

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

9:30 a.m.  
Tuesday,  
July 31, 2001

State Capitol Extension  
1400 Congress  
Austin, Texas

BOARD MEMBERS:

MICHAEL JONES, Chairman  
ROBERT BREWER  
JAMES DAROSS  
SHADRICK BOGANY  
VIDAL GONZALEZ  
C. KENT CONINE  
MARSHA WILLIAMS  
LYDIA SAENZ  
NORBERTO SALINAS

STAFF PRESENT:

DAISY STINER, Executive Director  
DELORES GRONECK

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P R O C E E D I N G S

1  
2 MR. JONES: It's my privilege to call to order  
3 the board meeting for the Texas Department of Housing and  
4 Community Affairs for July 31, 2001.

5 The first thing I'd like to do is give a  
6 special thank you to Representative Bill Carter, chairman  
7 of the Urban Affairs Committee, who is the sponsor of us  
8 using the Capitol Auditorium today.

9 State agencies can use the other rooms, but  
10 anyone who wants to use the auditorium must have a  
11 sponsor, and this has to be either a member of the House  
12 of Representatives, the Senate, or the Governor's Office.

13 And Chairman Carter has so graciously agreed to be our  
14 sponsor.

15 In fact, Chairman Carter has been a real friend  
16 of this Department on many, many occasions. And we thank  
17 him for everything he does for us. And we do appreciate  
18 him allowing us to be here.

19 I think, for this particular meeting, at this  
20 time of the year it's the most comfortable situation we've  
21 ever been in. And I certainly thank him for that.

22 I know we have a number of special guests, but  
23 I would like to recognize Donna Chatham, who is here from  
24 the Urban Affairs Committee. Donna?

25 I thought she was here; maybe she's not. All

1 right. Well, if she comes, I'll be happy she's here.

2 With that, if I would, I have a number of  
3 people who would like to participate in the -- oh, first,  
4 we'd better certify the quorum, hadn't we?

5 James Daross?

6 JUDGE DAROSS: Here.

7 MR. JONES: Shadrick Bogany?

8 MS. BOGANY: Here.

9 MR. JONES: Robert Brewer?

10 MR. BREWER: Here.

11 MR. JONES: Kent Conine?

12 MR. CONINE: Here.

13 MR. JONES: Mr. Gonzalez?

14 MR. GONZALEZ: Here.

15 MR. JONES: Ms. Saenz?

16 MS. SAENZ: Here.

17 MR. JONES: Mayor Salinas?

18 MR. SALINAS: Here.

19 MR. JONES: And Ms. Williams.

20 MS. WILLIAMS: Here.

21 MR. JONES: And the chair is here -- and  
22 everybody is here, and we do have a quorum.

23 The next item on our agenda is public comment,  
24 and I have a number of people who have submitted witness  
25 affirmation forms that would like to speak to the board.

1 In going through these, it appeared that  
2 everyone who had submitted one wished to speak with regard  
3 to the tax credit issues. Is that correct?

4 (No response.)

5 MR. JONES: Is there anybody that would like to  
6 speak to other issues?

7 (Inaudible response.)

8 MR. JONES: Yes. Thank you.

9 MS. FORD: I'd like to speak regarding the  
10 capacity building awards.

11 MR. JONES: Excuse me?

12 MS. FORD: I'd like to speak regarding the  
13 capacity building awards.

14 MR. JONES: Okay. Would you like to speak now  
15 or would you like to speak when that issue comes up?

16 MS. FORD: When that issue comes up.

17 MR. JONES: Thank you. Please remind me of  
18 that, too, if, for any reason, we get by. Is there  
19 anybody else that would like to speak on other issues?

20 Seeing that, I've talked to Ms. Stiner, and  
21 what we would like to suggest is that staff has a  
22 presentation with regard to the tax credit items, and that  
23 we allow staff to make that presentation to the board and  
24 then that we take public comment concerning those tax  
25 credit items after that.

1           And I think that might be the most orderly way  
2 to proceed unless one of my fellow board members might  
3 object. Hearing no objections that the way, I suggest  
4 that we proceed.

5           Moving then from public comment to item number  
6 1 on our agenda, which is the presentation, discussion,  
7 and possible approval of minutes of the board meeting of  
8 July 12, 2001.

9           JUDGE DAROSS: I move the minutes be approved  
10 as mailed.

11          MR. JONES: We have a motion they be approved.  
12 Is it seconded? That was by Judge Daross.

13          MR. BOGANY: Second.

14          MR. JONES: It's been seconded by Mr. Bogany.

15          Any discussion? Comments? Amendments?

16          (No response.)

17          MR. JONES: Hearing none, I assume we're ready  
18 to vote.

19          All in favor of the motion please say aye.

20          (A chorus of ayes.)

21          MR. JONES: All opposed nay? The ayes have it.

22          VOICES: Abstained.

23          MR. JONES: Okay. We have three people  
24 abstained -- Ms. Williams, Ms. Saenz, and Mr. Conine. All  
25 right. Motion passes.

1                   With that, we'll turn to item 2 on the agenda,  
2 which is the presentation, discussion, and possible  
3 approval for Low-income housing Tax Credit items. And I  
4 will refer it to staff's presentation. And, also, I  
5 believe, board members, this is going to be a visual  
6 presentation and we may want to go sit in the audience.

7                   (Board members move to audience.)

8                   MR. NJIE: Good morning, board members, ladies  
9 and gentlemen. My name is Cherno Njie, manager of the  
10 tax-credit program. Before we begin the slide  
11 presentation, I wanted to give a brief overview of the  
12 allocation process for this year.

13                   In this allocation round the Department's  
14 recommendation will provide housing opportunities for a  
15 diverse group of low income and very low income tenants in  
16 all areas of the state through the utilization of the  
17 regional allocation process.

18                   The overall demand versus available credit  
19 statewide was three to one, with some regions showing more  
20 demand than others. The qualified allocation plan  
21 provides the Department with some opportunity to provide  
22 adjustments to the regional targeted amount and set-asides  
23 depending on the level of demand exhibited provided we  
24 maintain the federally-mandated 10 percent non-profit set-  
25 aside.

1           Our primary goal in evaluating projects through  
2 the threshold and selection review process is to ensure  
3 consistency and fairness in the evaluation of the  
4 applicants. We do that by setting up a peer review  
5 process of at least two staff members at each stage of the  
6 evaluation.

7           Furthermore, after the threshold review we send  
8 deficiency notices to applicants to clarify  
9 inconsistencies in the application or incomplete  
10 information.

11           The Department's underwriting staff, together  
12 with the program staff, with the assistance of our  
13 regional offices, conduct site evaluations to assess the  
14 suitability of the different locations. The underwriters  
15 also completed the evaluation of financial feasibility for  
16 each project.

17           The compliance division reviewed the compliance  
18 record of all the applicants, as a result of which several  
19 were disqualified due to material noncompliance for  
20 projects that they currently operate in the program.

21           Although our recommendations was determined  
22 mainly by points, the Department took into account several  
23 other factors. For example, in each region we took into  
24 account the project's contribution to community  
25 revitalization and also the number of existing tax credit

1 allocations in that city relative to its population.

2 Support of services were also important part of  
3 the evaluation. Some of these services included computer  
4 learning centers to provide computer training for tenants,  
5 adult education services, health screen, et cetera.

6 The Department also provided consideration for  
7 projects involving joint ventures between non-profit and  
8 for-profit entities and those controlled by women or  
9 minorities.

10 To ensure that the projects proceed as planned,  
11 the recommendations are going to be subject to a number of  
12 conditions. Firstly, carryover allocations must be  
13 completed by the second Friday in October this year.  
14 Number two, the project owner must close the construction  
15 loan by the second Friday in June 2002. And thirdly the  
16 project owner must commence and continue substantial  
17 construction not later than second Friday in 2002 as well.

18 Staff will be seeking recommendations regarding  
19 the issuance of forward commitments as well and to develop  
20 a waiting list should the present applicants being  
21 recommended are unable to proceed for whatever reason. We  
22 will seek that the board provide us with some flexibility  
23 to choose from among these projects in order to meet our  
24 10 percent set-aside and to also be able to utilize the  
25 available credits.

1           With that, I'll be -- I'm happy to turn it over  
2 to Brooke Boston to go over the slide presentation.

3           MS. BOSTON: Hi. My name is Brooke Boston.  
4 I'm the program analyst for the tax-credit program. As  
5 Cherno mentioned, we will be presenting on the actual --  
6 some of the numbers behind the recommendations this year.

7           The goal of the agency is to encourage  
8 diversity through allocating our credits as much as we can  
9 across the state and across the different regions and  
10 getting the maximum bang for our buck for our credits.

11           To make sure that adequate public input was  
12 received, we had two series of hearings. The first  
13 hearing we had seven in both metropolitan and rural areas.

14           And that gave people an opportunity to comment on the  
15 QAP, which is the qualified allocation plan and rules.  
16 It's the document that governs our program.

17           At that time people were able to give comment  
18 on the evaluation factors, selection criteria, and  
19 threshold criteria that we've used to actually evaluate  
20 the applications this round.

21           The next set of hearings that we held were  
22 actually after all the applications had come in. And,  
23 again, we went to metropolitan Amarillo areas and gave  
24 people an opportunity to speak either in support or  
25 opposition of the 162 applications that came in.

1           This year we issued 167 numbers. The first  
2 five were issued to forward commitments that were made  
3 last year for 2001 credits. Out of the 162 applications  
4 we received six were withdrawn by the applicant, 13 were  
5 determined, 102 were underwritten, and 41 were not  
6 underwritten.

7           Upon receipt of the applications the staff  
8 reviewed them for threshold criteria. At that point we  
9 give -- have an opportunity for applicants to -- as Chernobyl  
10 mentioned, to make revisions to specific administrative  
11 errors.

12           We give people three days to submit those  
13 documents. On the fourth day the applicant would lose  
14 five points. On the fifth day they'll lose another five  
15 points. And at close of business on the fifth day the  
16 application would actually be terminated. This year we  
17 issued 150 of those deficiency notices.

18           At the same time that we're reviewing  
19 applications for threshold and selection criteria our  
20 compliance division is also reviewing those applications  
21 to make sure that the applicant entities associated with  
22 those applications do not have any instances of material  
23 noncompliance. In the case that someone does have  
24 material noncompliance those are terminated. And this  
25 year there were six applications that had that event

1 occur.

2 We also look to make sure, in reviewing our  
3 allocation recommendations, that no one applicant receives  
4 more than 1.8 million credits and that no one project  
5 exceeds more than \$1.2 million in credits.

6 Chernow mentioned some evaluation factors. In  
7 accordance with our QAP, in addition to scoring and  
8 underwriting, we are required to look at several other  
9 factors.

10 The first factor is project feasibility. We  
11 look to make sure that the credits are actually the proper  
12 amount to make sure that the financial feasibility can  
13 take place. We also make sure that the project is going  
14 to be a viable low income development over time.

15 We also look at the geographic dispersion of  
16 credits within each region. We also evaluate the  
17 concentration of tax credits and any other affordable  
18 developments within the markets or submarkets.

19 We look at site conditions. Every single site  
20 is visited. And staff ranked them based -- excuse me, not  
21 ranked -- but they evaluate them based on a score rating  
22 of excellent, acceptable, poor, or unacceptable.

23 We also evaluate the experience of the  
24 development team to ensure that, as a group, they will be  
25 able to pull off a successful project.

1           Likewise, we evaluate housing type so that we  
2 might serve a broader segment of the population. And the  
3 type in this instance would be elderly versus family.

4           We also make sure that the projects that we  
5 allocate meet the goals of our program. We also try to  
6 make sure that we're serving the needs of the local  
7 entities which could involve local preservation plans,  
8 revitalization -- whatever the case is.

9           And then, finally, we also would like to make  
10 sure that we allocate credits among as many different  
11 entities as practicable without diminishing the quality of  
12 the housing.

13           This year one of the big changes was adherence  
14 to a regional allocation formula, which was passed as law.

15           Basically, the regional allocation formula is developed  
16 based on housing need across the state. There are eleven  
17 service regions, and each amount -- each region has a  
18 targeted amount based on the formula that we strive to  
19 reach.

20           The formula is based on three components, which  
21 includes severe housing cost burden on very low income  
22 renters, substandard housing stock that's occupied by low  
23 income renters, and poverty levels.

24           In addition, because tax credit developments  
25 that are associated with bond deals are able to occur in

1 larger metropolitan areas, we also account for that in  
2 developing the regional allocation formula.

3 This map just depicts the state broken out into  
4 the eleven service regions.

5 The pie chart depicts basically the credit that  
6 we had to allocate this year, excluding the 2001 forward  
7 commitments -- those first five projects that I  
8 mentioned -- broken out into regions showing what the  
9 targeted amount should be for each of those regions by  
10 both percentage and dollars. And there were handouts out  
11 front as well that have the slide show in there, so you  
12 can have these numbers to take home with you.

13 This actually shows what we are recommending as  
14 an allocation to the board broken out in the same way. It  
15 shows the percentage and the dollar figure for each  
16 region, with our total credit allocation recommendation  
17 being 27.9 million.

18 This shows -- we had a legend, but it kept  
19 messing up. The red stars are actual recommended awards.

20 The small black triangles represent applications made.  
21 And the little blue symbols, which, unfortunately, aren't  
22 coming out very well, recommend forward commitments.

23 For each of the new few slides I'm just going  
24 to go over -- we have some basic statistics for each of  
25 the regions. We're going to go with the regional target,

1 which is what we're shooting for based on the allocation  
2 plan, the number of credits that were actually requested,  
3 the number of applications made, the recommended credit  
4 amount, the number of recommended awards, the number of  
5 recommended low income units, the percentage of the  
6 state's population in that region, and the percentage of  
7 the actual allocation that we're recommending to the  
8 board.

9 In Region 1 people requested \$1.7 million in  
10 credits. We're recommending 1 million. And that will be  
11 155 low income units.

12 In Region 2 our target was .7 million. We are  
13 recommending .9 million, which will be two developments  
14 with 114 units.

15 In Service Region 3 we were targeting 4.5  
16 million. We're recommending 4.7 million with nine awards  
17 totaling 696 low income units.

18 In Region 4 people requested -- excuse me. We  
19 were targeting 1.6 million. We are recommending 1.8  
20 million, which will be through six developments with 339  
21 low income units.

22 In Region 5 the target was \$1.2 million. We're  
23 recommending \$1.2 million, which will be 212 low income  
24 units with three park developments.

25 In Service Region 6 the regional target was 5.4

1 million. We're recommending 5.9 million, which will be  
2 942 units at ten different developments.

3 In Service Region 7 we were targeting \$2.1  
4 million, with a credit -- recommended credit amount of \$2  
5 million, which will be through four developments with 276  
6 low income units.

7 In Region 8A we were shooting to hit 3.0  
8 million, and we are recommending 3.1 million, which is  
9 seven developments with 574 low income units.

10 In Region 8B the target was \$5.4 million.  
11 We're recommending 4.3 million, which ten developments  
12 with 768 low income units.

13 In Region 9 the target was .8 million, and  
14 we're recommending 1 million with four developments at 200  
15 low income units.

16 And in Region 10 we were targeting 1.6 million.  
17 We're recommending 1.6 million with eight developments  
18 totaling 262 low income units.

19 This basically shows -- to the left of the  
20 screen is what people requested, and to the right is the  
21 recommended to the board. And it breaks it out by our  
22 set-asides. This year we had, not only the rural set-  
23 aside and non-profit set-aside that we've had in the past,  
24 but also an elderly set-aside.

25 This just shows the actual breakout of credits

1 by construction type between the requested and the  
2 recommended. Basically, new construction was \$89  
3 million -- requested 4.6 million for rehab. And we're  
4 allocating 31 million for new construction and .77 for  
5 rehab is recommended.

6 I'd also like to point out that there's a -- it  
7 looks like a very dramatic difference between  
8 rehabilitation and new. Rehabilitation developments  
9 typically don't use the same -- the development costs are  
10 less than a brand-new development because they do have a  
11 structure to start with and everything. We do require  
12 that a rehabilitation project have a minimum of \$6,000 in  
13 rehab per unit.

14 This just shows our credit distribution for the  
15 requested credits and the recommended credits broken out  
16 by type of housing, which is the population served --  
17 family and elderly.

18 And this actually shows the same issues that we  
19 just showed, but by units instead of by credit dollars,  
20 broken out between new versus rehab and elderly versus  
21 family. And, as you'll note, we're going to have -- we'll  
22 be creating, based on this recommendation, 7,100 units of  
23 housing.

24 This just shows affordable low income units --  
25 a breakout by the -- 46 percent of the low income units

1 will serve people at 50 percent of area median income or  
2 lower and 54 percent -- well, serve about 60 percent of  
3 area median income. And also 29 units are at 30 percent  
4 rents.

5 This just actually shows the recommended units  
6 by -- broken down by bedroom size. The bulk of them, as  
7 you can see, are two-bedroom units, with the remainder of  
8 units going to one and three bedroom.

9 And just some final statistics that show  
10 averages across the different awards. The average credit  
11 award was \$450,000. The average credits per unit was  
12 \$5,700. The average cost per unit was roughly \$69,000.  
13 Looking at about 970 square feet per unit for their size.

14 About 92 units per development. And the average credit  
15 value this year was 77 cents. And that summarizes our  
16 presentation.

17 (Pause.)

18 MS. STINER: Thank you, Mr. Johnson. Thank you  
19 on behalf of the staff. Mr. Jones now will be taking  
20 public comments on the tax credit allocations.

21 MR. JONES: Thank you, Ms. Stiner. The first  
22 person I have is Mr. Eric Boutte, and, if you would, come  
23 right into the podium, sir.

24 MR. BOUTTE: Good morning to the members of the  
25 board.

1 MR. JONES: Good morning.

2 MR. BOUTTE: My name is Eric Boutte. And, on  
3 behalf of State Representative Joe Deshotel, as chief of  
4 staff, we're here in support of the Port Arthur Townhome  
5 Project.

6 And part of our process -- when requests do  
7 come to our office, one of the things we try to find out  
8 is how much community support is there. And the project  
9 persons here that are associated with this project have  
10 been involved extensively in the community in providing  
11 not only information, but helping in planning for the need  
12 of affordable housing in our community.

13 The Representative also wanted me, for the  
14 record, to enter this letter of support, too, if that's  
15 okay with you guys.

16 MR. JONES: Thank you.

17 MR. BOUTTE: But that's it for our testimony,  
18 if that's okay.

19 MR. JONES: Thank you. Please thank the  
20 Representative.

21 MS. STINER: I want to read this into the  
22 record.

23 MR. JONES: Yes. And I think Ms. Stiner has  
24 something else she'd like to read into the record. Thank  
25 you, sir.

1 MS. STINER: Thank you. To the board,  
2 Secretary Henry Cuellar's office would like read into the  
3 record that the Secretary supports Clark Crossing in Webb  
4 County -- would like for that to be reflected in the  
5 record. Thank you.

6 MR. JONES: And I'll also submit this letter  
7 into the record. The next affirmation form I have is from  
8 Ms. Savoy.

9 MS. SAVOY: My name is Jackie Savoy, and I'm  
10 the district director for Congressman Nick Lampson. For  
11 the sake of time, we'll submit a letter from the  
12 Congressman stating his continued support for their  
13 project 01130. And that's all I have. Thank you.

14 MR. JONES: Thank you, ma'am.

15 MR. SALINAS: Excuse me, Mr. Chairman. Are  
16 these projects that did not get approved or --

17 MR. JONES: Uh --

18 MS. STINER: It did.

19 MR. JONES: Yes, they'll go both ways.

20 MR. SALINAS: These projects did not get  
21 recommended by staff or --

22 MR. JONES: No. They will be speaking on some  
23 that did not and some that did.

24 MR. SALINAS: These last two ones, did they get  
25 recommended by the staff?

1 MR. JONES: I'll let Ms. Stiner --

2 MS. STINER: May we see that -- the staff --

3 MR. JONES: The answer is, both of these were  
4 recommended.

5 MR. SALINAS: Recommended by staff. Okay.

6 MR. JONES: Okay. If you would, Ms. Stiner,  
7 you can inform us as we go.

8 The next witness affirmation form I have is  
9 from Ms. Christine Myers. Ms. Myers?

10 And Ms. Myers, I believe, wants to testify  
11 regarding Outspan Townhomes. And I believe that was  
12 recommended by staff.

13 MS. MYERS: Board members, ladies and  
14 gentlemen, my name is Christine Myers, and I would like to  
15 thank you for the opportunity to support the proposed  
16 development for Outspan Townhomes.

17 I would like to bring to your attention a few  
18 unique aspects of this development. Number one, Outspan  
19 Townhomes is in an area that is in need of refurbishing of  
20 revitalization. Number two, it is a townhome community  
21 with attached garages, not apartments, which makes us  
22 perfect for families and more appealing to families as  
23 well.

24 This development scored the highest in San  
25 Antonio. The developer has a successful record of

1 completing the projects. Some of the amenities include a  
2 junior-size olympic swimming pool, a clubhouse which  
3 includes a rental office, community center, support  
4 services office, laundry facilities, computer room with  
5 internet connection and business center. There's heavy  
6 natural landscaping and a basketball court, children's  
7 play area, car wash area, property mail center, and  
8 24-hour security gates.

9 In conclusion, Outspan Townhomes has a huge  
10 community support. I also brought some signatures to give  
11 to you all in support of that from the community. And I  
12 urge you to kindly consider this development which will  
13 make the dreams of many people a reality. Thank you.

14 MR. JONES: Thank you. The next witness  
15 affirmation form I have is for Ms. Sheneka Johnson.

16 (No response.)

17 MR. JONES: Ms. Johnson?

18 (No response.)

19 MR. JONES: Ms. Johnson. We think we have it  
20 right. Shemeka? Could it be Shemeka?

21 (No response.)

22 MR. JONES: Okay. The next one I have is Mr.  
23 Donnie Shorts, and he also is speaking concerning Outspan  
24 Townhomes.

25 MR. SHORTS: Good morning, board members. To

1 the board members and ladies and gentlemen. My name is  
2 Donnie Shorts, and I would like to take you for giving me  
3 an opportunity to talk about Outspan Townhomes in San  
4 Antonio, Texas.

5 According to the City of San Antonio's Housing  
6 Authority, there's currently an extensive waiting list of  
7 persons seeking affordable housing, indicating a strong  
8 need for affordable housing in that area.

9 The proposed Outspan Townhome development would  
10 not only fulfill that goal, but would also bring about  
11 real structural improvements in the east side area. This  
12 will not only enhance the ability to attract more market-  
13 rate housing development in the community, but it will  
14 also make the area more attractive to new and expanding  
15 businesses and existing commercial properties -- or  
16 enterprises, rather.

17 We're also confident that the Outspan Townhomes  
18 will serve as a catalyst for residences and businesses in  
19 the area to implement a vision for change that will  
20 increase the capacity of east side community to solve its  
21 own problems and become self-sufficient.

22 In conclusion, I would like to read a letter  
23 from Representative Ruth Jones McClendon in support of  
24 Outspan Townhomes. Your cooperation and support to make  
25 Outspan Townhomes a reality is truly appreciated.

1           This letter written to the honorable -- Ms.  
2 Daisy Stiner, executive director, Texas Department of  
3 Housing and Community Affairs.

4           "Dear Ms. Stiner" -- and this letter is written  
5 from Representative Ruth Jones McClendon. "The plan by  
6 Outspan Townhomes to build 200 units of multi-family  
7 housing at the site encompassing 4318 East Houston Street  
8 is one that I enthusiastically endorse as a state  
9 representative for the area.

10           "As your office is well aware, for several  
11 decades now San Antonio has witnessed a deterioration of  
12 businesses and residences on our east side. Local  
13 government has deemed this section of our city to be in  
14 need of refurbishing and revitalization. This project  
15 will put us one step closer to realizing that goal.

16           "The east side is historically distinguished by  
17 supporting a number of diverse cultures. The Outspan  
18 Townhomes Limited project, in close proximity to a growing  
19 number of similar developments such as the Carver  
20 Community Culture Center, sets a promising course for the  
21 future of this area.

22           "It is essential that significant effort be  
23 made to restore this area to a higher level of economic  
24 competitiveness in order that its inhabitants may enjoy  
25 the benefits of being an integral part of our community.

1            "To begin this project, Outspan Townhomes  
2 Limited would like to utilize the low-income housing tax-  
3 credit program offered by your agency. This is a need for  
4 reasonable and quality residential accommodations in that  
5 area. And it is my opinion that the proposed project will  
6 assist by economically, socially, and politically  
7 enhancing the lives of our east side residents.

8            "It is with great sense of duty and pride that  
9 I endorse this project and encourage the cooperation and  
10 participation of all who are in position to assist in our  
11 efforts to revitalize this area of San Antonio.

12            "Sincerely, Ruth Jones McClendon, State  
13 Representative, District 120."

14            Thank you very much. And I pray that your  
15 support for tax credits will be awarded this project.  
16 Thank you.

17            MR. JONES: Thank you. The next form is from  
18 Ms. Patricia Jennings: Outspan Townhomes.

19            Ms. Jennings?

20            (No response.)

21            MR. JONES: Ms. Jennings.

22            (No response.)

23            MR. JONES: The next one I have is from Paul  
24 Kamaul.

25            Mr. Kamaul?

1 (No response.)

2 MR. JONES: K-A-M-A-U-L.

3 (No response.)

4 MR. JONES: The next one I have is from Mr.  
5 Tyrus Walker.

6 Mr. Walker?

7 (No response.)

8 MR. JONES: The next one I have is from Mr.  
9 Paul -- John Paul.

10 (Pause.)

11 MR. JONES: Mr. Paul does not care to speak.  
12 Thank you, sir.

13 The next one I have is from Ashley Robnett.  
14 Ms. Robnett?

15 (No response.)

16 MR. JONES: I don't see Ms. Robnett.

17 The next one I have is from Mr. Keifer  
18 Marshall, Jr. And this concerns the Encinas Group. He's  
19 the mayor of Temple, Texas.

20 Mayor Marshall, thank you for being here.

21 MAYOR MARSHALL: Thank you, Chairman Jones and  
22 Ms. Stiner, members of the board. It's my pleasure to be  
23 here. I am Keifer Marshall, Jr., mayor of the city of  
24 Temple, Texas, and I'm here on behalf of the Encinas  
25 Group's application that's been recommended by the staff.

1           The city of Temple, our city council, and all  
2 the members of our community are in favor of this. We  
3 spent a tremendous amount of city money on infrastructure  
4 and new roads to get to this site. We have a site that's  
5 a beautiful site. It is going to be a great addition to  
6 our community.

7           It's been endorsed by most of our community,  
8 and our Rotary Club, which is the oldest service club in  
9 the city of Temple, is behind this project, and has taken  
10 it on as one of their projects to help us in the future.

11           So we appreciate what you're doing for the  
12 state of Texas, and we appreciate your consideration of  
13 the city of Temple. Thank you.

14           MR. JONES: Thank you, Mayor.

15           Mr. Gary Schmidt? And I believe he's speaking  
16 concerning the same project.

17           MR. SCHMIDT: Chairman Jones, members of the  
18 board, thank you this morning. I am Gary Schmidt, and I'm  
19 before you today as the Chairman of the Board of  
20 Commissioners of the Temple Housing Authority, in support  
21 of the Encinas Group project, the Village at Meadowben,  
22 which is recommended by the staff.

23           If I might, first, I would like to present for  
24 the record a letter from Martha Tyroch. She is a  
25 councilman of the city of Temple, District 3. District 3

1 is the area that this project would be in. Her letter is  
2 in support of the project, Village at Meadowben, and I  
3 would offer that for the record.

4 MR. JONES: Thank you.

5 MR. SCHMIDT: With regard to my remarks, Temple  
6 was very fortunate this year in that it had not one but  
7 three applicants for projects of this type in this  
8 district.

9 This gave us the ability to evaluate several  
10 different types and philosophies of projects and resulted  
11 in our overwhelming support of the Encinas project, the  
12 Village at Meadowben.

13 The reasons for our support are several,  
14 including this area of the community has a significant and  
15 definite need for housing of this type. Cost of  
16 construction and capital is such that rents have increased  
17 substantially, and many of these low to moderate income  
18 residents cannot afford rents. This project includes 75  
19 percent of its units which will be reserved for low to  
20 moderate income residents.

21 Another important factor is the experience  
22 level of the Encinas Group. Encinas Group has developed,  
23 owns, and operates other projects of this type, including  
24 a very successful project in our neighbor city of Killeen.

25 Thirdly, and most importantly, the Encinas

1 proposal is a multi-faceted concept. In other words, this  
2 tax credit multi-family level would not simply be  
3 isolated, but would be incorporated in a total  
4 neighborhood concept.

5 A portion of the Encinas project -- the land  
6 would be allocated for, in addition to the multi-family,  
7 development of a senior or elderly housing project,  
8 single-family residential lots, which could be used in our  
9 very successful affordable housing and home ownership  
10 program, and thirdly, retail development, which would  
11 support the entire neighborhood concept.

12 For these reasons, we felt like the Encinas  
13 project was a clear choice for this. It's supported by  
14 the city council and the mayor, who spoke to you just a  
15 moment ago. It's supported by our housing authority Board  
16 of Commissioners, and it's also supported by our citizens,  
17 in particular, a group by the name of Citizens for  
18 Progress, which is a group -- a citizen group on the east  
19 side in councilman -- District 3, which also has voted  
20 their support for this project.

21 We think this is a very worthwhile project, and  
22 we would ask for your support for the city of Temple and  
23 the Encinas Group in this. Thank you.

24 MR. JONES: Thank you, sir. Our next  
25 affirmation is from Mr. Terry Campbell, and he is speaking

1 concerning the Heatherwilde Park.

2 MR. CAMPBELL: Chairman Jones and board  
3 members. My name is Terry Campbell of Campbell, Hoag, and  
4 Associates. I am here to speak on Heatherwilde Park  
5 Retirement Apartments.

6 This proposal is a 168-unit single-story  
7 fourplex development to be developed in Pflugerville. And  
8 it did receive a 2000 allocation, which is actually a '99  
9 carryforward, in the amount of \$467,000 in tax credits.

10 Due to a number of increased development costs  
11 through the process, that amount is no longer sufficient  
12 to build the property. So in trying to remedy the  
13 situation, we requested trust funds this year and some  
14 additional tax credits.

15 The staff reviewed the proposal and recommended  
16 funding with the option of either credits or housing trust  
17 funds. And they moved forward with the housing trust fund  
18 proposal.

19 I'm here today to ask that we forgo the housing  
20 trust funds and receive an additional \$117,000 in tax  
21 credits so the project can proceed.

22 Now, I realize that the credits have been  
23 recommended for this year, and the only real option is to  
24 be placed on the waiting list for potential return  
25 credits, and we're willing to do that for this particular

1 property.

2 A couple of things that you might keep in mind  
3 in making your decision: This property does include a  
4 2,500-square-foot senior center that is being provided for  
5 the community at no cost to the community. We also have a  
6 partnership with a group called Family Eldercare, which  
7 would provide services for the seniors who reside on this  
8 particular property.

9 And the other issues, from a use of federal  
10 resources, when this project is funded with additional  
11 credits, if it does happen, the total amount of credits is  
12 about 3,400 per unit, which I think is a pretty good use  
13 of the credit.

14 I believe that the figure on the board earlier  
15 was around 5,700 per unit, so I think it's a good use of  
16 the federal resource, and I would request that the board  
17 take action and approve additional credits. Thank you.

18 MR. JONES: Ms. Stiner, I believe the staff  
19 recommendation on this is that it be put on the waiting  
20 list. Is that correct?

21 MS. STINER: Staff recommendation is to make  
22 the presentation to the board. It is not on the waiting  
23 list, but, if the board so directs, it will be placed on  
24 the waiting list.

25 VOICE: [indiscernible].

1 MS. STINER: Yes, sir. It was also  
2 recommended --

3 MR. JONES: So the staff doesn't have a  
4 recommendation other than that we consider it?

5 MS. STINER: Other than you consider it. It's  
6 being recommended later for trust fund, but, other than  
7 you consider it --

8 MR. JONES: Okay.

9 MS. STINER: -- here for being placed on the  
10 waiting list.

11 MR. JONES: Thank you. The next witness  
12 affirmation form is from Claire Morris from State  
13 Representative Terri Hodge's office.

14 MS. MORRIS: Good morning, Chairman Jones, Ms.  
15 Stiner, the board. I wish to speak with you on behalf of  
16 my boss, State Representative Terri Hodge, who  
17 unfortunately could not be here today. She wanted to  
18 express her enthusiastic support for two of the proposed  
19 projects, both in Dallas.

20 The first one was the Roseland Estates. And  
21 I'm not sure -- I don't believe that made the staff  
22 recommendations. The second one that she wishes to  
23 support is Timbercreek Apartments -- and, as I said, both  
24 in Dallas.

25 She has previously served on the Urban Affairs

1 Committee in the House, and she is acutely aware of the  
2 need for affordable housing, both for families and the  
3 elderly.

4           Again, she's sorry she can't make it here  
5 today, but she wishes to go ahead and say publicly her  
6 support for these two projects.

