't you just tell us you  
22 had to comply with HUD rules and we'll understand?

23 MR. BREWER: Yes. We'll understand that.

24 MR. LOTT: Thank you, Ms. Bingham.

25 MS. BINGHAM: Mr. Conine is going to be on that



1 committee. He's going to straighten all that out, isn't  
2 he?

3 Mr. Njie, do you have anything to say after all  
4 that?

5 MR. NJIE: Well, I'm here to basically wrap up  
6 the presentation.

7 This one was recommended last month and we're  
8 coming back based on the additional information received  
9 to recommend an allocation amount of 399,375 in lieu of  
10 the 276,650 that was recommended and approved by the Board  
11 at the last meeting, so what we will do is issue a new  
12 determination notice to allow them to close the project.

13 MR. DAROSS: I move we approve project number  
14 01401 for the increased amount.

15 MS. SAENZ: I second that.

16 MR. JONES: A motion's been made and seconded.  
17 Further discussion, questions, comments?

18 (No response.)

19 MR. JONES: Hearing none, I assume we're ready  
20 to vote. All in favor of the motion, please say aye.

21 (A chorus of ayes.)

22 MR. JONES: All opposed, say nay.

23 (No response.)

24 MR. JONES: The motion carries.

25 MR. CONINE: You might ask Mr. Lott to call the

1 Morning News on some positive news here, make sure that  
2 gets in.

3 MR. JONES: All right. Our next item on the  
4 agenda is Item 5, which is the Audit Committee report by  
5 Mr. C. Kent Conine.

6 MR. CONINE: Thank you, Mr. Chairman.

7 If Mr. Gaines -- why don't you come up just in  
8 case the board members have any questions.

9 We did -- the Audit Committee did meet this  
10 morning. In your packet there's probably one action item  
11 that we need to review with the Board. That would be the  
12 adjustment to the audit schedule for this year.

13 Mr. Gaines, would you mind just briefly going  
14 over that with the Board, please?

15 MR. GAINES: I'm David Gaines, director of  
16 internal audit, and that's behind tab 2 of your book.  
17 Have you found that?

18 There are several changes in the plan. First  
19 about halfway down the page I'm suggesting adding an audit  
20 on single-family lien procedures. The purpose of this  
21 audit is to assess whether the department's programs have  
22 adequate procedures in place to ensure that lien  
23 restrictions on single-family properties are properly  
24 filed to protect the department's interest.

25 This project -- certain directors have shown an

1 interest in this project in the past as well as members of  
2 the audit committee during our last annual planning  
3 process.

4 The other proposed changes I'm making are  
5 dropping areas from the audit plan, and there are several  
6 reasons for dropping this project, and I'll discuss those  
7 in a moment. But a big consideration -- a big reason for  
8 dropping these projects is we just don't have the time  
9 available.

10 We've not had the time originally planned under  
11 the original audit plan due to a staff vacancy longer than  
12 we originally expected, two months longer than we'd  
13 originally expected, and once we filled that position we  
14 granted some maternity leave comprised of about ten weeks.  
15 That's still in progress right now.

16 We've also spent more time than we originally  
17 anticipated working with the external auditors including  
18 Sunset and attending oversight committees at the  
19 legislature during this session as well as going over  
20 budget on a recent audit that we recently performed that I  
21 believe was beyond our control.

22 The audits I'm proposing to drop are an  
23 internet security audit, and this -- when we originally  
24 planned this I was planning on some -- a certain  
25 individual coming on staff with us that had the technical

1 expertise to conduct this audit, and that fell through the  
2 Thursday before the Monday he was to come on staff, so we  
3 were real disappointed with that.

4 But considering that, I don't believe we have  
5 the technical expertise in house to conduct that audit and  
6 so I'm delaying that, at this time recommending dropping  
7 it from the audit plan, which basically means delaying --

8 MS. BINGHAM: The state doesn't have a general  
9 contract for those sort of activities?

10 MR. GAINES: I'm sorry, Ms. Bingham.

11 MS. BINGHAM: The state offices -- doesn't that  
12 have a general procurement process for those kind of  
13 actions? But you've got an internal audit plan, but the  
14 state doesn't have a plan? I know we're working with the  
15 state in conjunction with Peat Marwick on some email  
16 internet programs and compliance issues, so I'm just  
17 saying, you can't get that on some other -- under a  
18 general government procurement process through the state  
19 purchasing office or something?

20 MR. GAINES: There's a couple of things that  
21 have recently come into play on that. I believe the last  
22 legislature created a quality control review for  
23 information services procurements in any instances where  
24 you're having a procurement in a million dollars or more,  
25 and that's comprised of representatives from the state

1 auditor's office and LBB, so they've reviewed the  
2 implementation of new systems.

3 Talking with the information services director  
4 I believe recently a DIR conducted a global review to see  
5 where they thought particular concerns might be, where  
6 they need to direct their attention, and the department  
7 came through that satisfactory.

8 MS. BINGHAM: Okay. And I know a lot of  
9 agencies are small, and I don't know how they even bear  
10 the cost of it, so there should be some opportunities for  
11 combining these general activities as opposed to everybody  
12 trying -- it's a waste of money everybody trying to do  
13 their own thing with the internet.

14 MR. GAINES: And I'm certainly in agreement  
15 with you on that.

16 The next audit I'm proposing to drop is the  
17 Section 8 audit. HUD has requested in their most recent  
18 audit review that we conduct a program-specific audit by  
19 an independent CPA of the Section 8 program to ensure  
20 compliance with financial and management matters of the  
21 program.

22 The chief financial officer is currently in the  
23 process of working with the external auditors to get that  
24 project moving forward.

25 I'm also wanting to drop this review of

1 quarterly performance measurement reports, and this isn't  
2 so much an audit. This has been a service that we've  
3 provided in the past for management. The reviews have  
4 been pretty cursory in nature, reviewing primarily for  
5 clarity, conciseness, reasonableness of management's  
6 recommendations, and while we'll continue to be glad to  
7 perform those services at the request of management  
8 they've become so routine I don't feel we're adding any  
9 significant value at this point by continuing to do those.

10 And then the last one I'm requesting we drop is  
11 the payroll audit, and the purpose for that goes back to  
12 my original comments that we just are out a year and the  
13 time is short, and I don't believe we can work that in  
14 during the current audit period.

