

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 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.)

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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.

05/01/01

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