7           MR. JONES: Thank you. The next form I have is  
8 from Mr. Barry Halla, H-A-L-L-A.

9           MR. HALLA: Good morning, members of the board.  
10 My name is Barry Halla. I'm with Life Rebuilders. We're  
11 a non-profit development company. Just a couple of things  
12 real quickly. We were not recommended by staff, but I  
13 wanted to point out a few things, if I may.

14           One, we came in in Region 3. We're a non-  
15 profit. We came into the non-profit set-aside. I don't  
16 think there are any staff recommendations for the non-  
17 profit set-aside in Region 3. We scored 82 points.

18           We have an AHP grant out ahead of the tax  
19 credits for \$500,000, and we were proposing a 60/40  
20 community. Staff did not recommend this project. And the  
21 comments I have here were disproportionate amount of tax  
22 credits per capita. There has never been a seniors'  
23 community developed under the tax-credit program in Ellis  
24 County or in Ennis.

25           I also wanted to respectfully point out that

1 there was a comment made here that the location site was  
2 rated as poor. Old Ellis -- I mean -- Ennis, part of  
3 Ellis County, is to the north of us. The city strongly  
4 recommended this particular site for Life Rebuilders to  
5 acquire to develop.

6 The new Ennis, if you will, is being developed  
7 along the 287 bypass. This is part of a planned unit  
8 development that will be single-family for sale for both  
9 elderly and for families.

10 Ennis Senior Estates is part of this master-  
11 plan community, which includes 32 acres in front of us.  
12 There's a bank we're negotiating with right now to be a  
13 key anchor tenant for us.

14 But more significant to Life Rebuilders is the  
15 fact that Helping Hands of Ennis would like to move to  
16 this location. We have the Boys and Girls Club that would  
17 also like space in our commercial to the north of Ennis  
18 Senior Estates. And Golden Circle, which is one of the  
19 major senior non-profit service providers in the city of  
20 Ennis, is discussing space with us also at this point in  
21 time.

22 We have a major developer who would love to buy  
23 this land from us and develop a shopping center. So I  
24 realize if you come north on I-45 and get off on the 287  
25 bypass, you don't see a lot right there. But an aerial

1 photograph will show you that old Ennis is just north of  
2 us, and the city is moving in a south, southwest direction  
3 right towards us.

4           The city strongly support us. When I have a  
5 bank that wants to buy the corner and be the anchor tenant  
6 and we have the major social service providers of Ennis  
7 wanting to be part of our development, I have to  
8 respectfully disagree with staff that it's a poor site.

9           Thank you very much for your time.

10           MR. JONES: Thank you, sir.

11           Mr. David Clark?

12           MR. CLARK: Good morning. My name is David  
13 Clark. I'm the director of community development for the  
14 City of Wichita Falls. I'm here on behalf of the city  
15 council of Wichita Falls.

16           I spoke in Dallas at the public hearing there  
17 regarding the three projects that were proposed for the  
18 city, urging that equal review be provided for those  
19 projects.

20           We believe that the staff's recommendation for  
21 the River Glen project is a good choice. We feel that it  
22 is in conformance with community plans and will assist in  
23 the revitalization of the community, and we urge your  
24 eventual approval. Thank you.

25           MR. JONES: Thank you, sir.

1           Mr. William Hemphill. I think it's about the  
2 same project.

3           MR. HEMPHILL: Chairman Jones, Ms. Stiner,  
4 members of the board. My name is Bill Hemphill, and I'm  
5 here on behalf of Excaliber Paint and Coating, which is a  
6 paint manufacturer and distributor in Wichita Falls.

7           I've handed to you a copy of an aerial  
8 photograph and also a color photo of the same, which gives  
9 a depiction of the site area that we're talking about  
10 today with respect to the River Glen project.

11           And my client, Excaliber Paint, and its  
12 president, Randy Funston, who could not be here today  
13 because of some medical issues, are in staunch opposition  
14 to this project. We're not against, in any way, shape, or  
15 form, low-income housing; we're just against this  
16 particular location.

17           If you would look at the area, my client, the  
18 paint manufacturing company, is located just south, I  
19 believe, of the proposed site. This area in Wichita Falls  
20 has been historically an industrial-zoned area.

21           It is right off of the Old Jonesboro Highway,  
22 which has a speed limit of, I believe, 45 miles per hour.

23           Just to the north is an electrical contractor, a tire  
24 shop. There's a concrete plant and a semi-truck repair  
25 just across the street.

1           If you would look on the Jonesboro Highway,  
2 this main thoroughfare, which would be the access to this  
3 proposed site -- there are no crosswalks, there's no  
4 traffic lights, there's nothing that would facilitate, I  
5 guess, the safety for a residential community.

6           With respect to my client, about a year ago in  
7 early 2000, late 1999, they had decided to open up a new  
8 manufacturing plant in Wichita Falls, Mr. Funston's home  
9 town. They manufacture heavy-duty paint products. This  
10 is polyurethanes, epoxies, paint linings, and OEM paint  
11 products -- stuff that -- our products -- it's like baking  
12 a cake. You have to have solvents, hazardous chemicals,  
13 et cetera, on the plant.

14           Many of these products, one, are not only  
15 highly flammable, but, two, they are used in the  
16 production of illegal drugs, such as methamphetamines and  
17 crack cocaine.

18           With respect to this site, the Funstons spent a  
19 good deal of time trying to find a proper location for a  
20 manufacturing facility. And once they picked on this  
21 area, they got assurances that this was an industrial-  
22 zoned area; two, that the adjoining property was  
23 compatible with opening up a heavy-duty paint  
24 manufacturing area.

25           They also went to the fire department, the city

1 council, and all the local authorities, who gave them  
2 their support, assurance, and approval of this project.

3           Shortly after they had spent a million  
4 dollars -- or over a million dollars investing in the  
5 property and in building the plant facility, there was a  
6 proposed site that was put up last year, this same River  
7 Glen project.

8           At that time they gave an address of Old  
9 Jonesboro Highway. Senator Haywood opposed that project,  
10 and that project was not approved. It is my understanding  
11 that this year, instead of giving the Old Jonesboro  
12 Highway address, they gave this access road right up  
13 here -- kind of a dead-end road -- the address for the  
14 property.

15           The site location for my client was critical  
16 for many safety reasons. obviously. It would also seem  
17 to, just from a perspective of a potential resident,  
18 whether it's low-income or high-income or medium-income,  
19 this is not a proper area to locate a multi-family  
20 residential project.

21           Again, you can't go anywhere without crossing  
22 this busy thoroughfare. TxDOT, the last study they did  
23 over two years ago, there's over 9,000 cars that travel up  
24 and down this highway every day. Many of them are going  
25 to be going to this industrial location, such as the

1 concrete plant, the lumber company, and the paint  
2 manufacturing.

3           So we're dealing with industrial heavy  
4 traffic -- tractors and trailers -- in addition to the  
5 semi-truck repair location just across from the proposed  
6 site.

7           There are no parks, no swimming pools, no  
8 recreational facilities. It doesn't appear that there's  
9 anything that you would traditionally look for if you  
10 wanted to have a neighborhood.

11           In addition, members of the board, you have  
12 this Holiday Creek flood control system that is right next  
13 to the proposed site. In heavy rains I understand that  
14 this control system can get up to 18 and 20 feet of depth,  
15 which would be dangerous for any children in that area.  
16 And the property itself is located in a flood plain.

17           It would seem, ladies and gentlemen, from my  
18 perspective, that it's not appropriate if -- at least I  
19 wouldn't want to have my family living in such an area.

20           With respect to my client's perspective, you're  
21 dealing with highly flammable products, premises-liability  
22 issues. I believe there are over 90 units planned for  
23 this project, which would entail upwards maybe of 200  
24 children or more. And any time you have children, you're  
25 going to have concerns. My client is very concerned about

1 premises liability, fumes from their paint -- heavy-duty  
2 paint manufacturing process, and the south winds directly  
3 affecting this community. They're concerned about  
4 nuisance complaints, increased insurance cost.

5 It would just seem that it makes no sense for a  
6 residential community to be located in this industrial  
7 environment.

8 The late Senator Tom Haywood recognized this.  
9 And last year he voiced his objection to this board, and  
10 the project was not approved. He has maintained that  
11 opposition up until the time of his death. My client,  
12 Randy Funston, had visited with him just prior to his  
13 death, and he, again, maintained that he was in opposition  
14 to this project.

15 That was confirmed as recently as yesterday by  
16 his own office. And I believe that there may have been  
17 some type of miscommunication in some of the materials you  
18 had received indicating that his -- he had no opposition,  
19 when in fact he does oppose this project -- or did oppose  
20 this project.

21 MR. JONES: Ms. Stiner, would you like to  
22 address that issue?

23 MS. STINER: Yes, sir. Senator Haywood  
24 called --

25 MR. JONES: I hate to interrupt.

1 MS. STINER: Pardon me, sir. Senator Haywood  
2 called me to voice his verbal objection; he did not make a  
3 written objection. And I passed that on to the staff --  
4 Mr. Njie and his staff.

5 And when the summary sheet was prepared for the  
6 board, opposition was not noted because it was not in  
7 written form. The revised summary sheet has -- the  
8 summary sheet has been revised to note that opposition,  
9 and that opposition was duly considered in making a  
10 recommendation.

11 In addition to the seven votes of opposition,  
12 there were 36 votes of support, so that's how it was  
13 weighed in terms of that particular vote. And we did  
14 communicate to Senator Haywood's office late last evening  
15 that the summary sheet had been revised to note that  
16 opposition.

17 MR. HEMPHILL: Thank you, Ms. Stiner.

18 MR. JONES: Thank you, Ms. Stiner. Excuse me  
19 for interrupting.

20 MR. HEMPHILL: In addition to Senator Haywood's  
21 opposition to this, there's also the former state  
22 representative and a Wichita Falls real estate  
23 broker/developer, John Hershey, does not believe that this  
24 is a site appropriate for multi-family.

25 Also, Mr. Chairman and board members, back when

1 the city -- just over a year -- recently decided to rezone  
2 this property from industrial to commercial, over 2,000  
3 signatures were obtained from voters voicing their  
4 objection to changing this industrial area to permit  
5 commercial and multi-family use.

6 In sum, Excaliber Paint and its president,  
7 Randy Funston, just want to voice their strenuous  
8 objection to this location and to the proposed River Glen  
9 project before the board. Thank you.

10 MR. JONES: Yes. Mr. Conine has a question.

11 MR. CONINE: Do you know if this project is  
12 currently zoned multi-family, or is zoned commercial with  
13 a cumulative use for residential in Wichita Falls?

14 MR. HEMPHILL: My understanding, Mr. Conine, is  
15 that it is zoned -- it was originally zoned in light  
16 industrial zoning, and then they permitted commercial --  
17 changed that to commercial, which encompasses multi-  
18 family.

19 MR. CONINE: So it currently has a  
20 commercial -- as far as you know, commercial zoning  
21 category that allows residential uses if you want to.

22 MR. HEMPHILL: It's my --

23 MR. CONINE: Not specifically zoned for multi-  
24 family.

25 MR. HEMPHILL: That's my understanding, but

1 that's hearsay.

2 MR. CONINE: Okay.

3 MR. JONES: Thank you, sir.

4 MR. HEMPHILL: Thank you.

5 MR. SALINAS: How about the flood plain? Is  
6 it -- are you sure about the flood plain?

7 MR. HEMPHILL: Pardon?

8 MR. SALINAS: Is the property in the flood  
9 plain area?

10 MR. HEMPHILL: My understanding, in talking  
11 with my client, who has voiced his opposition at every  
12 opportunity, is that this area is in the flood plain. And  
13 it would make sense if you look at the flood control  
14 system that's right next to the property, which is Holiday  
15 Creek.

16 MR. SALINAS: It either is or not. Somebody  
17 must know if it's in the flood plain or not.

18 MR. CLARK: Based on --

19 MR. JONES: If you would, come up to the  
20 podium, please, sir, if you have the answer to the  
21 question.

22 (Pause.)

23 MR. JONES: If you would, please identify  
24 yourself for the record, sir.

25 MR. CLARK: My name is Dave Clark. I'm

1 community development director for the City of Wichita  
2 Falls. The proposed site for the construction of the  
3 buildings is not in the flood plain.

4 I think the city also finds it interesting that  
5 when the paint manufacturer was constructed they made  
6 absolute assurances that there would be no fumes. Now  
7 they're claiming fumes are a problem. And I would repeat  
8 the support of the City of Wichita Falls for the River  
9 Glen project.

10 We find the objection -- you know, when the  
11 implication is -- comes to you that these are the things  
12 drugs are made out of, is this the kind of people that go  
13 in these projects -- I, frankly, think not. And the City  
14 of Wichita Falls finds out -- (applause from audience.)

15 MR. JONES: Sir? Sir? Sir? Excuse me. Have  
16 you filled out a witness affirmation form.

17 VOICE: Yes, he spoke earlier.

18 MR. JONES: Okay. Thank you. I'm sorry.

19 MR. HEMPHILL: Mr. Chairman, I meant no  
20 implication whatsoever regarding the chemicals and  
21 solvents that are used at this facility. My only point is  
22 that these are dangerous chemicals that need high control  
23 factors.

24 And any time you're dealing with children it's  
25 a serious concern if you're an owner of a premises in an

1 industrial area where you're planning on putting a multi-  
2 family project. Thank you.

3 MR. JONES: Thank you, sir. The next speak is  
4 Ms. Deanna Funston.

5 MS. FUNSTON: Good morning, members. My name  
6 is Deanna Funston from Wichita Falls. And my husband and  
7 I own Excaliber Paint and Coatings. And he does send his  
8 apologies today because he does have a health condition  
9 that did not permit him to travel to Austin.

10 First of all, I would like to clear up that we  
11 have the property next door to this proposed site. And I  
12 just received at the end of last week a letter from Wells  
13 Fargo Bank requiring us to show proof of flood insurance.

14 I have not pursued on with sending to them the  
15 insurance, but I -- my insurance company is Otto's Homes  
16 and Insurance of Wichita Falls. And, should you want  
17 documentation to that, when I return I'll be happy to do  
18 so.

19 Randy has written his message to you and has  
20 asked me to fulfill in his absence. After speaking to a  
21 TDHCA board member last week it was brought to my  
22 attention that the board seems to have incomplete or  
23 inconsistent information regarding this project. And,  
24 therefore, I would like to bring the following to your  
25 attention.

1           Excaliber is against this project for the  
2 following reasons. Spot zoning. Excaliber Paint and  
3 Coatings is in the business of manufacturing and  
4 distributing of heavy duty industrial paints and coatings.

5           Due to the nature of our business, as you could  
6 imagine, site selection is very important. Prior to us  
7 purchasing our property in February of 2000 we took the  
8 necessary steps to ensure that the zoning was correct in  
9 and around our site and that all relevant city officials  
10 were aware of the nature of our business and they had  
11 approved the location.

12           Excaliber started production in April of 2000,  
13 and, to this date, we have made an investment that exceeds  
14 \$1 million. In addition, our employment has now reached  
15 approximately 16, and, with our current 2002 expansion  
16 plans, we are anticipating that employment will exceed 50  
17 in the next two years.

18           If River Glen should be approved Excaliber will  
19 most likely stop any and all expansions.

20           Jacksboro Highway proper, which is all Business  
21 281, has been commercial and industrial for years with  
22 little or no residential housing existing on this busy  
23 thoroughfare.

24           The vote to change the rezoning by the Wichita  
25 Falls City Council to accommodate the proposed River Glen

1 development, after approving Excaliber's site plan last  
2 year, is a classic example of spot zoning.

3 Safety issue. River Glen would be located on a  
4 dead-end street that is a little over 500 feet long. On  
5 one end, approximately 100 feet in front of this project,  
6 is the Holiday Creek flood drainage canal that reaches 18  
7 to 20 feet in depths in heavy rains.

8 On the other end, which is the only exit from  
9 the property, is Business 281, or commonly known as the  
10 Old Jacksboro Highway. Traffic count on this highway  
11 exceeds 9,000 cars and trucks daily. There is no access  
12 to schools, playgrounds, or entertainment without crossing  
13 or traveling down Jacksboro Highway.

14 The residents of this site would be living in  
15 the following surroundings. To the north, the electrical  
16 contractor and tire facility. To the east, a Freightliner  
17 dealership that sells and repairs heavy trucks, a concrete  
18 batch plant, and an automotive -- automobile repair  
19 facility. To the south, our paint manufacturing plant and  
20 adjoining a large commercial lumber yard. And to the west  
21 there's Holiday Creek.

22 Simply put, we just feel like this is not a  
23 healthy or safe environment for kids. You have the aerial  
24 photographs, so you can see by the proposed site what is  
25 surrounding the area.

1           To summarize, it is very important that for the  
2 board to know that Excaliber Paint and Coatings is not the  
3 only person or business that is objecting to the approval  
4 of this project. The rezoning of this property to include  
5 multi-family development has become a very major political  
6 topic in Wichita Falls.

7           Contrary to the board's current notes and  
8 information, Senator Tom Haywood did have objections to  
9 this project, and I would like to bring forth the  
10 following to document this issue. But that's been taken  
11 care of by William, so I'll pass that.

12           When River Glen applied for tax credits in 2000  
13 Senator Haywood initially endorsed the project. However,  
14 after hearing objections from the neighboring businesses  
15 in the immediate area Senator Haywood took the time to  
16 personally come out and inspect the proposed site.

17           That same week it was documented that Senator  
18 Haywood wrote a letter to Daisy Stiner, executive director  
19 of TDHCA, and withdrew his support. It is further  
20 documented that Senator Haywood wrote a letter to the city  
21 council of Wichita Falls for the May 1, 2001, meeting  
22 stating he was against this project and any zoning changes  
23 in this area.

24           As recently as two week's prior to the  
25 senator's death, the senator personally conveyed to me

1 that his intent and objections to River Glen remained the  
2 same.

3 Other objections are noted in a petition that  
4 was brought forth to Wichita Falls to object to this  
5 zoning change. In a short three-week period over 2,000  
6 registered voters -- Wichita Falls voters -- took their  
7 time to come in and sign this petition. Most of these  
8 signatures were sent to the TDHCA as further  
9 documentation.

10 Another name which most of you will probably  
11 recognize is Wichita Falls real estate developer and  
12 former State Representative John Hershey. Mr. Hershey is  
13 one of our petitioners of record and also objected to this  
14 zoning change.

15 And last, but not least, it was said by City of  
16 Wichita Falls council member Harold Hawkins at the May 1,  
17 2001, meeting that the rezoning of this property would  
18 most likely not affect any business in the area, for he  
19 felt that the support of tax credits or commercial funding  
20 would surely fail, due to the location selected for this  
21 type of development. We have the council meeting tape  
22 here if you'd like to see it for review.

23 Let us always remember that individuals and  
24 families seeking affordable housing do not have the luxury  
25 of choice. They must live where the housing is available.

1 I am therefore asking you to please use our tax credits  
2 and support the developers that have chosen sites that  
3 will promote a safe and healthy family environment and not  
4 affect the future expansion of industry that is vital to  
5 our economic growth.

6 We have other applications available to us in  
7 Wichita Falls that will meet all of these prerequisites.  
8 Thank you, Randy Funston.

9 And, finally, I would like to add to you some  
10 personal note. And, as a mother, you know, I sit there  
11 every single day at 2019 Jacksboro Highway looking out of  
12 my office window, and I see the traffic that goes up and  
13 down the highway. And we have freight companies deliver  
14 freight to us every day. They make U-turns out there.

15 The speed limit's 45 miles an hour. That  
16 doesn't mean anything on Jacksboro Highway. And the only  
17 way these kids are -- tenants -- proposed tenants that  
18 would live there to get to any place as far as grocery  
19 stores, schools, playgrounds, is down Jacksboro Highway.

20 And if you have kids, kids are going to have  
21 bicycles. There's another problem. There's no place for  
22 them to ride.

23 So therefore, as a mom also and a concerned  
24 citizen, I please ask that you vote against this project.

25 Thank you.

1 MR. JONES: Thank you. And we hope Mr. Funston  
2 feels better soon.

3 MS. FUNSTON: Thank you.

4 MR. JONES: Mr. Monday Esiere.

5 MR. ESIERE: Good morning.

6 MR. JONES: Good morning.

7 MR. ESIERE: Thank you for giving me  
8 opportunity to talk to you about our project in Port  
9 Arthur. It is called Port Arthur Townhomes. And I'm here  
10 to ask your blessing of putting our project, which has  
11 been recommended by your staff.

12 This project is very much needed in Port  
13 Arthur. Our grounds were should that their need -- they  
14 have a long list of families waiting for meet -- safe and  
15 affordable housing.

16 I met personally with Bobby Timster [phonetic],  
17 the local public housing director, and he told me they  
18 were in dire need of three-bedroom units for families.  
19 And in our proposal we are assigning 70 of the 104 units  
20 in the three-bedroom category. The balance is in the two-  
21 bedroom category.

22 We did some neighborhood walking on work. We  
23 talked to the people living around there, and everybody's  
24 every excited. Our project is going to be very good for  
25 the community because it has -- is providing them with a

1 number of amenities: a swimming pool, a community center;  
2 we have computer room that the kids will use free, and  
3 then we have lots of green area for them to run in.

4 We have basketball courts and, of course,  
5 swimming pool. And we are going to fence in the whole  
6 property so that people who don't live there and have no  
7 business being there don't get to that place.

8 We have gotten very adequate support --  
9 overwhelming support, I may say. We've gotten support  
10 from the mayor who attended the first -- the public  
11 hearing in Houston, Texas. We've gotten support from the  
12 county judge, Doug Griffith. We've gotten support from  
13 Senator David Bernsen. We've gotten support from  
14 Congressman -- Mr. Lampson. And we've gotten support from  
15 Joe Deshotel.

16 In fact when I showed Mr. Deshotel and Mr.  
17 Lampson our proposal, they were very excited. We are very  
18 excited ourselves.

19 I ask that you approve our project, which is  
20 very economically viable. And it's very close to our  
21 heart. Thank you.

22 MR. JONES: Thank you, sir. Mr. Don Paxton?

23 (Pause.)

24 MR. JONES: He does not care to speak.

25 Mr. Kim Vowell?

1 MR. VOWELL: Chairman Jones, Director Stiner,  
2 board members. Thank you for the opportunity to speak  
3 today.

4 I'm with the Brisban Companies, and I'm  
5 representing Wide Oak Landing Development, TDHCA 01092,  
6 that is not recommended for approval. However, for the  
7 new board members, the Brisban Companies has been involved  
8 in the tax-credit program here in the state of Texas since  
9 1994. We've won some and we've lost some.

10 And ordinarily we would not take the  
11 opportunity to talk concerning the staff recommendation.  
12 But this year is different, and I would like to point out  
13 why.

14 I believe that some of the discussion that I  
15 have today -- other developers in this room will agree  
16 with us in terms of our perspective of how this program is  
17 working and some of the concerns that we have. I'm going  
18 to also offer a solution, I believe, that will help us get  
19 this development funded at the end of -- at the conclusion  
20 of my remarks.

21 The QAP rightly indicates that scoring is an  
22 important criteria, and it is used effectively in a number  
23 of developments. And we've seen that, and we also had a  
24 development that we applied for in Alvin, Texas. We  
25 failed to compete effectively against the other developer,

1 and we accepted conclusion of the staff.

2           However, in the case of Wide Oak Landing, that  
3 development in Region 6 scored higher than seven out of  
4 the ten deals that were funded in Region 6. We understand  
5 that scoring is important to staff, yet it does appear  
6 that in some instances scoring is not taken into full  
7 consideration.

8           In the case of Wide Oak Landing, the sole  
9 criteria used to disqualify our application was, we  
10 believe, internal, not in the qualified allocation plan,  
11 really only known to staff, and based on information which  
12 was not available to us at the time of the application.

13           Further, staff's contention was based on a  
14 singular statistic. It disregarded everything else but  
15 the singular statistic that there are too many tax credits  
16 in the city of Conroe.

17           It fails to account for the market study  
18 evaluation that all developers here are required to put  
19 together at a great expense and at great time and effort  
20 on the part of the market analysts.

21           Our study went to great lengths because we  
22 knew -- I talked to Chernob about this situation, and we  
23 knew that there was going to be some concern about too  
24 many tax credits in this particular market or area.

25           So our market study evaluated that and looked

1 at not only all of the developments that are at high  
2 occupancy levels in Conroe but also took into account the  
3 bond deal that's coming to town, which one -- a full one-  
4 third of that is not competitive with us because they're  
5 one-bedroom units.

6 It took into account that development as well  
7 as ours and looked at all of the issues that a market  
8 analyst takes into account. And I think we clearly  
9 defeated the individual statistic that there are too many  
10 units in the Conroe unit and for that reason alone should  
11 be denied.

12 I have a statement by the housing authority  
13 director, Dr. Joanne Callahan. She says, The census tells  
14 us that the population of Montgomery County is the sixth-  
15 fastest-growing county in the state. For those that may  
16 not be familiar, Montgomery County is just the next county  
17 north of Harris County and the Houston metropolitan area.

18 That county has gone up 63 percent since 1990  
19 in terms of population and is expected to rise another 27  
20 percent in the next five years. Continued explosive  
21 growths will continue to fuel housing shortages. The city  
22 needs to be proactive in dealing with the coming flood.  
23 And that's from Dr. Callahan.

24 Although Wide Oak Landing had support from  
25 State Representative Ruben Hope; State Senator David

1 Bernsen; the mayor; the city council, whom I appeared  
2 before twice; and the county judge, Bob Sadler; and the  
3 housing authority, this decision to disqualify our  
4 application was made.

5 And I believe that it disregarded the excellent  
6 support that we have -- the market study, the dynamics of  
7 the marketplace. If you look at Conroe, that is the very  
8 next area of growth destined outside The Woodlands north  
9 of Houston.

10 People can't afford to live in The Woodlands.  
11 Where are they going to go? They're going to go to  
12 Conroe. That's where the dynamics of the marketplace come  
13 into play.

14 And any single statistic can easily be defeated  
15 when you talk about what's really happening. When you ask  
16 the people of Conroe and the city council what's happening  
17 in their community, they say, We support this development;  
18 we would like to have you there.

19 We're well located. We're behind an  
20 Albertson's. We don't have a paint store next door to us.  
21 We have a bank in front.

22 (General laughter.)

23 MR. VOWELL: Cherno mentioned subjective  
24 criteria by which development is determined. We placed  
25 high on that list of subject categories: We're a

1 historically underused business. We're joint-venturing  
2 with a non-profit. We're partners with the Montgomery  
3 County Housing Agency in support of battered women. We  
4 have a good program, one of the best that I've ever put  
5 together in my seven years in doing developments in Texas.

6 We believe there's a solution to fund this  
7 development, which is, I believe, highly qualified, and I  
8 think would staff would say as well except for this one  
9 statistic.

10 And that is the allocation cap was designated  
11 at 65 percent of the general pool. By our calculation,  
12 less than that number has been allocated to general pool.

13 Why not take the opportunity now to provide housing to  
14 the city of Conroe? It really needs it, and it asks for  
15 it and wants it.

16 We ask the board for it to allocate the balance  
17 of credits needed to achieve the original intent of the  
18 QAP. In the general pool it's 65 percent. Use those  
19 funds toward qualified developments that were not funded.

20 And I'm speaking not necessarily on behalf of Brisban  
21 Companies and this particular development, but also for  
22 those developers who did a lot of hard work and  
23 established their marketplaces and really were denied  
24 based on single statistics that do not really take into  
25 account the entire marketplace. Thank you.

1 MR. JONES: Thank you.

2 Question? Mr. Conine?

3 MR. CONINE: You mentioned 65 percent of the  
4 general pool for 2001 -- that we're -- overall we're short  
5 of that, based on your calculation?

6 MR. VOWELL: Based on our calculation, it  
7 appears to be short by some number of dollars. When we  
8 first calculated, it looked like it was actually 60  
9 percent instead of 65. I don't know if something has  
10 changed. So we think we're still under in terms of that  
11 allocation.

12 MR. CONINE: But also, under the regional  
13 allocation formula, I think we're in excess of what  
14 allocated -- or targeted for Region 6.

15 MR. VOWELL: Exactly.

16 MR. CONINE: Is that correct?

17 MR. VOWELL: Yes. And yet --

18 MR. CONINE: So your proposal would then add on  
19 to Region 6 allocation, but generally bring the general  
20 pool from 60 to 65 or whatever it is.

21 MR. VOWELL: Well, I understand that. But I  
22 saw discrepancies in between how much was estimated for a  
23 particular region versus what was actually done. They  
24 were really all over the board in that respect.

25 But keep in mind also that we scored higher

1 than seven out of the ten in Region 6. And we have, I  
2 believe, the strongest support in the area.

3 MR. CONINE: Thank you.

4 MR. JONES: Thank you, sir.

5 Mr. John Barineau. Yes, sir.

6 MR. BARINEAU: Thank you, Chairman Jones,  
7 ladies and gentlemen of the board, and Executive Director  
8 Stiner. My name is John Barineau, and I'm representing  
9 Scott Street Properties, which is the administrative  
10 general partner of the Scott Street Limited Partnership  
11 that has applied for Scott Street Townhomes in Houston,  
12 Texas.

13 We're delighted and pleased that the staff has  
14 recommended Scott Street Townhomes for funding. On the  
15 other hand, we are concerned and disappointed that our  
16 funding request was trimmed a bit, to the extent of 11  
17 percent of my request.

18 And the last two days we've been evaluating how  
19 that occurred, because we felt like we had a -- from what  
20 we were doing, had a pretty tight budget as it was and  
21 needed the funding we requested.

22 We understand that the main difference in  
23 opinion was with regard to the probable rents that we  
24 could achieve at this property versus neighboring  
25 properties in the area.

1           This is an inner-city project of the truest  
2 form in the heart of a sunny-side-up Foster Place district  
3 south side of Houston. It is a project we've been looking  
4 at for two or three years in hopes of being able to be  
5 part of a revitalization efforts.

6           And, consequently, when we put our numbers  
7 together, we had been realistic, in our opinion, as to  
8 what would be the achievable rent level in that type of  
9 neighborhood, vis-a-vis competing properties -- indeed,  
10 competing tax-credit properties that are in that same end  
11 of town.

12           And we were expecting that we would have to  
13 charge slightly less rent than the competing tax-credit  
14 projects that are already established down there in order  
15 to attract and serve the lower-income neighborhood in this  
16 inner-city area that we were targeting.

17           The staff obviously second-guessed us there  
18 and, as I understand, made a reevaluation of our revenue  
19 projections to the extent that we'd be able to achieve  
20 almost the maximum tax credit rent that the published  
21 limits would allow.

22           And, therefore, when you figure more revenue,  
23 you figure more income for debt, you can raise your debt  
24 and you can reduce the amount of tax credit you need. And  
25 that's pretty good, in theory.

1           Our concern, however, is that the rents that we  
2 understand the underwriting department may have figured  
3 that we could achieve, being perhaps more optimistic than  
4 we are, would in fact cause our rents to be higher than  
5 three flagship competing tax-credit properties in the area  
6 that are, from a real estate point of view, better  
7 situated: on major freeways. And that's Plum Creek  
8 Apartments, Park Yellowstone Apartments and a development  
9 of our own group, Reed Park Townhomes.

10           We don't think it's realistic than an inner-  
11 city property that's kind of a beginning of a  
12 revitalization effort be expected to achieve rents higher  
13 than other tax-credit properties in the area. Indeed, we  
14 felt like we would be a better bet to figure on slightly  
15 lower rents in order to be realistic in serving the lower  
16 income community in the heart of the inner city that we  
17 are targeting.

18           So, with that having been said, I think our  
19 market analysts would agree with the concept that we don't  
20 think that we could achieve premium rents. Indeed, we had  
21 hoped that we would not be targeted to receive any more  
22 than what the other tax-credit properties are, but  
23 certainly not a premium rent.

24           And our vote would be an analysis as an  
25 experienced developer: would be that we ought to figure

1 on slightly lower rents than properties that are in what  
2 you might call better real estate areas.

3 So, having said that, I would respectfully  
4 request that the board authorize the staff to look at our  
5 numbers again and consider giving us back a little of  
6 credit that we had lost versus our application so that our  
7 property will not start out with a strain.

8 I think there's a trend on too tight  
9 underwriting on a lot of these properties in the first  
10 place. We want to do a good job with this property. And  
11 starting off with \$60,000 less annual tax credits times  
12 ten years times a syndication factor, you can see it's a  
13 lot of money to have to make up somewhere else.

14 Thank you very much for your consideration.  
15 Hope you'll take another look at it. Thank you.

16 MR. JONES: Thank you, sir. Reverend J. E.  
17 Whitaker?

18 Reverend Whitaker?

19 REVEREND WHITAKER: Yes.

20 MR. JONES: Excuse me. I'm sorry.

21 REVEREND WHITAKER: Mr. Jones and Ms. Stiner  
22 and the board. I'm here to speak already on behalf of the  
23 developers for the Ewing Villa project that is there in  
24 the city of Dallas.

25 I'm pastor of the Zion Hill Baptist Church

1 there and looking at the property directly in back of our  
2 church. The property needs developing. And this group  
3 have come in to develop this property. We've been in  
4 several meetings already, and everything else seemed to be  
5 approved.