15 MR. JONES: I really hate to see you do that.

16 MR. CONINE: That's what I told him. Yes.

17 MR. JONES: I guess impossible is impossible,  
18 but I --

19 MR. BREWER: Yes, but they can do it right  
20 after the fiscal year, can't you?

21 MR. GAINES: It may be in that or we'll put  
22 that at the top of the list for 2001 beginning September  
23 1, that audit period. It may be nothing more than that.

24 Generally what I would do, like I was saying on  
25 the internet security audit, I'm not indefinitely dropping

1 it. I'm just putting it back into our inventory of  
2 possible audits and in the summer we conduct a risk  
3 assessment of the department and try to identify where we  
4 should be applying our limited resources, and so of course  
5 these would go back into the pool. And to the extent  
6 management or the Board have a particular interest that  
7 certainly moves it up the list out of that inventory.

8 MR. CONINE: I would suggest, Mr. Chairman,  
9 that being a legislative year and having a bunch of other  
10 audit issues that were floating around we probably bit off  
11 more than we could chew. Not that we're not going to do  
12 them ever, it's just between now and August it taxes our  
13 resources too much to get all these things done.

14 So in light of that the committee  
15 recommended -- or we wanted to recommend to the Board that  
16 we make the adjustments to the audit plan as shown, and I  
17 so move.

18 MR. BREWER: I second.

19 MR. JONES: We have a motion that's been made  
20 and seconded. Any further comments or discussion?

21 MS. STINER: Mr. Chairman, may I?

22 MR. JONES: Certainly.

23 MS. STINER: And this is a question I failed to  
24 ask the internal auditor when we were talking about this.

25 What parameters of the audit -- the IA, meaning

1 your internal audit was looking for that was different  
2 from the payroll audit that was just completed on our  
3 internal and external report? What's the difference?  
4 What will you be looking for beyond that?

5 MR. GAINES: That's a real good question, Ms.  
6 Stiner, and that came up during our original audit plan,  
7 doing the comptroller audit, doing a payroll audit, and  
8 based on my discussions with the financial officer here at  
9 the department that audit primarily was -- it was more of  
10 a disbursement-oriented audit or a claims audit, and to  
11 the extent payroll items fell in their samples that were  
12 tested, and so this would be more of a focus with  
13 specifically those objectives.

14 MS. STINER: Thank you.

15 MR. JONES: Any further comments or questions,  
16 and my encouragement -- you hate it when someone tells you  
17 it's impossible to do it, question it, and I'm not at all,  
18 but I'm just saying you could raise the priority on that  
19 as time goes by.

20 Okay. Are we ready to vote on the motion? Do  
21 I hear any further discussion, comments, questions?

22 (No response.)

23 MR. JONES: Hearing none, everybody in favor of  
24 the motion, please say aye.

25 (A chorus of ayes.)



1 MR. JONES: Everybody opposed, nay.

2 (No response.)

3 MR. JONES: The motion carries.

4 MR. CONINE: We also received report items from  
5 our outside auditor for the fiscal year ending August 31,  
6 2000. There are no material items. Everything looks good  
7 to them and I wanted to report that to the Board.

8 We also in addition received an internal audit  
9 report on our software license and selected software  
10 management controls. Again, for informational purposes  
11 for the Board there are some concerns in that area  
12 relative to meeting some of the statutory requirements  
13 that we've got to the LBB and others that I think since  
14 the time that particular audit period ended and today's  
15 date have been a lot of progress made on them.

16 And so we have some target dates in that  
17 particular audit that will occur sometime over the next  
18 several months and I have been assured that some of the  
19 management controls that were recommended on those target  
20 dates will be hit and we'll be reporting back to this  
21 board subject to those dates and make sure those  
22 particular things happen.

23 And I guess that was -- am I forgetting  
24 anything?

25 MR. GAINES: We did discuss prior audit issues

1 and --

2 MR. CONINE: Yes. The prior audit issues.

3 MR. GAINES: If I can I'll just give that high-  
4 level summary --

5 MR. CONINE: Yes. Rattle off those numbers.  
6 They'd like to hear that. Please do.

7 MR. GAINES: -- efforts management's put in  
8 recently.

9 Of the 53 outstanding items that we've been  
10 tracking on the system recently management's most current  
11 status update has indicated that 37 of those have been  
12 implemented, so that comes to right at 70 percent. Eleven  
13 are still in the process of implementation, one is  
14 partially implemented, and action has been delayed on  
15 three. No action is intended on one of these issues.

16 I've looked at the reasons for the explanations  
17 on no action intended on one. I'm in agreement.  
18 Circumstances have changed.

19 Action that has been delayed on three, two of  
20 those are pending responses from HUD outside our control.

21 And based on discussions during the Audit Committee  
22 meeting we thought we would follow up on those in much  
23 greater detail at the next Audit Committee meeting.

24 MR. CONINE: That is good news. Management's  
25 been working on it as most of you know, and to get it

1 whittled down from 53 to 16 I think's the magic number  
2 now. We'll take a hard look at those the next time we  
3 meet and bring back a report to the Board on progress  
4 being made at that time.

5 MR. GAINES: Yes, sir.

6 MR. CONINE: I think that concludes the report  
7 of the Audit Committee at this time.

8 MR. JONES: I have one comment back to the  
9 software licenses, selected software management controls,  
10 and I know this was discussed at your committee meeting,  
11 but I think it raises an issue that I'd like to raise  
12 policywise with staff, and that is this is again an  
13 instance where we look at legislation and we're trying to  
14 get ourselves in compliance with it, and I know that you  
15 and I have testified a few times where we have been beaten  
16 up pretty good on issues like that.

17 And I think that as I look at the legislation  
18 that may well come out of this session we're really going  
19 to have a task going forward. If we think it's been hard  
20 going forward for staff, it's going to be, I think,  
21 extremely complicated and an extremely huge task, and I  
22 think that -- I would encourage staff to look at it and to  
23 say, Okay. How are we going to get a handle on all of  
24 these statutes prospectively? Not as a result of some  
25 audit that's being done of how we failed in the past, but

1 prospectively, how are we going to get a handle on these  
2 statutes and how are we going to make sure we comply  
3 prospectively?

4           And I would just encourage you to look at that  
5 as we go into it, because I think it's going to be a huge  
6 issue after this session. Or not to predict legislation,  
7 it could be a huge issue after this session. That's just  
8 my comment for whatever it's worth.

9           MR. GAINES: Yes, sir.

10           MS. STINER: Thank you, Mr. Chair. That's a  
11 very good comment, and staff is busily -- as we hear bills  
12 every day come out we're tracking them and putting  
13 together work plans on how we're going to address them,  
14 so I think our approach and strategy to being ready  
15 September 1 is a good one.

