

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
BOARD MEETING

9:00 a.m.  
Wednesday,  
January 8, 2003

TDHCA  
Room 437  
507 Sabine  
Austin, Texas

COMMITTEE MEMBERS:

MICHAEL JONES, Chairman  
SHADRICK BOGANY  
BETH ANDERSON  
NORBERTO SALINAS  
VIDAL GONZALEZ

STAFF PRESENT:

EDWINA CARRINGTON  
DELORES GRONECK  
ROBERT ONION  
BYRON JOHNSON  
GARY MACHAK

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ADJOURN

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P R O C E E D I N G S

1  
2 MR. JONES: I would now like to call to order  
3 the meeting of the board for the Texas Department of  
4 Housing and Community Affairs set for January 8, 2003.

5 And after calling it to order, the first order  
6 of business is the roll call.

7 Beth Anderson?

8 MS. ANDERSON: Here.

9 MR. JONES: Mr. Bogany?

10 MR. BOGANY: Here.

11 MR. JONES: Mr. Conine is absent. Mr. Gonzalez  
12 is absent.

13 Mayor Salinas?

14 MR. SALINAS: Here.

15 MR. JONES: And Mike Jones is here. So we have  
16 four members present, two absent. And I do certify that  
17 we have a quorum.

18 The next order of business is public comment.  
19 Can you hear me?

20 THE REPORTER: Yes.

21 MR. JONES: Can you hear me?

22 THE REPORTER: We hear now.

23 MR. JONES: Okay. The next order of business  
24 is public comment. If you would -- if you'd like to

1 address the board, if you would, fill out a witness  
2 affirmation form and supply it to Delores. And she'll let  
3 me know about it.

4 I have two right now that have been submitted.  
5 You have the option of either speaking at an agenda item  
6 or speaking now.

7 And the first person I have a witness  
8 affirmation from is Mr. Steve Moore.

9 MR. MOORE: Good morning. Do I just come up  
10 here and talk?

11 MR. JONES: That would be great.

12 MS. ANDERSON: Yes, you do.

13 MR. JONES: Feel free.

14 MR. MOORE: Okay. My name is Steve Moore. And  
15 my question is about funding for Region 7. I have a rural  
16 application for that region. And I don't know if I should  
17 even submit the pre-app if there's no money available,  
18 which I saw on the latest revision.

19 MR. JONES: I will address that question to our  
20 executive director.

21 Ms. Carrington?

22 MS. CARRINGTON: Good morning. What you --  
23 the --

24 MR. JONES: How about using this.

1 MS. CARRINGTON: I'm one of the ones that  
2 doesn't have a mike.

3 MR. JONES: Okay.

4 VOICE: It's on.

5 MR. JONES: It's one? Okay.

6 MS. CARRINGTON: Is it on? Okay.

7 MR. JONES: Excuse me.

8 MS. CARRINGTON: Thank you.

9 The question that you raised related to Region  
10 7. What you see on the website is correct for  
11 applications for 2003 for the Low Income Housing Tax  
12 Credit Program.

13 We went from 11 service regions to 13 service  
14 regions between the '02 and the '03 allocations. And the  
15 Austin region was one of those regions that was carved up  
16 as a result of adding an additional service region.

17 The Austin area, which is Region 7, did receive  
18 two forward commitments out of the '02 application. So  
19 out of '03 we will actually have about 1.9 million as is  
20 shown on the website that will be for Region 7. It was  
21 two tax credit transactions.

22 So for new allocations in '03 for tax credits  
23 in the newly configured Region 7, which does include  
24 Austin, the amount available per the regional allocation

1 formula is zero.

2 MR. MOORE: Well, does that mean that it's --  
3 that it's hopeless for any funding in that region? Or  
4 does it mean there might be some forward commitment like  
5 there was in the past? If you did it once, is it possible  
6 you do it again?

7 MS. CARRINGTON: I would -- it's a question  
8 that we are -- that staff is asking. And it really is a  
9 gamble or a judgment call that a developer has to make.

10 Right now Region 7 has zero allocated per the  
11 regional allocation formula. Because actually, with the  
12 two forward commitments that the board did in '02 it was  
13 over about \$500,000. And that 500,000 was taken from the  
14 other 12 service regions.