6 And my family and I just came in -- if we're  
7 asleep, you can understand we just drove in from Kansas  
8 City and cut our vacation short -- came all the way here  
9 from Kansas City, leaving around midnight.

10 At the same time, we're here. And I was  
11 talking to the Lord even all the way down to the fact that  
12 I wanted to arrive safely and then to simply to say to you  
13 that we hope that you will allow this group to come in and  
14 to approve this property.

15 We think that it will be a great venture for  
16 us, because the area behind our church is a blighted and a  
17 deserted area. And this property will be going directly  
18 back into the DART rail line.

19 And with the townhouses that they're going to  
20 be building, it's going to be the type of affordable  
21 housing that my church is concerned about and that the  
22 people in the community are concerned about.

23 And since I've been there as pastor, they have  
24 been able to go along with many of the things that I've  
25 asked them to go along with. So I think this will be

1 another one of the ventures that the Lord asked me to come  
2 today to show our approval for this venture. And I'm  
3 praying that you will look at this from that angle. Thank  
4 you very much.

5 MR. JONES: Thank you, sir.

6 MR. SALINAS: Which was that?

7 MR. JONES: That was the Ewing Villas. And  
8 it's on the recommended list.

9 MR. SALINAS: Okay.

10 REVEREND WHITAKER: Ewing, 1050.

11 MR. JONES: Thank you, sir. The next speaker  
12 is Mr. Michael Lankford.

13 Mr. Lankford?

14 MR. LANKFORD (from audience): Chairman Jones,  
15 at this time I'll pass on comments.

16 MR. JONES: Thank you, sir. The next speaker  
17 is Mr. Rowan Smith. And this is concerning the El Pueblo  
18 Dorado Apartments, which I think is on the recommended  
19 list.

20 MR. SMITH: Board and Chairman, I have a  
21 little -- my name is Rowan Smith. I'm from Houston,  
22 Texas. And I have a little handout I want to give you  
23 first.

24 MR. JONES: Thank you.

25 MR. SMITH: First of all I'd like to say that I

1 want to thank the board and the staff for coming up with  
2 this particular allocation cycle -- the recommended list  
3 and also just to thank you for the consideration that  
4 you've given to the Rio Grande Valley -- to all projects  
5 that were awarded in the Rio Grande Valley.

6 We've built several projects down there, and  
7 these people, for generations, have needed affordable  
8 housing. And when we see that these projects fill up  
9 extremely fast and we see the smiling faces and the  
10 success of some of the families that are living there, we  
11 want to extend that appreciation that we've gotten from  
12 the families to the board and to the staff. So thank you  
13 very much.

14 MR. JONES: Thank you, sir.

15 MR. SMITH: In this year's allocation cycle El  
16 Pueblo Dorado, which means the golden city, is recommended  
17 for a forward commitment. And one of the things that I  
18 was concerned about is that they cut the tax credits on  
19 that from what we originally requested.

20 And let me tell you the reason why -- I have it  
21 explained here in this little pamphlet. But one of the  
22 main reasons I want to see if we can't get that  
23 reinstated -- the amount of tax credits -- is that in the  
24 Rio Grande Valley is the lowest median area in the state;  
25 therefore the rents are the lowest in the state.

1 Therefore it's very difficult to get high mortgage amounts  
2 debt for the project. So that requires a lot of equity.  
3 So the only way these things work are in qualified census  
4 tracts or in DDAs where you get the 130 add on.

5 And I noticed throughout the rest of the state  
6 on the other recommended projects in several locations,  
7 from Houston, San Antonio, Fort Worth, Dallas, Waco,  
8 Temple, that the projects' credits per unit -- now this is  
9 the credits per tax-credit unit -- on each one of these  
10 units, there's the numbers, there's the credits. You can  
11 do the multiplication. All of them are 7,970, 8,714 to a  
12 unit and 11,486 to the unit, 9,262, and so forth.

13 We had requested \$7,345 per unit in an area  
14 where we have to have every dollar to make it work. All  
15 these other projects have rents that are \$150 to \$300 a  
16 unit higher than what we have to work with down in the  
17 Valley.

18 And yet they give them more equity. It ought  
19 to be just the reverse. The Valley ought to be getting a  
20 lot more -- be getting 8-, 9-, and \$10,000 a unit to make  
21 these deals work.

22 But I can make them work at 7,345, which is  
23 substantially lower per unit than other areas that can  
24 raise a heck of lot more of debt than we can to make these  
25 projects work.

1           The cost of construction in the Rio Grande  
2 Valley is the same as it is everywhere else in the state.

3           I have a construction company. We do construction for  
4 other tax-credit developers all over the state, and our  
5 construction costs are just about the same, and in some  
6 cases are a little bit higher in the Rio Grande Valley  
7 because we have to import some of the skilled laborers  
8 down there, and therefore they have a higher cost, because  
9 they have housing costs and other kind of costs that they  
10 have to incur in order to provide us the services that we  
11 need down there.

12           So that is the argument that I have. And I'm  
13 going to request that you restore our tax credits back to  
14 a level that is sufficient enough to guarantee that this  
15 project will be completed successfully, which is, I think,  
16 the goal of everybody here is to have successfully  
17 completed projects.

18           I'm not saying that I won't be able to  
19 successfully complete it if I don't get that amount, but  
20 it will be very difficult. Thank you.

21           MR. JONES: Thank you, sir. The next speaker  
22 is Mr. Andrew Lee.

23           (Pause.)

24           MR. JONES: Mr. Lee?

25           MR. LEE (from audience): I'd like to --

1 MR. JONES: Thank you, sir.

2 MR. LEE: Thank you.

3 MR. JONES: The next speaker is Mr. Don  
4 Jackson.

5 MR. JACKSON: Mr. Chairman, I have some  
6 handouts.

7 Mr. Chairman, board members. My name is Don  
8 Jackson. I'm here representing Bachon Townhomes in Wylie,  
9 Texas.

10 We've given a handout showing you basically the  
11 general surroundings area of the property that we plan to  
12 build on as multi-family to the east, single-family  
13 residential to the north, the west is vacant, and we have  
14 Dallas Area Rapid Transit System on the south.

15 To this time no tax credit has ever been  
16 awarded to Wylie, Texas. And we have proposed 120 units  
17 with 90 allocated for low-income families. And they  
18 consist of two and three bedrooms only.

19 There has been in Wylie no multi-family housing  
20 built since 1980. And my business is in Wylie. It's been  
21 in Wylie for a long period of time, and it's very evident  
22 that we need some multi-family housing and some low-income  
23 facilities for the lower-income families in Wylie.

24 This project has been recommended by staff, and  
25 we appreciate the opportunity to speak with you this

1 morning. Thank you.

2 MR. JONES: Thank you, sir. Ms. Jill Braden?

3 MS. BRADEN (from audience): Same project.

4 MR. JONES: Thank you, ma'am. And I think  
5 you're here in support of that project. Correct?

6 MS. BRADEN: Yes.

7 MR. JONES: Thank you. Ms. Karen Langley?

8 MS. LANGLEY: Hi. Good morning. And thank you  
9 very much for this opportunity to address the board. I'm  
10 Karen Langley, and I'm the executive director of Family  
11 Eldercare. We are a non-profit elderly-services provider  
12 in Travis and Williamson County.

13 Travis County, through United Way and St.  
14 David's Hospital, just completed an elderly-needs  
15 assessment. A lack of affordable and safe housing was  
16 identified as the number one unmet need in our community.

17 I'm here today to support the Campbell Hoag  
18 tax-credit project called Heatherwilde, located in  
19 Pflugerville. This project has been designed to offer  
20 support services to allow older adults to age in place.  
21 It will help considerably in providing much-needed housing  
22 for low- and moderate-income elderly and seniors in our  
23 community.

24 I'm here also to personally thank the board for  
25 their involvement in establishing a new state law which

1 provides clear admission policy with regard to Section 8  
2 vouchers. And I just really want to thank Ms. Stiner for  
3 her leadership personally in getting that passed.

4           These new policies will open up thousands of  
5 units of housing across the state that use tax credits to  
6 be built that were otherwise not affordable to low- and  
7 moderate-income seniors and families with children.

8           The median income in Austin is so high that  
9 seniors living strictly on social security could not  
10 afford tax-credit housing. Section 8 vouchers will  
11 greatly open up access for seniors and others to high-  
12 quality affordable housing.

13           So I want to thank the board for that new  
14 policy. It's going to do wonders for opening up  
15 affordable housing in this state.

16           In closing, I also want to urge you to put the  
17 Heatherwilde senior project on the tax-credit list -- I  
18 think we're wait-listed -- as it is greatly needed in our  
19 community.

20           And I also just want to thank you personally  
21 for our capacity building project. We hope to become  
22 larger in providing as a service providers for seniors.  
23 And this will give us an opportunity to learn, to build  
24 our board and our staff's capacity to be a provider as  
25 well as a service provider.

1           We provide a lot of community support, and the  
2 city and county has asked us to take a larger role in  
3 actually building. And we have a Section 202 HUD support  
4 services application in, so this will really help us be  
5 able to be a good housing provider in our community.  
6 Thank you.

7           MR. JONES: Thank you. Our next speaker is Ms.  
8 Marlene Hagsfeld.

9           MS. HAGSFELD (from audience): [inaudible]

10          MR. JONES: Don't care to speak?

11          MS. HAGSFELD: Yes.

12          MR. JONES: Thank you. I love your occupation.

13          MS. HAGSFELD: Thank you. It's a lot better  
14 than tax credits.

15          MR. JONES: I got you.

16          MR. CONINE: What is it?

17          MR. JONES: It's goatherd.

18          MR. CONINE: Sounds similar to me.

19          MR. JONES: I thought you were a goat.

20          Mr. Sherman Roberts.

21          (No response.)

22          MR. JONES: Mr. Sherman Roberts.

23          (No response.)

24          MR. JONES: Let's see. Ms. Charletta Compton?  
25 She's speaking of Ewing Villas, which, I believe, is

1 recommended.

2 MS. COMPTON: Good morning.

3 MR. JONES: Good morning.

4 MS. COMPTON: My name is Charletta Compton.

5 I'm a member of the Dallas County Community College  
6 District Board of Trustees representing District 7, which  
7 spreads throughout southwest and southeast Dallas County.

8 I've been asked to be here this morning to  
9 speak on behalf of Mr. Burl Ridge, president of the Cedar  
10 Crest Neighborhood Improvement Association located at 1935  
11 Cedar Crest Boulevard in Dallas, Texas. Mr. Ridge could  
12 not be here today.

13 We are in support of the Ewing Villas project  
14 Number 01050, Region 3. This project will represent the  
15 first meaningful development in our community in the last  
16 30 years. It will also start the revitalization of an  
17 area in our community that has been stagnant and neglected  
18 for far too long in terms of new and affordable housing.

19 We believe the project will set the tone and  
20 serve as a standard of expectations for potential  
21 developers in the futures. The project's developers have  
22 been responsive to working with the community and  
23 addressing our needs and concerns during their planning.  
24 We are committed to working with them and offering any  
25 support necessary to assure a win-win situation for

1 everyone.

2 We thank you for your recommendation and urge  
3 you to approve this project. Thank you.

4 MR. JONES: Thank you. Mr. Jay Oji. He, too,  
5 is speaking to the Ewing Villas.

6 MR. OJI: Yes, sir. Mr. Chairman, my name is  
7 Jay Oji. I'm the president of Sphinx Whitman Corporation,  
8 the applicant for Ewing Villas Apartments. For the  
9 record, the number is TDHCA 01050.

10 The proposed development is an 80-unit all-  
11 townhome development, mostly of two and three bedrooms.  
12 It's really a gated community. The project is uniquely  
13 qualified as an in-fill housing in a Dallas neighborhood  
14 that has not received any tax credits in the last ten  
15 years. The neighborhood has not received any major  
16 development in the last 20 years.

17 After considering the handouts we have had  
18 enormous from the neighborhood, from the city, from the  
19 elected officials also. But most importantly, we have a  
20 tremendous support from the dominant landowners in the  
21 area: the Dallas Zoo, as well as DART, the Dallas Area  
22 Rapid Transit System.

23 Not only will this project be complementary to  
24 the area's current and future comprehensive land use, it  
25 will enhance the utilization of the currently obligated

1 infrastructure within the area.

2 Our development team, Mr. Chairman, with all  
3 due respect to our competition, is an array of top-notch  
4 federal housing providers in the state of Texas. Three  
5 years ago our company was lucky and became a recipient of  
6 tax credit for the rehabilitation of development of an old  
7 abandoned and dilapidated Fort Worth High School.

8 Mr. Chairman, that project, TDHCA Number 98169,  
9 the Homes of Parker Commons in Fort Worth, was recently  
10 completed and achieving a tremendous lease status for 192  
11 qualified tenants.

12 Like Parker Commons, which is an in-fill  
13 housing development, the proposed community of Ewing  
14 Villas is yearning for revitalization. With your  
15 approval, based on recommendation from staff, the proposed  
16 townhome community will become a catalyst for a  
17 substantive development of the area.

18 I ask your support, Mr. Chairman and members of  
19 the board, in approving the tax-credits funding for the  
20 proposed Ewing Villas. Thank you very much.

21 MR. JONES: Thank you, sir. I believe that is  
22 all the speakers that I have concerning tax credits.

23 Okay. One more. Mr. Jay Stewart.

24 MR. STEWART: Mr. Chairman and board members,  
25 my name is Jay Stewart. I'm an attorney here in Austin.

1 I'd just like to briefly discuss one application that has  
2 not been discussed today.

3 The application I would like to discuss is  
4 TDHCA Number 01061 in Temple, Texas. It's name is the  
5 Veranda Apartments.

6 The application was not recommended by the  
7 board -- or to the board from staff for approval  
8 because -- and I quote -- the City of Temple provided a  
9 ranking of which projects best met their needs. They  
10 selected project number 01111.

11 We've had testimony today from the mayor of  
12 Temple expressing their vote, and we certainly do respect  
13 that. But I would like to bring to the board's attention  
14 several issues regarding this recommendation.

15 While it's true that the city officials did in  
16 fact support this other project, the support was by no  
17 means unanimous. And I'm not sure whether the board is  
18 aware of it or not, but there are several hundred letters  
19 of support from citizens of Temple supporting the Veranda  
20 Apartments project, and that's on file with the TDHCA  
21 staff.

22 In fact, the citizens of east Temple community  
23 supported the Veranda over staff's recommendations of  
24 01111, and that's referenced in those letters.

25 From conversations that we've had with

1 officials of the city of Temple -- city council members,  
2 city manager -- as well as state representatives and  
3 members of the state senate or staff, no one has voiced  
4 any opposition to the Veranda Apartments. And I think  
5 that's important.

6 For those of you who are not familiar with the  
7 two projects, the two sites are directly across the street  
8 from each other. Both are new-construction, mixed-income  
9 family developments.

10 The Veranda Apartments, the one that was not  
11 recommended and the one I represent, scored 79 points,  
12 compared to 77 points for the staff-recommended project.  
13 The number of credits requested by our project was  
14 \$637,945 versus \$817,075 in credits recommended to be  
15 awarded to project number 01111. That is a difference of  
16 \$179,130.

17 Staff's recommended projects provides for 103  
18 units compared to 92 units that the Veranda Apartments  
19 would provide. And that breaks down to an increase of  
20 almost \$18,000 per credit for each unit or almost  
21 \$180,000, or 1.8 million in tax credits over ten years for  
22 only an additional ten units.

23 As we've heard earlier today, the staff looks  
24 for the bang for the buck. That is not what I would call  
25 the most effective and the most efficient use of tax

1 credits.

2 We'd request favorable consideration for  
3 project number 01061, the Veranda Apartments in Temple.  
4 And I would certainly be open for any questions.

5 Thank you, Mr. Chairman.

6 MR. JONES: Thank you, sir. The next speaker  
7 is Mr. Brian Cogburn.

8 MR. COGBURN: Chairman Jones, my name is Brian  
9 Cogburn. I submitted the Quick and Holly Townhomes in  
10 Willis, Texas. It's located in Montgomery County, a fast-  
11 growing county. And we were not recommended for credits.

12 However, I think it's appropriate to thank the  
13 staff, respect their decision and acknowledge that they've  
14 done very hard work on these projects in that there's not  
15 enough credits available for everyone.

16 Their diligence on the applications is very  
17 appreciated, and they've done an excellent job of their  
18 objectivity in scoring and how they've gone about  
19 approaching the process. And I really appreciate, you  
20 know, getting the notice last week on how the scoring took  
21 place and being allowed to meet with them, you know, later  
22 in the process and see how those applications can be  
23 strengthened in the future. Thank you so much, sir.

24 MR. JONES: Thank you. Mr. Todd Borck.

25 MR. BORCK: Chairman, ladies and gentlemen of

1 the board, thank you very much for the opportunity to  
2 speak in front of you here today.

3 I just wanted to let you know this is our first  
4 endeavor into Texas. We're originally from Florida. And  
5 we had three applications in this cycle and were not  
6 successful on any of those.

7 VOICE: Welcome to Texas.

8 MR. BORCK: Thank you. However, I have some  
9 talk about your process going a little bit more towards  
10 the Florida process. I urge you not to do that. It's  
11 very painstaking, and staff here has a tough job. Don't  
12 make it any tougher on yourself. Thank you very much.

13 MR. JONES: Thank you, sir. Now, I believe,  
14 board members, that we have heard from all the speakers  
15 with regard to tax credit. Is that correct?

16 (Pause.)

17 MR. JONES: Delores, is that correct?

18 MS. GRONECK: Yes, sir.

19 MR. JONES: If you handed me any more, I might  
20 hit you. But go right ahead, you know. I would like to  
21 read into the record for the board members a letter that  
22 we received from State Senator Chris Harris. It concerns  
23 the Barden House Senior Apartments in Arlington, Texas,  
24 which, I believe, are not on the recommended list.

25 Is that right, Ms. Stiner?

1 MS. STINER: No, sir, it is not.

2 MR. JONES: "As you are aware, recommendations  
3 were recently released for the allocation of low-income  
4 housing tax credits for this year. At this time I would  
5 like to request your approval of the Barden House Senior  
6 Apartments in Arlington.

7 "Arlington is a city of approximately 332,000  
8 residents, and, as to population, historically has  
9 received roughly about one-half of what many other cities  
10 have received of the overall financial credits issued by  
11 the Texas Department of Housing and Community Affairs.

12 "I want you to personally know that Arlington  
13 has significant affordable-housing needs. Please consider  
14 the fact that Barden House is a special situation,  
15 although it perhaps receives a lesser scores for too many  
16 affordable units.

17 "While it is more than five miles away from the  
18 closest Arlington senior apartment community and could be  
19 considered concentration, it is a solid investment for the  
20 program.

21 "This particular project has been designed for  
22 the affordable housing needs in the Arlington market and  
23 is extremely important for the residents in this area.

24 "Thank you for carefully reviewing this  
25 application and giving serious consideration for this much

1 needed program for this growing area of our state."

2 Signed, Senator Chris Harris.

3 All right. With that, I would turn our  
4 attention back to our agenda, showing that --

5 MR. CONINE: Could I recommend we take a five-  
6 minute break --

7 MR. JONES: You sure can.

8 MR. CONINE: -- before we get too far into  
9 this?

10 MR. JONES: That will be fine. So we will take  
11 a five-minute break. We'll be back at 11:30.

12 (Whereupon, a brief recess was taken.)

13 MR. JONES: -- against Delores for handing me  
14 another witness affirmation form. It will be some type of  
15 execution, but we'll have to decide exactly what type.

16 Mr. Edelbrock.

17 (No response.)

18 MR. JONES: Mr. Larry Edelbrock.

19 (No response.)

20 MR. JONES: Mr. Larry Edelbrock.

21 (No response.)

22 MR. JONES: If somebody's out in the hallway  
23 and could mention that name for me, I sure would  
24 appreciate it.

25 VOICE FROM AUDIENCE: He's not in the room.

1 MR. JONES: Excuse me?

2 VOICE FROM AUDIENCE: He's not here in the  
3 room.

4 MR. JONES: He's not here. Move on. The  
5 audience is now taking the position of chair, which would  
6 probably serve us all very well.

7 Mr. Edelbrock?

8 VOICE: Mr. Edelbrock is in the hallway, and  
9 he'll be here in one second. Is there any way he can be  
10 deferred for just two minutes?

11 MR. JONES: Excuse me?

12 VOICE: We're trying to get him right now. He  
13 stepped into the hallway.

14 MR. JONES: Okay.

15 VOICE: He'll be -- I'll go get him.

16 MR. JONES: That would be wonderful.

17 (Pause.)

18 VOICE: I found him.

19 MR. JONES: Okay. Mr. Edelbrock?

20 MR. EDELBROCK: Yes, sir. After the testimony  
21 on Wichita Falls at the beginning of the hearing, I felt  
22 that I should probably respond to some of the inaccuracies  
23 presented by some of the people.

24 Let's -- I want to talk site specific. The  
25 zoning on this property was approved April 1 by a 6-0 vote

1 of city council. So it's properly zoned general  
2 commercial. In that zoning you can build apartments and a  
3 few other things.

4 This fits into the comprehensive general plan  
5 for the city that was adopted in 1995. Dave Clark from  
6 the city here to back me up on that. This is in the flood  
7 plain. It's in the 500-year flood plain, which probably  
8 half of Austin's in.

9 The entrance is on Jasper Street. The  
10 difference in the project from last year's submittal to  
11 this year is we reduced the size of the acreage from ten  
12 and a half acres to six acres, made it a smaller project.

13 That's so the entrance is not on Jacksboro Highway. It's  
14 on Jasper Street.

15 Some comments were made that there's no parks  
16 or schools in the area. Well, in the maps that we  
17 presented in the application, I have two parks within  
18 three blocks; I have two elementary schools within three  
19 blocks; I have a Boys and Girls Club, which I have 100  
20 percent of their support on, three blocks away also. So  
21 we have a lot of family stuff going on in the area.

22 The photo that was presented today, which I  
23 didn't see -- but it was probably the same one that was  
24 presented at the Dallas hearing -- was a -- you know, a  
25 zoomed in photo -- aerial photo.

1           We had to present a photo from the city that  
2 showed the area in a little broader area. And this  
3 property -- there's a flood-control channel on the back  
4 side of the property, which, by the way, has already --  
5 they've already allocated the money for a city bike trail  
6 that fits into the park system, which will be right on the  
7 back side of the property.

8           In the zoomed-out photo you can see that there  
9 are single-family residences right across the river  
10 channel, which is probably 100 feet wide. There's housing  
11 across Jacksboro Highway, which, there's two houses that  
12 are even closer to this facility that's next door to me --  
13 the opposition -- than my project will be as -- they're  
14 closer than my project will be to his.

15           TDHCA staff visited the site. They're happy  
16 with the site. They see no problems. My opposition  
17 said -- of the seven opponents that were against this  
18 project that voiced their opinion, I believe only four of  
19 them were property owners. The people -- the 36 people  
20 that were in favor of our project represent 75 percent of  
21 the landowners within a mile of this property -- a radius  
22 of a mile. They're all for the project.

23           As far as the senator's office, the senator's  
24 office for some reason has been interested in this project  
25 for 18 months. And he's talked to the city -- consulted

1 with the city on it.

2           The city has gone out and done a full  
3 investigation of my opposition's business, of the site,  
4 how the things interact. City Manager Jim Garzano  
5 [phonetic] issued a letter that I think's in the  
6 application -- it was certainly sent to TDHCA -- a two-  
7 page letter saying the city has no problems with the site,  
8 they like the site, they like the deconcentration issue.

9           They're hoping that this is going to provide  
10 the impetus to get this area going a little bit. There is  
11 a golf course within probably a thousand feet of the  
12 property -- the night -- you know, country club in the  
13 city. So it's a good area.

14           So that's the facts about the property. I've  
15 been involved with this for 18 months. I visited with  
16 Dave Clark, the community development director, January of  
17 last year. Went into his office, said, Dave, I'm thinking  
18 about submitting a project here. Have any ideas, you  
19 know? How about on the south end of town where the  
20 obvious QCTs were?

21           He says, We're not interested down there.  
22 We're interested in deconcentrating -- spreading it out in  
23 the city. We want to get a better mix in the whole -- as  
24 far as the whole city goes.

25           Well, that's exactly what I did. I picked this

1 site out, talked to them about the site. You guys like  
2 the site? We're 100 percent in favor of the site. The  
3 city is behind you 100 percent.

4 I submitted the project last year. We didn't  
5 receive the credits. We were a couple of points low. And  
6 here we are this year. I have the same opposition from  
7 January of last year. I guess the guy just purchased his  
8 building in January of last year. He mentioned the fact  
9 that they want to expand their business.

10 Well, as of today, this very minute, the city  
11 has never talked to him, they've never gone in and talked  
12 to him about expansion. And, furthermore, if they were to  
13 want to expand their business, I'm sure the city is going  
14 to have a say-so in that, because, you know, they're in a  
15 light industrial zone now, and it's probably -- you know,  
16 that's it.

17 And so for all this stuff to come up right now  
18 and to downgrade this project, which is approved by  
19 everybody in city government in Wichita Falls -- they  
20 mention that they have 2,000 signatures. The 2,000  
21 signatures they have -- they sent to registered voters.  
22 They've never presented anything to the city.

23 These signatures were gathered at a flea market  
24 on a Saturday and a Sunday. And the question, as I  
25 understand, is -- the question was, Are you in favor of

1 spot zoning or not? Of course, everybody's going to  
2 probably say, We're not in favor of spot zoning.

3 That somehow has tumbled into my project. My  
4 project's not a spot-zone project. I'm in the  
5 comprehensive general plan adopted in 1995. It's passed  
6 zoning, 6-0 in favor. I've had support from all the city  
7 council members. They spoke last year at the -- a couple  
8 of them came down and spoke at the hearing in Dallas.

9 And, you know, that's the status of the  
10 property. That's -- I didn't really want to get involved  
11 this deep, but I think a lot of things had to be brought  
12 to the table that -- you know, clear up a lot of issues.

13 And if you have any questions on some of the  
14 stuff I said as far as from the city, you know, Dave Clark  
15 will be happy to vouch for what I've said, I think.

16 MR. JONES: Yes, Mr. Conine?

17 MR. CONINE: Would you clarify for me again --  
18 once again, the zoning, because I'm stuck up on that,  
19 because in the application it says something about light  
20 industrial, and then it says something about being  
21 rezoned, May 1, I think, to commercial.

22 MR. EDELBROCK: General commercial.

23 MR. CONINE: So that's what the current --

24 MR. EDELBROCK: Yes.

25 MR. CONINE: -- zoning of the property is.

1 MR. EDELBROCK: Yes. And in general commercial  
2 you can do this, this, this. And you can build multi-  
3 family.

4 MR. CONINE: Okay.

5 MR. EDELBROCK: So it's properly zoned, 6-0 in  
6 favor at city council. So the city's aware of what we're  
7 doing there. They've been behind us for 18 months.

8 They're not interested in putting in more  
9 housing on the south side of town. They already have two  
10 Section 8 projects. Two tax-credit projects exist down  
11 there. There's no transportation down there. There's no  
12 parks. I don't the school is within two or three miles.  
13 I've got two schools within three blocks.

14 MR. CONINE: But when the unsophisticated  
15 business around that property checks on the zoning and it  
16 says commercial, well, you know, logically, you would  
17 think it's going to be a commercial-zoned piece of  
18 property as opposed to the cumulative zoning which Wichita  
19 Falls obviously allows.

20 MR. EDELBROCK: Well, it's interesting. Our  
21 supporters, of which 75 percent are landowners -- the  
22 largest landowners within a mile and a half of our  
23 property are in favor of the River Glen Apartment project:  
24 not zoning, River Glen Apartment project.

25 The only opposition I've had is from a next-

1 door neighbor and his wife, one of their tenants, and one  
2 other landowner down the street. That's it. And that has  
3 shaded, you know, what's happened here at the state -- you  
4 know, I mean, it's a fact that we're here now and we're  
5 talking so much about it.

6 But, please, I hope the board will take into  
7 consideration the city's wishes, the time the city's put  
8 into this. Dave Clark's come down here for the second  
9 time in this operation. And he has so far been a good  
10 friend, and he is totally in favor of this project, as is  
11 the rest of the city. So -- I mean, that's the status  
12 from our view.

13 MR. JONES: Yes. Mr. Bogany?

14 MR. BOGANY: Could you show me on here where  
15 the elementary school is? You said it was three blocks.

16 MR. EDELBROCK (away from microphone): You  
17 can't see it on the map, because the map is too close in.

18 MR. BOGANY: Yes. I know it's zoomed in, but  
19 if you can just kind of give me an idea.

20 MR. EDELBROCK: Okay. There's a school about  
21 right here -- one over here (indicating). And then  
22 there's one over on this side over here (indicating).  
23 There's probably a map in the application showing the  
24 schools and the parks.

25 MR. BOGANY: So what's happening now is that,

1 to get to this school, I guess the Wichita Independent  
2 School District will bus these people over here?

3 MR. EDELBROCK: No. There's a road right here.  
4 This road goes through this bridge right here.

5 MR. BOGANY: Okay.

6 MR. EDELBROCK: So it goes over there. Here's  
7 the trail that will be -- you can see. There's a school  
8 right over here. This is all single-family right in  
9 there -- all single-family. Of course, the single-family  
10 houses are going to be closer to this building here end up  
11 being right here.

12 MR. BOGANY: Okay. Thank you.

13 MR. EDELBROCK: Here's the map right here. Let  
14 me -- a little more --

15 (Pause.)

16 MR. JONES: Any further questions?

17 MS. SAENZ: Mr. Chairman?

18 MR. JONES: Yes.

19 MS. SAENZ: Did the city conduct some type of  
20 risk factor in building here or did they -- any kind of  
21 assessment? Do we have a copy of anything?

22 MR. EDELBROCK: Well, I have two independent  
23 third-party Phase Ones I've done on the property: Apollo  
24 Engineering out of Houston, Morris Keene Associates out of  
25 Wichita Falls. They say I have no problems. On my site I

1 have no problems.

2           The city went out in response to Senator  
3 Haywood's questions for the last 18 months, and they  
4 finally addressed them. They went out there and conducted  
5 a survey themselves over a week period.

6           They sent a two-page report which is in the  
7 record we presented at the hearing in Dallas -- I think  
8 Dave did -- from City Manager Jim Garzano saying, The city  
9 has no problems with that site, no problem with putting  
10 multi-family there. And they were happy with the  
11 selection of site. They think it would good for that  
12 area -- that community.

13           The three largest employers in Wichita Falls  
14 are within three miles of this facility. And there's bus  
15 transportation -- a bus stop right on the corner. So it's  
16 an area in transition, but it's definitely in the city's  
17 plan that they want this project on that site.

18           MR. JONES: Any more questions?

19           MR. SALINAS: Would we have any liability as  
20 far as enjoining the city support if somebody would walk  
21 away from that project and go into that canal and drown?  
22 Would those families have a legitimate way of getting to  
23 the city and to you and to the state -- if we would kind  
24 of have a legal opinion as far as the -- as our commitment  
25 or liability on that site because you're going to have a

1 project next to a canal or a drainage.

2 MR. EDELBROCK: It's -- what is it? About 30  
3 feet wide?

4 MR. CLARK: There are six apartment complexes  
5 immediately adjacent --

6 MR. EDELBROCK: Exactly.

7 MR. CLARK: -- to this Holiday Creek.

8 MR. EDELBROCK: On the creek as it goes through  
9 the city.

10 MR. SALINAS: Yes, but there is -- I mean, as  
11 long as they give this body indemnification clause where  
12 we will not be liable for anybody that would go into the  
13 creek -- you know --

14 MR. EDELBROCK: It's a creek that goes through  
15 the city that's open to every person who lives in there.  
16 There's houses -- single-family houses throughout the  
17 creek all the way through the city for miles.

18 MR. SALINAS: But who would answer that  
19 question? Our legal counsel?

20 MR. JONES: Yes. Betty --

21 MR. SALINAS: Would we have any liability at  
22 all?

23 MR. JONES: Betty? Betty? We've got a  
24 question for you all. The question is, is there any legal  
25 liability arising from the fact that the project is so

1 close to this drainage?

2 MR. EDELBROCK: A creek. It's a creek.

3 MR. JONES: You understand what we're talking  
4 about?

5 BETTY: Yes. I'm sorry --

6 MR. JONES: If you do, will you come to the  
7 podium, please?

8 Or, Don, do you want to?

9 MR. JONES: This is Don Walker from the  
10 Attorney General's Office.

11 MR. WALKER: Yes. My name is Don Walker. I'm  
12 with the Attorney General's Office. And this is not  
13 specifically my area in terms of liability of this type of  
14 nature.

15 But, generally speaking, the State has immunity  
16 from liability, except under the Tort Claims Act. And  
17 with that there are some requirements in order for that  
18 act to apply.

19 Generally speaking, cities enjoy immunity from  
20 suit and liability as well. In terms of the development  
21 itself, I'm not really in a position to speak to that.