16           We started tracking the Sunset recommendations  
17 before they were even rolled into a bill, so we are well  
18 along in that regard. But the other ancillary bills that  
19 we will have out of session -- we have a weekly meeting of  
20 a group here in the department that's tracking that and is  
21 putting into place strategies for making sure we're  
22 prepared.

23           Is this a good opportunity for me to get on  
24 record saying that we are also asking for more resources  
25 to make sure we are able to carry out all of these

1 mandates? But that aside, if we don't even -- if those  
2 resources are not forthcoming, we do have a plan, a  
3 strategy, and a group that's been instituted to make sure  
4 that come September 1 or whenever the effective date of  
5 the bills -- and some of them we do understand will be  
6 effective before September 1 -- the department is ready to  
7 move forward and make sure we're in compliance as much as  
8 we can be on those.

9 MS. BINGHAM: How many related bills are out  
10 there?

11 MS. STINER: Good -- it depends on how many was  
12 introduced. I'm being facetious. Michael Lyttle, who is  
13 our -- he's going to make a report and he'll respond to  
14 that.

15 Michael Lyttle is going to make the  
16 presentation on legislative update and he'll respond to  
17 the number of housing-related deals that was introduced  
18 this session.

19 MR. JONES: That concludes our report from the  
20 Audit Committee?

21 MR. GAINES: Thank you, board members.

22 MR. JONES: I appreciate it.

23 I would like to turn the Board's attention back  
24 to item 2(b), the Commonwealth Apartments, and are we  
25 prepared to discuss those issues that we discussed

1 earlier?

2 MS. NEWSOM: Yes, we are.

3 MR. JONES: Thank you so much.

4 MS. NEWSOM: The difference between the HOME  
5 rents and the tax credit rents -- and I'll give you an  
6 example using the two-bedroom limit -- the high HOME and  
7 low HOME in this county are the same. When HOME rents --  
8 you make a determination between which is lower, fair  
9 market rents or low or high HOME rents? Well, in this  
10 case fair market is the lowest rent, so fair market rent  
11 in the two-bedroom case, \$454, is the same regardless of  
12 whether the unit is a high HOME rent or a low HOME unit.

13 The tax credit rent limit at the 60 percent  
14 level is \$552, so the amount of money that we're talking  
15 about on an annual basis for this property is about a  
16 hundred dollars a month per unit for 56 units, so it's a  
17 considerable amount of cash flow.

18 I do want to make the point when he applied for  
19 HOME funds he did apply for 100 percent of the units to be  
20 HOME units, and that was when we looked back at the HOME  
21 application what he asked for, but I'm not sure that he  
22 understood the difference in the HOME and tax credit  
23 rents.

24 MS. STINER: Not a lot of people do.

25 MR. CONINE: I'm going to complicate this

1 further. Is the debt service coverage over and above  
2 roughly \$7,000 above the debt service -- excuse me. The  
3 net operating income, is it over and above the \$7,000 of  
4 the debt service?

5 MS. NEWSOM: Tom did a financial underwriting  
6 on this deal in November of 99. The debt coverage ratio  
7 using the maximum HOME rent -- maximum tax credit rents  
8 was 1.1, and he used 33 HOME units, restricting 33 HOME  
9 units instead of 14. And I can't answer your question  
10 exactly, but --

11 MR. CONINE: I'm looking for more current  
12 information than what Tom did when it was originally  
13 underwritten.

14 MS. NEWSOM: No. This was not the original.  
15 It was originally underwritten in '95-'96.

16 MR. CONINE: So this is the most recent  
17 information?

18 MS. NEWSOM: This is the most recent.

19 MR. CONINE: And did you tell me what the debt  
20 service was annually? Maybe I'll ask this one question of  
21 Tom.

22 MS. NEWSOM: 111,000.

23 MR. CONINE: Thank you. Now what's the net  
24 operating income of the property currently?

25 MS. NEWSOM: Can I give that to you as of

1 November 2000?

2 MR. CONINE: Sure. That would be perfect.

3 Prior to debt service.

4 MS. NEWSOM: Prior to debt service expenses or  
5 net operating income?

6 MR. CONINE: Net operating income.

7 MS. NEWSOM: (Perusing documents.) 191. I'm  
8 sorry. I gave you the -- I think the debt is 158 instead  
9 of 111. I'm looking at the wrong column.

10 MS. BINGHAM: Can't Tom answer these questions?

11 MS. STINER: Tom, can you come and review  
12 your --

13 MR. GOURIS: As I recall in '99 I don't believe  
14 we had a full year of stabilized operations, and so I  
15 don't know that that is a real fair gauge, but it appeared  
16 that if we had a full year of operations we would have had  
17 effective gross income of \$335,000. We have had total  
18 operating expenses of \$144,000, which would have left us  
19 with net operating income of \$191,000.

20 The debt service -- I believe the debt service  
21 on the property is around 112- on the first lien and about  
22 24- on the second lien.

23 MR. CONINE: Let me stop you right here. It  
24 appears to me we're being asked to make a decision  
25 without --



1 MR. GOURIS: Current data.

2 MR. CONINE: -- full current data only on maybe  
3 what was supposed to have happened when it was applied  
4 for.

5 MR. GOURIS: Correct.

6 MR. CONINE: And I have a problem with that  
7 because we're all interested in preserving affordable  
8 housing stock in a most efficient manner, and I want to be  
9 proven that this particular applicant is under a financial  
10 hardship before I release 56 units to a lower rent level  
11 than -- or to a higher rental level than what was even --  
12 forget about what was originally intended. What we  
13 underwrote and what we wrote and what's happening at the  
14 property today.

15 MR. GOURIS: Right.

16 MR. CONINE: So I need more information, Mr.  
17 Chairman, before I can effectively make a decision, and I  
18 move to table this particular item right now.

19 MR. JONES: We have a motion that this item be  
20 tabled. Is there a second?

21 MR. CONINE: Until the next meeting.

22 MR. DAROSS: Second.

23 MR. JONES: A motion's been made and seconded.  
24 Further discussion on the motion to table?

25 (No response.)

1 MR. JONES: Hearing none, are we ready to vote?

2 (No response.)

3 MR. JONES: All in favor of the motion to  
4 table, say aye.

5 (A chorus of ayes.)

6 MR. JONES: All opposed, nay.

7 (No response.)