15 So if a developer chooses to go ahead and place  
16 an application in Region 7, even though you understand  
17 it's a zero allocation amount right now, that certainly is  
18 at the developer's option. We wouldn't not take it if you  
19 went ahead and applied.

20 MR. MOORE: Okay. And if it's rural it's still  
21 part of the money for Region 7? If it's a rural  
22 application but it's in Region 7, it still has to take  
23 from the Region 7 pot, which is zero dollars. Is that --

24 MS. CARRINGTON: That's correct.

1 MR. MOORE: -- right?

2 MS. CARRINGTON: That's correct.

3 MR. MOORE: Okay.

4 MS. CARRINGTON: But I think it's very  
5 important to say -- one of the things we've heard folks  
6 say is, Well, Region 7 has no money. Well, Region 7 did  
7 have 1.4 million. But that 1.4 million was taken up with  
8 1.9 million in forward commitments of '02.

9 MR. MOORE: Okay.

10 MS. CARRINGTON: Okay?

11 MR. MOORE: Thank you, ma'am.

12 MS. CARRINGTON: Thank you.

13 MR. JONES: Thank you, Mr. Moore.

14 The next witness affirmation form I have is  
15 from Mr. Granger McDonald.

16 Mr. McDonald?

17 MR. McDONALD: Well, let me start by saying  
18 I've never met Mr. Moore before in my life, but he's  
19 right. And that's the purpose of my discussion.

20 And the answer to his question is it's very  
21 risky thing to put in an application for Region 7 right  
22 now. And most people are not going to spend the money to  
23 do it. And they'd be ill advised to.

24 And I'd like to point out that I think what

1 we've done here is I can appreciate the fact that there  
2 was a tremendous amount of bonds, 4 percent credits that  
3 were done in the Austin area. But that's been at the  
4 expense of the rural applications.

5 I don't know where Mr. Moore's turning his  
6 application in. But we were going to do a rural  
7 application in Region 7 and now are facing the same  
8 dilemma.

9 And it's not fair to the rural parts where bond  
10 deals won't work. You don't do any 9 percent credits in  
11 Austin. It's not a problem. Rents are high enough here.

12 They can do 4 percent credits through the lottery.  
13 Actually, do bigger deals and may be simpler to do.

14 But the folks like us in the rural areas are  
15 between a rock and a hard place. These 9 percent credits  
16 are the only way to deliver housing in the rural areas.  
17 And you've literally shut them off. You've shut off a lot  
18 of rural communities from having seniors housing and for  
19 having family housing in this term.

20 I would hope that the board -- if legislation's  
21 necessary, I'd hope that the board would think about what  
22 they could do to better allocate the resources so that we  
23 don't have years where people get zero. It's not fair to  
24 the rural communities. It's not fair to the towns that

1 have no other alternative.

2 One of the ways you could do is put minimums  
3 out. You could redefine your region where you had -- for  
4 example, in this area you'd have Hayes, Travis and  
5 Williamson County as a region so the rest of Region 7A and  
6 7B type of thing so that you wouldn't shut off the rural  
7 areas. You could do the same thing with Harris and Fort  
8 Bend County, for example, and then not shut off the rest  
9 of the region.

10 But I think this needs to -- there has to be a  
11 good look at this. I know we're torpedoed this year.  
12 Region 7 is not going to get any money. It's -- and for  
13 those of us -- we'll probably not turn in applications.  
14 And the folks that have been looking forward to having  
15 better affordable housing in the rural areas of Region 7  
16 will just have to live in what they've been living in in  
17 the last year.

18 Thank you.

19 MR. JONES: Thank you, sir.

20 MS. ANDERSON: May I ask a question?

21 MR. JONES: Certainly.

22 MS. ANDERSON: Ms. Carrington, the -- when we  
23 got to the, you know, end of the summer, when we began to  
24 review the applications, we retained -- if I remember

1 correctly, we retained the ability to do an '04 forward  
2 commitment. Right? So we still would have that option if  
3 we had applications that the board chose to make forward  
4 commitments against?