22 MR. JONES: Thank you, sir.

23 MR. EDELBROCK: You know, just a point of  
24 clarification, is that, on the back side of the  
25 property -- our whole complex is fenced. So, you know,

1 it's not like someone's just going to be walking out and  
2 disappear into the bank. The water in this --

3 MR. JONES: Yes. Mr. Bogany?

4 MR. BOGANY: In the project itself, what kinds  
5 of playgrounds and things of that nature are you going to  
6 have for the children?

7 MR. EDELBROCK: Well, typically, you know, we  
8 have, you know, you know, swings, a volleyball court,  
9 community rec center, computer learning centers, barbecue  
10 areas; I mean, you know, it's kind of the typical stuff we  
11 do in all the projects.

12 MR. BOGANY: Okay.

13 MR. JONES: Further questions?

14 (No response.)

15 MR. JONES: Thank you, sir.

16 MR. EDELBROCK: Thanks.

17 MR. JONES: Now, I believe I don't have any  
18 more witness affirmation forms. Right?

19 VOICE: Right.

20 MR. JONES: Get away. So we will turn our  
21 attention to Item 2(a) on the agenda, staff  
22 recommendations of projects for 2001 low-income housing  
23 tax-credit program allocation round and issuance of  
24 commitments.

25 MS. STINER: Thank you, Mr. Jones.

1 I'm going to ask the LIHTC staff to come  
2 forward and make the presentation on applications and  
3 applicants that are recommended under the 2001 tax credit  
4 allocation round. Mr. Njie?

5 MR. NJIE: Before I begin, I think I'll take an  
6 opportunity to respond to some of the comments that were  
7 made earlier.

8 First, with respect to the project in Ennis,  
9 Texas, we sent a team to evaluate the project and the  
10 location of the proposed project, and they came back with  
11 a report that it was a poor site; it was an isolated site  
12 for an elderly project.

13 It may well be part of an ongoing or a planned  
14 community development, including other developments --  
15 single-family, et cetera, but at the moment right now  
16 there is nothing on the site. And this will be a solitary  
17 elderly project out of nowhere.

18 In addition to that, if you look at the number  
19 of allocations made in the city of Ennis compared to other  
20 communities in the region, looking at it on a per-resident  
21 basis, it is three times higher than that made in the city  
22 of Dallas.

23 So, for those two reasons, the project was not  
24 recommended, although it scored high in the point system.

25 Regarding River Glen, because of the furor

1 relating to this project, I went to Wichita Falls to look  
2 at the site, and I walked the site to get an assessment of  
3 the concerns raised by Mr. Funston at the Dallas public  
4 hearing.

5 I met with the city officials and found out  
6 what their concerns were. The project has a creek on the  
7 southern edge of it. It is also within walking distance  
8 of elementary schools. If you stand on the property  
9 within 200 feet, it is also within 200 feet of an existing  
10 single-family development.

11 It is an area that is of mixed use, both light  
12 industrial and residential, so this project affords the  
13 City of Wichita Falls an opportunity to deconcentrate its  
14 low-income projects, and that is part of the reason we are  
15 recommending it.

16 There are recreational facilities close to the  
17 site. There is a Boys and Girls Club just next to the  
18 elementary school in that area.

19 So I just wanted to state that for the record  
20 that we took special steps to go and look at the site so  
21 we can get an independent assessment of the concerns.

22 On the Conroe project, as well, looking at the  
23 score of the project relative to other projects in the  
24 Houston area -- if you look at Conroe in terms of  
25 population and look at the city of Houston in terms of

1 population, the allocations to Conroe were three times  
2 higher than the city of Houston.

3           Given that disparity, we made a decision that  
4 the credits would be better utilized in the city of  
5 Houston rather than Conroe. That doesn't mean that we  
6 don't recognize the need for affordable housing in Conroe.

7           It's a question of relative merit given limited  
8 resources, and that choice was made.

9           There were other comments made regarding the  
10 Scott Street Townhome project. I would like to call on  
11 Tom to comment on that and also the project in Pharr that  
12 Mr. Smith spoke about earlier.

13           MR. GOURIS: Tom Gouris, director of  
14 underwriting for the Department. On the Scott Street  
15 project, the reason that the rents that we did use for the  
16 tax credit rents were higher than what the applicant had  
17 indicated is because he also had some market-rate units in  
18 that project which are higher still than the 50- and 60-  
19 percent rents that we were utilizing. And the market  
20 study substantiated those market rents.

21           And given that fact, we didn't feel that it was  
22 appropriate to reduce those 50- and 60-percent rents,  
23 because there would be no mechanism in place to ensure  
24 that those rents would actually be ultimately the rents  
25 that they would charge.

1 We did talk at considerable length the last  
2 couple of days about other options for that project, and  
3 one potential option would be to require that the rents be  
4 LURA'd at a lower level, but allow the income level still  
5 to be at the 50- and 60-percent rents. And that might  
6 allow us to then evaluate that a little bit differently.  
7 We didn't get to any firm resolution on that, but that's  
8 one possible solution.

9 MR. CONINE: Which project are you talking  
10 about?

11 MR. GOURIS: This is Scott Street.

12 MR. NJIE: In Houston. It's 1040, I believe.

13 MR. CONINE: Okay.

14 MR. NJIE: Region 6.

15 MR. CONINE: Okay. Got you.

16 MR. GOURIS: And the project in Pharr, did you  
17 say?

18 MR. NJIE: 35.

19 MR. GOURIS: The project in Pharr, the issue  
20 there was that the project costs were higher than what we  
21 had anticipated using our evaluation techniques. And so  
22 it's a simple situation where we believe that there's less  
23 need for funds for that project, and we adjusted that  
24 accordingly. And that's pretty consistent -- well, it's  
25 not pretty consistent. It's absolutely consistent with

1 what we do with all the projects across the state.

2 MR. NJIE: With that, I will go ahead and read  
3 the recommendation. Before I do that, just make a  
4 statement that we will continue to work with these two  
5 applicants. Hopefully we can, in the coming month or so,  
6 see if there are additional ways that we can make those  
7 projects a little bit more whole in terms of the credits  
8 that were reduced.

9 We recognize the points raised by Rowan Smith  
10 regarding the lower rents in the Valley and the need for  
11 more equity to be able to finance the project. So we  
12 don't want to handicap a project from the get go.

13 So we will pray to the board to go ahead and  
14 look at those projects again and -- with the intention of  
15 adjusting the credits upwards.

16 With that, I will commence the reading of the  
17 list. We begin with the first region. Project number --

18 MR. JONES: Could I ask a question? Is there  
19 any reason we couldn't submit the written list as opposed  
20 to reading it to us since we've all been submitted it?

21 MS. STINER: Yes. And we've already discussed  
22 changes that the staff is proposing to make to the list at  
23 this time.

24 MR. JONES: Thank you. If you would do that, I  
25 would appreciate it, and then submit the written list with

1 the changes to the court reporter so she can put it in the  
2 record --

3 MR. NJIE: Okay.

4 MR. JONES: -- so we'll know what we're  
5 speaking of. But we all have your written recommendation.

6 MR. NJIE: You're right. The only change --  
7 well, there are a couple of changes that we would like to  
8 make -- and that is in Region 8A.

9 One of the projects we had put on the  
10 waiting -- on the forward commitment, number 1064,  
11 O'Connor Road Seniors in San Antonio. Instead of a  
12 forward commitment, we are recommending an allocation for  
13 that project in the amount of 461,821.

14 MR. SALINAS: But that's not in your list here.

15 MR. NJIE: That's correct. That is in the  
16 forward commitment recommendation. So we have --

17 MR. SALINAS: Wouldn't it be better that you  
18 would look at all of them that have not been recommended  
19 by your staff -- that all of them that are left over be  
20 looked over again and finally put on the forward  
21 commitment?

22 Wouldn't that be a lot better and give  
23 everybody a chance to regroup with you, like you said,  
24 about Pharr? And this way everybody else would have a  
25 better chance of getting probably a recommendation from

1 the staff, and not only use one or two. I mean, there are  
2 a hundred of them left over.

3 MS. STINER: Let me respond to that, please, on  
4 behalf of the staff, Mr. Salinas. The forward commitment  
5 is limited by the percentage of credits we could take out  
6 of 2002 round. So that would be limited.

7 Staff recommendation, as it has been presented  
8 to you, we had concurred with the Chair that we would just  
9 forward those to the committee for your consideration.

10 What Mr. Njie's attempting to do is to offer  
11 for the board's consideration -- moving one development  
12 from the forward commitment to the approved list. But if  
13 that presents a problem, we will defer to the board and  
14 make the presentation as to what we've been presented.

15 But in terms of taking a look at all of the  
16 other developments that have not been recommended, the  
17 forward commitment is capped at a certain amount of  
18 credits, so that would not be a possibility of funding  
19 those projects -- all of them. You'd have to make some  
20 decisions.

21 MR. SALINAS: Well, my question here --

22 MS. STINER: You have to make some decision --

23 MS. SALINAS: My question -- you'll have to  
24 excuse my ignorance -- is, you know, this is my second  
25 meeting. And the thing is that I'm looking at how much

1 money does a applicant spend to come in to compete and  
2 when we're going to have the obligation to tell those  
3 people that applied in the pre-application, say, Well,  
4 you're not going to be able to get recommended by us, so  
5 they can go ahead and go on their merry way back home and  
6 they won't spend any more time.

7 Now, you have almost about a hundred of them  
8 left over that did not get recommended by the staff. How  
9 are we going to be able to address those people that are  
10 asking for those tax credits? We just tell them to  
11 reapply the following year?

12 Or do we have some people that have gotten tax  
13 credits last year and the year before and the year before,  
14 and therefore they're getting some this year? When do we  
15 give somebody else the opportunity? Or is it graded on  
16 their performance as far as their package?

17 MR. NJIE: Well, the -- as Ms. Stiner  
18 indicated, the forward commitment is capped to 15 percent  
19 of --

20 MR. SALINAS: I understand that.

21 MR. NJIE: -- next year's allocation. And the  
22 normal process is to reapply.

23 MR. SALINAS: To reapply.

24 MR. NJIE: That's correct. To reapply next  
25 year. Because this is a competitive process, some

1 applicants are successful and others are not. And the  
2 avenue we have for most of them really is to reapply.  
3 They will be awarding these from the forward commitment.  
4 But the overwhelming number of applicants will simply have  
5 to reapply for next year.

6 In making the recommendations we do take into  
7 account the -- our desire and the QAP's admonition to  
8 spread the credits around without diminishing the quality  
9 of products.

10 MR. SALINAS: I understand.

11 MR. NJIE: But that is all factored into the  
12 allocation process and the recommendation. You can do all  
13 of that and still end up with about a hundred people  
14 unsuccessful either as potential wait-list projects or  
15 forward commitments. And their only avenue, therefore, is  
16 to reapply next year.

17 MR. SALINAS: I understand that. But how about  
18 the question when somebody gets funded '99, 2000, 2001 --  
19 I mean, gets tax credits every single year, and other  
20 people that continue to apply do not get tax credits?

21 MR. NJIE: Provided that --

22 MR. SALINAS: Is that performance on their part  
23 or --

24 MR. NJIE: Provided their application is  
25 competitive, we will evaluate it every year. Like I said,

1 it -- we don't take the position that, just because you've  
2 applied three times in a row, the third time you're  
3 automatically invested with an allocation.

4 MR. SALINAS: My question was, people that get  
5 tax credits every year and approved by this board every  
6 year -- I mean, that's just a question. I mean, one  
7 got --

8 MS. STINER: I think --

9 MR. SALINAS: -- tax credits last year --

10 MS. STINER: -- we can answer that.

11 MR. SALINAS: Okay.

12 MS. STINER: The provision in the QAP is that  
13 an applicant is capped on an annual basis. There's no  
14 provision right now in the QAP that an applicant cannot be  
15 successful from year to year. I think that's the answer.

16 And the QAP, of course, is the rules that we go by.

17 But there is no prohibition in the QAP  
18 currently that if you successfully compete from year to  
19 year that there's a cap or a limitation on how many times  
20 you can compete well.

21 There is a provision in the QAP to provide  
22 credits to as many applicants as you can without  
23 diminishing the quality of the credits. So I think that  
24 is the exercise that the staff went through this time  
25 around. And, while there are some applicants that compete

1 every year that don't compete well, there are no points  
2 or -- in the scoring criteria to advance them forward.

3 I do want to, of course, also answer the  
4 question relative to the pre-application. The cycle, as  
5 it's currently set up, as Mr. Njie has responded to your  
6 question, those unsuccessful applicants are -- you know,  
7 are not considered in this particular round, and a  
8 business decision of the applicants is to reapply next  
9 year.

10 One of the things that came out of this  
11 particular legislative session is a pre-application  
12 process that the staff has already started working on for  
13 2002, which is upon us sooner than we would think. So  
14 they've already worked through the mechanism of setting up  
15 a pre-application.

16 So for those applicants who wish to take  
17 advantage of that they'll then have some indication -- a  
18 better indication of if they're going to be successful or  
19 not and whether to pursue or forego an application in the  
20 allocation round. So that is one thing that has come out  
21 of this session in that we're implementing that.

22 But this particular application cycle, those  
23 who were unsuccessful won't have an avenue for reapplying  
24 until next year.

25 MR. JONES: I'd kind of like to piggyback on

1 the mayor's comments. I think he hits a point of concern  
2 that this board has had for a number of years. I know at  
3 the last round last summer many board members expressed  
4 concern that we wanted diversity among the developers that  
5 were, shall we say, the victors in this process each year.

6 And I do hear the board every year express the  
7 same concern that the mayor just expressed. And, you  
8 know, my feelings are that I know that staff has heard  
9 that, and I know that I have heard from many staff members  
10 that they are dedicated to the idea of diversity among  
11 developers also.

12 But I don't see us all getting there and  
13 viewing it the same way. And I do think that, you know,  
14 the executive director has raised the issue of one way to  
15 get there is to go to the QAP and those rules.

16 I think, unfortunately, when you do that you  
17 take away discretion from staff. And I think one of the  
18 things that has been of real benefit to the fact that this  
19 program has been successful as it has been as compared to  
20 other states is some of the discretionary features of it.

21 But the fact that we can't seem to resolve this  
22 issue between board the staff and that the issue comes up  
23 again year after year may mean that it is something that  
24 will be addressed in the QAP. But I do understand where  
25 the mayor's coming from and his comments.

1 MS. STINER: I will offer -- and, hopefully, I  
2 can offer this. I hope this is not viewed as a issue  
3 between the board and staff. It's an issue, as I've said  
4 to you, Mr. Jones, on many occasions, that the QAP is the  
5 rule that governs the program. And the success of getting  
6 a prohibition of that nature in the program in terms of  
7 criteria I think will need to be reflected in the QAP.

8 To the extent that it's the wishes of the board  
9 and the public that a developer, you know, sits out a  
10 round -- and I think that's what we're talking about --  
11 and cannot be successful year after year, will have to be  
12 reflected, I think, in order for that not to become a  
13 discretionary criteria, to be very explicit in the QAP.

14 And I think, you know, making those kind of  
15 decisions would have to be very explicit and rules that  
16 the staff would follow. And --

17 MR. BREWER: Well, Mr. Chair, I'd have a  
18 problem with that in that I believe that our charge is to  
19 put houses on the ground for people, not necessarily to  
20 pick developers, and that --

21 MR. CONINE: Mr. Chair, if I might, I've got a  
22 couple of generic questions before we go much further.

23 Chernobyl, I want to get into the math a little  
24 bit --

25 MR. NJIE: Sure.

1 MR. CONINE: -- right quick. This year's  
2 credit had an allocation per region.

3 MR. NJIE: That's correct.

4 MR. CONINE: The regional allocations were  
5 based upon population, or was there some other factor that  
6 contributed to the allocation process?

7 MR. NJIE: Well, the formula was developed  
8 years -- in three variables. I think that housing --  
9 poverty levels, I believe, or cost burden for low-income  
10 tenants. And the third factor was, I believe, substandard  
11 housing. So those were the variables that we used to  
12 generate the regional allocation formula.

13 MS. STINER: May I interject?

14 VOICE: Sure.

15 MS. STINER: Not that you are incorrect, Mr.  
16 Njie, but the staff who developed the formula and took  
17 public comment on it across the state is here.

18 Ms. Anderson -- didn't I see Sarah Anderson  
19 here? If there are any further -- did he --

20 VOICE: He got it.

21 MS. STINER: He got them right. Okay. Thank  
22 you.

23 MR. CONINE: Okay. And correct me if I'm  
24 wrong, but the Legislature also has encouraged us to do  
25 this as well. Correct?

1 MR. NJIE: That's correct. That is -- it is  
2 law.

3 MR. CONINE: So I guess what bothers me in  
4 looking at the numbers is that we fell short in five of  
5 the eleven regions in hitting the allocation targets. Can  
6 you just give me a generic comment on -- and then we might  
7 talk about one specifically, being the Valley, that I know  
8 the Legislature has an extreme interest in.

9 MR. NJIE: Well, the regional allocation  
10 formula provided us with targeted credit amount in each  
11 region, and we used that as a target to allocate. Now,  
12 when you receive applications, some regions are more  
13 competitive than others, so you move the credits around  
14 based on that level of competitiveness that you have in  
15 the allocation round.

16 And so that is exactly what we did in this  
17 region -- in this allocation round. We made adjustments,  
18 which are provided for in the QAP, because some regions  
19 didn't have the level of demand that others have, in order  
20 to make those projects viable and to make those  
21 allocations and specific set-asides.

22 MR. CONINE: Did we not have enough  
23 applications within a given region to exceed the  
24 allocation in all cases?

25 MR. NJIE: Well, I think that -- in Region 1,

1 for example, I don't believe that we had enough in Region  
2 1. Can somebody give me Region --

3 MR. DAROSS: Region 9 also, I believe.

4 MR. NJIE: Region 9.

5 MR. CONINE: You were \$100,000 short in Region  
6 1. There's two projects that total 600,000, so there's --  
7 that didn't get allocation. So that met that criteria.

8 MR. NJIE: The -- basically, the allocation --  
9 or the targeted amounts in each region do not readily  
10 translate to a project, so you have to make adjustments.  
11 If you were to just look at each region and say, Well,  
12 this is exactly how I'm going to make it, you'll have to  
13 restructure a lot of projects to get that -- to be able to  
14 use that. So we made adjustments for that as well.

15 MR. CONINE: But let me get back to the facts  
16 here just a minute. Weren't there enough projects in each  
17 region to be able to meet the allocation targets within  
18 each region, if you wanted to -- if the staff chose to do  
19 so?

20 MR. NJIE: Let me look at my map for the  
21 regions.

22 MR. CONINE: Okay.

23 MR. NJIE: Brooke --

24 MR. CONINE: I can give you a quick synopsis,  
25 if you'd like. You were \$100,000 short in Region 1. You

1 were \$30,000 short in Region 5. You were \$160,000 short  
2 in Region 7. You were \$400,000 short in Region 8A. And  
3 you were a million dollars plus short in 8B.

4 (Pause.)

5 MR. NJIE: Yes. The targeted amounts that you  
6 have read -- those are the variances we have in the  
7 different regions. That's correct.

8 MR. CONINE: So what you're saying is that the  
9 staff, when they came up with their recommended list based  
10 on the quality of the projects and all the other factors,  
11 even though I guess I could probably pick a region and go  
12 down and pick scores that were -- you know, was in the  
13 range of acceptability, the staff still chose to weight  
14 different regions with more projects, because, obviously,  
15 if you were short in some, you were in excess in other  
16 regions.

17 And I guess I would wonder how the Legislature  
18 mandating the allocations in those regions affected your  
19 decision in still coming up with shorting five out of the  
20 eleven.

21 MR. NJIE: It's not a question of shorting  
22 five. It's a question of rearranging the allocations so  
23 that you can generate projects that are economically  
24 viable. I mean, the regional-allocation target doesn't  
25 say that if the region doesn't have any sufficient amount

1 of credits you should allocate anyway. That's not what  
2 the mandate is. The mandate is to use those as targets --

3 MR. CONINE: Right.

4 MR. NJIE: -- and make adjustments where  
5 necessary. And I think that is what we sought to do.

6 MR. CONINE: Okay. I got another question.

7 Based on what formula did we arrive at the  
8 forward commitments for 2002 number?

9 MR. NJIE: That's a 15-percent number. The  
10 forward commitment is always 15 percent of the allocation  
11 per capita for the following year.

12 MR. CONINE: Yes. I'm more concerned with  
13 specifics as to what -- we just had a census in this state  
14 that showed we had 21 million people. We just had a bill  
15 passed in Congress that said we get an increase in tax  
16 credit over two years.

17 By my calculations we're woefully short in our  
18 forward commitment list as to the amount of credits that  
19 we should receive in 2002. And I would like to understand  
20 specifically how you arrived at that target.

21 MR. NJIE: The forward commitment target did  
22 not utilize all the credits we have available. In other  
23 words --

24 MR. CONINE: Stop.

25 MR. NJIE: -- all 15 percent.

1 MR. CONINE: Stop. How did you determine the  
2 amount that you had available? That's what I want to  
3 know. I think you're short on that number.

4 MR. NJIE: No, I'm not short on that number.  
5 It's --

6 MR. CONINE: Then tell you how you got there.

7 MR. NJIE: It is determined based on the per  
8 capita for 2002. The 2002 per capita is \$1.75 per  
9 resident.

10 MR. CONINE: Did you use 18 million people in  
11 Texas or 19 million people in Texas?

12 MR. NJIE: We generated a 20 million --

13 MR. CONINE: 20 million.

14 MR. NJIE: 20.8 million.

15 MR. CONINE: 20.8 million times a buck, seventy  
16 five. I think I came up -- let me just do the math here.

17 MR. NJIE: Okay.

18 MR. CONINE: I get 36,750,000 bucks close --  
19 roughly times 15 percent is \$5.5 million worth of forward  
20 credits.

21 MR. NJIE: Okay. Let me -- what we did was --  
22 here. We used the population of 20.8 million --

23 MR. CONINE: Okay.

24 MR. NJIE: -- and projected a growth rate of 4  
25 percent -- 4.3 percent for the state multiplied for \$1.75.

1 MR. CONINE: Okay.

2 MR. NJIE: And that gives us the 5.6 million as  
3 the projected -- as available for forward commitment.

4 MR. CONINE: I'll buy that.

5 MR. NJIE: Of that number, the Department  
6 didn't utilize all of it. I think we are currently about  
7 a million short of --

8 That's correct.

9 MR. CONINE: And I guess the question would be  
10 why.

11 MR. NJIE: Why?

12 MR. CONINE: Uh-huh.

13 MR. NJIE: Well, because of the regional  
14 allocation formula we felt that sufficient number of  
15 qualified projects were used up for the 2001 round. We  
16 should leave the balance for 2002.

17 MR. CONINE: If -- logic tells me if we have a  
18 waiting list of qualified projects that have achieved your  
19 standards, then we could have given away another million  
20 dollars roughly of credits in forward commitments we would  
21 have gone away and done that within a QAP. I'm guess I'm  
22 curious why staff didn't recommend that.

23 MR. NJIE: That is a decision we made not to  
24 exhaust all the forward commitment. The forward  
25 commitment says the Department may utilize up to 15

1 percent.

2           And, again, because the regional allocation  
3 formula gives you this targeted amount, you want to be  
4 able to give flexibility to oncoming projects sometime  
5 around next year. It was basically based on that. It was  
6 our decision not to exhaust all of the forward commitment.

7           MR. CONINE: Excuse me for dominating, but I've  
8 got a couple more questions.

9           In regards to the recommended list, when I went  
10 through and looked through most of them, in most cases  
11 they're under the asked for credits by most of the  
12 applications. Through the underwriting process and so  
13 forth we reduced the amount of credits that we sought.

14           But there was a substantial list of projects --  
15 and I guess I've -- looks like about 15 on my list -- who  
16 actually received more credits than they asked for, which  
17 is kind of an unusual situation. And as -- at least my  
18 experience has been that you don't generally get more than  
19 you ask for. You have to do -- you have to build a  
20 project for what you ask for.

21           And if you add all the differences up between  
22 ask for and what was recommended by the Department there's  
23 another \$200,000 worth of credits there. Can you help me  
24 with that?

25           MR. NJIE: Yes. I will also ask Tom to join me

1 in this. The -- we made an adjustment based on the --  
2 sometimes based on the cost allocations for these  
3 projects. Certain cost items that should have been  
4 ineligible basis may not have been evident ineligible  
5 basis.

6 And in some projects the Department used an  
7 applicable percentage to underwrite these projects. The  
8 projects owner themselves submitted applications with  
9 lower applicable percentages. So when we use the  
10 applicable percentages, the adjusted -- the credit amount  
11 that was requested was adjusted as a result of that.

12 So the disparities you see there can be  
13 accounted for by those two factors.

14 MR. GOURIS: And the reason for the increase in  
15 credit in some cases is exactly that. The applicable  
16 percentage is not know, and the requirements in the QAP  
17 and the Application Submission Procedures Manual reflect  
18 that -- the applicable percentage that we will use. For  
19 the past two years what we had used is the rate that is  
20 determined for the month the board meets.

21 And this is an area that we need to adjust for  
22 the future I think and set it at the time the application  
23 is made. But two years ago we set this rate and -- to be  
24 established as of the date -- as of the month -- the  
25 applicable percent is the month that the board.

1           And then this year the effect has been that the  
2 applicable percentage was lower earlier. And, in many  
3 cases, the applicants used a lower percentage than what we  
4 ended up using when we evaluated them. And we used the  
5 same rate for everyone.

6           MR. CONINE: Help me with what rate you're  
7 talking about now. I'm confused.

8           MR. GOURIS: When you calculate the eligible  
9 basis you derive that using good costs -- eligible costs.

10          And then you take a percentage that -- the 9 percent rate  
11 or the 4 percent rate.

12          MR. CONINE: Uh-huh.

13          MR. GOURIS: Well, actually, we don't use the 9  
14 percent rate, though that's -- you know, the thought  
15 process there was that it was originally around 9 percent.

16          The actual rate currently is about 8.21.

17          We do a calculation based on the last three-  
18 year, two-year, one-year trailing rate with the current  
19 rate and add ten basis points in order to give enough  
20 cushion to that rate. Because they -- it's kind of  
21 complicated, but because they will sometimes lock their  
22 credits now or they'll lock them later. And so we want to  
23 be able to lock that rate at a rate that still gives them  
24 enough cushion to be able to work.

25          So what we did is establish this across the

1 board that the rate that we'd use to underwrite is the  
2 rate that's applicable the month that the board meets.  
3 Does that --

4 MR. DAROSS: Does that have anything to do with  
5 the maximum rent limits? Because I noticed in -- a lot of  
6 those those limits hadn't been set at the time that the  
7 applications had to be submitted.

8 MR. GOURIS: It doesn't directly. I mean, the  
9 idea of using the rate that was available the month the  
10 board met -- meets is related in that we always try to use  
11 the most currently information when we evaluate an  
12 project. And sometimes that information changes by days  
13 or week.

14 You know, the rent limits weren't available for  
15 the bonus round, but they were available for the  
16 application round. So we used the maximum rents for all  
17 the applicants if they were attainable.

18 So, you know, we try to apply the same rule  
19 once it's established, and we always try to use the most  
20 current information that's available when we're  
21 underwriting it. So that's --

22 MR. CONINE: Can you express an opinion that if  
23 we were to go back to the lucky applicants that asked  
24 for -- whether or not it would impair the project  
25 significantly?

1 MR. GOURIS: I don't believe it would, though  
2 it's not what we had -- I don't believe it would. But, if  
3 I can -- if I give you a longer answer, I think we have  
4 made indications to applicants that we would -- in fact, I  
5 think we specifically say it in the Application Submission  
6 Procedure Manual -- that we would make that adjustment  
7 upward or downward.

8 And, in some cases, they anticipated a higher.  
9 There are a couple of applicants that used the 9 percent  
10 rate, though I don't know why they did that. But -- so  
11 that's -- would be the reason why some of those projects  
12 got reduced credits. But I don't think it would  
13 materially hurt them, although it wasn't what we told them  
14 we would do.

15 MR. CONINE: Okay.

16 MR. JONES: Mr. Conine?

17 MR. CONINE: Let's spread it around and see if  
18 anybody else has any questions.

19 MR. JONES: But you were on a roll.

20 MR. CONINE: I know.

21 MR. DAROSS: Well, let me throw in a question  
22 just to take the heat off of Kent here a little bit. I  
23 didn't make a count of these, but I noticed probably at  
24 least a dozen -- maybe two dozen -- of the applications  
25 there's a statement made that it was possible that the

1 debt coverage ratio could result in making a higher than  
2 allowed profit, essentially -- above the 1.25.

3 Is there a mechanism for correcting that at a  
4 later time if we get the information that they are  
5 receiving a much higher rents than projected?

6 MR. NJIE: Yes. The initial allocation is only  
7 one of three phases that the project goes through. One --  
8 the other -- after they get a reservation pursuant to the  
9 underwriting we've already done, we would look at it again  
10 in October when they do a carryover allocation.

11 And, finally, at cost certification, when the  
12 project is completed, then they've already -- from looked  
13 at that and the construction cost, we would look at it and  
14 make adjustments to the credits as are warranted by that  
15 cost identification.

16 MR. DAROSS: And this is probably a rookie  
17 question. But how that affect whether or not they've  
18 already syndicated the credits?

19 MR. NJIE: Well, they may already have  
20 syndicated the credits. But every syndicator knows that  
21 before you receive your 8609s those credits are subject to  
22 adjustment downwards

23 MR. DAROSS: Okay. Thank you.

24 MR. GOURIS: Can I just add that when we did  
25 make that comment we did adjust the credit in most

1 cases -- or adjust the loan amount in most cases to cap at  
2 125 debt coverage. And if that affected the credits then  
3 we would adjust accordingly. In some cases it did and in  
4 some cases it didn't. But we identified that as an issue  
5 regardless and adjusted accordingly.

6 MR. DAROSS: Thank you. Back to you.

7 MR. CONINE: My understanding -- I think Mr.  
8 Brewer actually mentioned it a minute ago that our desire  
9 is to get housing units on the ground and in production.  
10 And, to that respect, I have a concern about some of the  
11 awardees this time around still having projects that they  
12 may -- might have been awarded credits from last year who  
13 haven't actually started those projects. Can you -- do  
14 you have a feeling for what that might hold Department  
15 wide?

16 MR. NJIE: Well, I've -- as I've mentioned to  
17 you in private earlier, the -- we've looked at the  
18 recommended list, and there are two project owners that we  
19 are recommending who have not closed a construction loan.

20 The first one is for Las Brisas Apartments in  
21 Del Rio. The other one is for a project owner in  
22 Pasadena. In both instances the board awarded -- or  
23 allowed them an extension for the closing time.

24 And so, therefore, we did not take that into  
25 account in terms of not recommending them because there

1 were valid reasons submitted to us and we felt they were  
2 meritorious and we recommended them.

3 And we -- are quite confident that these  
4 project owners can continue with the project, I think the  
5 Del Rio project certainly, as well as the Pasadena  
6 project.

7 MR. CONINE: Does that include bond deals with  
8 4 percent as well, or would you have to go research that  
9 to see?

10 MR. NJIE: No, the bond deals -- we don't have  
11 that stipulation with the bond deals. Those ones --

12 MR. CONINE: I know there's no stipulation.  
13 I'm asking you a question. If you were to go down this  
14 staff recommended list --

15 MR. NJIE: Uh-huh.

16 MR. CONINE: -- and see who, either on the --  
17 this round, the forward, or the waiting list had bond  
18 deals with 4 percent credits from the year of 2000 ending  
19 in December that had not started construction yet, would  
20 you have more -- do you think you would have more?

21 MR. NJIE: I don't believe we have any right  
22 here for the simple reason that the bond deals are very,  
23 very, time specific. Once you close those deals you close  
24 them and you start.

25 MR. CONINE: Okay.

1 MR. NJIE: And so there is nobody here that has  
2 been recommended that has a pending bond deal with a  
3 reservation, and the reservation date has expired, or they  
4 have gotten their reservation and they didn't close on it.

5 Those are specific time driven transactions  
6 that, you know, you either proceed with the reservation to  
7 close the bonds or you don't. And once you close you're  
8 ready to start construction.

9 MR. CONINE: Where I'm heading with this,  
10 fellow board members, is that, again, I have a concern  
11 about those projects that were awarded last year that have  
12 not started this year. And our concern is to get housing  
13 units on the ground as quickly as possible so that Texans  
14 can start renting and living in them.

15 And my hunch here is to go and do the homework  
16 necessary to find those that are on the staff recommended  
17 list in any category. And if they have one from last year  
18 that has not started or under construction that we would  
19 push that to the forward commitment list -- push those  
20 projects that were going to be recommended this year in  
21 2001 -- push them to the forward commitment list, so that  
22 we're not yanking them off the list, but we're going to  
23 make sure that they start the projects that they got 2000  
24 credits for before we give them the 2002 credits -- if  
25 that makes sense. And I'm just throwing that out just for

1 thought before we get to the final vote.

2 MR. NJIE: And I've indicated to you those are  
3 the only two project owners on the list that have not  
4 closed a construction loan.