8 MR. JONES: The motion carries.

9 At this point I would turn the Board's  
10 attention to item 6 on the agenda, the appointment of  
11 board members to committees on the Board. We have two new  
12 board members here with us, and if everybody would take  
13 the time, send me a little note and let me know what  
14 committee you're interested in or give me a call? I will  
15 be looking at that before our next board meeting and try  
16 to fill the vacancies that we have in light of the  
17 adjustments that have been made to the Board.

18 MR. CONINE: Does that include getting off some  
19 committees?

20 MR. JONES: Oh, yes, but you've got to be real  
21 nice to get off anything, and, Conine, you're not that  
22 nice.

23 (General laughter.)

24 MR. CONINE: Just thought I'd ask.

25 MR. JONES: All right.

1 Report items, Ms. Stiner.

2 MS. STINER: Thank you, Mr. Chair. I'll ask  
3 Michael Lyttle to come forward and make a presentation on  
4 our legislative issues.

5 MR. LYTTLE: Good afternoon, Mr. Chair, members  
6 of the Board, Ms. Stiner. My name is Michael Lyttle. I'm  
7 director of communications and government relations for  
8 the agency. Welcome to the new board members.

9 Mr. Jones, you were talking about great parts  
10 of the state. Mr. Gonzalez is from Del Rio, which is my  
11 wife's hometown. I've spent a lot of time there, so my  
12 vote is for the Del Rio area as being a beautiful part of  
13 the state.

14 Well, first of all, Ms. Bingham, to answer your  
15 question we have a tracking list for legislation for this  
16 session. Right now we have approximately 300 pieces of  
17 legislation that we're tracking. Strictly housing-related  
18 bills is somewhere in the neighborhood of 50 to 60. The  
19 rest of them are general government-type bills and other  
20 bills that relate to the government of the agency, but  
21 it's quite an extensive list.

22 This has been a highly dramatic week thus far  
23 in the legislature and most interesting week with regards  
24 to our agency.

25 MR. JONES: Did you say dramatic or traumatic?

1 MR. LYTTLE: Both. I could say both.

2 First of all let me bring you up to date on  
3 what's going on. Earlier this week Senate Bill 322, which  
4 is our Sunset legislation in the Senate, was introduced by  
5 the author, Senator Eddie Lucio, Jr., on the Senate floor.  
6 During the discussion on those bill several members of the  
7 Senate expressed concern about the bill's length and  
8 scope.

9 After considerable discussion Senator Lucio --

10 MR. JONES: When you say several members could  
11 you tell us who?

12 MR. LYTTLE: Yes. Senator Armbrister and  
13 Senator Nelson both expressed concerns about a number of  
14 measures within the bill, and especially the fact that a  
15 number of bills were rolled into the main Sunset bill, and  
16 they felt they hadn't had time to properly review all of  
17 those issues.

18 So after considerable discussion Senator Lucio  
19 asked that the piece of legislation be recommitted back  
20 down to the Senate Intergovernmental Relations Committee.

21 That motion was granted, so either next week either on  
22 Monday or Tuesday the Senate IGR Committee will review  
23 Senate Bill 322 and reopen public testimony.

24 The latest word on House Bill 3449, which is  
25 the Sunset legislation in the House, is that it will be

1 heard Wednesday on the floor of the House. That will be  
2 next Wednesday.

3           The plan, back to 322 for a minute, at least  
4 from what I'm hearing at the moment is that a stripped-  
5 down Sunset bill will be presented in the committee and  
6 the authors of the legislation that was rolled into the  
7 Sunset bill -- and there were a number of bills -- will  
8 introduce their bills as amendments in the committee next  
9 week. Therefore and consequently there will be public  
10 testimony on those amendments, and then theoretically a  
11 new bill will come out of Senate IGR and go back to the  
12 full Senate again.

13           Supposedly a committee substitute will be  
14 drafted after next week and reintroduced to the Senate.

15           Basically at this point in time there's a lot  
16 of uncertainty, to be totally honest with you, with  
17 regards to what's going to happen with Sunset. I can tell  
18 you that the agency, at least the staff, including  
19 myself -- we were shocked and surprised at what happened  
20 this week, because it was our understanding that  
21 everything was pretty much in full agreement on the Sunset  
22 bills. We have been working with the authors. We've been  
23 working with the advocates, and it was my understanding  
24 that everybody -- or mostly everybody had agreed to move  
25 forward with this.

1           So it was very interesting, and I think it will  
2 be -- continue to be interesting as we move along.

3           Other pieces of legislative news, Mr. Norberto  
4 Salinas, who was the third board nominee for this  
5 particular board, will be before the Senate Nominations  
6 Committee next week. His confirmation -- or vote on  
7 confirmation should take place shortly thereafter.

8           A couple of other things I wanted to mention to  
9 you in this update, House Bill 7, which creates the new  
10 Office of Rural and Community Affairs and also moves the  
11 Community Development Block Grant program from our agency  
12 to this new agency, has been voted favorably out of the  
13 House as substituted and is now on the Senate State  
14 Affairs Committee.

15           Senate Bill 1756 is the companion bill in the  
16 Senate to that bill, House Bill 7, and that bill is also  
17 being considered now in Senate State Affairs.

18           And finally, one thing I wanted to mention to  
19 you, this week in the legislature there's been allegations  
20 made that the agency management has lobbied on behalf of  
21 the agency to kill the Sunset bill or affect the outcome  
22 of that bill. I can tell you that we have been very  
23 careful in presenting information from this agency to  
24 members of the legislature. We've been very careful about  
25 the fine line that does exist between lobbying and

1 presenting public information as well as responding to  
2 legislative requests.

3 I particularly have no knowledge whatsoever of  
4 any TDHCA employee or especially management person, quote,  
5 lobbying, and I wanted to reassure you of that fact. And  
6 for the record, I want to categorically deny these  
7 allegations and assure you that we have performed our duty  
8 with high integrity and with the best of intentions, and I  
9 just wanted to state that for the record.

10 Personally I resent the allegations. I know  
11 that I've worked very closely with Ms. Stiner and with my  
12 staff and with other directors and management people in  
13 this department, and we've worked very hard to be honest  
14 and forthright in dealing with members of the legislature  
15 and the advocates to try to draft the best bill we can for  
16 this agency.

17 MR. JONES: Michael -- and I'd also direct this  
18 to Ms. Stiner, and this question does not infer in any way  
19 any credibility to the allegations -- but I would like to  
20 know what are the specifics of them and who is making  
21 them, and by asking that I do not infer any credibility  
22 whatsoever to the allegations.