5 MS. CARRINGTON: That's correct.

6 MS. ANDERSON: Okay.

7 MR. JONES: Any further questions from board  
8 members?

9 (No response)

10 MR. JONES: Those are the only witness  
11 affirmation forms I have.

12 Is that right, Delores?

13 Would anybody else like to speak to the board?

14 (No response)

15 MR. JONES: Having no other witness affirmation  
16 forms, I will then declare closed the public comment  
17 portion of our meeting.

18 I would also say this. We have no witness  
19 affirmation forms that have been filled out. Accordingly,  
20 I assume there is nobody that wants to speak to specific  
21 items. We do have some board members with some time  
22 constraints. So the public comment portion of our meeting  
23 is now closed for the remainder of the meeting.

24 We will then move to Item 1 of the -- we don't

1 have any minutes to approve.

2 Right?

3 MS. GRONECK: No, sir. I didn't get the  
4 transcript until this week.

5 MR. JONES: Okay. We will then move to Item  
6 Number 1 of the agenda, which is the discussion and  
7 presentation and possible approval of financial items.

8 Ms. Carrington?

9 MS. CARRINGTON: Thank you, Mr. Chairman. The  
10 first item for your consideration this morning is the  
11 proposed issuance of Multifamily Mortgage Revenue Bonds  
12 for the Reading Road Apartments in Rosenberg, Texas in an  
13 amount not to exceed \$14,000,000.

14 And the proposed development in front of you --  
15 the proposed bond issuance in front of you is for 252  
16 units. It's new construction. It's a priority 2  
17 transaction. And actually, the proposed bond amount is  
18 \$12,200,000, 6.75 percent interest rate, 35-year  
19 amortization.

20 I would like Robert Onion to come up to address  
21 a potential occurrence or activity with this transaction,  
22 in that there is a possibility within 90 days that the  
23 bonds that are approved today may be reissued in 90  
24 days -- or refunded in 90 days.

1 Robert, would you like to address that, please?

2 MR. ONION: Good morning. My name is Robert  
3 Onion, Director of Multifamily Finance. The reason why  
4 it's being considered as a possible refunding is just  
5 strictly based upon the schedule.

6 When they received the reservation October 18  
7 that means that they have to close by February 15. As you  
8 know, the next board meeting is on the 13th, which only  
9 would give them two days in which to close the  
10 transaction.

11 And this board meeting -- we appreciate you  
12 having the board meeting today -- is early in January.  
13 And there was just not enough time to put together a  
14 publicly offered transaction.

15 So Underwriting did underwrite it at 6.75. It  
16 does work at 12 million two. It has the proper debt  
17 coverage ratio.

18 And if they do the refunding, then they would  
19 go to a credit-enhanced -- private credit-enhanced  
20 variable rate, which would only make the transaction  
21 stronger.

22 The amount of bonds would still be 12 million  
23 two, but the interest rate would be less. So you'd have a  
24 higher debt coverage ratio.

1 I just want to make mention of that. And if  
2 you have any other questions -- thank you.

3 MR. JONES: Thank you.

4 MS. CARRINGTON: And staff is recommending the  
5 approval of the issuance by the resolution that is in your  
6 book, Resolution 0302, the issuance of 12.2 million in  
7 Single-Family Mortgage Revenue Bonds for this transaction.

8 MS. ANDERSON: I move for approval of  
9 Resolution number 0302.

10 MR. BOGANY: Second.

11 MR. JONES: Motions's been made and seconded.  
12 Further discussion, questions, comments?

13 (No response)

14 MR. JONES: Hearing none, I assume we're ready  
15 to vote. All in favor of the motion, please say, Aye.

16 (A chorus of ayes.)

17 MR. JONES: All opposed, nay.

18 (No response)

19 MR. JONES: Motion carries.

20 Ms. Carrington?

21 MS. CARRINGTON: Thank you. Item 1b is the  
22 approval of a Single-Family Mortgage Revenue Bond Lender  
23 List.

24 You will remember at the last board meeting we

1 approved the issuance of bonds for our newest two single-  
2 family programs. And those are programs 59 and 59-A. And  
3 we have a list of the lenders for you. There are 40  
4 lenders on -- that will be participating in this program.

5 Note -- and we're always pleased about this --  
6 that three of them are new lenders in the program. Allied  
7 Home Mortgage Corporation, Independent Mortgage Company,  
8 State National Bank and then Piney Woods Home Team is  
9 actually a fourth entity that will be working in  
10 conjunction with Bank One to make loans in Nacogdoches,  
11 Longview and Jasper. So we have 40 lenders who are  
12 participating in the program.