5 MR. CONINE: Well, I would like to take your  
6 word for that. But I think it needs to be proven to -- I  
7 mean, you can show me later on afterwards, but we'll go  
8 through and make sure that's the case.

9 MR. SALINAS: Well, anybody that has not  
10 started construction should not qualify this year.

11 MR. BREWER: Well, I'm not so sure of that  
12 if --

13 MR. SALINAS: Well, we have a hundred other  
14 people that are waiting for tax credits.

15 MR. BREWER: But if we've already approved an  
16 extension I don't think --

17 MR. SALINAS: Oh, an extension is different.

18 MR. BREWER: -- that's fair to --

19 MR. SALINAS: I'm talking about anybody that's  
20 gotten one that's not started construction.

21 MR. NJIE: There are time lines that we have in  
22 the QAP for starting construction. And, as I've  
23 indicated, at least to Mr. Conine, we're not recommending  
24 anybody on this list right now who has not started  
25 construction or who has not closed a construction loan,

1 except for these two projects for which the board awarded  
2 extensions.

3 MR. CONINE: Those two projects -- those are  
4 two developer individuals who have projects here.  
5 Correct?

6 MR. NJIE: That's correct.

7 MR. CONINE: Those projects here are in which  
8 list, the recommended list, the forward commitment list,  
9 or the waiting?

10 MR. NJIE: They're both in the recommended  
11 list.

12 MR. CONINE: They're both in the recommended  
13 list.

14 MR. NJIE: That's correct.

15 MR. CONINE: Mr. Chairman, I think I'd just  
16 start this thing off by making a motion that we consider  
17 moving any project sponsor or developer or whatever you  
18 want to call them that has any interest -- even a minority  
19 interest -- in a 2000 credit that has not started  
20 construction. That we immediately move those to the  
21 forward commitment list for 2002 and have the caveat that  
22 that particular forward not be granted if the 2000 project  
23 hasn't commenced construction by January 1, 2002.

24 MR. SALINAS: I'll second that motion.

25 MR. JONES: We have --

1 MS. STINER: May I just make a comment before  
2 we do that? I think you should consider that some of  
3 those may already be in a contractual obligation to the  
4 Department where they may have a later start date. So we  
5 may need to look at those with that --

6 MR. CONINE: Did we extend any of them past  
7 2001?

8 MS. STINER: Yes. The dates -- the  
9 construction dates are timed for so many days after  
10 certain dates. I'm just saying that -- and Mr. Njie, you  
11 may know better than me. That just was something that  
12 came to my head that, in the carryovers that we signed  
13 with them and with the commitments, those dates are  
14 prescribed in starting construction.

15 MR. NJIE: That is correct.

16 MS. STINER: You may have some that haven't  
17 started yet, but that time limit hasn't come. I think  
18 we've hit all those for 2000 --

19 MR. NJIE: We have --

20 MS. STINER: I'm just throwing that out for  
21 consideration.

22 MR. NJIE: I think you were talking about  
23 closing construction loans. Are you talking about  
24 starting construction? Because there are time lines for  
25 starting construction pursuant to the QAP as well.

1 MR. CONINE: Tell me what the difference is.

2 MR. NJIE: Well, closing the construction loan  
3 under the QAP is 150 days.

4 MR. CONINE: All right.

5 MR. NJIE: And the Department also has a  
6 stipulation that you must commence and continue  
7 construction within a year of the allocation. So I'm  
8 representing to you that the project owners that we're  
9 recommending who have not closed a construction loans are  
10 only these two projects.

11 MR. CONINE: I'm talking about starting  
12 construction by December 31, 2001.

13 MR. NJIE: Well --

14 MR. CONINE: And I'm not -- and these are  
15 projects who received credits in 2000.

16 MR. NJIE: Uh-huh.

17 MR. CONINE: And for anyone to take more than a  
18 year and a half to start a project -- to actually start a  
19 project -- is inconceivable to me, to begin with, number  
20 one.

21 And, secondly, what I'm saying is that they go  
22 on the forward commitment list for this year, meaning the  
23 project that they submitted which has absolutely nothing  
24 to do with the one that's delinquent -- it's not  
25 delinquent, but the one I'm addressing -- the project they

1 submitted this year go on the forward commitment list.  
2 And if they haven't started construction on their 2000  
3 credit job by the end of this year, December 31, that we  
4 would withhold their 2001 project that received a 2002  
5 forward at that point.

6 And the reason I'm saying that is because there  
7 is -- we would obviously be giving credits this year to  
8 someone who's having a problem with last year's project  
9 getting it started, much less lumping another one on top  
10 of him.

11 And if we are going to evaluate those who --  
12 and I'd rather spend -- him spend his time or she spend  
13 her time focusing on the one we've already given them  
14 rather than giving them another one and lumping it on top  
15 of that.

16 Now, I know that's going to take a little more  
17 research than we can do in the time frame allowed today.  
18 But I think it's important, board members, that we get  
19 housing units on the ground and get them on the ground as  
20 expediently as possible.

21 As the mayor has said there's a bunch of other  
22 folks waiting in line that could get their projects under  
23 construction immediately.

24 MR. JONES: If I could -- and I think that  
25 there are good points being made here that we, number one,

1 want to get housing on the ground. Everybody agrees with  
2 that. It's kind of like what Mr. Brewer said -- I know  
3 all board members agree with him.

4 I know, two, we're also committed to other  
5 concepts. I know one of the things that does that is when  
6 you have diversity among developers. We're all committed  
7 to that.

8 I think the other thing that Ms. Stiner has  
9 raised that we don't need to forget is how this impacts  
10 the QAP and the fact that we can't retroactively do  
11 anything concerning the QAP. And we have a member of the  
12 Attorney General's Office that would like to comment on  
13 that. Don?

14 MR. WALKER: Thank you, Mr. Chairman. I was  
15 born here, so I guess I'm kind of used to it.

16 MR. JONES: Get a rope.

17 MR. WALKER: I got a horse. I believe an issue  
18 I see that raises a concern to me is that part of Mr.  
19 Conine's motion had to do with moving from the recommended  
20 list to the forward commitment list. That doesn't cause  
21 me too much concern.

22 If they don't start construction by December 31  
23 then to in effect disqualify them I believe would be a  
24 ground of disqualification that is not listed in the QAP.  
25 And that's what causes a concern to me.

1           And I'm -- just from the overall sense, I'm  
2 concerned to the extent that the board has granted an  
3 extension in the process to these individuals and then  
4 comes back and penalizes them even though they are within  
5 the extension -- that that could cause a problem, too.  
6 And, again, this is no comment on the merits of the  
7 concept --

8           MR. CONINE: Right.

9           MR. WALKER: -- because that's certainly within  
10 the board's policy to set. But when the QAP sets certain  
11 factors that disqualifies applicants and other factors  
12 that are to be weighed and considered in awarding points  
13 or otherwise evaluating these applications relative to  
14 each other, then those have to be followed. And going  
15 outside of that I think would put us in a weaker position  
16 than I prefer to be in case there was some challenge to  
17 it.

18           MR. CONINE: Is there a provision in the QAP,  
19 Chernobyl, for a subsequent review of the forward  
20 commitments?

21           MR. NJIE: Subsequent review in terms of what?  
22 The recommendation?

23           MR. CONINE: Yes.

24           MR. NJIE: In light with what you're saying, I  
25 think probably not. I mean, the QAP merely says that you

1 would use up to 15 percent of credits for forward  
2 commitment. And the deadline that those applicants are  
3 subject are enumerated in the QAP.

4 I think Don is correct in saying if you would  
5 go against or layer additional requirements it might cause  
6 some concern. But there is nothing that's in the QAP.

7 MR. CONINE: Mr. Chairman, then I would like to  
8 amend my motion to take away the removal of the 2002  
9 forward credit list, but I'd like to still stick with my  
10 motion of moving them from the recommended list to the  
11 forward commitment list, because that will create some  
12 dollars that we can utilize here a little later on I  
13 think.

14 MR. JONES: Any comment from the Attorney  
15 General's Officer concerning that amendment to the motion?

16 MR. WALKER: I beg your forgiveness. I was  
17 asking Mr. Gonzalez --

18 MR. JONES: Would you make the motion again so  
19 our friend from the Attorney General's Office --

20 MR. CONINE: Yes. I'll try to restate the  
21 motion.

22 MR. JONES: Thank you.

23 MR. CONINE: That any of the approved projects  
24 that have developers who, either in a majority or minority  
25 interest, received 2000 credits, and those -- that those

1 particular projects be moved to the forward commitment  
2 list -- the 2000 credits being not -- are not being under  
3 construction currently as of July 31 -- that those  
4 projects be moved to the forward commitment list. That's  
5 it. That's my motion.

6 MR. SALINAS: Would that be projects that were  
7 awarded in 2000?

8 MR. CONINE: No.

9 MR. BREWER: No, the ones who --

10 MR. CONINE: Cherno's indicating there's two  
11 projects on our recommended list that are -- which have  
12 sponsors or developers that have projects in 2000 that  
13 haven't started their projects.

14 MR. SALINAS: Are those --

15 MR. CONINE: I assume we would verify that post  
16 this meeting. But assuming we verify that and that's the  
17 case, I'm recommending we take those two projects and move  
18 them to the forward-commitment list.

19 MR. SALINAS: Are those the only two?

20 MR. NJIE: That's correct.

21 MR. SALINAS: Then I second to his motion.

22 MR. JONES: Okay. We have a motion made by Mr.  
23 Conine. It has been seconded by the mayor.

24 MR. DAROSS: I have a question.

25 MR. JONES: Yes.

1 MR. BREWER: I have a question.

2 MR. JONES: Yes.

3 MR. DAROSS: As a, I guess, corollary to that,  
4 if we're -- by moving these two projects to the forward  
5 commitment list, we're obviously reducing the amount  
6 that's recommended for 2002 allocations by whatever the  
7 dollar amount of those two projects are.

8 What then do we do with that dollar amount? Do  
9 we move that amount to someone --

10 MR. CONINE: I'm not handling that question.

11 MR. DAROSS: -- on the waiting list?

12 MR. CONINE: Let's just do this one step at a  
13 time.

14 MR. NJIE: Can I make a comment before we  
15 proceed? I think in the case of the Del Rio project, they  
16 already have 2000 allocations. The project is being  
17 submitted for additional credits. If you move it to the  
18 forward commitment I think you will greatly create  
19 difficulties for them in moving forward with this project.

20 Essentially you're going to have two separate  
21 allocations, one for the modest sum of \$40,000. So the  
22 project needs to get the 2001 allocation to be able to  
23 blend those and move with the project. If you put it in  
24 one that has a 2000, the other one a 2002, I think it  
25 would create serious hardship for the partnership to blend

1 those together.

2 MR. BREWER: Cherno, didn't we -- the two we're  
3 talking about, didn't the board approve the extensions?

4 MR. NJIE: Yes. The board approved the  
5 extensions.

6 MR. BREWER: Okay. And on forward commitment,  
7 I was under the impression anything that's on forward  
8 commitment comes back to the board for a thumbs-up later  
9 on on allocating those funds on forward commitments.

10 MR. NJIE: Well, the forward commitments are  
11 approved by the board, but they're also subject to the  
12 same rigid time lines for closing construction loans and  
13 carryover as the regulation allocations.

14 MR. CONINE: But we don't reapprove them, Mr.  
15 Brewer.

16 MR. BREWER: They don't come back?

17 MR. NJIE: No, they don't come back to the  
18 board.

19 MR. CONINE: On your list here you don't have  
20 the forward commitments that we issued for this year.  
21 Last year's are not on this list. There's five -- I think  
22 in the presentation earlier there was five projects who  
23 got forwards last year that aren't on this list.

24 MR. SALINAS: But they got 2001 commitments?

25 MR. NJIE: Excuse me?

1 MS. STINER: 2000, yes.

2 MR. SALINAS: That they got 2001 commitments  
3 again.

4 MS. STINER: They got 2001 commitments because  
5 they were approved for forward commitments in 2000. Yes.

6 MR. CONINE: Which -- can you tell us one more  
7 time which projects -- let's get specific here.

8 MR. NJIE: We're talking about the -- in Region  
9 8B --

10 MR. CONINE: Okay.

11 MR. NJIE: -- 1024, Las Brisas Apartments in  
12 Del Rio --

13 MR. CONINE: Yes.

14 MR. NJIE: -- in the non-profit for 40,000.

15 MR. CONINE: Okay.

16 MR. NJIE: That was approved last year. And  
17 they resubmitted that to get additional credits because of  
18 a funding gap. To move those to a 2000 forward commitment  
19 I think is going to separate those two allocations and  
20 create hardships for the partnership to blend those  
21 together and move forward with the project.

22 MR. CONINE: Are those two separate phases?

23 MR. NJIE: Well, it's the same phase. It's  
24 just one project.

25 MR. SALINAS: They just haven't been able to

1 put it together.

2 MR. NJIE: Excuse me?

3 MR. CONINE: So we gave them credits last year.

4 MR. NJIE: That's correct. We gave them  
5 credits last year.

6 MR. CONINE: They haven't started construction  
7 as of this date.

8 MR. NJIE: They sought extensions. The  
9 Department granted the extensions. They resubmitted the  
10 application because of a funding gap, which we evaluated,  
11 and are recommending for additional credits.

12 MR. CONINE: The 71,522 that we're recommending  
13 this year, is that inclusive of the 40- that they got in  
14 2000 or in addition to?

15 MR. NJIE: No, we are recommending 40,947 for  
16 this year.

17 MR. SALINAS: And last year?

18 MR. NJIE: In addition to what they got last  
19 year.

20 MR. SALINAS: How much was last year?

21 MR. NJIE: Let me see. We can check that for  
22 you.

23 MR. CONINE: What was -- I missed the answer to  
24 the question. Was it in addition to or --

25 MR. NJIE: That is in addition to what they got

1 last --

2 MR. CONINE: So they got two \$40,000 shots, one  
3 in 2000 and one in 2001?

4 MR. NJIE: No. The 2001 was much more than  
5 40,000.

6 MS. STINER: They're checking underwriting.  
7 They have to go look at that.

8 MR. CONINE: Okay.

9 (Pause.)

10 MR. NJIE: The allocated amount last year was  
11 563,864. And that was for 76 units in Del Rio.

12 MR. SALINAS: But that was for the same project  
13 that you gave them last year in 2000, but they were kind  
14 of short, and so they applied again.

15 MR. NJIE: That's correct.

16 MR. SALINAS: And then you gave them 40,000  
17 more this year.

18 MR. NJIE: That's right.

19 MR. SALINAS: What happened before? Why  
20 couldn't they keep the commitments that they made in 2000  
21 and be able to start their project the way they said they  
22 were in 2000? Why did they have to come back and ask us  
23 for 40,000 more?

24 MR. GOURIS: The situation was that they had  
25 some site work costs that weren't well documented in their

1 original report. We conditioned our report last year and  
2 the recommendation on them coming back to us if they could  
3 substantiate the costs that they had, and, if so, that  
4 there may be ability for additional credits to be  
5 considered for the project.

6 We cut their credits last year because they  
7 didn't document it. They came back and documented it  
8 after the fact. We worked with them in the fall and over  
9 the winter. We weren't able to get release of other  
10 credits in time in order to provide additional credits.

11 They were able to substantiate the site work  
12 costs, so they -- we recommended -- or staff recommended  
13 that they come back and apply for the additional portion  
14 of the credits in this cycle.

15 MR. SALINAS: So anybody that got tax credits  
16 is this year can have the ability and -- to come back next  
17 year if they fall short of their project and ask for more  
18 credits and given the same treatment you've given Del Rio?

19 MR. NJIE: Well, issues arise in structuring  
20 these deals as did in this particular project. The costs  
21 weren't not documented so we went with what we had with  
22 the understanding that, if they were able to substantiate  
23 it, we would look at it again. And this is not unusual in  
24 terms of we've had project owners come back for additional  
25 credits in the past if it is documented.

1 MR. CONINE: Give me the other project that we  
2 were talking about.

3 MR. NJIE: It's in Region 6. It's Number 1152,  
4 Parkway Senior Apartments in Pasadena.

5 MR. JONES: We have someone from that project  
6 that would like to speak -- Mr. Darrell Jack.

7 MR. NJIE: Yes. I was informed that --

8 MR. JONES: Why don't we give him an  
9 opportunity? And we will need you to complete this, if  
10 you don't mind, sir.

11 MR. JACK: Yes, thank you. My name is Darrell  
12 Jack. My firm is Apartment Market Data. We do a vast  
13 majority of the market studies for many people in this  
14 room, including both the Floresville project that you're  
15 talking about that has not closed its construction loan  
16 and also the Pasadena senior project. I think once you  
17 understand some of the circumstances that -- of the  
18 Floresville you'll be willing to proceed with the  
19 Pasadena.

20 After the tax credits were issued last year,  
21 Mr. Gilbert, which I have not seen in the room today,  
22 applied with the FHA for FHA-insured mortgage. Through  
23 the backlog at the Department of HUD in San Antonio, that  
24 application was deferred to an inexperienced office in  
25 Houston.

1           They were not familiar with the Floresville  
2 sub-market, which this project is located in, and there  
3 were several delays in getting it through the process.

4           I know that at the same time Mr. Gilbert was  
5 doing a second tract where he does now have a Fannie Mae  
6 forward commitment for the project. He does have a  
7 construction loan ready to go. His extension, from what I  
8 understand, was to the first part of September, and he  
9 fully intends on closing on that loan and has the  
10 whereabouts in the loans in place to close on that loan.

11           I think it would be unfortunate at this point  
12 to penalize him for delays, you know, beyond his control.

13           He is a developer and a contractor that has proven  
14 himself to the state in developing another project in  
15 Fredericksburg, Texas. That project has been very  
16 successful and, from what I know of that one, met all the  
17 necessary deadlines that the state imposed on that  
18 project.

19           I feel sure that he will be able to do that  
20 with the Pasadena project also and close the construction  
21 loan on the Floresville project post haste.

22           MR. JONES: Thank you. Okay. We have a motion  
23 on the floor that has been seconded. Any further  
24 discussion of the motion?

25           MR. CONINE: I'd like to amend my motion.

1 MR. JONES: Okay.

2 MR. CONINE: In light of the unusual  
3 circumstances of the Del Rio project, where it's actually  
4 the same project coming back for some more credits rather  
5 than a totally separate isolated project, I'd like to  
6 remove that particular project from this motion.

7 MR. SALINAS: Are you -- why would that be?

8 MR. CONINE: Well, I'm going to go ahead and  
9 leave it on the recommended list and let it go on through,  
10 and let's see if the guys can get the project started now  
11 with the additional 40,000 in credits this year.

12 MR. SALINAS: How about Pasadena? You have how  
13 much from last year and this year? They're asking 501-  
14 this year.

15 MR. NJIE: Pasadena didn't get an allocation  
16 last year.

17 MR. SALINAS: It's a different project. I'll  
18 go ahead and amend my motion to you, sir.

19 MR. CONINE: Just to further clarify, Mr.  
20 Chairman --

21 MR. JONES: Certainly.

22 MR. CONINE: -- that would still leave 1152.  
23 We would move it from the -- Project 1152 we'd move from  
24 the recommended list to the forward-commitment list. I --  
25 you know, for the life of me, I don't see how that hurts

1 anybody.

2 MR. JONES: I'm going to permit one more  
3 speaker to speak with regard to tax credits. Public  
4 comment for tax credits had been closed. And let me  
5 explain to the audience my reason for doing so.

6 Obviously, we're debating a motion at this  
7 time. There is one speaker who would like to speak to the  
8 debate of the motion. That is probably not appropriate.  
9 I am going to allow it as Chairman unless some board  
10 member objects.

11 You certainly have an opportunity for public  
12 comment with regard to tax credits. We have afforded  
13 everybody who wanted to speak to the board an opportunity  
14 to speak to that.

15 I don't think public comment though goes over  
16 to the right to participate in the debate. If you do  
17 participate on motions, we will be here forever and a day  
18 and we will never get down to business of the State.

19 Having said that, I want the audience to know  
20 that I am closing the public comment with regard to tax  
21 credits, but I will allow Mr. Lynch to speak. Thank you.

22 MR. LYNCH: Mr. Chairman, first I want to say I  
23 do not have a tax-credit application in here. But there  
24 was one concern that I had in regards to this motion, and  
25 that was that if it's a specific deal that's moved

1 forward, I don't think there's a problem. But when you  
2 said start date -- we talk about start date -- and Mr.  
3 Njie has been referencing construction loan starting.

4 But, in essence, the QAP requires for the  
5 construction loan to be closed by June 15, but you're not  
6 to prove that you've got the construction under  
7 substantial starts until November 15. Therefore, if you  
8 use the date of July 31, which was first used, there might  
9 be as many as 20 or 30 of these projects that have  
10 actually closed a construction loan that really hadn't  
11 started construction. And that's just a concern that I  
12 had in reference to that -- the way it was worded.

13 MR. JONES: Thank you, sir. I appreciate your  
14 comment.

15 MR. CONINE: Well, let me clarify once again.

16 MR. JONES: Before you do that -- I will come  
17 back to you, Mr. Conine.

18 MR. CONINE: Okay.

19 MR. DAROSS: Isn't there a limit on amendments  
20 to motions?

21 MR. CONINE: I'm going to --

22 MR. JONES: Excuse me. I'm losing control  
23 here. Okay. I would like to, as the Chair, officially  
24 bring to a close the time for public comment with this  
25 meeting, with the exception of the one individual that has

1 asked to speak on another issue that we will come to later  
2 in the day, and do that, after noting for the record that  
3 opportunity has been allowed for any member of the public  
4 to speak to this board that wanted to speak to this board  
5 on the issues on our agenda and that, secondly, there was  
6 no time limitation placed on any speaker who desired to  
7 speak. And I thank each of you who did speak. Thank you  
8 very much.

9 Now, with that, we will go back to your motion,  
10 Mr. Conine.

11 MR. CONINE: I'm confused now. In reference to  
12 his specific points about dates we -- under last year's  
13 QAP they had until had until June of this year to close  
14 their construction loans unless otherwise extended by the  
15 board?

16 MR. NJIE: That's correct.

17 MR. CONINE: And from the point that they  
18 close -- under the QAP, from the point that they close  
19 their construction loan they have 150 days to start  
20 construction?

21 MR. NJIE: No. The QAP basically says that you  
22 have a year -- you have a year basically to start and  
23 continue construction. So it gives a lag time between the  
24 time you close your construction loan and when you  
25 actually commence construction.

1 MR. CONINE: It gives what how much time?

2 MR. NJIE: A lag time between closing  
3 construction and actually putting something on the ground.  
4 Says 150 days --

5 MR. CONINE: His point was that we may have a  
6 lot -- all of them -- virtually all of them, except for  
7 one, based on what you're saying, have closed construction  
8 loans.

9 MR. NJIE: That's correct. But --

10 MR. CONINE: But not all have started  
11 construction.

12 MR. NJIE: Yes. Your issue was start of  
13 construction and not close of construction loan. And I  
14 was speaking to a closing of construction loan as the  
15 benchmark for which we allowed these two developers an  
16 extension.

17 MR. CONINE: You also mentioned there was a lag  
18 time. Do you know what period of time that really is?

19 MR. NJIE: Not really. Any time after that  
20 six-month time to close the construction loan. You have a  
21 five-month period between that to the year. That's  
22 another seven months basically.

23 MR. CONINE: You're confusing me. If we have  
24 extended several projects on being able to close their  
25 construction loan --

1 MR. NJIE: They have one till June of this year  
2 to start -- to close their construction loan.

3 MR. CONINE: Under the QAP.

4 MR. NJIE: Under the QAP. And until the end of  
5 the year to commence construction. So that's an  
6 additional six months is --

7 MR. CONINE: He said November. Is that  
8 accurate, or is it December?

9 MR. NJIE: No. It says a year.

10 MR. CONINE: A year.

11 MR. NJIE: A year.

12 MR. SALINAS: 365 days.

13 MR. NJIE: That's correct.

14 MR. SALINAS: Okay. That's a lot of days.

15 MR. CONINE: Okay. I think my motion on the  
16 floor is keyed to closing of construction loan. I know I  
17 talked about both, but I think my motion on the floor is  
18 closed -- is tied to the closing of construction loan.

19 MR. JONES: I'll tell you what --

20 MR. CONINE: Is that still applicable?

21 MR. JONES: What if we tried this? What if we  
22 let you make a new motion and withdraw your prior one and  
23 say exactly what you want to, Mr. Conine?

24 MR. BREWER: Good idea.

25 MR. CONINE: I think I -- okay. I withdraw my

1 previous motion if the second allows me to.

2 MR. JONES: Yes, go ahead.

3 MR. SALINAS: My problem is not the  
4 construction. My problem is that you're funding -- you're  
5 giving credits to people that have not gotten their  
6 contracts in 2000 ready, and you're giving them more  
7 credits for 2001.

8 And, you know, if they haven't been able to get  
9 their paperwork together in 365 days what can you assure  
10 us that they are going to do it in 2001? And that was my  
11 question a few minutes ago.

12 I don't have any problem with your contracts.  
13 I mean, you can take -- as long as you stay within the  
14 days. The thing is that why these people that cannot get  
15 their things together in 2000 are still getting tax  
16 credits in 2001 and probably will get 2002. That's my  
17 concern.

18 Now, he can make the new motion, and I'll go  
19 ahead and help him with a second. But I have no problem  
20 with the construction and the developers; my problem is  
21 with the staff and recommending people that have problems  
22 with their contracts in 2000 and then giving them more  
23 credits in 2001.

24 MR. NJIE: No, we're not recommending anybody  
25 with problems with their contracts. Like I said, you have

1 a requirement to close the construction loan within 150  
2 days and, within six months thereafter, to commence  
3 construction. And they are meeting that requirement.  
4 They are meeting it. They are placing the project in  
5 service within two years allows under the law.

6 They haven't gotten a lot of credit returns as  
7 a result of prior allocations. Credits are being awarded  
8 to project owners who are able to proceed, build the  
9 projects, and place them in service within the 24-month  
10 period allowed under law. This is a national standard.

11 MR. BREWER: So you're saying that on the  
12 recommended list there's nobody there with that problem?

13 MR. NJIE: That's correct.

14 MR. JONES: All right. We do -- all kidding  
15 aside, would you like to restate your motion or stay with  
16 the one you have?

17 MR. CONINE: No. I'll restate it one more  
18 time.

19 MR. JONES: Okay.

20 MR. CONINE: This is becoming clearer as we go.

21 Mr. Chairman, I make a motion that we examine  
22 the ultimate recommended list that we agree on here  
23 today -- for those developers who have received prior  
24 year, 2000 or earlier credits, that have not closed their  
25 construction loan by July 31, which is today, or the

1 extensions that have been granted by this board  
2 previously -- that we move those projects from the  
3 recommended list to the forward commitment list for 2002.

4 And I would also urge that -- I'm sure Cherno  
5 is up to speed on most of this stuff, but I would like an  
6 additional review done after this meeting. And if we find  
7 any today, tomorrow, or the next day that meet those  
8 qualifications that they, too, be moved to the forward-  
9 commitment 2002 list.

10 MR. JONES: We have a motion made by Mr.  
11 Conine. Is it seconded?

12 MR. SALINAS: I'll second it.

13 MR. JONES: Motion seconded by the mayor.  
14 Discussion?

15 MR. DAROSS: As I understand Mr. Njie's  
16 statements, there is no developer who fits that motion  
17 currently, from what you know right now.

18 MR. SALINAS: But if there is, you know, you  
19 look into it.

20 MR. DAROSS: Right.

21 MR. BREWER: Yes, but is it authorized in the  
22 QAP? I mean, did -- are we legally okay?

23 MR. NJIE: That is correct.

24 MR. JONES: Further discussion?

25 Mr. Walker, do you have anything you would like

1 to say? You look pensive. I can't get this right, I've  
2 got a feeling.

3 MR. WALKER: One of the biggest risks for a  
4 lawyer is to give advice about something without much  
5 preparation. The --

6 MR. JONES: Ah, but go ahead.

7 MR. WALKER: So it will be conditional.

8 MR. JONES: Yes, sir.

9 MR. WALKER: The issue I see, as I understand  
10 Mr. Conine's motion, is if a prior award winner is not  
11 meeting the deadlines for closing construction loans  
12 that -- and has been put on the recommended list for the  
13 2002 credits -- that they be identified and then removed  
14 to the forward commitment of 2003.

15 MR. DAROSS: And has not already asked for and  
16 received an extension.

17 MR. WALKER: Yes. Well -- and that way,  
18 whether they've received an extension or not, those who  
19 are not in compliance with the deadline for closing of  
20 construction loan -- if I understand it. Is that the  
21 motion?

22 MR. JONES: That's as I understand it. Yes,  
23 sir.

24 MR. CONINE: Yes.

25 MR. WALKER: Right. And one thought that comes

1 to mind is that if an applicant who has been awarded  
2 credits in the past has not met the deadline for closing a  
3 construction loan, as I understand it, they lose those  
4 credits. Is that correct?

5 MR. NJIE: No.

6 MR. WALKER: No? Okay.

7 MR. NJIE: No. The Department has the ability  
8 to extend that deadline.

9 MR. WALKER: I'm saying if it hasn't been  
10 extended.

11 MR. NJIE: That's correct.

12 MR. WALKER: That is correct that they would  
13 have lost those credits. So if anybody is not in  
14 compliance with the deadline for closing a construction  
15 loan, then they either have to have received an extension  
16 before the deadline or they will have lost their credits.

17 MR. NJIE: Right.

18 MR. WALKER: So they would be out and that  
19 project will be dead.

20 MR. CONINE: What I'm trying to do, Mr. Walker,  
21 is to take -- and those developers may have city problems.

22 They may have lender problems. For whatever the  
23 reason -- but to have them granted another project here on  
24 top of the problems they're already having seems like a  
25 disservice to me. And I'm not wanting to take them off

1 the list, because everyone in this room know if you get a  
2 forward commitment you've got a deal.

3 So -- but I am creating a gap -- I am creating  
4 at least a hole in the recommended list by putting them on  
5 the forward list. And I think I demonstrated in my  
6 earlier comments about the allocation numbers that we've  
7 got some room there. And I just think that's the, quote,  
8 right thing to do.

9 Now, I may have made a motion that doesn't fit  
10 in those bounds, but I'm trying to get one on the floor  
11 that will fit within those bounds and not step on any of  
12 the QAP criteria -- this year's QAP criteria, because what  
13 we're doing is examining the background of that individual  
14 and factoring in other things that that individual or that  
15 development team has done in the past in our decision for  
16 this year. And I think that's, under the QAP,  
17 appropriate.

18 MR. WALKER: Yes, sir. And discussion I could  
19 have with the staff could clear my mind up on that as to  
20 how it fits into the QAP in this context.

21 And getting back to where I started this  
22 particular time, I think that this -- this raises an  
23 issue, too, in my mind. It's not as clear as the previous  
24 issue.

25 And in situations like that, I feel somewhat

1 uncomfortable in giving legal advice to the board that may  
2 not be quite so clear but that could raise a hope or a  
3 thought to someone who might want to contest the board's  
4 action that could lead to a lawsuit. And I would prefer  
5 not to give that type of legal advice in open session.

6 MR. JONES: I understand. Thank you. All  
7 right. We have a motion on the table. It has been  
8 seconded. Any further discussion?

9 (No response.)

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

13 (A chorus of ayes.)

14 MR. JONES: All opposed to the motion please  
15 say nay.

16 (A chorus of nays.)

17 MR. JONES: All abstentions.

18 (Pause.)

19 MR. JONES: Okay. Let's do it by raising our  
20 hands. All in favor of the motion raise your hand.

21 (A show of hands.)

22 MR. JONES: All opposed to the motion raise  
23 your hand.

24 (A show of hands.)

25 MR. JONES: Ah, yes. Got a tie breaker. The

1 motion does not pass.

2 MR. SALINAS: How do you address that problem  
3 of having to fund or give tax credits continuously every  
4 year when you have problems with construction loans in all  
5 these sites? You continue recommending the same  
6 applicant.

7 MR. NJIE: As I've indicated before, the best  
8 applicants in this program sometimes ask for extensions.  
9 It is a normal part of the development process, and we  
10 take that into account and make our recommendation to the  
11 board.

12 Recently everybody has been completing their  
13 projects and placing them in service under the required  
14 federal guidelines, so there is no recurrent problem in  
15 the state of Texas of credits not being utilized. We  
16 don't have that problem.

17 MR. SALINAS: Well, I don't agree with you  
18 there.

19 MR. DAROSS: Okay.

20 MR. SALINAS: There's a hundred --

21 MR. DAROSS: All right.

22 MR. SALINAS: -- a hundred applicants here that  
23 didn't get any tax credits, and I'm sure that you have  
24 programs there that are waiting two and three years while  
25 you could give some of the other people some

1 opportunities. Are they -- that's okay. That's fine.

2 MR. DAROSS: Mr. Jones has asked me to  
3 temporarily take over as chairman. He had a commitment to  
4 a judge to make a telephone call at this time. So I will  
5 act as chairman until he returns from that telephone call.