23 MR. LYTTLE: Well, I can speak to that and say  
24 that Ms. Stiner and I have been given no specific mention  
25 yet. These allegations have been discussed very broadly,

1 mentioned very broadly, and there's been -- I've seen  
2 nothing specific mentioned about this whatsoever.

3 MS. BINGHAM: By which senators?

4 MR. LYTTLE: I'm sorry.

5 MS. BINGHAM: Which senators?

6 MR. LYTTLE: Yesterday in the Senate Finance  
7 and House Appropriations Joint Committee on our budget  
8 Senator Harris specifically addressed that issue. In  
9 fact --

10 MS. BINGHAM: Is that Chris Harris?

11 MR. LYTTLE: Yes, ma'am.

12 MS. BINGHAM: Thank you.

13 MR. JONES: Is that the only senator that's  
14 raised that issue?

15 MR. LYTTLE: That is the only member of the  
16 legislature I'm aware of that has publicly expressed that  
17 concern. I can also tell you that I have spoken directly  
18 to Senator Harris's staff, and that issue was brought up  
19 to me in communications previously, and I told staff that  
20 there was no truth whatsoever to what at that time this  
21 person said were rumors floating around --

22 MS. BINGHAM: Do we have some recent employees  
23 that are doing lobbying? Very recent employees that have  
24 just left the agency. Maybe they got them confused  
25 [indiscernible] in the last couple of months -- lobbying.



1 Do we have some of that going on?

2 MR. LYTTLE: I cannot answer that. I wouldn't  
3 know what to say.

4 MR. JONES: I would like to address our general  
5 counsel just for a minute on this issue.

6 As I understand lobbying, a lobbyist is someone  
7 who advocates positions in front of the legislature and is  
8 paid to do so. Correct?

9 MS. MARKS: That's basically correct.

10 MR. JONES: And obviously we don't have anybody  
11 that's paid to do anything like that.

12 MS. MARKS: There's a provision -- Betty Marks,  
13 general counsel -- there's a provision of the Government  
14 Code that specifically says that state employees may not  
15 lobby. In other words we may not use appropriated funds  
16 which you are paid with as a state employee and then  
17 attempt to influence legislation.

18 But as a department though it puts you in an  
19 unenviable position because you are always called upon as  
20 a -- or you are generally called upon as a resource  
21 witness to speak on the bill as an expert in terms of what  
22 the different programs are, and so you are available as a  
23 resource witness to answer any questions specific to the  
24 program.

25 So there is a fine line simply because when we

1 appear at the request of the legislature or legislative  
2 body, especially in oversight committee, there's -- I  
3 don't see how it can be deemed to be lobbying, but --

4 MR. JONES: Well, I don't either. In fact, I  
5 think it's much more extensive than that. I think you  
6 would agree, because our staff is being put in the  
7 position not only of attending hearings and testifying,  
8 which they probably don't enjoy a whole lot, but they also  
9 are responding to requests for information concerning this  
10 legislation all the time, extensive requests that we need  
11 to be very timely about, as we all know, because we've  
12 been scolded for not being timely about it.

13 It would be impossible I believe not to --  
14 probably when you're asked questions to give this  
15 information not be taking positions one way or the other  
16 on the legislation by the way you respond.

17 MS. MARKS: That's correct.

18 MR. JONES: So -- and again, I would have to  
19 think that that comes very much outside the scope of a  
20 lobbyist, because we're just doing our job, supplying the  
21 information -- or our staff is doing the job supplying the  
22 information and they certainly aren't being paid to lobby  
23 one side or the other.

24 MS. MARKS: Correct. And Ms. Stiner and I  
25 talked about the types and ways to eliminate, and one of

1 the ways we've done it is to ask Mr. Lyttle and ask all  
2 staff agencywide not -- and the director specifically do  
3 not respond directly. All of such requests for  
4 information whether it's from a legislative staff person  
5 or whether it's from a particular committee member of an  
6 oversight committee or even if it's from LBB or from the  
7 governor's office or from anyone else, we ask that they  
8 all go through Ms. Stiner and Mr. Lyttle to eliminate any  
9 problems with getting that answer or response.

10 MR. JONES: I would like to say this to staff.

11 I think if there are ever any specific allegations I  
12 would like the Board to be -- and I mean the whole board.

13 And again, I'm not giving any credibility --

14 MS. MARKS: Sure.

15 MR. JONES: -- whatsoever to them, but I just  
16 think it's something that the Board ought to be informed  
17 of.

18 MS. STINER: We certainly will if they get any  
19 more specific than that. Thank you.

20 MR. DAROSS: I have a question for Mr. Lyttle  
21 totally off the subject, but it came up in conversation.  
22 Mr. Cabello and I happened to be on the same plane coming  
23 in from El Paso last night. The legislature mandated that  
24 we undertake this contract for deed conversion program,  
25 and it set out specific benchmarks for us to reach in it,

1 but one of the requirements in that act was that we could  
2 only do a contract for deed conversion if the property we  
3 were involved with had water accessible to it.

4 That's the problem with these colonias. They  
5 don't have water. Is there anything in the legislature  
6 now that would affect that colonia and our mandate to do  
7 the contract for deed, whether it's to extend it or to say  
8 anything about water, and if not, is there anything we can  
9 do about that?

10 MR. LYTTLE: I'm not aware of anything that has  
11 been able to address that particular issue, which has been  
12 raised, Judge Daross. I can tell you though considering  
13 the fluidity of the Sunset bill -- and those measures are  
14 discussed in the Sunset bill -- I think it's something  
15 that we can still raise and see if we can address, even at  
16 this stage of the game.

17 MS. BINGHAM: But not lobby.

18 MR. LYTTLE: Correct.

19 MR. DAROSS: I'd venture a guess that probably  
20 90 percent of the colonias in El Paso County don't have  
21 water.

22 MS. SAENZ: That's the reason why they're  
23 colonias.

24 MR. DAROSS: That's why they're colonias. So  
25 if we can't even talk to those people about purchasing the

1 contracts then we can't really help them out there. Maybe  
2 we need to do something in combination with the -- some  
3 other department. I know we've done some joint agency  
4 developments with other agencies to bring in --

5 MR. LYTTLE: I believe Mr. Cabello may have  
6 some information.

7 MS. STINER: Mr. Chair, if you'll indulge us,  
8 Homer Cabello is here. He's the director of our OCI and  
9 has been working on this particular initiative very  
10 extensively this session and can probably give you an  
11 update on anything that's out there in the legislation or  
12 any agreements that you may know about that would give us  
13 some relief on that particular initiative.