13  
14 One of the things we are always interested in  
15 is what kind of coverage are we getting in the state with  
16 our lenders.

17 And I asked staff to prepare -- and you have in  
18 your book behind the lender list -- a chart of the lenders  
19 with all of the various offices they have. We actually  
20 have a total of 388 branch offices around the state.

21 And then we have a map, which is the last item  
22 that's behind b, that shows the board where our lenders  
23 are actually located around the state.

24 What this shows us is that there are some areas

1 of the state that we have very good coverage in, as far as  
2 origination of Single-Family Mortgage Revenue Bonds for  
3 the Department.

4 There are some other areas of the state that we  
5 absolutely need to work on in either generating interest  
6 with new lenders or trying to work correspondent  
7 relationships with entities who would like to lend in  
8 those areas.

9 Staff is recommending that the board does  
10 approve this list of 40 lenders for participation in our  
11 programs 59 and 59-A.

12 MR. BOGANY: I have one question.

13 MR. JONES: Yes, sir?

14 MR. BOGANY: Is this the -- can you add to this  
15 list? Or this is the list for this issuance?

16 MS. CARRINGTON: We can -- you can add to --  
17 you can add lenders to this list throughout the  
18 origination of the program.

19 MR. BOGANY: Okay. Thank you.

20 MS. CARRINGTON: Yes.

21 MR. JONES: So let me make sure I understand  
22 your answer to Shad's question. That means that this list  
23 can be added to as we go through the year.

24 MS. CARRINGTON: Correct.

1 MR. JONES: Thank you.

2 MS. ANDERSON: I move --

3 What's the board's pleasure.

4 MS. ANDERSON: I move approval of the lender's  
5 list for 59 and 59-A.

6 MR. BOGANY: Second.

7 MR. JONES: Motion's been made and seconded.

8 Any further questions, comments, discussion?

9 (No response)

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

12 (A chorus of ayes.)

13 MR. JONES: All opposed to the motion say nay.

14 (No response)

15 MR. JONES: The motion carries.

16 Ms. Carrington?

17 MS. CARRINGTON: Item 1c is requesting the  
18 board to approve the issuance of a request for  
19 qualifications for trustee services for our Single-Family  
20 Mortgage Revenue Bond issues.

21 You all may remember that last summer we did  
22 issue an RFQ for trustee services and did not -- we  
23 received, I think, five or six responses but did not take  
24 any action on any of those responses.

1           So what we have done is gone back and looked at  
2 our requests for qualifications and done some revamping  
3 and revising on our RFQ and are requesting that the board  
4 approve issuance of this RFQ. And we will look for  
5 responses to come back in -- February 21 of '03.

6           And I believe in March is when we had this --  
7 we will have reviewed the proposals and we will come back  
8 to the board asking your acceptance of a trustee to  
9 provide services for the Department.

10           MR. BOGANY: So move.

11           MR. JONES: We have a motion to approve the  
12 proposed request for qualifications.

13           MS. ANDERSON: Second.

14           MR. JONES: Motion's been made and seconded.  
15 Questions, comments?

16           MS. ANDERSON: I have a question.

17           MR. JONES: Ms. Anderson?

18           MS. ANDERSON: Could you refresh my memory on  
19 the -- last summer's RFQ? You didn't get responses to it?  
20 Was that it?

21           MS. CARRINGTON: We did receive responses.  
22 I think we received either five or six  
23 responses, Byron? Is that correct?

24           MR. JOHNSON: About six.

1 MS. CARRINGTON: About six responses?

2 All of those responses had some degree of  
3 incompleteness in them. And we didn't feel comfortable in  
4 making a recommendation to the board at that time. We  
5 said maybe it's the way we're asking the questions, maybe  
6 we need to take a look at our RFQ and polish it up some.  
7 And so we've done that and are now going out with this --  
8 with the request for the new one.

9 MS. ANDERSON: And how many trustees do we have  
10 in the Single-Family Program at present?

11 MS. CARRINGTON: Byron, would you like to come  
12 up and answer that question? Question was how many  
13 trustees do we have in the Single-Family Program.