6 I'm sure Mr. Conine probably has some more  
7 comments he would like to make.

8 MR. CONINE: I have another motion I'd like to  
9 make. Back to the issue of having recommended more  
10 credits than they asked for, I think I alluded to the  
11 fact, in my math, there's probably \$200,000 worth of  
12 credits over 17 projects that I counted -- and I may be  
13 wrong -- that we have -- that staff has recommended that  
14 we give more credits than what the applicant has asked  
15 for.

16 And I guess my motion would be simple, in that  
17 we would, again, go through the recommended forward  
18 commitment and waiting list for those projects recommended  
19 by staff to be on any of those three lists and revert back  
20 to the applicants applied for credits versus the one that  
21 staff has recommended. And that should, I think, free up  
22 a couple of hundred thousand dollars. That's my motion.

23 MR. DAROSS: There's been a motion by Mr.  
24 Conine. Is there a second?

25 MS. SAENZ: I second it.

1 MR. DAROSS: Second by Ms. Saenz. Discussion?  
2 Mr. Bogany.

3 MR. BOGANY: The only comment I have is that,  
4 you know, it seems as though we have a staff that we have  
5 here to go and look at these particular projects. And  
6 even though I don't agree with everything they do, I do  
7 feel that if the staff thinks that these projects are  
8 going to need more credits to make them work even better  
9 than what we've got them set up, then I think -- because  
10 I've not sat down and met with these developers and staff  
11 has looked at them.

12 It looks like we're taking the -- I guess the  
13 bat out of the staff's hand who sat down and looked at  
14 these projects, ran the numbers, and then all of a sudden  
15 we say, Oh, well, you know, we can take away the tax  
16 credits because we're giving them too much -- give them  
17 only what they want.

18 It just seems as though we're micromanaging.  
19 And I'd like to see, you know, if Mr. Chernov can tell us  
20 why he pays those on each project -- and I'm okay with  
21 that. But I'd like to get an answer from him versus us  
22 sitting here trying to determine that whatever he  
23 decided -- that we're now going to undo after they sat and  
24 tried to put the project together and talked with the  
25 people and understood the numbers, because I haven't

1 looked and talked and ran every number on this thing. And  
2 I'd like to get your opinion on that.

3 MR. NJIE: Let me address that. The -- I think  
4 Tom alluded to the fact that some of these were because of  
5 eligible basis items. These are costs upon which tax  
6 credits are allocated.

7 The other reason is because we are using an  
8 applicable percentage which has an adjustment factor that  
9 the developers did not take into account.

10 When it's all said and done, you don't get tax  
11 credits for costs that you didn't incur. So whatever  
12 credits we give these applicants, there's ample  
13 opportunity for the Department to re-underwrite those  
14 projects when they are completed, with a full-blown audit  
15 from a CPA of the costs that are included in eligible  
16 basis. They can't -- it's not magic. They have to incur  
17 those costs to be able to utilize the credit.

18 MR. CONINE: I guess my comment -- and the  
19 reason for the motion -- was -- you know, I generally come  
20 from the school that if you bid a job and you're low  
21 bidder, then you got to stick by the bid. And if the  
22 applicant asks for a certain percentage -- dollars of  
23 credit, and then he needs to stick by it and make the  
24 project work, and that then creates room for other  
25 projects around the state to be able to be awarded

1 credits.

2           And that's just, you know, my concept. And I  
3 think Mr. Gouris spoke on his opinion that it would not  
4 economically impair the particular project. It would  
5 still be able to get done.

6           MR. JONES: We have a motion made and seconded.  
7 Further discussion?

8           Are we ready to vote?

9           (No response.)

10          MR. JONES: I assume we are. All in favor of  
11 the motion please say aye.

12          (A chorus of ayes.)

13          MR. JONES: All opposed to the motion say nay.

14          (A chorus of nays.)

15          MR. JONES: Okay. Here we go again. All in  
16 favor of the motion raise your hands please.

17          (A show of hands.)

18          MR. JONES: Gosh. How did I know that's where  
19 we'd be? All opposed to the motion please raise your  
20 hand.

21          (A show of hands.)

22          MR. JONES: The motion carries.

23          MR. CONINE: Okay. Cherno, my understanding  
24 now is we've got at least -- that freed up -- let's just  
25 call it 200,000, for lack of a better word.

1           And, actually, I had two -- one project on the  
2 forward list and one project on the waiting list that that  
3 also impacted. So it might not be a total of 200,000, you  
4 know, within the recommended list.

5           MR. NJIE: Okay.

6           MR. CONINE: But it's close to the aggregate  
7 total. And I -- and do we -- based on the previous motion  
8 did the one project -- 1152 -- is it now going to move to  
9 the forward list?

10          MR. NJIE: I believe that motion failed --

11          MR. CONINE: That's right. Okay.

12          MR. NJIE: -- so that will stay --

13          MR. JONES: Your first motion failed.

14          MR. CONINE: Forget that one, then. So -- what  
15 am I thinking? And we also have, in your estimation,  
16 another million dollars on the forward list -- the  
17 difference between 4.5 million and --

18          MR. NJIE: That's right.

19          MR. CONINE: -- the 5.5 million that we  
20 probably are going to get? Staff recommended 12.2 percent  
21 of the forward list being applied. And I guess, in just  
22 thinking about -- I'm thinking out loud, Mr. Chairman, a  
23 little bit. But we've got some room here, and I want to  
24 figure out how to best utilize that.

25          I'm also -- will say to the board, back to my

1 earlier comments about the regional allocations being  
2 short, I know we have a waiting list sitting there, and  
3 those projects are tied to regions, obviously. And we  
4 might want to take a look at, as they come off of the  
5 waiting list, being able to fill spots in either the  
6 recommended or forward commitment list -- that we focus on  
7 some of the regional allocations that the Legislature's  
8 mandated us to do.

9 MR. NJIE: Can I -- I was going to suggest a  
10 change or two to the recommendation list before you  
11 started your motion earlier. And may I be allowed to make  
12 that change?

13 MR. JONES: Please do.

14 MR. NJIE: One of the projects in Region 8A,  
15 the San Antonio region, that we had proposed a forward --  
16 an allocation instead of a forward commitment is project  
17 number 1064, O'Connor Road Seniors. And this is an  
18 elderly project. And the amount of credits that we're  
19 recommending is 461,821. If you add that to the -- so  
20 that will be moved from the forward commitment to the  
21 allocation list.

22 MR. CONINE: Can you say what staff's reasoning  
23 for moving that one would be?

24 MR. NJIE: We have about \$450,000 available for  
25 the 2001 credits.

1 MR. CONINE: Correct.

2 MR. NJIE: And that was an arithmetic on our  
3 part. It should have been on the allocation list instead  
4 of the forward-commitment list. And that -- that's going  
5 to count for any forward commitments. We can fund it out  
6 of 2001 credits.

7 The other change we would propose is to add the  
8 Heatherwilde project that was the subject of testimony  
9 earlier. That project was recommended for Housing Trust  
10 Fund or tax credits. And the developers has urged the  
11 board that they be put on the waiting list for the tax  
12 credits in lieu of the Housing Trust Fund.

13 And we would recommend that we add that to  
14 Region 7 in Pflugerville. And that project number is  
15 1079, Heatherwilde Park, for an allocation of \$117,000 in  
16 credits.

17 MR. CONINE: So staff's making two changes from  
18 what we received in the mail -- one, taking one off the  
19 forward list -- the one in San Antonio -- and putting it  
20 on the recommended list.

21 MR. NJIE: That's correct.

22 MR. CONINE: And then taking one that wasn't on  
23 any list at all and putting them on the waiting list --  
24 the Pflugerville project.

25 MR. NJIE: The Pflugerville project was on the

1 Housing Trust recommended list. I think that's an agenda  
2 item --

3 MR. CONINE: Yes.

4 MR. NJIE: -- coming up later. And our -- the  
5 recommendation we got from the underwriters was either to  
6 look at additional tax credits or additional Housing Trust  
7 Funds.

8 MR. CONINE: Correct.

9 MR. NJIE: And we met with the developers to  
10 discuss their project. And as they've indicated today,  
11 they would take their chances on a waiting list for  
12 additional tax credits in lieu of the Housing Trust Fund  
13 that is recommended and was presented to you earlier.

14 So we support that recommendation, and we will  
15 make the amendment to add them to the waiting list for  
16 \$117,000 in credit. And that is in Region 7.

17 MR. CONINE: Didn't I read in the Housing Trust  
18 Fund that staff recommendation though was the opposite --  
19 that they'd rather go ahead and do the Trust Fund  
20 allocations as opposed to the credits? Didn't  
21 underwriting --

22 MR. NJIE: No. Underwriting gave two  
23 alternatives --

24 MR. CONINE: Right.

25 MR. NJIE: -- Trust Fund or tax credits.

1 MR. CONINE: But didn't underwriting suggest  
2 one of those two, Tom?

3 MR. JONES: I think we're getting different  
4 answers from different staff members.

5 MR. GOURIS: The underwriting recommendation  
6 was to go forward with the Housing Trust Fund award and  
7 not the additional tax-credit award. But we provided the  
8 alternative of going forward with the tax-credit award  
9 instead of additional Housing Trust Fund.

10 MR. CONINE: So by putting them on the wait  
11 list, it doesn't necessarily help. If no one moves, they  
12 don't get the credits. And if we change and don't do the  
13 Housing Trust Fund, then the project ultimately dies.

14 MR. NJIE: That's an -- that's something  
15 they're willing to -- a risk they're willing to take,  
16 apparently.

17 MR. CONINE: Can you comment on that, Tom?

18 MR. GOURIS: This project is similar to the Las  
19 Brisas project, in which there was additional costs from  
20 their original information they provided. They came back  
21 in last year and received an allocation of HOME funds from  
22 the Department -- and received what they requested for  
23 that and then came back and indicated that they still  
24 needed some additional funds.

25 And we used the two methodologies to determine

1 what would be in the best interest of the state and felt  
2 like we would get more bang for our buck with Housing  
3 Trust Fund.

4 MR. CONINE: And you -- and that will fix the  
5 economic viability of that project if we approve this  
6 here.

7 MR. GOURIS: Well, it would seem to -- to me to  
8 because they had made application for that amount of  
9 funds, and we're recommending that amount of funds. So if  
10 the Housing Trust Fund request was what it was, then it  
11 should.

12 MR. CONINE: Well, then I -- based on that  
13 information, I think I would recommend not putting them on  
14 the waiting list and letting -- get the economic  
15 consideration through the Housing Trust Fund.

16 MR. JONES: We were letting Mr. Njie go through  
17 his recommendations. Have you completed them?

18 MR. NJIE: Those are the only two changes so  
19 that --

20 MR. JONES: Thank you. I just wanted to make  
21 sure we completed those. With that in mind, we have the  
22 staff's recommendation in written form, with those two  
23 changes by Mr. Njie.

24 MR. NJIE: May I also add the conditions to the  
25 recommendation? I think those are in your memo. Should I

1 state them?

2 MR. JONES: All right.

3 MR. NJIE: I just want to --

4 MR. JONES: Go right ahead, please.

5 MR. NJIE: Yes. The conditions will be that --  
6 we have two conditions. One is that they will close their  
7 construction loan within the time stipulated in the QAP  
8 and that they would also commence construction within that  
9 same period stipulated in the QAP.

10 In addition to that, we will ask that there be  
11 some flexibility with respect to the waiting list so that  
12 the Department can utilize any additional credits that may  
13 be returned in view of the demand of credits that project  
14 owners are seeking, with the caveat that no more than 10  
15 percent -- no less than 10 percent be still allocated to  
16 the non-profit set-aside pursuant to federal law. So  
17 those are the conditions.

18 MR. JONES: Thank you. At this point the Chair  
19 would entertain further motions.

20 MR. DAROSS: I move that we approve the staff's  
21 recommendation as to the allocation of low-income tax  
22 credits with the amendments previous made by the board.

23 MR. GONZALEZ: Second.

24 MR. JONES: We have a motion made and seconded.  
25 Mr. Bogany, would you like to speak to that?

1 MR. BOGANY: I would like to pull out the River  
2 Glen project and vote on it separately on it, because --  
3 you know, after hearing -- it was very, very good to see  
4 the developer -- and I liked his comments, because I was  
5 wondering where he was earlier. And I liked the comments  
6 that were against the project.

7 And I honestly believe I've looked at this, and  
8 I don't -- I personally don't believe that's the best and  
9 highest use for that land. I believe in what the city  
10 wants to do, and that is diversify. I do not like a  
11 concentration of the credits all in one area. I think it  
12 does need to be diversified.

13 But I don't think any board members who lived  
14 with that project would wonder whether or not their child  
15 can get to school on that busy street there in that  
16 project. And, I mean, to me it's obvious the school's on  
17 the other side of the creek there. So unless a bridge is  
18 going to be made for the creek -- the developer said he  
19 was going to put a fence there. So I'm not as concerned  
20 about kids going in there.

21 But at the jogging path -- if you looked at the  
22 big map that the city had, and it showed -- it's not  
23 really around the corner. It's on the other side of the  
24 creek. The only way for that child to get to that school  
25 is to cut through the back side of the lumber yard or go

1 down the street, which is the busy street, to get over to  
2 that elementary school.

3 And I don't think I would want my child making  
4 that trip. And I don't think anybody on this board would  
5 want to move there.

6 And then the real key to me in this project is  
7 that, would this be a viable project if it wanted income  
8 tax credits there? This is a commercial deal, and the  
9 residential is on this other side of the creek.

10 But I can assure you, because I'm going to see  
11 a map, I don't think it's got commercial on the other side  
12 of that creek where the other residential is. The  
13 elementary school is across -- the other elementary school  
14 is across the main busy street. I don't see anywhere for  
15 the kids to play. I don't see anywhere for them --  
16 they've got to make that trip down that busy street just  
17 about to go anywhere.

18 And I have a serious problem with that project  
19 of River Glen being in that project. And I don't want to  
20 vote on it, and I'd like the board to vote on it  
21 separately from the rest of the projects.

22 MR. DAROSS: In order to expedite matters, I  
23 will withdraw my motion as to all of them so that you can  
24 make a separate motion as to River Glen.

25 MR. JONES: And the Chair will allow you to

1 withdraw your motion. So it -- would anybody -- probably  
2 the easiest way to do this is does anybody would care to  
3 move separately with regard to River Glen? Does any  
4 member of the board want to do that?

5 MR. CONINE: Just to get it on the table I'll  
6 move we remove it from the recommended list.

7 MR. JONES: You move we remove it from the  
8 recommended list.

9 MR. CONINE: Remove.

10 MR. JONES: Is there a second?

11 MR. BOGANY: Second.

12 MR. JONES: Okay. We have a motion to remove  
13 it from the recommended list. We had a second to that  
14 motion.

15 Further discussion?

16 (No response.)

17 MR. JONES: Hearing no further discussion are  
18 we ready to vote?

19 (No response.)

20 MR. JONES: I assume we are. All in favor of  
21 the motion please raise your hand.

22 (A show of hands.)

23 MR. JONES: Okay. All opposed to the motion  
24 please raise your hand.

25 (A show of hands.)

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MR. JONES: The motion carries.

MR. CONINE: I need some math help now, I think. Have you been keeping track of this? How much room -- let me ask a follow-up question. You stated some -- in your overall staff recommendation the policy of the waiting list, I think, just a minute ago. What was that?

MR. NJIE: Well, the waiting list is not put in any particular order. What I was alluding to is that we have the flexibility to utilize the credits we have, depending on the amount of request the application and the project owner is making.

So if you have a smaller deal on the project, you will move forward if you have fewer credits rather than wait for a bigger chunk of credits to do another deal. So some flexibility on the waiting list.

MR. CONINE: How does that solve my regional allocation problem, Chernoz?

MR. DAROSS: I'd like to know for the record, by approval of the preceding motion we removed \$790,000 from Region 2. There are only four applications for Region 2. I don't know what the amounts were on the two applications -- two other applications in Wichita Falls.

MS. STINER: We can get that.

1 MR. DAROSS: But we're putting a pretty big  
2 hole in Region 2 by removing that one project.

3 MR. NJIE: We have another project in that  
4 region, and that is for -- actually, two projects.

5 MR. JONES: I think Ms. Stiner's already got  
6 that information for you, Chernob.

7 Ms. Stiner?

8 MS. STINER: I don't have the amounts, and  
9 that's the most critical piece.

10 MR. JONES: Oh, I'm sorry.

11 MR. CONINE: Should we take a five-minute  
12 recess and maybe do some accounting right quick?

13 MR. JONES: That will be great. Why don't we  
14 take a five-minute recess. We'll come back at 1:35.

15 (Whereupon, a short recess was taken.)

16 MR. JONES: Okay. Mr. Njie?

17 MR. NJIE: Yes. We have looked at the numbers  
18 in view of the actions of the board. What we have in  
19 terms of access credits, being the differences between  
20 what the applicant recommended -- or requested and what we  
21 recommended is 185,828. And the River Glen project was  
22 790,399, giving you a total of 976,227.

23 Now, assuming that the San Antonio project that  
24 we had moved from the forward commitment is back on the  
25 allocation list, we will have that amount to allocate:

1 976,227.

2 If you add that San Antonio project still on  
3 the waiting list -- rather, leave it on the forward-  
4 commitment list, then you have an additional 1.4 million  
5 to allocate for 2000 credits.

6 MR. CONINE: Hang on. I lost -- you lost me on  
7 that one. Back up. If we take the San Antonio, which was  
8 the O'Connor Seniors project --

9 MR. NJIE: That's correct.

10 MR. CONINE: -- off of the forward and bring it  
11 on to the recommended --

12 MR. NJIE: You have this 976,227.

13 MR. CONINE: Okay. Then that frees up some on  
14 the forward.

15 MR. NJIE: That's correct.

16 MR. CONINE: How much?

17 MR. NJIE: The forward commitment will be  
18 1,544,742.

19 MR. CONINE: That's how much is allowable --

20 MR. NJIE: That's correct.

21 MR. CONINE: -- including the million dollars  
22 that we talked about earlier. That gets us up to a full  
23 15 percent for next year.

24 MR. NJIE: That's correct.

25 MR. CONINE: So we've got 2-1/2 million dollars

1 to go.

2 MR. NJIE: That's right.

3 MR. DAROSS: Do we have the numbers for the two  
4 projects in Wichita Falls?

5 MR. NJIE: Yes. We have two projects. One is  
6 1090 for 112 units for 766,065 and another project, number  
7 1006, for 120 units for 762,577.

8 MR. CONINE: Can I ask another question?

9 MR. JONES: Certainly.

10 MR. CONINE: And I -- again, I appreciate Judge  
11 Daross' question about again regional allocation. Our  
12 regional allocation did not figure in the forward  
13 commitments that we're issuing this into whether or not it  
14 meets the regional allocation because we're just  
15 necessarily just dealing with this year's credits. Is  
16 that correct?

17 MR. NJIE: That is correct, yes. The regional  
18 allocations were weighted to regions which had the most  
19 demand for this year.

20 MR. CONINE: So if I go to the forward list and  
21 I kind of glance down at the forward list, I can see which  
22 regions those, in essence, kind of take care of, even  
23 though it's going to be for next year.

24 MR. NJIE: Well, I suppose.

25 MR. CONINE: Correct? Cherno, how would --

1 we've got a wait list that's now going to shrink pretty  
2 quick. In fact, it may go to nothing here shortly.

3           How would you recommend that we make additions  
4 to the wait list at this point if -- because my concern is  
5 that, after reading through all the documentation that  
6 I've read, there's projects on either the recommended list  
7 or forward list, based on the numerous conditions to  
8 funding that may happen, we're going to need some back  
9 stop there somewhere.

10           How would we get more projects at this point  
11 onto the waiting list so that we can be comfortable that  
12 we -- that Texas wouldn't be letting some credits go by  
13 the wayside?

14           MR. NJIE: We can just look at it in terms of  
15 taking some of the best or highest-scoring projects in  
16 each region as a stopgap measure or give us some time to  
17 come up with a waiting list.

18           Some of the regions do not have any additional  
19 projects to consider, so that wouldn't work. But by and  
20 large you could look at the regions that are considerably  
21 oversubscribed and develop two or three projects from that  
22 region as at least for -- as a waiting list project.

23           MR. DAROSS: Well, I think in view of the fact  
24 that the Legislature has spoken pretty clearly about the  
25 regional allocation of funds, we really need to look

1 seriously at one of the other two projects in Wichita  
2 Falls to put it in the place of the one that was just  
3 removed --

4 MR. NJIE: Yes.

5 MR. DAROSS: -- regardless of what goes on the  
6 waiting list. I mean, we've got a hole in Region Number  
7 2, and I think we need to fill it.

8 MR. NJIE: That's right.

9 MR. JONES: Mr. Bogany?

10 MR. BOGANY: Cherno, because I haven't been at  
11 the site -- and I'm not trying to micromanage, once  
12 again -- how does this site at River Glen compare to the  
13 other two sites? And what were the things that came into  
14 play that made you choose River Glen over those other two  
15 sites?

16 MR. NJIE: The other project on -- in Wichita  
17 Falls, if you look at the address, is also on Jacksboro.  
18 So it's a little bit about a mile down the street. It's  
19 in the same general vicinity, although on the little bit  
20 edge of town in terms of development.

21 The other project is not very far from that.  
22 So we're talking about sites that are very dissimilar in  
23 terms of the land use surrounding those -- the  
24 neighborhood. They are generally within the same areas --  
25 within the same sub-market certainly.

1           It's only that this site was a little bit more  
2 removed from those other sites. It has a little more  
3 activity in terms of commercial development. It had  
4 better access, in my opinion, in terms of transportation,  
5 et cetera.

6           And the project really complements what the  
7 city is trying to do, and that is deconcentrate low-income  
8 projects from where they are right now. The two other  
9 projects in Wichita Falls are in the same general area  
10 that other Section 8 or other tax-credit projects are  
11 right now. So they wanted to move a little bit further  
12 from that concentration.

13           MR. BOGANY: Now, the traffic pattern on the  
14 main street that goes through there, what are your  
15 thoughts on that? Would traffic lights slow that down?  
16 Would lowering the speed limit? -- because the kids  
17 undoubtedly have to cross that street to get to the  
18 elementary school.

19           MR. NJIE: Sure. I think --

20           MR. BOGANY: I mean, you've seen it. So I'm  
21 asking -- you know, you have to be my eye, because I only  
22 see a picture. Can you tell me, you know, do you think by  
23 slowing the traffic down, putting up traffic lights there,  
24 putting a 20 mile traffic for kids, or things of that  
25 nature, would that make a nature? Is there shopping

1 near -- down the street?

2 MR. NJIE: Oh, yes.

3 MR. BOGANY: I mean, what's going on there?

4 MR. NJIE: Shopping is there -- is down the  
5 street. It's, again, half a mile really -- less than half  
6 a mile from major shopping -- supermarket, et cetera.

7 So I don't think I had the same concerns with  
8 adding traffic as may have been voiced here, because I  
9 crossed that same street. And, again, it is within  
10 walking distance of an existing elementary school.

11 And, you know, on the other side of the creek  
12 you have a single-family subdivision. I'm sure they have  
13 kids who currently journey through that pathway to go to  
14 school.

15 You know, certainly the city of Wichita Falls  
16 can do some things, I think, to ameliorate any traffic  
17 issues regarding tenants of that property. But I didn't  
18 get the feeling that we were basically allocating credits  
19 to a project where it would be detrimental to house the  
20 safety of the tenants.

21 MR. JONES: Okay. Any motions at this point?

22 MS. WILLIAMS: Mr. Chair, I'd just like to ask  
23 some questions.

24 MR. JONES: Certainly. Please feel free.

25 MS. WILLIAMS: There were four projects, number

1 1938 in Region 2, number 1148 in Region 3, number 1072 in  
2 8A, and 1162 in Region 6 -- one more -- 1072 in 8A, all of  
3 which originally, from how I read them, said they were  
4 recommended to decline the application. And yet now we're  
5 asked to approve.

6 So I'd just like to know what went on between  
7 the -- I guess the underwriting recommendation to decline  
8 versus now.

9 MR. CONINE: Before he answers that, could you  
10 read those off one more time, please?

11 MS. WILLIAMS: 1138 -- that's Region 2. And I  
12 understand some of these are non-profit set-asides and  
13 elderly, which make a difference, but I'd just like to  
14 know. 1148 in Region 3, 1072 in Region 8A, 1162 in Region  
15 6, and 1031 in Region 8B.

16 MR. CONINE: And those are on the recommended  
17 list or on all three lists?

18 MS. WILLIAMS: They're in the recommended list.  
19 But the original recommendation was to decline it, I  
20 guess, from underwriting, if I'm not mistaken.

21 MR. NJIE: I'm not sure --

22 MS. WILLIAMS: Am I incorrect?

23 MR. CONINE: No, I think you're --

24 MR. NJIE: I don't think that those are  
25 accurate numbers. Let's --

1 MS. WILLIAMS: Here, Tom. These are the ones  
2 right there. Those are the numbers.

3 (Pause.)

4 MS. WILLIAMS: I'm sorry. 1138 forget. That's  
5 okay. That's okay. But the others --

6 MR. NJIE: Okay. 1162. Okay. 1035 and --

7 MS. WILLIAMS: Okay. I'm sorry. 1148. I was  
8 incorrect. There must have been something else on that.

9 (Pause.)

10 MS. WILLIAMS: I'm sorry. I misspoke. There  
11 was something else evidently I had questions about. Okay.  
12 1072, Region 8A, and 1162 in Region 6.

13 (Pause.)

14 MS. WILLIAMS: And 1031 in Region 8B.

15 MR. NJIE: And 1035, I believe.

16 (Pause.)

17 MS. WILLIAMS: I just was curious how the  
18 original -- evidently what came from underwriting, I would  
19 assume, was to decline, and then --

20 MR. NJIE: In each of those instances, if you  
21 look at the underwriting report it will provide an initial  
22 recommendation of decline with an alternative. And that  
23 meant that the project is still feasible if they did  
24 certain things.

25 And these were basically administrative things

1 that didn't involve a lot of modification to the project,  
2 except for the one in Fredericksburg, where we were  
3 experiencing some difficulty trying to determine demand  
4 for elderly projects in that city. So the recommendation  
5 came that the project should be downsized from 88 units to  
6 48 units, and we agreed to do that.

7           Regarding the 1131, there was a funding gap  
8 there that the underwriters said could be closed either  
9 through additional funds from the city or syndication.  
10 And the syndicator was able to plug an additional three  
11 cents to close that gap.

12           Regarding 1162 in Houston, the issue was  
13 whether the developer intended -- that as an elderly  
14 project -- intended to put elevators in the project as  
15 required under the QAP. There were inconsistencies in the  
16 application, and some of the units -- he said he was going  
17 to do them, but we didn't see any evidence of that in the  
18 application.

19           So that is provided for on the deficiency  
20 requirements, to contact the developer and have them  
21 clarify the application, which we were able to do.

22           On the two projects in Region 8B, 1035 and  
23 1031, the issue there was whether the market analysts have  
24 sufficiently evidenced to us that demand for those  
25 projects exist in the city of Pharr and the city of

1 Weslaco.

2           What we did there was to require the market  
3 analyst to provide additional information, which we took  
4 into consideration. It was still not cleared up  
5 completely, so I asked that another market analyst provide  
6 additional information so that we can rely on that as  
7 evidence that the need existed.

8           I think we all believe that the need exists in  
9 Pharr and in Weslaco, but the market study didn't just  
10 address it sufficiently to our satisfaction. So the  
11 underwriting came as a decline subject to certain  
12 conditions. And we were able to satisfy ourselves that  
13 the demand exists in Weslaco and Pharr. And, as a result,  
14 we recommended the projects.

15           MR. CONINE: How do you bridge the gap between  
16 those applications at that point and the ones earlier that  
17 were terminated because of inconsistencies or problems  
18 within their applications?

19           MR. NJIE: Well, the ones that were terminated  
20 were given an opportunity to submit additional information  
21 with the required period of time. If you do not do that,  
22 then you will be terminated after the time elapses.

23           The terminations were also with respect to  
24 material noncompliance that had nothing to do with the  
25 application. It had more to do with the existing projects

1 that those principals operate in the program.

2 So we believe that overall we were not treating  
3 these applications any different under the rules. We were  
4 giving them the same opportunity which obtains for other  
5 applicants.

6 MR. DAROSS: I would like to move that we add  
7 Project number 01090, which is the Parkstone Crossroads  
8 Apartments in Wichita Falls, to the approved list. That's  
9 to replace -- essentially, to replace the River Glen  
10 project. That leaves approximately \$24,000 still  
11 available.

12 MR. JONES: We have a motion made and a second.  
13 Discussion on the motion?

14 (No response.)

15 MR. JONES: The second was by Mr. Conine --  
16 excuse me. The motion was made by Judge Daross.

17 MR. BREWER: Is that project on either one of  
18 the other lists, or is this just --

19 MR. NJIE: No, that one --

20 MR. CONINE: Nothing left in 2. I don't think  
21 there's anything left in 2, Mr. Brewer, on either -- on  
22 any of the lists.

23 MR. NJIE: That was not on any list.

24 MR. BREWER: Well, can we do that? Where's our  
25 legal counsel?

1 (Pause.)

2 MS. STINER: Mr. Brewer's question is, can you  
3 do that.

4 MR. JONES: I believe the reason they are doing  
5 it is due to geographic dispersement.

6 MR. DAROSS: That's correct.

7 MR. JONES: Is that part of your motion?

8 MR. DAROSS: I'll make it a part of the motion.

9 MR. CONINE: I'll accept the amendment.

10 MR. WALKER: I believe the board has the  
11 authority and discretion to place -- to award projects if  
12 they're not disqualified or otherwise eliminated from the  
13 process, which these four in Wichita Falls, including the  
14 one under the motion -- those have not been. As long as  
15 there is a rational basis for it, I think, and it does  
16 comply with the QAP -- the board has discretion to make  
17 those awards.

18 So, yes, I believe that would be legal, Mr.  
19 Brewer.

20 MR. DAROSS: And the notation in the material  
21 sent to the board regarding that particular project was  
22 that another project -- the River Glen project -- is more  
23 competitive. I take it from that that this was one  
24 competitive, just came in second.

25 MR. JONES: Mr. Bogany?

1 MR. BOGANY: I'm just -- you know, if we're  
2 going to do a project in Wichita Falls, I just want the  
3 best project done. And we take River Glen off and then we  
4 put the other two projects -- and, I don't know, those  
5 other two projects may be as dangerous street as the River  
6 Glen project -- and I guess is my question.

7 And so I am -- you know, I'm kind of -- I want  
8 the best project in Wichita Falls and the safest project  
9 for the people who are going to live in that community.

10 And my question -- because we didn't see -- I  
11 didn't see the information or anything in regards to the  
12 two projects other than what I've got. And I rely back on  
13 you, Mr. Chernob.

14 Are you still saying if you took everything in  
15 consideration, River Glen is still the better project, or  
16 are you just taking the worst of two evils.

17 MR. NJIE: Well, I thought River Glen was  
18 already off the list.

19 MR. DAROSS: Yes, it is.

20 MR. NJIE: Well, if you ask my opinion, again,  
21 I would say that it is, of the three applications, yes.

22 MR. DAROSS: Of the other two, which one is the  
23 better, since we've already taken River Glen off? And I  
24 would have to go with the score, I would think.

25 MR. CONINE: Points awarded, yes.

1 MR. DAROSS: Points awarded.

2 MR. NJIE: Yes. This is the project  
3 [indiscernible] on 0190 scored 63 points. The other one,  
4 1006, scored 60 points.

5 MR. JONES: Don't we have a motion on the  
6 table? Mr. Brewer?

7 MR. BREWER: What did -- the one we took off,  
8 how many points did they have?

9 MR. NJIE: Sixty-six.

10 MR. JONES: So we have a motion on the table.  
11 It has been made and seconded. Further discussion on the  
12 motion?

13 (No response.)

14 MR. JONES: Further discussion on the motion?

15 (No response.)

16 MR. JONES: Anybody have anything else they  
17 want to say?

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 to the motion please  
23 say nay.

24 (One nay.)

25 MR. JONES: The ayes have it.

1 Any further motions?

2 MR. CONINE: Yes. Mr. Chairman, I think in  
3 order to move this along, by my calculations, based on  
4 what Chernov's had -- and you guys correct me if I'm wrong,  
5 but I'm just going to take a stab at this.

6 Off of the waiting list, if we take Project --  
7 in deference to my friends in El Paso -- 1120, which has  
8 189,000 -- I think if we plug that into the recommended  
9 list right now that would pretty much fill up the boat on  
10 the recommended list.

11 VOICE: What project number is that?

12 MR. CONINE: That was 1120. And if we take --  
13 so I move that we move that to the recommended list. And  
14 then I move that we take Project 1105 in Ingleside, 1156  
15 in Dallas, and 1015 in Brenham and move them to the  
16 forward commitment list.

17 And I think it -- that will give us -- we  
18 probably have a little more room on the forward list at  
19 that point, but somebody needs to help me with the math.

20 So I move we move those four projects -- the  
21 one in El Paso to the recommended list, the other three to  
22 the forward-commitment list.