14 MR. CABELLO: As the judge and I were talking  
15 about yesterday -- and I think you want me to bring it up  
16 at a later point -- I was in El Paso with the HUD  
17 advancement team yesterday because Secretary Mel Martinez  
18 is very interested in the colonias and it's definitely on  
19 his radar screen, and that was one of the issues I brought  
20 up as we were touring the colonias in El Paso the last  
21 three days, that the majority of the funds that the agency  
22 has are federal funds, and we have very limited Housing  
23 Trust Fund dollars.

24 And I asked them if they will consider  
25 researching their housing quality standards or their

1 colonia housing standards to review the water issue in  
2 order to allow us to go into these particular colonias  
3 because there were several times they had asked me why are  
4 we not helping these families as we were touring these  
5 colonias in [indiscernible] and other big colonias in El  
6 Paso, and I started to explain to them about the water  
7 requirement that the HUD funds require.

8           And I had asked if that was statutory or  
9 regulatory, and the deputy chief of staff for Mel  
10 Martinez, which is one of the top five senior staff  
11 members for Martinez, directed the other five HUD staff  
12 members to research that and to give him an opinion so  
13 they can take it under consideration. But we do have the  
14 rider again on our appropriations as far as I know to do  
15 another 400 contract for deed conversions at our next  
16 biennium.

17           MS. BINGHAM: But not addressing the water  
18 issue specifically, because they'll never meet the HUD --  
19 what they call housing quality standards without the  
20 water. They won't.

21           MR. CABELLO: I don't know if you want me to go  
22 into more detail at this time about the --

23           MS. STINER: I think we'll let Mr. Lyttle  
24 finish his legislative report.

25           MR. LYTTLE: Actually, unless anybody has any

1 other questions, I'm finished with the brief report.

2 (No response.)

3 MR. LYTTLE: Thank you.

4 MS. STINER: Mr. Cabello, I didn't mean for you  
5 to leave. While we're on that subject it's a good segue  
6 into what I had hoped you could brief the Board on your  
7 trip with the HUD advance team in the colonias this week.

8 MR. CABELLO: As I mentioned, I was in El Paso  
9 since Monday -- I got back yesterday with Judge Daross --  
10 with the HUD advancement team: Phillip Munser, who's the  
11 deputy chief of staff for Secretary Martinez -- he's one  
12 of five senior staff members -- Eric Terrell, who's part  
13 of the White House staff and also part of the HUD staff.  
14 I'm not quite sure how that all works. I know that he was  
15 up in Canada with the president when the hemisphere people  
16 were up there meeting in Canada. He went from deep snow  
17 to desert, so he went from one extreme to another.

18 Mario Ortiz from HUD from Washington was also  
19 there, and then they had two representatives from their  
20 Lubbock office.

21 They were -- we met with various nonprofits,  
22 with about six or seven nonprofits to talk about the  
23 issues they face as practitioners in moving the dollars  
24 they get from this agency and other agencies and what are  
25 their concerns, and we had a roundtable discussion to talk

1 about the colonia issues.

2 We also toured colonias on Monday and  
3 yesterday, especially the ones that didn't have water and  
4 wastewater services, and they also walked into some of the  
5 homes and saw some of the outhouses and some of the  
6 cesspools that these people live on a daily basis. And  
7 one of the issues that I brought up with them was  
8 relocation. It's a very sensitive issue.

9 But I was telling them that we had done a  
10 report last year per the request of the Senate Border  
11 Affairs Committee, of which I gave them a copy -- was that  
12 I don't know -- we believe it's more cost effective to  
13 relocate these families because by the time you extend the  
14 water and wastewater, do the hookups, rehabilitate the  
15 homes, pave the streets, and drain -- the flood control,  
16 you're expending over \$70,000 per household, and you could  
17 easily relocate them to another area, and that was a  
18 policy issue that they were going to go back and look  
19 into.

20 They made it very clear that there will be no  
21 new money coming from HUD in reference to the HUD  
22 appropriations to Congress, but it didn't take away from  
23 the fact that they'll look for additional funding within  
24 their current budget structure, and that was something  
25 that they were interested in.



1           We also had extensive discussion about FHA,  
2 about how they can play a role in addressing the border  
3 housing and colonia issues. They did give us plenty of  
4 compliments. They said that Texas, more particularly our  
5 agency, were head and shoulders above all the other  
6 states, and that they want to make an official --

7           MS. BINGHAM: Are they telling everybody that?

8           MR. CABELLO: There were some New Mexico people  
9 there.

10          MR. CONINE: It might have something to do with  
11 who's in the White House.

12          MR. CABELLO: They want to make an official --  
13 they want the agency to be an official partner for HUD for  
14 the colonia issues. They're thinking about having some  
15 official announcement or whatever they do in June or July  
16 of this year.

17          Secretary Martinez will be going down to El  
18 Paso to tour the colonias. In my experience with the  
19 colonias El Paso has the worst colonias in the state in my  
20 opinion. And he will be touring the colonias in May of  
21 this year, next month. We're not quite sure what date. I  
22 believe that's when Ms. Stiner and Ms. Sidera will be  
23 joining the tour.

24          What else? They're also very interested in our  
25 self-help programs. They're very -- a lot of

1 administration work on our side, but they took very --  
2 they toured the colonia self-help centers, and they're  
3 also very interested in our Texas Bootstrap program which  
4 came up through one of the colonia organizations, and they  
5 took special interest in that, and they want to see how  
6 they can help us and possibly get us more funds for that  
7 type of a program.

8 One last thing, not to bad mouth one of our  
9 fellow agencies. Governor Perry had talked to Phillip  
10 Munser, the deputy chief of staff, and he touted the  
11 secretary of state's office, and he was very disappointed  
12 that the secretary of state's office didn't attend the  
13 tours, but he was very impressed of our knowledge and  
14 experience in the colonias. Other projects that the HUD  
15 office put on the itinerary, we had a hand in it one way  
16 or another, so it made our agency look good on that issue.