14 MR. JOHNSON: Well, presently one. And they  
15 cover all of our indentures. We have five, six -- five or  
16 six indentures. And when I start -- well, back in 1999 or  
17 1998 there were two or three trustees. But as a result of  
18 refundings and, I guess, transfer of responsibilities from  
19 a particular trustee it just resulted in us having one  
20 trustee presently.

21 MS. ANDERSON: In your judgment -- if I can ask  
22 you this -- in your judgment is it better for the Agency  
23 to have more than one trustee?

24 MR. JOHNSON: The current trustee also has

1 undergone a lot of internal managerial changes. And  
2 whereas before, within that entity you had separate  
3 divisions covering single-family, multifamily, they  
4 combined those divisions and just have one division for  
5 multifamily issuance and single-family issuance. And we  
6 think it would be better to bring in one or two more  
7 trustees for future issuances.

8 MS. ANDERSON: I have one more question. Is  
9 the process -- and then on the multifamily side we have a  
10 similar -- we have trustees on the multifamily side, also?

11 MR. JOHNSON: Yes.

12 MS. CARRINGTON: Yes.

13 MR. JOHNSON: I believe we have three trustees  
14 on the multifamily side.

15 MS. ANDERSON: Okay. And do you recall when  
16 the last time was that we reviewed those trustees or went  
17 out with an RQ on the multifamily side?

18 MR. JOHNSON: I believe it was in '98 or '99.

19 MS. ANDERSON: Okay.

20 MR. JOHNSON: Is Robert --

21 MS. CARRINGTON: Is Robert here?

22 MS. ANDERSON: I have one more question. Is it  
23 specified in our -- in the Government Code or in  
24 regulation or is this mainly -- has it just been sort of

1 past practice that when we consider either adding to or  
2 replacing trustees, that we do it in a competitive  
3 process? I mean, is that specified in regulation or is  
4 that just -- has that been board policy? Or is it just  
5 sort of --

6 MR. JOHNSON: I believe we are required to go  
7 out with an RFP on professional services or consulting  
8 services.

9 MR. JONES: We have a motion that's been made  
10 and seconded. Any further questions, comments,  
11 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, nay.

17 (No response)

18 MR. JONES: The motion carries.

19 Ms. Carrington?

20 MS. CARRINGTON: Item 1d --

21 And, Byron, let me ask you to go ahead and stay  
22 up here.

23 Item 1d is to approve an additional request for  
24 proposals for co-managers for the investment-banking teams

1 for the sale of the Department's Single-Family Mortgage  
2 Revenue Bonds and Refunding Bonds.

3 And as you have in your material, in '01 -- in  
4 2001 the Department selected 12 investment banking firms  
5 to provide single-family mortgage underwriting services  
6 for TDHCA.

7 We had six firms that were selected as the  
8 senior managers. And then we had six firms that were  
9 selected as co-managers. And we rotate those firms on --  
10 as transactions come up.

11 And what we are asking for today -- and so  
12 basically, all of those six managers have served -- those  
13 senior managers have senior-managed a transaction.

14 MR. JOHNSON: Of the six, four have.

15 MS. CARRINGTON: Four have managed the  
16 transaction. And what we're looking at doing with this is  
17 adding additional co-managers to the team. And I'll let  
18 Byron explain how this all works.

19 MR. JOHNSON: Starting with going back to 1999,  
20 we started rotating senior managers. And then in 2001 we  
21 updated the list. We had a lot of firms on the list that  
22 were no longer -- that no longer existed or just were not  
23 around to provide services.

24 We decided at that time to have six senior

1 manager firms to provide -- you know, or to underwrite a  
2 transaction. And we wanted to, you know, get a feeling  
3 for the services they provided and everything. We wanted  
4 to, you know, get a feel for the firm. So we've gone  
5 through four of those six.

6 What we're looking to do is move to eventual --  
7 what we're looking to do eventually is move to a system  
8 where we will have three teams comprised of five firms.  
9 We'll do all this on an annual basis of three  
10 transactions. And each team will do one transaction per  
11 year.