23 MR. NJIE: Can you tell me those projects --

24 MR. CONINE: Sure.

25 MR. NJIE: -- again by the project number?

1 MR. CONINE: Yes. The one to the recommended  
2 list is 01120, Arrowhead Place, Ltd. in El Paso.

3 MR. NJIE: Uh-huh.

4 MS. STINER: That's on one of the lists, Mr.  
5 Conine?

6 MR. CONINE: That's on the waiting list.

7 VOICE: Waiting list.

8 MR. CONINE: That's on the waiting list. All  
9 these are on the waiting list. I'm sorry. The other  
10 three would be 01105, Portside Villas in Ingleside, goes  
11 to the forward-commitment list. And that's in Region 8B.  
12 01156, Prairie Commons in Dallas, is in Region 3 -- to  
13 the forward. And 01015 in Brenham in Region 7.

14 Now, for the rest of the board members that  
15 would leave a couple of El Paso projects still on the  
16 waiting list. And that would increase El Paso's  
17 allocation from five projects to six projects on the  
18 regular. And they don't have any on the forward list that  
19 I can see.

20 MR. JONES: Okay. We have a motion made by Mr.  
21 Conine. Is there a second?

22 MR. BOGANY: Second.

23 MR. JONES: A motion has been made and  
24 seconded. Further discussion on 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, nay?

5 (One nay.)

6 MR. JONES: The motion carries.

7 MR. CONINE: Now, can you help me with some  
8 math? We have some room up from the forward commitment  
9 list -- and how close to we get on the regular list?

10 MR. NJIE: We have 161,078 on the forward  
11 commitment left and 22,193 on the allocation list.

12 MR. CONINE: I am -- I'll go back to my -- once  
13 again, my regional allocation concerns. And I don't know  
14 how to solve the problem, because it involves going to  
15 Region 8B, which has the most deficiency as we -- as -- at  
16 least when we got started today. I don't know where it  
17 stands right this minute.

18 MR. NJIE: For what? The million --

19 MR. CONINE: We've got 161,000 left on the  
20 forward commitment list, and we've got 22,000 left on the  
21 regular list, according to some calculations. And there's  
22 not a project in 8B that meets either one of those two  
23 standards.

24 MR. SALINAS: Well, we need to -- do you have  
25 any on the waiting list for 8B?

1 MR. CONINE: We don't necessarily have to burn  
2 up all the forward, just as much of it as we possibly can,  
3 although that was my complaint earlier today, I think.

4 And I am concerned about the waiting list. We  
5 need to figure -- board members, we need to figure how to  
6 get more on the waiting list because I just got a hunch  
7 that some of these are going to fall by the wayside based  
8 on some of the "subject tos" I read in the whole book.  
9 Well, all we've got is El Paso on the waiting list.

10 MR. BREWER: Mr. Chair, I -- I have request,  
11 Mr. Chair.

12 MR. JONES: Yes, sir.

13 MR. BREWER: And that is, as far as the waiting  
14 list goes, does that have to go forward at the same time  
15 as we forward our credit allocations in -- our forward  
16 commitment? Or can that waiting list be worked out and  
17 looked at next month?

18 MR. JONES: In other words, does that waiting  
19 list have to be done today?

20 MS. STINER: It is subject to the QAP for the  
21 deadline date. That's the question --

22 MR. NJIE: Yes. Some waiting list will need to  
23 be approved today.

24 MR. CONINE: You know, board members, Cherno  
25 made a recommendation that might make some sense earlier

1 in that we go back to the highest-scoring project in each  
2 of the regions that's kind of left over and add them to  
3 the waiting list so that we have a pool of projects left  
4 over. Unless -- we might want to get Cherno to comment on  
5 that one more time relative to his thoughts on that.

6 Did you hear what I said?

7 MR. NJIE: I apologize. I was trying to  
8 consult with the general counsel here. Regarding what we  
9 have now on the 161,000, if you're looking to Region 8B, I  
10 think there is a small project in Refugio for 180,000 in  
11 tax credits.

12 MR. CONINE: Yes?

13 MR. NJIE: And so that would utilize all the  
14 2001 credits. And it's a little -- obviously, there is a  
15 gap there of about \$19,000, but we can underwrite that  
16 project and see what it comes out to.

17 MR. CONINE: You picked the lowest-scoring one  
18 in the whole deal. Well, let's go back to my comment of  
19 the waiting list. If we go back and select a project from  
20 each of the regions -- let's say the highest remaining  
21 scoring project that wasn't on one of the three lists now,  
22 or that wasn't rejected by some action of this board -- to  
23 go on the waiting list, what would your feeling be  
24 relative to that?

25 MR. NJIE: Well, I would be selective in that

1 there are a number of projects that we -- even though they  
2 scored very well we didn't recommend. For example, in  
3 Region 3 -- the project in Ennis, for example, that would  
4 be on the list now if we go by score.

5 MR. CONINE: Be on the waiting list. It  
6 wouldn't be on the --

7 MR. NJIE: That's correct.

8 MR. CONINE: Yes.

9 MR. NJIE: Well, would you want me to come up  
10 with a list for you?

11 MR. CONINE: I think you already have. It's  
12 what I'm looking at here.

13 MR. NJIE: Let's go through the regions. Maybe  
14 we can generate something as we stand here.

15 MS. STINER: Could I just ask a question. What  
16 are being asked to do? -- to come up with developments to  
17 add to the waiting list?

18 MR. CONINE: That's correct. The waiting list  
19 has been expunged except for two projects, and that's not  
20 enough. And both of those are in Region 10 in El Paso.

21 MR. JONES: Why don't you do that, Mr. Conine?  
22 I think that's a good suggestion. Y'all can go through  
23 it right now.

24 MR. CONINE: You know what we could do? If  
25 we've got a 2:30 thing -- or we can go to some other

1 business now and then come back to it a little later.

2 MR. JONES: Well, why don't we do that? Why  
3 don't we try to deal with this issue with regard to  
4 everything with the exception of the waiting list? And we  
5 can come back to that after our --

6 MR. CONINE: That's great.

7 MR. JONES: -- executive session.

8 MR. CONINE: That's great.

9 MR. JONES: Okay. I think we still have a  
10 motion that needs to be made.

11 MR. CONINE: Mr. Chairman, I recommend we  
12 approve the recommended 2001 allocation list and the  
13 recommended 2002 forward commitment list per all the  
14 motions and actions by this board up to this point.

15 MR. DAROSS: Second.

16 MR. JONES: Does everybody understand the  
17 motion?

18 (No response.)

19 MR. JONES: The motion was made by Mr. Conine  
20 and it was seconded by Mr. Daross.

21 MS. STINER: I don't think --

22 MR. JONES: Ms. Stiner?

23 MS. STINER: If I may, I don't think the board  
24 has considered staff's recommendation to move the San  
25 Antonio development from the wait list. That was pulled

1 off the table to consider -- the River Glen project in  
2 Wichita Falls.

3 MR. CONINE: She may be correct in that, and  
4 I'll defer to her correctness and say that I would yield  
5 to that in my motion. That was -- I think it was all  
6 calculated within those numbers we were dealing with.

7 MS. STINER: Yes, sir.

8 MR. JONES: Okay. And you accept her amendment  
9 to the motion, and the second accepts that amendment, too?

10 MR. DAROSS: I do.

11 MR. JONES: Okay. And she couldn't make the  
12 amendment, but it -- Chair probably can't make it either.

13 Mr. Daross did. I heard him. It was there.

14 (General laughter.)

15 VOICE: He mumbled something.

16 MR. JONES: Yes. Okay. Any further  
17 discussion? We are dealing now with the allocations, as  
18 well as the forward commitments. Okay.

19 (No response.)

20 MR. JONES: Hearing no discussion I assume  
21 we're ready to vote. All in favor of the motion please  
22 say aye.

23 (A chorus of ayes.)

24 MR. JONES: All opposed to the motion please  
25 say nay.

1 (No response.)

2 MR. JONES: The ayes have it. Motion carries.

3 I would like to say this. You know, guys, it's  
4 been a long -- but you all realize we've put more houses  
5 on the ground now than we started this morning. So I  
6 commend the board on its hard work.

7 Okay. Let's do -- we've got a little bit of  
8 time before we -- I tell you what. We've had people here  
9 waiting a long time. Let's go right now into executive  
10 session. And then we'll come back and address the other  
11 issues. And at that time we can get a new waiting list.

12 (Off the record.)

13 MR. JONES: -- will begin its executive session  
14 today, July 31, 2001, at 2:22 p.m. The subject matter of  
15 this executive session deliberation is as follows.

16 Personnel matters; number 2, consultation with attorneys  
17 concerning pending litigation, Cause Number 98-11816,  
18 Hershhal Blankenship, et al v. TDHCA; number 3,  
19 consultation with attorneys concerning pending litigation,  
20 Cause Number GN102058, Kenneth Mitchell and One Buena  
21 Vista, Ltd. v. TDHCA. And we will now go into closing  
22 session. I think the board will meet in a room right over  
23 here. Thank you.

24 (Whereupon, a short recess was taken to conduct  
25 the executive session.)

1 MR. JONES: I hereby certify that an executive  
2 session of the board of directors of the Texas Department  
3 of Housing and Community Affairs occurred on July 31,  
4 2001.

5 I certify that the agenda I hold in my hand of  
6 an executive session of the Housing and Community Affairs  
7 was properly authorized pursuant to Section 55.103 of the  
8 Texas Government Code, posted at the Secretary of State's  
9 Office seven days prior to the meeting pursuant to Section  
10 551.0044 of the Texas Government Code.

11 That all members of the board of directors were  
12 present with the exception of Mr. Shadrick Bogany, and  
13 that this is a true and correct record of proceedings  
14 pursuant to the Texas Open Meetings Act, Chapter 551,  
15 Texas Government Code, and that the subjects matters of  
16 the deliberation were as follows.

17 Personnel matters -- action taken, none;  
18 consultation with attorneys concerning pending litigation,  
19 Cause Number 98-11816, Hershhal Blankenship, et al v.  
20 TDHCA -- and action taken, none; and consultation with  
21 attorneys concerning pending litigation, Cause Number  
22 GN102058, Kenneth H. Mitchell, et al v. the Texas  
23 Department of Housing and Community Affairs.

24 The board of directors has completed its  
25 executive session of Texas Department of Housing and

1 Community Affairs on July 31, 2001, at 3:45 p.m. With  
2 that in mind --

3 MR. CONINE: 2:45.

4 MR. JONES: 2:45 p.m. With that having been  
5 said --

6 MR. CONINE: Central Daylight Time.

7 MR. JONES: -- the court -- the court -- with  
8 that having been said, the Chair would entertain a motion  
9 concerning the settlement in Cause Number 98-11816,  
10 Hershhal E. Blankenship, et al v. TDHCA, which has been  
11 recommended by the Attorney General's Office.

12 MS. WILLIAMS: Mr. Chairman, I move that we  
13 accept the Attorney General's recommendation to settle.

14 MR. BREWER: I second it.

15 MR. JONES: We have a motion made by Ms.  
16 Williams, seconded by Mr. Brewer, that the settlement be  
17 approved. Any discussion of the motion?

18 (No response.)

19 MR. JONES: Hearing no discussion, I assume  
20 we're ready to vote. All in favor of the motion please  
21 say aye.

22 (A chorus of ayes.)

23 MR. JONES: All opposed to the motion please  
24 say nay.

25 (No response.)

1 MR. JONES: Motion carries. With that, we --  
2 why don't we do this? I don't see Chernobyl's back yet, so  
3 let's leave tax credits for the moment and go to item 3 of  
4 the agenda, which is the presentation, discussion, and  
5 possible approval of programmatic items.

6 Mr. Brewer?

7 MR. BREWER: Mr. Chair, we'll have staff go  
8 ahead and brief on those projects for the HOME at this  
9 time.

10 MR. JONES: Thank you.

11 MS. STINER: Mr. Keith Hoffpauir is the manager  
12 of the Housing Trust Fund. You and staff make the  
13 presentation please. And these are for 2001 Trust Fund  
14 and SECO, State Energy Conservation Office,  
15 recommendations, first --

16 MR. JONES: All right.

17 MR. HOFFPAUIR: Good afternoon, Mr. Chair,  
18 board members, Ms. Stiner. My name is Keith Hoffpauir.  
19 I'm the manager of the Housing Trust Fund program.

20 And today we are presenting our recommendations  
21 for funding under our Housing Trust Fund 2001 cycle for  
22 development and HTF/SECO energy efficiency funding.

23 A brief history on the funding cycle, and then  
24 go into who we're recommending, and will be happy to  
25 answer any questions anyone might have.

1           On March 2, 2001, a NOFA was published in the  
2 Texas Register. And that's in the development cycle and  
3 availability of 4.9 million in development funding and  
4 approximately 1.8 million in HTF/SECO funding.

5           The cycle was also advertised by mailing  
6 notices to over 1,200 organizations and individuals on our  
7 mailing list, as well as posting the NOFA and application  
8 on the TDHCA website.

9           The program conducted application workshops in  
10 Austin, Dallas, Harlingen, Houston, Lubbock, Midland, and  
11 El Paso during the month of March. By April 20, the  
12 submission deadline, staff had received requests for and  
13 mailed out 117 applications. This does not count any  
14 applications that may have been downloaded over the  
15 website. And a website application was posted. Twenty-  
16 five applications were received in response to the NOFA.

17           The 13 highest-ranking projects that received a  
18 favorable recommendation from the credit underwriting  
19 division and were consistent with program requirements are  
20 now being recommended for awards.

21           Upon completion of the developments, the  
22 program will have participated in the creation of 1,182  
23 new Housing Trust Fund affordable units for individuals  
24 and families with low, very low, and extremely low income  
25 and persons with special needs.

1           Additionally, if approved, the units will  
2 produce 455 affordable units for persons with special  
3 needs. This represents 38 percent of that population.

4           The total number of units recommended,  
5 including those units receiving assistance through our  
6 HTF/SECO program, will help us to achieve 85 percent of  
7 our fiscal year 2001 performance target, which we will  
8 exceed with the inclusion of units from our capacity  
9 building activity included.

10           Of the \$4,460,850 of funding recommended  
11 through the Trust Fund in this cycle, more than 42 percent  
12 will be applied in rural areas, with the remaining 58  
13 percent applied in urban areas of the state. And this is  
14 pretty much consistent with the historical average that  
15 we've run within the program. It's pretty much been a  
16 60/40 split throughout the history.

17           We received requests totalling \$9,865,734.  
18 That is an oversubscription level of 1.45 to 1. Of the  
19 \$3,290,500 in development funding, 40 percent of that  
20 amount will go toward the production of units for  
21 extremely low-income persons and families.

22           I'd now like to read off the projects that we  
23 are recommending for funding, unless anyone has any  
24 questions before I began.

25           (No response.)

1 MR. HOFFPAUIR: Very well.

2 MR. JONES: Would you like to make a public  
3 comment now?

4 VOICE (from audience): [inaudible.]

5 MR. JONES: Okay. Excuse me. Thank you.

6 MR. HOFFPAUIR: All right. TownPark  
7 Fredericksburg, Fredericksburg, Texas, 450,000 in  
8 development funding. Dayton Housing Authority in Dayton,  
9 Texas, 29,350 in HTF/SECO funding.

10 Housing Authority of the City of Meridian in  
11 Meridian, Texas, 60,000 in HTF/SECO funding. Heatherwilde  
12 Park LP, Pflugerville, Texas, 350,000 in development  
13 funding. Deen-Fort Worth in Fort Worth, Texas --

14 MR. JONES: Keith, since we have this in  
15 writing before us, I don't know that you need to read it  
16 to us.

17 MR. HOFFPAUIR: Be happy to. Otherwise, I'll  
18 take any questions the board may have on our  
19 recommendations.

20 MR. JONES: Thank you.

21 MR. HOFFPAUIR: Yes, sir.

22 MR. CONINE: Help me a little bit with the  
23 total funds available. We're showing 4-million-9, I  
24 think, in the Housing Trust Fund that we NOFA'd for.

25 MR. HOFFPAUIR: Yes.

1 MR. CONINE: How was that number derived?

2 MR. HOFFPAUIR: That number was derived from  
3 our general revenue allocation that we received for this  
4 year of the biennium and also deobligated funds from  
5 previous projects that did not go forward, which are  
6 considered local funds within the agency.

7 MR. CONINE: Okay.

8 MR. HOFFPAUIR: So we add those two together,  
9 and that gives us our amount to go forward with.

10 MR. CONINE: And what's the relative size of  
11 the corpus of the Housing Trust Fund now, give or take a  
12 million dollars?

13 MR. HOFFPAUIR: We are looking at -- this next  
14 biennium, we're looking at roughly about \$6.5 million in  
15 funding per year. Now, that would not include any funds  
16 that may be transferred to us from other areas during the  
17 course of the year.

18 MR. CONINE: And, again, for my clarification,  
19 we -- the one specific one, the Heatherwilde deal --

20 MR. HOFFPAUIR: Yes, sir.

21 MR. CONINE: -- is the one we were talking  
22 about earlier where this is going to fix their problem.  
23 And it was left off of the other calculations, under my  
24 recollection, on the tax credits.

25 MR. HOFFPAUIR: Yes, sir.

1 MR. CONINE: And we all have that  
2 understanding?

3 MR. HOFFPAUIR: Uh-huh.

4 MR. CONINE: Okay. I move we approve staff  
5 recommendation on the Housing Trust Fund recommended  
6 project list.

7 MR. DAROSS: Second.

8 MR. BREWER: Second.

9 MR. JONES: Motion made by Mr. Conine. It was  
10 seconded by the Judge. He barely beat out Mr. Brewer.

11 Sorry, Mr. Brewer.

12 MR. BREWER: That's okay.

13 MR. JONES: Further discussion on the motion?

14 (No response.)

15 MR. JONES: Are we ready to vote?

16 (No response.)

17 MR. JONES: I assume we are. All in favor of  
18 the motion please say aye.

19 (A chorus of ayes.)

20 MR. JONES: All opposed to the motion please  
21 say nay.

22 (No response.)

23 MR. JONES: The ayes have it. I think that  
24 moves us to Item 3(b). We do have somebody that would  
25 like to speak.

1 MS. FORD: Hello. My name is Mia Ford, and I'm  
2 the director of Texas Development Institute. My  
3 organization is dedicated to supporting the capacity  
4 building of our community-based development organizations  
5 here in Texas through training and technical assistance.

6 Through the past two rounds of the Housing  
7 Trust Fund's capacity building program my organization was  
8 awarded and we provided 16 training workshops around the  
9 state on developing affordable housing.

10 The need for capacity building funding in Texas  
11 for non-profit housing organizations is great. And the  
12 needs to be addressed through capacity building funding  
13 are greatly diverse.

14 I would like to praise the Housing Trust Fund  
15 staff for their efforts to a new approach for the capacity  
16 building program this year in directing funding towards  
17 technical assistance rather than training.

18 The response of 64 proposals, regardless of  
19 having less than a month to prepare those proposals, is a  
20 statement itself of the huge need for capacity building  
21 funding. I truly wish that the capacity building program  
22 could fund all 64 proposals this year.

23 However, the funding is limited and Housing  
24 Trust Fund staff have recommended 13 organizations whose  
25 proposals show the more experience. I commend the staff's

1 recommendations for 13 organizations who are providing  
2 fine quality work for their communities.

3           However, I would like to express my concern  
4 that there are no organizations primarily serving rural  
5 areas who are recommended for funding. And I would like  
6 to express my regrets for those organizations who are less  
7 experienced and who are start-up. All of these  
8 organizations are struggling to make financial ends meet  
9 while making projects happen.

10           I helped prepare the proposal for the Lufkin  
11 Community Development Team. This is a one-year old  
12 organization who is seeking to revitalize their  
13 deteriorating north Lufkin neighborhood.

14           In their proposal they requested funding for  
15 the preparation of a market study and for technical  
16 assistance to analyze that market study to perform a  
17 survey of their community and for guidance in strategic  
18 planning.

19           They are attempting to take the right steps to  
20 identify their market before they jump into their first  
21 housing development project. These are the steps that we  
22 technical assistance providers teach our young  
23 organizations. However, these steps take money, and this  
24 money is difficult to come by, except for programs that  
25 are designated for capacity building.

1           Therefore, it is my recommendation that for  
2 future rounds of funding through the capacity building  
3 program that perhaps a tiered approach be taken -- that  
4 perhaps for next year's allocation that the money be  
5 divided into perhaps three levels for start-up  
6 organizations, intermediate organizations, and those more  
7 experienced organizations. And I volunteer to work with  
8 the Housing Trust Fund staff to create solid guidelines  
9 criteria to help establish the tiers.

10           I appreciate your consideration of my comments,  
11 my concern, and my recommendation. And thank you.

12           MR. JONES: Thank you.

13           MR. CONINE: Which organization were you with?

14           I'm sorry.

15           MS. FORD: Texas Development Institute.

16           MR. CONINE: Okay. Thank you very much.

17           MR. JONES: Thank you. All right. We're on  
18 2(b) -- I mean, 3(b).

19           MR. HOFFPAUIR: Keith Hoffpauir, Housing Trust  
20 Fund manager.

21           What I would like to do now is present our  
22 recommendations for funding under our 2001 Housing Trust  
23 Fund Capacity Building Program.

24           At this time I would like to introduce, maybe  
25 to some of you for the first time, our senior planner, Ms.

1 Stacy Higgins. Stacy has the day-to-day responsibilities  
2 of managing this program, and she has done a super job  
3 working with me and developing kind of a different  
4 direction for capacity building at this time in the  
5 program.

6 And I wanted to give her a chance to shine a  
7 little bit. And she'll be making the presentation for the  
8 activity today. And I'll be right here if she needs my  
9 help, which I doubt she will. Thank you.

10 MS. HIGGINS: Good afternoon. My name is Stacy  
11 Higgins, and I am the senior planner for the Housing Trust  
12 Fund. And I'm very glad to have this chance today to  
13 present our recommendations to you. I guess, in the  
14 interest of time, I won't recap too much of what you  
15 already have in your summary unless, of course, you'd like  
16 a summary of the overall program.

17 I do want to take a moment to address Ms.  
18 Ford's comments, which I'm very glad that we have the  
19 opportunity to bring up some of these points. As she  
20 said, within the past two years, we have funded workshops  
21 for the capacity building program. These were statewide.

22 This year, when we were looking at how to  
23 structure the 2001 program, we were hoping to find a way  
24 that we could complement, rather than duplicate, a lot of  
25 the training that is going on right now, and will continue

1 to go on across the state, particularly with the Housing  
2 and Urban Development and with the Local Initiatives for  
3 Support Corporation.

4 Both of these organizations are providing  
5 technical assistance very much along the lines of what Ms.  
6 Ford was referring to to help start-up organizations --  
7 those that are at the very beginnings. Additionally, HUD  
8 also has community builders statewide that come in and  
9 will work with these types of organizations.

10 So our goal was to find a way we could  
11 complement and move to the next level. And, in doing  
12 this, we decided to give the non-profits the choice  
13 themselves of what they felt their areas of capacity  
14 building needed to be. We developed this as a result of  
15 comments we'd received from non-profits across the state  
16 and what their needs were.

17 The additional benefits in doing this -- and  
18 I'm very excited to be able to tell the board that this is  
19 the first year that capacity building is able to have the  
20 actual creation of units, a total of 516 proposed units,  
21 to be exact.

22 And this is a benefit that is not only the  
23 primary goal of the Trust Fund, but is also outlined in  
24 the Housing Trust Fund rules, which is the next thing I  
25 just wanted to comment on.

1           The reason that we had to look at  
2 organizational experience and we had to go ahead and give  
3 some points for the more experienced -- because our rules  
4 do state and because the primary point is the creation of  
5 housing, we have to focus our funds where we know that the  
6 actual -- that there will be a follow through.

7           Start-up organization is an organization that  
8 is, say, one or two years old. If we invest \$50,000, we  
9 need to know that that organization is going to be there  
10 in year three, year four, and year five to produce results  
11 with those \$50,000.

12           We looked around the state, and that was being  
13 provided and will continue to be provided through HUD and  
14 through other local groups. Trainingwise for those  
15 organizations, we felt this year the best use of the funds  
16 was to move forward to complement and, as you can see,  
17 list some of the benefits that I've outlined here, with 70  
18 units or more going for special needs. We have 215 units  
19 for extremely low income.

20           We're going to have a specialized project for a  
21 person with HIV and Aids in their families. At least one-  
22 third of these agencies that are being funded are going to  
23 serve special needs directly.

24           So we're able to hit a wide variety of groups,  
25 including 56 units set aside for the elderly. And these

1 benefits alone, I think, have certainly supported the  
2 direction that we've decided to go this year.

3 The recommendations -- on May 11 we put out the  
4 request for proposals. We did receive, as Ms. Ford noted,  
5 64 proposals in response. It was a very difficult scoring  
6 process. And, out of that, we had 13 organizations that  
7 we are ready to recommend for funding. They are listed  
8 before you in your books. I'll be happy to read them and  
9 summarize them if you'd like, or we could --

10 MR. BREWER: Mr. Chair --

11 MR. JONES: Most of us can read. Conine is a  
12 little shaky, but --

13 MR. BREWER: Mr. Chair, I recommend that we  
14 approve the 2001 capacity building program as recommended  
15 by staff.

16 MR. GONZALEZ: Second.

17 MR. JONES: We have a motion made by Mr. Brewer  
18 and seconded by Mr. Gonzalez. Further discussion?

19 (No response.)

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

21 (No response.)

22 MR. JONES: I assume we are. All in favor of  
23 the motion please say aye.

24 (A chorus of ayes.)

25 MR. JONES: All opposed nay.

1 (No response.)

2 MR. JONES: The ayes have it. Thank you very  
3 much.

4 MR. CONINE: Could I ask Ms. Stiner a question?

5 MR. JONES: You may.

6 MR. CONINE: Ms. Stiner, tremendous demand for  
7 this program, as you can see by the number of  
8 applications. Is there something we can do within the  
9 HOME funds and the rest of our bailiwick to try to shift  
10 some more into the demand cycle of this particular  
11 program?

12 MS. STINER: That's the same question we spent  
13 our staff meeting yesterday considering among our  
14 directors is where do we go. It seems that there were so  
15 many developments. So we're continuing to look at all of  
16 our funding sources to see if we might come up with some  
17 additional funds as we were speaking.

18 I don't think the HOME people were represented,  
19 so this will be news to them -- to look there and any  
20 other resources we may have internally. It was a  
21 fantastic response, and there were many worthy  
22 developments and organizations that we just didn't have  
23 the funds to assist at this time.

24 MR. CONINE: Thank you.

25 MR. JONES: 3(c). Mr. Brewer?

1 MS. ARELLANO: Good afternoon. I'm --

2 MR. DAROSS: Need an introduction.

3 MR. JONES: Go right ahead. Just tell us who  
4 you are.

5 MS. ARELLANO: Jeannie Arellano for the HOME  
6 program, HOME program manager.

7 MR. CONINE: Nice to meet you.

8 MS. ARELLANO: In the interest of time I --  
9 today the HOME program staff is presenting their  
10 recommendations for the 2001 HOME Demonstration Fund.

11 We have three other activities that we will be  
12 funding and presenting to the board for recommendation in  
13 September -- we hope in September. And I hope at that  
14 time that we can give you a complete summary and highlight  
15 some of the many changes that we have made in the  
16 program's policies and procedures and application cycle --  
17 funding cycle in response to our various audits and public  
18 comment.

19 So today, I'm only prepared to present our  
20 Demonstration Fund recommendations.

21 MR. JONES: Thank you.

22 MS. ARELLANO: Last fall the HOME program staff  
23 did participate in the public hearing and public comment  
24 process and the consolidated plan, which established that  
25 approximately 2.6 million of our total project funds would

1 be available in set-aside for the Demonstration Fund.

2 The Demonstration Fund set-aside was for the  
3 preservation of existing affordable or subsidized housing,  
4 and could include 4 percent or 9 percent low-income  
5 housing tax-credit applications. It is also targeted to  
6 nonparticipating jurisdiction areas, with the exception of  
7 any CHODO applicants we would have received under that  
8 set-aside. And it was not subject to the regional  
9 allocation formula.

10 We received a total of six applications. One  
11 of the applications we received after the deadline, which  
12 was disqualified. We also received an -- one of the -- of  
13 the remaining five, one of them did not pass the threshold  
14 score of 180 points, as required for that, and they did  
15 receive a disqualification letter. And four are being  
16 recommended. Of the four that are being recommended  
17 today, three of them are low-income housing tax-credit  
18 applications.

19 Our recommendations are going to result in a  
20 total of 165 units. There is a detailed project level  
21 writeup that's been included in the board books. There  
22 are also various conditions that these recommendations are  
23 subject to, which will be required to have been met before  
24 the loans, the HOME loans, close on these awards. So if  
25 there's --

1 MR. JONES: Thank you.

2 MS. ARELLANO: -- not any other questions, we  
3 request approval.

4 MR. JONES: Thank you.

5 MR. SALINAS: Move for the approval.

6 MR. DAROSS: Second.

7 MR. JONES: Mayor makes the motion and the  
8 judge seconds it.

9 Any questions? Comments? Discussion?

10 (No response.)

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

13 (A chorus of ayes.)

14 MR. JONES: All opposed to the motion please  
15 say nay.

16 (No response.)

17 MR. JONES: The motion carries.

18 MS. ARELLANO: Thank you.

19 MR. JONES: The concentration policy. Who  
20 wants to present that?

21 MR. BREWER: Who's going to present --

22 MS. STINER: Mr. Gouris. Go ahead.

23 MR. JONES: I know we've talked about it many  
24 times.

25 MR. BREWER: Yes.

1 MS. STINER: And Mr. Gouris.

2 MR. GOURIS: I'm Tom Gouris, director of credit  
3 underwriting. We presented this to the board last month  
4 and discussed in detail some of the history of it.

5 The board asked that we revisit a couple of  
6 folks who had indicated some interest in looking at the  
7 issue a little bit more closely, Mr. Henneberger and Mr.  
8 O'Conniff [phonetic]. And we met with them a week or so  
9 ago, discussed in detail where we are coming from, what  
10 we're trying to do, and asked -- they asked -- we asked  
11 them to provide us with written comment.

12 On Monday, I guess, of this week -- did we get  
13 an e-mail from Mr. Henneberger indicating his --

14 MS. STINER: Friday.

15 MR. GOURIS: Friday? -- withdrawing his  
16 concerns for this interim policy, but reemphasizes his  
17 general concerns about fair housing and indicating a  
18 general desire to -- you know, for the Department to  
19 develop a more proactive fair housing policy. But, for  
20 this interim concentration policy, he pretty much withdrew  
21 his concerns or issues.

22 And so we would like to again ask your approval  
23 of this interim policy to be able to move forward for the  
24 rest of the year until we can get a more full-fledged  
25 policy in place.

1 MR. JONES: Thank you.

2 MR. CONINE: Mr. Chairman, what's going to --  
3 the makeup of the ad hoc advisory group, can you expound  
4 on that a little bit?

5 MR. JONES: How about Ms. Stiner address that  
6 issue?

7 MS. STINER: That was one of the issues that we  
8 had hoped to just address in the executive director's  
9 report, whether or not that would be membership that this  
10 board wishes to make or whether or not you would instruct  
11 the Department to move forward with appointing people  
12 with -- representing a cross-view of the industry.

13 So that was the question we are posing to you.  
14 We had not moved forward to make those recommendations.

15 MR. CONINE: Is the chairman or the executive  
16 director going to put together the ad hoc --

17 MS. STINER: That is the question.

18 MR. BREWER: I've got a recommendation --

19 MR. JONES: All right.

20 MR. BREWER: -- Mr. Chairman. I recommend we  
21 approve the concentration policy that we have now, and  
22 that the executive director work with the ad hoc committee  
23 to work on a concentration policy to present to us before  
24 we issue the next QAP.

25 MR. SALINAS: Second.

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

2 MR. CONINE: Is there discussion? Are we  
3 discussing now?

4 MR. JONES: Yes. Go ahead.

5 MR. CONINE: Mr. Brewer, I think, was  
6 intimately involved in this to get us to this point. And  
7 I'd love to see him on the advisory -- ad hoc advisory  
8 committee.

9 MR. JONES: I would, too. I guess I didn't  
10 understand the motion and --

11 MR. BREWER: I was recommending that the  
12 executive director would form the ad hoc committee --

13 MR. JONES: Okay. Thank you.

14 MR. BREWER: -- with the staff, and then that  
15 they would work --

16 MR. JONES: Okay.

17 MR. BREWER: If you want a board  
18 representative, that's fine.

19 MR. JONES: Yes.

20 MR. CONINE: I agree.

21 Would you accept that as an amendment to your  
22 motion, Mr. Brewer?

23 MR. BREWER: I would.

24 MR. SALINAS: I would, too.

25 MR. JONES: Mr. Brewer made the motion and the

1 mayor seconded it.

2 MS. STINER: I would just note for the record  
3 that the next QAP is scheduled to be approved by December  
4 1. So we will work --

5 MR. BREWER: Correct.

6 MS. STINER: -- very quickly.

7 MR. JONES: Thank you. All right. Are we  
8 ready to vote?

9 (No response.)

10 MR. JONES: All in favor of the motion please  
11 say aye.

12 (A chorus of ayes.)