17 And that was about it. It was a three-day  
18 tour, and we spent about 14 or 15 hours a day talking  
19 about colonias, so my brain is --

20 MS. STINER: Thank you.

21 And, Mr. Chairman, if I may, not only did I  
22 want Mr. Cabello to give you an overview of that tour, but  
23 he mentioned that the secretary would be here next month,  
24 and as soon as we get that date I'd like to, as much as  
25 possible, coordinate that with any members of the Board

1 who may wish to accompany that group on tour. Just as  
2 long as we can get the logistics straight and give you  
3 plenty of advance warning I think it might be an  
4 opportunity.

5 I note the members of this board on many  
6 occasions have been down to the colonias, but if the  
7 secretary's here and you would like to it will be an  
8 opportunity for board members to also accompany the staff  
9 on that particular tour with the secretary.

10 Thank you.

11 MS. BINGHAM: And when they come to Houston we  
12 normally make them bring a check.

13 MR. JONES: We may need to put Ms. Bingham in  
14 charge of that aspect of it. I'll --

15 MS. STINER: If that's the resulted outcome.

16 MR. JONES: Yes. If that's the way she handles  
17 it.

18 When you say next month are you referring to  
19 May?

20 MS. STINER: Yes, sir. May.

21 MR. JONES: Do you have any idea what kind of  
22 timetable for the board members?

23 MS. STINER: No dates yet. I haven't --

24 MR. CABELLO: They're thinking about the 18th,  
25 around the 18th, but they needed to get with the

1 secretary's schedule to see if that was a viable date.  
2 But it just came up in conversation.

3 MR. JONES: Okay. Thank you.

4 MS. STINER: Mr. Chair, I have several things  
5 listed on the report items. The neighborhood partnership  
6 program portfolio is here, and Ms. Morris, unless there's  
7 something outstanding we could note on that report, but if  
8 the Board may recall, that was a program that this  
9 department implemented several years ago. We no longer  
10 offer the interim construction line under that program,  
11 but we still have several of those -- had several of those  
12 developments in our portfolio, and we wanted to offer you  
13 a report on the status.

14 I think as we speak all those have closed out  
15 and terminated.

16 Ms. Morris, is there anything -- I just wanted  
17 to bring the Board up to date. Will you come forward and  
18 do a quick overview of where we are on that, please?

19 MS. MORRIS: Pam Morris once again.

20 I included in my report for Ms. Stiner what we  
21 had in essence taken back over from TSAHC, or Texas State  
22 Affordable Housing Corporation, when we split our  
23 administrative agreement with them, and it was a  
24 significant portion of the neighborhood partnerships.  
25 There still are a few isolated HOME contracts that were

1 originally part of it, but that's just a minor amount and  
2 they actually go through the full HOME process and close  
3 out and -- performance as any other HOME contract.

4 But there were a majority of them that Texas  
5 State Affordable Housing Corporation had basically run out  
6 of funds for, and we tried to honor those commitments at  
7 least for another year for down payment assistance, and  
8 then we also had development loans that we had booked  
9 originally at TDHCA that we still had on the books.

10 For the most part all of them that we took over  
11 out of the -- I believe there's about six total that we  
12 had, six or seven, the down payment assistance is all  
13 expired with the exception of a couple of them that had  
14 very little activity on down payment assistance. The  
15 development loans have matured and paid in full, with the  
16 exception of two, which is M&R Concepts [phonetic] still  
17 has a land loan in Tyler that is on the books, and we're  
18 trying to go through a workout on that particular one, and  
19 then Rites of Passage [phonetic], which was also a  
20 development loan in Walnut Creek Hills of Decker Lake here  
21 in Austin has a small balance as well, but otherwise  
22 they've all matured and paid in full and the down payment  
23 has been exhausted -- or expired.

24 MS. STINER: Thank you. And I'm sorry. I  
25 thought we had distributed the report to the board members

1 but we will get them copies.

2 MS. MORRIS: Yes.

3 MS. STINER: But that's an overview. We just  
4 want to bring you up to date on how those closed out in  
5 our portfolio.

6 MR. JONES: And if you would please note that  
7 with regard to that M&R Concepts deal I'm totally recused  
8 from that. I know this is a report. We don't have it as  
9 an agenda item, so I did not know it was going to come up.

10 MS. STINER: Okay.

11 MR. JONES: But please don't supply me with any  
12 of the information about that.

13 MS. STINER: Okay.

14 Thank you, Ms. Morris.

15 The other three issues should move very  
16 quickly. We want to provide you an update on the  
17 concentration issue for multifamily projects that the  
18 Board asked us to put together some public hearings.

19 David Burrell, will you come forward and share  
20 with the Board what that hearing schedule is?

21 MR. BURRELL: Good afternoon, Mr. Chairman,  
22 members of the Board, and Ms. Stiner.

23 Back at the last meeting the Board had a  
24 concentration policy presented by the staff, and at that  
25 time some of our members felt that we should obtain some

1 public comment, and so what we did was we went back and  
2 prepared a schedule of public hearings over the next  
3 several days. We have scheduled our first meeting for  
4 next Monday, April 30, in Dallas. It will be at 6:00 p.m.  
5 Then on May 1, which will be next Tuesday we have one  
6 scheduled in Austin here in the board room at 1:00 p.m.

7 On Wednesday, May 2, in McAllen we have one  
8 scheduled at 6:00 p.m., and on Wednesday, May 9 we have  
9 one scheduled in Houston, and it will be at 6:00 p.m. We  
10 will also be taking written comments from the public, and  
11 once we get all these comments in we will get them  
12 together, present them to you with our recommendations  
13 again.

14 MS. STINER: Mr. Burrell, that notice of the  
15 public hearings is in the Texas Register?

16 MR. BURRELL: It's in the Texas Register and we  
17 also have it on our website.

18 MS. STINER: Thank you, and we can of course if  
19 the members do not have access to the website, can we make  
20 a note and fax them out that hearing schedule, please?

21 MR. BURRELL: Yes. We'll make sure everyone  
22 has it.

23 Thank you all.

24 MS. STINER: Thank you, sir.

25 Mr. Byron Johnson will make the next two

1 presentations on the last two committee reports, so while  
2 he's up here he can combine them and move fairly quickly.

3 MR. JOHNSON: I want to say good afternoon to  
4 our highly valued existing board members and welcome to  
5 our new board members. My name is Byron Johnson and I'm  
6 your director of bond finance.

7 The next two items -- if you recall last month  
8 we presented an item that was a very unique and innovative  
9 method of raising some financing for single-family  
10 mortgages. We requested that we be given the opportunity  
11 to research and explore it further, and we did that and  
12 decided that at this time we would like to wait and let  
13 some legislative developments occur that pertains to the  
14 ten-year rule.