12 Historically, the Department has done only one  
13 single-family transaction per year. And given the  
14 volatility in interest rates and everything, we suggest or  
15 recommend that we break, you know, the \$150 million  
16 transaction down to maybe three transactions, 50 million,  
17 75 million to help mitigate our exposure to interest rate  
18 risk.

19 So what we're trying to do -- this is kind of  
20 like a -- this is a preliminary move to get on board  
21 additional co-managers so that we'll have a senior  
22 manager, a co-senior manager and three co-managers for  
23 each of the three teams.

24 MS. ANDERSON: So --

1 May I ask a question.

2 MR. JONES: You sure can.

3 MS. ANDERSON: Theoretically then we have six  
4 lead senior managers right now.

5 MR. JOHNSON: Right now.

6 MS. ANDERSON: And so theoretically, three of  
7 those could become co-senior managers?

8 MR. JOHNSON: Yes, ma'am.

9 MS. ANDERSON: And do they -- will they apply  
10 as part of this process to do that? Or you can --

11 MR. JOHNSON: What --

12 MS. ANDERSON: When you assign those three  
13 teams you can --

14 MR. JOHNSON: What we envision doing is coming  
15 back to you later this year and saying -- and stating that  
16 we have worked with all six senior management firms and  
17 this has been our experience with those firms. And these  
18 are the three firms that we recommend going forward to  
19 serve the Department.

20 The remaining three firms in the senior manager  
21 pool would then be the co-senior firms. And then we will  
22 have the three teams of three co-managers. I'm sorry.

23 MS. ANDERSON: No. It's good clarification.  
24 Makes sense.

1 MR. JONES: I know I'm always doing this. But  
2 is this something our financial advisor we consult with --

3 MR. JOHNSON: Has the financial advisor?

4 MR. JONES: Is that true? I mean, I --

5 MR. MACHAK: Yes. Byron and I got together --

6 MR. JONES: Did --

7 MR. MACHAK: -- and checked first.

8 MR. JONES: Yes. Gary, you generally give us  
9 your advice on this after looking at how these individual  
10 firms have performed.

11 MR. MACHAK: Yes, I do. In fact -- and I  
12 discuss it with Byron after each bond issue, in the middle  
13 of the bond issue on their performance. And we're in the  
14 process of reviewing the RFPs and giving our opinion, as  
15 we've worked with these firms in other areas, too, to let  
16 them know some things that may not come up in the written  
17 proposal process.

18 MR. JONES: And I assume that you think that  
19 this is a good move for us to make, number one; and number  
20 two, you will continue to help us and advise us as we work  
21 through the process that's been described so ably.

22 MR. MACHAK: I agree with both of those  
23 statements, yes.

24 MR. JONES: Thank you, sir.

1 Thank you.

2 MR. JOHNSON: Yes.

3 MR. JONES: Sorry to bother you.

4 MR. MACHAK: No, no.

5 MS. CARRINGTON: Gave him a reason to be here.

6 MR. JONES: I always feel like I'm dragging him  
7 up to the podium.

8 Anything else?

9 (No response)

10 MR. JONES: I don't think we have a motion.

11 MR. BOGANY: I move that we accept the proposal  
12 from staff.

13 MR. JONES: Thank you.

14 We have a motion that the proposed request be  
15 approved.

16 MS. ANDERSON: Second.

17 MR. JONES: Motion's been made and seconded.

18 Further questions, comments, discussion?

19 (No response)

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

22 (A chorus of ayes.)

23 MR. JONES: All opposed, nay.

24 (No response)

1 MR. JONES: The motion carries.

2 MR. JOHNSON: Thank you.

3 MS. CARRINGTON: Thank you, Byron.

4 MR. JONES: Ms. Carrington, we'll move to Item  
5 2 of the agenda.

6 MS. CARRINGTON: Item 2a is the request for the  
7 issuance of determination notice to a tax-exempt bond  
8 issue with TDHCA as the issuer. This is the allocation of  
9 bonds that you previously approved in the amount of  
10 \$12,200,000. It's the Reading Road Apartments in  
11 Rosenberg.

12 And the tax credit recommended allocation  
13 amount for this transaction is \$624,757. And staff is  
14 recommending that the board approve this amount of tax  
15 credit allocation for this particular transaction.