13 MR. JONES: All opposed to the motion say nay.

14 (No response.)

15 MR. JONES: Motion carries. Thank you.

16 That will then bring us to Item 4 on the  
17 agenda. I'll tell you what. Why don't we finish the  
18 agenda and then we'll go back? Okay. Item 4 on the  
19 agenda, which is the Morgan Housing, Inc., doing business  
20 as Morgan Homes, Respondent, case.

21 We have a recommendation here concerning the  
22 ruling of the administrative law judge, Katherine L.  
23 Smith, in Docket Number 332-01-2621.

24 Is there a motion in this regard?

25 (Pause.)

1 MR. JONES: Yes. Go right ahead.

2 MR. SCHROEDER: My name is Jerry Schroeder --  
3 Good afternoon. My name is Jerry Schroeder.  
4 I'm the dispute resolution supervisor for the Department.

5 The Department sought administrative action  
6 against this particular respondent. It ended up in an  
7 administrative hearing. The judge, as you said, granted  
8 our request for default judgment. I recommend that -- the  
9 staff recommendation of the Department is that we accept  
10 the PFD from the administrative law judge and assess a  
11 \$2,500 penalty against Morgan Manufactured Homes.

12 MR. DAROSS: So moved.

13 MR. JONES: We have a motion.

14 Is there a second?

15 MS. SAENZ: Second.

16 MR. JONES: And the second's made by Lydia  
17 Saenz. Excuse me, I couldn't see down there.

18 Ms. Saenz? Okay. And any further discussion  
19 on the motion?

20 MR. SCHROEDER: I assume nobody here is from  
21 Morgan or representing Morgan.

22 MR. JONES: If they have, they haven't signed  
23 up to speak. Okay.

24 Hearing no further comments I assume we're  
25 ready to vote.

1 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: Motion carries. Mr. Conine, Item  
7 5?

8 MR. CONINE: Thank you. I believe we'll call  
9 on Mr. Dally.

10 MR. DALLY: Good afternoon, Mr. Chairman, board  
11 members, Ms. Stiner. I'm bringing to you a recommendation  
12 for our external auditor. That contract comes up about  
13 every five years.

14 The reason for that length is because it takes  
15 time for an auditor to come in and understand your  
16 business. And they oftentimes lose money that first year  
17 too, and then we have to give them a window of time to  
18 learn.

19 I would like to thank David Gaines and his  
20 internal audit staff. They helped me put together the RFP  
21 that went out. We put that out on the Texas Market Place.

22 In the end we had two respondents. We had Deloitte &  
23 Touche and our current auditors, KPMG Peat Marwick.

24 We put together a team of four. I had two of  
25 my managers, Byron Johnson and David Gaines -- looked at

1 both proposals, put their scores together. And it was the  
2 conclusion of the group that Deloitte & Touche had the  
3 best proposal.

4 So I'm recommending them to be the Department's  
5 auditor.

6 Now I did put a note in the board book at the  
7 end. They had a proposal to have a minority firm  
8 participate to a level of about 30 percent. I'm going  
9 to -- what I would like to do is get back to them because  
10 our current arrangement is we have a 50/50.

11 And it's one of the initiatives of the state is  
12 to have HUB participation where you have a partner with a  
13 large firm and then minority firms work together. And  
14 what I'd like to do is get back and visit with them and  
15 see if we can't up a percentage from 30 to perhaps 40 or  
16 50 percent.

17 We can do that in a way -- what happens is each  
18 year we'll actually draft up an engagement letter which  
19 will lay out the fees and the work to be done. And we can  
20 look at the percentage then. Are there any questions  
21 on --

22 MR. CONINE: The first year we're talking about  
23 is which year that this proposal would kick in?

24 MR. DALLY: With the year -- the audit coming  
25 up -- the one that will conclude this August 31.

1 MR. CONINE: Right.

2 MR. DALLY: And it will issue in December.

3 MR. CONINE: Okay.

4 MR. DALLY: The audit statements will be in  
5 December.

6 MR. JONES: Questions?

7 MR. CONINE: Mr. Chairman, I make a motion that  
8 we approve staff recommendation subject to their ability  
9 to negotiate with Deloitte & Touche to get it up to -- I'm  
10 going to say 50 percent minority participation.

11 MR. GONZALEZ: Second.

12 MR. JONES: We have a motion made and seconded.  
13 It think it was the mayor.

14 MR. SALINAS: No, it was Mr. Gonzalez.

15 MR. JONES: Oh, I'm sorry.

16 Mr. Gonzalez, I apologize. Anything further  
17 discussion?

18 (No response.)

19 MR. JONES: Hearing none, are we ready to vote?  
20 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 eyes have it.

25 MR. DALLY: Thank you.

1 MR. JONES: Thank you. If we could, let's now  
2 go back -- although I would say this to board members, my  
3 life was threatened today if I did not get correctly  
4 everybody that seconded a motion by the court reporter.  
5 So I have acted in very great fear and trepidation today.

6 Now we go back to Item 2(b), which is staff  
7 recommendations of projects for the waiting list for the  
8 year 2001 allocation round.

9 And Mr. Njie is just dying to talk.

10 MR. NJIE: Yes. We have looked at the  
11 recommendation -- the remaining projects and, at this  
12 point, would like to propose a waiting list.

13 In doing so, we looked at the regions for which  
14 we have not quite met the targets as a guide rather than  
15 just looking at the points. And then also took into  
16 account regions for which there are no additional credits  
17 really -- additional projects to put on the waiting list.

18 With that, we came up with the following  
19 projects. In Region 10, 1095 and 1098. These are already  
20 on the waiting list. In Region 5, Project Number 1028,  
21 Spindletop in Beaumont. In Region 7, Project Number 1012  
22 in Bastrop. In Region 8A, Project Number 1167 in San  
23 Antonio. Again, in 8A, Number 1039 in Boerne. In 8B,  
24 Project Number 1055, Laredo Villejo in Laredo.

25 MR. CONINE: That was 8B you said?

1 MR. NJIE: 8B.

2 MR. CONINE: Okay.

3 MR. NJIE: 1055. Another one in 8B, 1143, also  
4 in Laredo.

5 MR. CONINE: Okay.

6 MR. NJIE: And, finally, 1086 in Refugio. And  
7 that will make it nine projects in all. And it will be  
8 subject to underwriting determination. So assuming that  
9 these projects are all financially feasible, we would put  
10 them on the waiting list.

11 And if additional credits become available, or  
12 for whatever reason the recommended projects fail to  
13 proceed, we will pick from among these projects as  
14 replacements.

15 MR. JONES: Thank you.

16 MR. SALINAS: You need a motion? I move that  
17 we go ahead and take his recommendation on the holding  
18 list.

19 MR. JONES: Thank you, Mayor. We have a motion  
20 that these recommendations be approved by the board for  
21 the waiting list.

22 Is there a second?

23 MS. SAENZ: I second.

24 MR. JONES: The motion's been seconded by Ms.  
25 Saenz.

1 MR. CONINE: Mr. Chairman, I need just a little  
2 bit of time.

3 MR. JONES: Sure. We're going to give you that  
4 time, Mr. Conine.

5 MR. CONINE: Cherno, could you help me with the  
6 latest round of regional allocation numbers, the  
7 shortfall? Have you been able to determine that -- kind  
8 of where we are now? I mean, 8B's going to be probably  
9 the worst -- still the worst one that we've got shortfall  
10 on.

11 MR. NJIE: Okay. Let's --

12 MR. CONINE: Or is that --

13 MS. BOSTON (from audience): The funds you  
14 added back in from the other ones?

15 MR. CONINE: Yes. The net-net-net of where we  
16 are right now. That's -- we're not counting the forward  
17 commitments now.

18 MR. NJIE: That's correct. If you're not  
19 counting the forward commitments, then really the numbers  
20 haven't changed.

21 MR. CONINE: Numbers haven't changed a whole  
22 lot.

23 MR. NJIE: That is correct.

24 MR. CONINE: Can you also give me one other  
25 piece? The recommended list that you've just made,

1 roughly what does it total up to on credits?

2 MR. NJIE: Okay. Just a moment. We can get  
3 that.

4 MR. CONINE: I don't have to have it exact. I  
5 can -- just get me in the ball park.

6 MR. DAROSS: I'm going to make a suggested  
7 amendment to the motion, and that is we add two projects  
8 from Region 3 to the wait list as being Project 1007,  
9 which is the Grand Texas Seniors Community, and the Ennis  
10 Senior Estates, 1036.

11 MR. JONES: Will you accept that as an  
12 amendment to your motion?

13 MS. SALINAS: Yes.

14 MR. JONES: He accepts that as an amendment to  
15 his motion. And I assume the --

16 MS. STINER: Could I --

17 MR. JONES: -- second will accept that also.  
18 Is that true?

19 MR. SAENZ: Yes.

20 MR. JONES: Okay. Yes.

21 Ms. Stiner.

22 MS. STINER: Can we have the project numbers  
23 again, please, and the name of them?

24 MR. DAROSS: 1007 and 1036.

25 MS. STINER: 1036.

1 MR. JONES: Mr. Conine?

2 MR. CONINE: Yes. She's still adding.

3 MR. JONES: I'm sorry.

4 MR. CONINE: She's got that -- that adding  
5 machine is so hot right now.

6 Chernobyl, you can probably answer a QAP question  
7 for me right quick.

8 MR. NJIE: Uh-huh.

9 MR. CONINE: Does the QAP address the priority  
10 on the waiting list or is that up to staff/board  
11 discretion?

12 MR. NJIE: No, the QAP doesn't specifically  
13 address any priority on the waiting list. And we wanted  
14 to propose a flexibility to look at the projects depending  
15 on the amount of credits available, again, with the non-  
16 profit being at least 10 percent as a caveat.

17 MR. CONINE: So you've got a lot of balls  
18 working -- you've got the 10 percent set-aside working in  
19 general for the non-profits; you've got the -- if one  
20 falls off you've got to kind of match it up either with  
21 another size or a combination of projects to equal the  
22 same -- or get close to equal.

23 MR. NJIE: And, added to that list, of course,  
24 now is the regional allocation. Should one fall from one  
25 region, you would ideally want to substitute it for one

1 from the same region.

2 MR. CONINE: Well, that's -- that, to me,  
3 sounds like the absolute only practical way to handle the  
4 waiting list.

5 MS. BOSTON: Okay.

6 MR. CONINE: Yes.

7 MS. BOSTON: The total of funds, including the  
8 two projects in Region 3, is 5,251,402.

9 MR. CONINE: That answers my question.

10 MR. JONES: We have a motion on the table. It  
11 has been seconded. Further discussion?

12 (No response.)

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

15 (A chorus of ayes.)

16 MR. JONES: All opposed to the motion please  
17 say nay.

18 (No response.)

19 MR. JONES: The ayes have it. Motion carries.

20 And we then move to Item 2(d) on the agenda. This is the  
21 issuance of a determination notice for tax exempt bond  
22 transaction known as Project Number 01430, Blunn Creek  
23 Apartments. Would that be Mr. Njie again?

24 MS. STINER: That would be Mr. Njie.

25 MR. JONES: This is your day.

1 MR. NJIE: Once a year. If I can find that  
2 one --

3 MS. STINER: I have it here if you need it, Mr.  
4 Njie.

5 MR. JONES: We're on 2(d).

6 MR. NJIE: Yes. This is Blunn Creek Apartments  
7 in Austin, Texas, Project Number 1430. We're utilizing  
8 tax exempt bonds. The underwriting report is part of your  
9 board book. And there are four conditions in our summary.  
10 Staff is recommending an allocation of \$684,850  
11 annually. The project is comprised of 280 units, and I  
12 believe the developer is Hunt based in -- Hunt Corporation  
13 based in El Paso. And, then, it is consistent with the  
14 local housing needs, and there is no opposition to the  
15 property.

16 So with that, we move that the board  
17 recommend -- or accept staff recommendation to award the  
18 credits for this project.

19 MR. CONINE: Move for approval.

20 MS. SAENZ: Second it.

21 MR. JONES: We have a motion made by Mr. Conine  
22 and seconded by Ms. Saenz. Further discussion?

23 (No response.)

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

1 (A chorus of ayes.)

2 MR. JONES: All opposed nay.

3 (No response.)

4 MR. JONES: The motion carries. Item 2(e).

5 MR. NJIE: 2(e) is extension request for  
6 placement in service. And these are two projects that are  
7 seeking extension. One is based in San Antonio, 99182.  
8 It is right now 70 percent complete. The Department's  
9 placement in service date is October 31, which is an  
10 earlier date than provided for under federal law, which is  
11 December 31. So the developer is seeking extension of  
12 that deadline to December 31 to place the project into  
13 service.

14 MR. CONINE: We going to vote on them  
15 separately or as a group?

16 MR. NJIE: I can look at the -- I can go on to  
17 the other one as well. The second project is in Mesquite.  
18 That one is also seeking extension regarding placement in  
19 service. And that is a 2000 allocation. Actually, it was  
20 a forward commitment. They are asking for an extension of  
21 deadline to September 30 of 2002.

22 MR. CONINE: What percentage complete -- excuse  
23 me. Go ahead.

24 VOICE: No, go ahead.

25 MR. CONINE: What percentage complete are they,

1 would you say?

2 MR. NJIE: This one doesn't indicate what the  
3 completion is right now. It is under construction,  
4 however.

5 MR. CONINE: Yes, they're under construction.  
6 They're started. Right?

7 MR. NJIE: That's correct. The -- it is under  
8 construction.

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

10 MR. JONES: Motion made by Mr. Conine.

11 MR. SALINAS: Second.

12 MR. JONES: Seconded by the mayor. Further  
13 discussion?

14 (No response.)

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

17 (A chorus of ayes.)

18 MR. JONES: All opposed to the motion please  
19 say nay.

20 (No response.)

21 MR. JONES: The motion carries. And then we'll  
22 return to the remaining item on our agenda, which is the  
23 executive director's report. Ms. Stiner?

24 MS. STINER: Thank you, Mr. Chair. The board  
25 is required to adopt an operating budget for the

1 Department by August 31 of each year, which is -- I guess  
2 September -- September 1 of the fiscal year.

3 We have committed to this board to give you two  
4 opportunities to look at that. So Bill Dally, who is the  
5 CFO of the agency, will present to you today a draft of  
6 that budget. This budget will be coming back to you next  
7 month for our final approval.

8 Mr. Dally?

9 MR. DALLY: Yes. And, typically, I have  
10 prepared a set of comments and some statistics and  
11 comparisons. I do not have that prepared today, but I  
12 promise you I will get that out to you this week so you  
13 can look at this budget.

14 But, quite frankly, this still needs a lot of  
15 internal work among a lot of our staff and with Daisy  
16 Stiner because what's new this year is that, with the  
17 Legislature, what we've typically had is one pot of  
18 resources is going to be eventually subdivided. And two  
19 other boards are actually going to look at and contemplate  
20 these resources later this year after they get appointed.

21 And so this will sort of be -- but we need to  
22 get a preliminary cut and have something approved so that,  
23 come September, we can carry on business in sort of a  
24 transition period until some of those boards are in place.

25 But they're quite a few resources used to get

1 settled, and I think we still have some meetings with the  
2 Governor's Office and stuff to discuss some of the  
3 details. So this is -- it still needs a lot of work.

4 But this -- what this looks like is a lot more  
5 like what we've had in prior years. But we still need to  
6 do some work to see what that might look like in  
7 transition.

8 MS. STINER: I think that I might add just a  
9 statement, Mr. Chair --

10 MR. JONES: Go ahead.

11 MS. STINER: -- is that the boards that Mr.  
12 Dally has referenced to is out of the legislation. One of  
13 the programs in the agency, the Community Development  
14 Block Grant program, is going to be moved to a new  
15 department. And they will have a new board. The  
16 Manufactured Housing Division will remain with the  
17 Department as an administrative entity, will also have a  
18 new board.

19 So there are some challenges in trying to  
20 divide up this pot. They're still some variables and some  
21 answers to questions we haven't gotten back yet, and  
22 probably won't happen until those boards are set and  
23 constituted.

24 So we are working diligently with the -- those  
25 offices that Bill mentioned -- the Governor's Office, the

1 Legislative Budget Board and others, to try to guide us  
2 through some of the answers to those questions.

3           So when we get back to you 8/31, we're very  
4 optimistic that all of those questions will have been  
5 answered. And we can present you then with a budget. I  
6 hear laughing in the audience. We will be able to present  
7 to you some semblance of a budget for operating the TDHCA,  
8 as well as OCRE [phonetic] the Manufactured Housing  
9 Division.

10           OCRE is a new rural development agency that has  
11 been created to which the CDBG program will be  
12 transferred.

13           MR. DALLY: If I can add a little bit, I think  
14 what we'll have to do is -- if we can agree on a set of  
15 assumptions that -- and a time line that will get us so  
16 far into this, then, I think we can make some rational  
17 decisions on kind of how to split this up.

18           But it's still -- there's still the unknowns of  
19 some boards and some directors and stuff that are going to  
20 have to -- once this is in place they may -- they're going  
21 to revisit some of this too.

22           MR. CONINE: Ms. Stiner, could you comment  
23 on -- I know the office space was a subject matter of, I'm  
24 sure, this budget deliberation -- kind of where we are  
25 there?

1 MS. STINER: Yes, sir. We have two things  
2 going on with the budget. We have made a request for a  
3 waiver to exceed our capital budget, so we might do some  
4 build out. We've gotten an observation that, since the  
5 fiscal year is over, we probably won't get an improvement  
6 on that.

7 To the other end, we've requested a waiver to  
8 exceed our 153 square feet of space per employee. The  
9 Governor's Office has been very instrumental in working  
10 with our agency and the GSC to get a consideration of  
11 letting all of our employees, and the employees that will  
12 be transferring eventually to the new agency, to remain in  
13 place until those decisions are more firm.

14 And director of facilities have been working on  
15 our staff with the landlord trying to negotiate that space  
16 for at least a minimum of six months. So it appears, if  
17 those are successful, that all employees at TDHCA, as well  
18 as the new agency employees, will remain in place for at  
19 least six months until some of those questions that I  
20 alluded to earlier are answered.

21 MR. CONINE: Okay.

22 MR. DALLY: Any further questions?

23 (No response.)

24 MR. DALLY: We'll meet on this again next  
25 month. Thank you.

1 MR. JONES: Thank you.

2 MS. STINER: Mr. Chair and board, we have one  
3 final presentation. We'll make it very brief. Ms.  
4 Suzanne Phillips, who is director of compliance, is making  
5 her way down to give you an update on an issue we brought  
6 before the board, I think a couple of months ago -- an  
7 amendment to a LURA. And we went back and met with the  
8 principals of the particular development and have a  
9 conclusion that we would like to report to you.

10 Ms. Phillips?

11 MR. PHILLIPS: Good afternoon. For the record,  
12 my name is Suzanne Phillips, director of the compliance  
13 division.

14 Immanuel Glotzkin, the owner of a 70-unit  
15 property in Nacogdoches, has requested a modification or  
16 correction to the home land use restriction agreement for  
17 Commonwealth Apartments, which has a \$300,000 home loan  
18 and an allocation of tax credits.

19 This issue was previously presented to the  
20 board but tabled for future discussion. Subsequent to  
21 that board meeting, Ms. Stiner and Ms. Cedillo asked the  
22 housing program director, legal staff, and the compliance  
23 division to review the request and submit a  
24 recommendation.

25 According to the Department files, Mr. Glotzkin

1 submitted a request for a LURA correction in March 1999.  
2 In his request that he states as a part of his application  
3 for funding, he agreed to set aside 14 units for families  
4 earning less than 50 percent of AMFI.

5 He also pointed out in his letter that the  
6 executed LURA set aside 100 percent of the 70 units under  
7 the HOME program rather than just the 14 units. He also  
8 reminded the Department in his letter that the 14 units  
9 that he offered to set aside exceed the number of  
10 affordable units required under the federal or state  
11 programs.

12 According to the Department records and the  
13 program files, Joe Mann, the HOME program manager at that  
14 time, and two regional coordinators both concurred with  
15 Mr. Glotzkin's request, and in May 1999 requested an  
16 amendment for the following reasons.

17 The percent of HOME units should be 20 percent  
18 or 14 units, not 100 percent as currently written. The 14  
19 HOME units should be set-aside 100 percent for the very  
20 low income. The Department is in second lien position on  
21 the property, with less than 7 percent of their total  
22 financing for the property.

23 So after review of the files and extensive  
24 discussion with Department staff and the deputy director,  
25 the housing program director, Pam Morris -- who's on

1 vacation today -- legal staff, and myself, and the audit  
2 resolution manager for the Department, are making the  
3 recommendation to Ms. Stiner that the owner's request be  
4 granted and a LURA correction be granted.

5 Any questions? Thank you.

6 MS. STINER: It appeared, as Ms. Phillips has  
7 indicated, that the Department did agree with the LURA  
8 amendment. It's just that staff did not move forward to  
9 amend the LURA in 1999, and they were able to -- it's just  
10 a report. It's an administrative function to amend the  
11 LURA. So we will be doing that.

12 But we thought, since we had brought it to you,  
13 and you had tabled it and told us to go back and look at  
14 it, we wanted to at least report to you what action is  
15 being taken.

16 MR. CONINE: Didn't this discussion at the  
17 board meeting when it came up center around the financial  
18 burden that the applicant was under because he had all 70  
19 units at 50 percent or under and not just 14?

20 MS. PHILLIPS: Yes, sir. Because the way the  
21 LURA was written, it restricted 100 percent of the  
22 property under the HOME program instead of just the 14  
23 percent.

24 MR. CONINE: And weren't we specific in our  
25 request, upon tabling this item, that we wanted to see

1 just how burdened he was relative to debt service coverage  
2 ratios and, at least in the report that I thought we were  
3 going to get back, would have dealt with that issue?

4 MS. PHILLIPS: Yes, sir. I believe that was  
5 mentioned. And I think part of that could have been the  
6 way that we presented the request previously, in that in  
7 the owner's letter he did state that, to the extent that  
8 we forced him to do the 100 percent, that it would be a  
9 financial burden.

10 But, after reviewing the files, it was  
11 determined that his representation in his application  
12 never represented or offered more than 14 units. So it  
13 basically became a moot point.

14 MR. JONES: I don't -- make sure I understand  
15 this. What I'm understanding is we agreed to a different  
16 LURA than the one that was actually written. And we've  
17 gone back and checked with Joe Mann, and he said, That's  
18 not the deal. The deal is something different. Is that  
19 what we're talking about?

20 MS. PHILLIPS: There were actually documents in  
21 the file -- in the program file that showed that  
22 discussions were held with the developers, that, in fact,  
23 it was not supposed to have been 100 percent but should  
24 have been just the 14 units.

25 MR. JONES: I'm not going back to documents in

1 the file. I mean, usually in real estate transactions  
2 there is the document. And we're saying that the document  
3 was in mistake. The LURA as written was mistaken.

4 MS. STINER: That's correct.

5 MS. PHILLIPS: Yes, sir

6 MR. JONES: And we're saying we went to our  
7 file and we found notes or other things like that that led  
8 us to believe that LURA was in mistake.

9 MS. PHILLIPS: Yes, sir.

10 MR. JONES: And then we went and asked Joe  
11 Mann, and Joe Mann said, No, that wasn't the deal.

12 MS. PHILLIPS: No. We didn't have to ask Joe.  
13 There was actually a memo from Joe requesting that  
14 amendment be made. And that amendment just was never  
15 processed.

16 MR. JONES: But just because you request an  
17 amendment be made, and there's a memo that it was  
18 requested to be made, doesn't mean that that becomes part  
19 of the agreement. I -- it just seems like a strange thing  
20 to me.

21 MR. CONINE: Well, I'll take it another step  
22 further. And I think I said this when the issue came up  
23 before. Is that -- the project is how old now?

24 MS. PHILLIPS: It was a 1996 allocation of  
25 credits in the 1996 HOME loan.

1 MR. CONINE: And what town are we in?

2 MS. PHILLIPS: Nacogdoches.

3 MR. CONINE: So what we're doing is we're  
4 releasing 56 units to go market rate.

5 MS. PHILLIPS: No, the other 56 units will  
6 remain rent-restricted under the tax-credit program.

7 MR. CONINE: To 60 percent of LURA?

8 MS. PHILLIPS: Yes, sir.

9 MR. CONINE: So you're still releasing the 56  
10 units from 50 to 60 percent is what we're doing by  
11 processing the new LURA.

12 MS. PHILLIPS: Well, we would -- yes, sir.

13 MR. CONINE: Right?

14 MS. PHILLIPS: Yes, sir.

15 MR. CONINE: That's the net effect of what  
16 we're doing. And for what we -- to get back to my  
17 original question, we still -- unless you've got the  
18 numbers, we still don't know what his current debt service  
19 coverage ratio is.

20 And we could even ask our underwriting  
21 department to give us a thing -- and I think we did -- to  
22 give us a feeling on what this would do, or what his  
23 current situation was. Do we have that information?

24 MS. PHILLIPS: We have met with underwriting  
25 staff extensively. We reviewed the underwriting that had

1 been done on the property. Actually, I believe that it  
2 had been reunderwritten four times during the process, and  
3 each time was reviewed and underwritten with a different  
4 rent.

5 I think one of the things that we looked at is  
6 that, in the original underwriting, the rents that were  
7 used were incorrect. So there were, throughout the  
8 process, mistakes that were --

9 MR. CONINE: You're missing what I'm saying.  
10 What's actually happening today is what I want to know.  
11 Over the last 12 months what was the guy's debt service  
12 coverage ratio?

13 MS. PHILLIPS: I don't have that information.

14 MR. CONINE: That's what we wanted, I think.  
15 Because, as Mr. Jones said, even though all intentions  
16 were good to do something else, the facts are the  
17 documents say what they say. And it requires an undoing,  
18 if you will, of that.

19 And if there is no, quote, financial pressure  
20 demonstrated, even though the applicant has said he has  
21 it, but we have yet to see those numbers -- unless one of  
22 our staff tells us we've seen those numbers -- and he's in  
23 default on some of the current debt procedures, then for  
24 me to say in Nacogdoches, Texas, we go do 56 units from 50  
25 to 60, would probably raise the ire of some of our low-

1 income advocates out there relative to that specific  
2 project in Nacogdoches.

3 MS. STINER: Mr. Gouris, are you able to  
4 represent which version of the underwriting this board  
5 looked at when the project was presented for the tax  
6 credit? And I suspect they saw that the tax-credit  
7 approval process, must have also seen that the HOME  
8 approval for that underwriting assumptions in both of  
9 those. Okay?

10 MR. GOURIS (from audience): The original  
11 underwriting for HOME was stated, was in error.

12 MR. CONINE: So what we saw and what was  
13 approved was in error.

14 MR. GOURIS: Yes, four years -- three years  
15 ago.

16 MR. CONINE: Say that again one more time?

17 MR. GOURIS: The way it was originally  
18 underwritten, neither the applicant or the interim staff  
19 recognized the lower HOME fair market rents.

20 MR. CONINE: But the action of the board  
21 approved three years ago -- was it at 100 percent?

22 MR. GOURIS: Based on higher tax-credit rents.

23 MS. STINER: Higher tax credits.

24 MR. GOURIS: Or higher HOME rents.

25 MR. CONINE: Forget what the rents were. I'm

1 talking about the 100 percent. Did we approve a LURA for  
2 that project at 100 percent? And the LURA lasts for how  
3 long in this particular case?

4 MS. PHILLIPS: For the tax credits it lasts for  
5 30 years and the HOME LURA is, I believe, the same length  
6 of time.

7 MR. CONINE: Again, Mr. Chairman, I'll just  
8 say, until they can demonstrate current problems -- forget  
9 what the underwriting was, forget -- history is history.  
10 Until -- unless they can demonstrate current financial  
11 burden debt service coverage ratios, I wouldn't be in  
12 favor of staff making this particular move.

13 MR. JONES: I think they just -- I think that  
14 staff's reporting to us that they've already done it.

15 MS. PHILLIPS: No, sir, it has not -- the  
16 amendment has not --

17 MS. STINER: According to -- is what I'm  
18 proposing to do --

19 MR. JONES: Okay.

20 MS. STINER: -- in the administrative  
21 authority has not -- I have not signed the LURA yet.

22 MR. JONES: The board has not -- you know, this  
23 is not an agenda item for action, so the board can't take  
24 any action.

25 MR. CONINE: I thought it was on our agenda.

1 MR. JONES: It's on our agenda as a report item  
2 only, not an action item.

3 MR. CONINE: Well, I guess we're getting into  
4 the question of the authority of the staff to do what they  
5 say they're getting ready to do.

6 MS. STINER: Well, it's clear we have  
7 authority, but, certainly, I can always defer authority.  
8 We'll bring it back to the board if that's the desire of  
9 the board.

10 MR. CONINE: I want to see the numbers. I  
11 think I said that in the board meeting at the last time,  
12 and I just hate for you guys to run off and do that  
13 without showing us numbers -- existing numbers. Not what  
14 was -- it was underwritten. Don't care. I want to see if  
15 it's got current problems.

16 MS. STINER: If you want a full explanation --  
17 we've dealt with this for two months, so he needs all of  
18 it.

19 MR. GOURIS: We -- underwriting's been involved  
20 in this and have been prepared to -- and have been working  
21 on providing revisions. But we ceased activity on it  
22 primarily because our counsel indicated that there was no  
23 basis for us to be able to enforce the LURA as it was.

24 I think they were indicating to us that,  
25 because of the mistakes that were made, we would

1 ultimately be crammed down with what we had.

2 MR. CONINE: Well, it's different if a court of  
3 law does it.

4 MR. GOURIS: I fully agree with you.

5 MR. CONINE: You know, I'm just saying let's --  
6 the documents are what they are. I presume the sponsor of  
7 the applicant signed those documents. And they are  
8 recorded on the deed of the property -- to the title of  
9 the property -- and to unwind that -- again, I get back to  
10 what's the current financial situation. No one's answered  
11 that question for me yet.

12 And we may end up wanting to take a tough stand  
13 in this particular instance for -- in a preservation  
14 issue. And if we lose, we lose.

15 MR. GOURIS: I --

16 MS. STINER: We certainly can bring those  
17 numbers back to the board.

18 MR. GOURIS: Yes, I can do that.

19 MS. STINER: I don't have a problem with that.

20 MR. CONINE: I would respectfully request that  
21 staff not do anything on this deal until we have our next  
22 board meeting and take a look at the numbers.

23 MR. GOURIS: Thank you.

24 MR. JONES: Is that your report, Ms. Stiner?

25 MS. STINER: Yes, sir.

1 MR. JONES: Thank you. I think we've completed  
2 our agenda and the Chair --

3 MS. WILLIAMS: May I ask a question?

4 MR. JONES: Yes, you sure can.

5 MS. WILLIAMS: A few months ago we worked on a  
6 Sunset Commission's appeals process, which I don't was  
7 ever finalized, if I'm not mistaken. And I'd just like to  
8 put that back out for something that we could work on and  
9 probably get done now that we have our tax credits behind  
10 us.

11 MR. JONES: Can we have a report on that at our  
12 next meeting?

13 MS. WILLIAMS: I think we were waiting to have  
14 a meeting is what we're doing.

15 MR. JONES: Okay. So we'll put it on our  
16 next -- an agenda item for our next meeting.

17 MS. WILLIAMS: Sure.

18 MR. JONES: Okay. Great.

19 MS. WILLIAMS: For the committee.

20 MR. BURRELL (from audience): We're having to  
21 address the mandates of Senate Bill 322.

22 MS. STINER: There are some implications on the  
23 appeals, but they still can to work toward it just since  
24 we add those -- what -- just for point of clarification,  
25 Mr. Burrell brought up a point that when we first started

1 working on the appeals process, S.B. 322 had not been  
2 passed. Now that it has been -- become law -- there are  
3 some requirements in S.B. 322 that also relates to the  
4 appeal process that we need to make sure we incorporate.

5 But all of it can be addressed when the members  
6 are ready to meet again with staff on the appeals process.

7 And we certainly will work to having it on the agenda for  
8 next month.

9 MR. JONES: Thank you.

10 MS. STINER: Yes, sir.

11 MR. JONES: On another front, I have -- as far  
12 as a meeting date for our board meeting next month, of the  
13 ones that have been circulated by Delores, the only date  
14 where we can get a quorum appears to be August 21, 2001.  
15 So unless somebody has some better ideas, we'll try to  
16 meet then on August 21, 2001.

17 All right. The Chair would entertain a motion  
18 to adjourn.

19 MR. GONZALEZ: So moved.

20 MR. BREWER: Second.

21 MR. JONES: We have a motion, and it's been  
22 seconded. And all in favor say aye.

23 (A chorus of ayes.)

24 MR. JONES: All opposed nay.

25 (No response.)

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MR. JONES: The ayes have it. Motion carried.

(Whereupon, the meeting was concluded at 3:55

p.m.)

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MEETING OF: TDHCA Board  
LOCATION: Austin, Texas  
DATE: July 31, 2001

I do hereby certify that the foregoing pages,  
numbers 1 through 247, inclusive, are the true, accurate,  
and complete transcript prepared from the verbal recording  
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On the Record Reporting, Inc.  
3307 Northland, Suite 315  
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