15 So we're not exactly killing the initiative but  
16 we're just postponing it and waiting to see what happens  
17 at the federal level.

18 MS. STINER: May I just add a comment here, Mr.  
19 Chair and board members? Our national association of --  
20 NCSHA has put this at the top of its legislative list, and  
21 I may just share with you that Governor Perry has agreed  
22 to sign on in support of a repeal of the ten-year rule and  
23 the 32-year rule, so in order for us to move forward on  
24 this as Mr. Johnson has indicated we'd like to see what's  
25 going to happen at the national level relative to the



1 repeal of both of those rules, then at that time we'd be  
2 in a better position and depending on what happens the  
3 legislation would be more favorable for this kind of  
4 transaction.

5 But Mr. Lyttle has been tracking that for us,  
6 and that letter should be moving shortly to the president  
7 from our governor supporting the appeal of those two  
8 rules.

9 Thank you.

10 MR. CONINE: Can I ask, is that going to be on  
11 the tax bill? It's not a standalone, surely.

12 MR. JOHNSON: I'm not certain.

13 MR. CONINE: Mike, do you know?

14 MR. LYTTLE: HR 951 -- that's the bill number  
15 on it.

16 MR. CONINE: Is it a standalone or is it part  
17 of the tax bill?

18 MR. LYTTLE: No. It's not part of the tax  
19 bill.

20 MS. STINER: It's a standalone --

21 MR. LYTTLE: It's a standalone bill.

22 MS. STINER: It's a standalone, but the way  
23 these things usually happen is that they get attached to  
24 the tax bill eventually.

25 MR. CONINE: HR 951 you said?

1 MR. LYTTLE: Yes, sir.

2 MR. CONINE: Thank you.

3 MR. JOHNSON: I'll be glad to entertain any  
4 other questions.

5 (No response.)

6 MR. JOHNSON: Okay. Moving on to the other  
7 item, as you recall we approved last month also to issue  
8 an RFP for investment banking services. I believe Delores  
9 has passed out to you a copy of that RFP with a copy of  
10 the proposed schedule attached. I just wanted to  
11 highlight some key dates for you.

12 We're submitting the notice to the Texas  
13 Marketplace tomorrow, April 27. We're posting the RFP on  
14 our website tomorrow, and we're going to mail the RFP out  
15 to investment banking firms. We've also received requests  
16 from firms and we will also be forwarding copies of the  
17 RFP out to them.

18 The responses from the investment banking firms  
19 will be due on May 18, and we will notify -- after we  
20 receive the RFPs staff will take a look at them and send  
21 out our recommendations to the Board. Then we'll wait for  
22 the Board's recommendations and compile that and notify  
23 firms thereafter of which firms have been selected for  
24 being interviewed. And then we'll interview the short  
25 list of candidates on June 19 and make a presentation to

1 the Board on June 20.

2 And if you have any questions regarding this  
3 process I'll be glad to answer them.

4 MS. BINGHAM: Is June 19 a holiday?

5 MS. STINER: Yes. It is a holiday in Texas. I  
6 think the state recognizes it as an optional holiday, and  
7 I'm not sure if our board meeting is scheduled for June  
8 19.

9 MR. JOHNSON: Our board meeting is scheduled  
10 for June 20, and the idea is we would have the interviews  
11 the day before the board meeting.

12 MR. JONES: The board meeting is on that --  
13 that's probably going to be an inconvenient date from what  
14 I've heard from our new board members, which would let us  
15 have to reschedule this board meeting.

16 That's going to be an inconvenient date I  
17 believe because it's the third Wednesday and we found out  
18 we couldn't do that, which led to the rescheduling of this  
19 board meeting.

20 MR. CONINE: Next month also.

21 MR. JONES: Yes. Next month we may have the  
22 same problem, but we're not prepared -- and I do want to  
23 thank the Bond Review Board. Both the executive director  
24 and myself talked with the Bond Review Board and they were  
25 very nice to us in light of the scheduling problems we had

1 with our last board meeting where we really would not have  
2 had a quorum if we tried to go through with the originally  
3 scheduled date and they were very nice to us.

4 But they also informed us that we couldn't  
5 depend on their good graces on any other occasion, so that  
6 being the case I know that Ms. Stiner is going to check  
7 for me and make sure that we have our next board meeting  
8 ahead of the Bond Review Board meeting, because she  
9 believes we may have the same problem next month.

10 And I do also know we need to move away from  
11 those third Wednesdays due to some new board members'  
12 scheduling conflicts, so I'll be back in touch with  
13 everybody about board dates as soon as I could.

14 The other issue that has been raised also is  
15 the issue of the secretary's visit. We might schedule  
16 around that, so my thought is if you could get back with  
17 me on all that I'll be happy to get back with the Board as  
18 quick as I know something.

19 MS. STINER: Yes, sir. We'll be on top of that  
20 and back to you as soon as we can.

21 MR. CONINE: For the balance of the year?

22 MR. JONES: Yes. We're going to have to  
23 reschedule for the balance of the year.

24 MR. CONINE: Okay.

25 MR. JOHNSON: I'll make the changes to the

1 schedule and just state it that June and the date will be  
2 announced later.

3 MS. STINER: As per the dates that the chair  
4 and the Board decides on we'll adjust our RFP schedule.

5 MR. JOHNSON: That's all I have.

6 MS. STINER: Unless the Board has questions,  
7 Mr. Johnson, thank you.

8 And that concludes our reports for the Board,  
9 Mr. Chair.

10 MR. JONES: Any further questions for our  
11 executive director?

12 (No response.)

13 MR. JONES: Hearing none, I do not believe  
14 there is any reason for executive session. Accordingly, I  
15 think we've completed our agenda. The chairman would  
16 entertain a motion to adjourn.

17 MR. DAROSS: So moved

18 MR. CONINE: Second.

19 MR. JONES: All in favor of the motion, please  
20 say aye.

21 (A chorus of ayes.)

22 MR. JONES: We're adjourned.

23 (Whereupon, at 1:30 p.m., the meeting was  
24 concluded.)

C E R T I F I C A T E

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MEETING OF: TDHCA Board Meeting  
LOCATION: Austin, Texas  
DATE: April 26, 2001

I do hereby certify that the foregoing pages, numbers 1 through 110, 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 and Community Affairs.

\_\_\_\_\_  
(Transcriber) 05/01/01  
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