16 MS. ANDERSON: I move for board approval of  
17 staff recommendation of this Reading Road Apartments.

18 MR. BOGANY: Second.

19 MR. JONES: Motion's been made and seconded.  
20 Further questions, comments, discussion?

21 (No response)

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

24 (A chorus of ayes.)

1 MR. JONES: All opposed to the motion please  
2 say nay.

3 (No response)

4 MR. JONES: The motion carries.

5 MS. CARRINGTON: The second item for your  
6 consideration is the issuance of determination notice to a  
7 tax-exempt bond transaction with an issuer other than the  
8 Texas Department of Housing and Community Affairs.

9 Tarrant County HFC is the allocation -- is the  
10 issuer for the bonds on this particular transaction. And  
11 the requested and the recommended credit amount from TDHCA  
12 for the 4 percent tax credits is \$590,923. It's 216  
13 units. It's located in Fort Worth and it is a family  
14 transaction, new construction.

15 MR. BOGANY: So move.

16 MR. JONES: We have a motion for approval  
17 that's been made. Is there a second?

18 MS. ANDERSON: Second.

19 MR. JONES: Motion's been made and seconded.  
20 Further questions, comments, discussion?

21 (No response)

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

24 (A chorus of ayes.)

1 MR. JONES: All opposed, nay.

2 (No response)

3 MR. JONES: The motion carries. We will then  
4 turn to the first report item on the agenda.

5 Ms. Carrington?

6 MS. CARRINGTON: Thank you, Mr. Chairman. This  
7 might be one of the first board meetings where we've had  
8 more executive director report items almost than action  
9 items on behalf of the board.

10 The first --

11 MR. JONES: I would congratulate you for that,  
12 but I'm not sure.

13 MS. CARRINGTON: Wait --

14 MR. JONES: I --

15 MS. CARRINGTON: -- till --

16 MR. JONES: I guess I'll wait.

17 MS. CARRINGTON: -- February.

18 MR. JONES: Okay.

19 MS. CARRINGTON: Wait till February. The first  
20 item is the organizational chart of the Department, which  
21 is the way we are beginning to operate. And it will be  
22 fully implemented on March 3 of this year.

23 In December in -- surveys went out to employees  
24 who were impacted by the reorganization giving them an

1 opportunity to identify what part of the Department they  
2 wanted to move to and with -- and in what area.

3 There were 51 employees who completed that  
4 survey. And what we did was match those employees with  
5 the processes in the divisions.

6 So we looked at trying to satisfy, to the best  
7 we could, employees' desires to move to particular  
8 divisions, but then also looking at the skills and  
9 abilities those employees had and doing some matching.

10 So we had 51 employees that are in the process  
11 of being reassigned to different divisions of the Agency.

12 They were all notified on Friday, December 20 where they  
13 would be going.

14 That was actually about three days early for us  
15 because our schedule had shown us doing that on the 23rd  
16 of December, which we knew didn't work very well, but was  
17 kind of the best we could do.

18 We are now in what's called Phase 3 of our  
19 reorganization. And that is being done by staff. We have  
20 a P3 team. The leader of that team is Homer Cabello. We  
21 have basically finished our on-site work with our  
22 consultant from the State Auditor's Office. And he is  
23 with us as we call him on an hour -- if we need him for  
24 hourly services.

1           Basically, what the 3 -- what the P3 team is  
2 doing right now is working on the change agent elements of  
3 the migration plan. So what we're doing is beginning --  
4 we've worked -- our facilities folks have put together  
5 space plans for us. So we are working out where divisions  
6 are going to go on the various floors.

7           The deputy executive directors are with their  
8 divisions. They -- most of the divisions are on two  
9 floors. And so the deputy executive director is on one of  
10 those two floors.

11           We believe that we are doing -- that as we do  
12 this physical move, which is actually going to happen over  
13 the weekend of February 21 to the -- through the 23rd,  
14 that we are putting the divisions on the floors that are  
15 in the program area together and that are in the  
16 operations area together and, we believe, creating some  
17 better opportunities for communication among those  
18 divisions.

19           We are having a meeting with the directors and  
20 the managers tomorrow to go through what we're calling  
21 this migration process. And on March 3 we look to be  
22 fully implemented in our new organizational structure.

23           The P3 team right now that's chaired by  
24 Homer -- all -- their responsibilities are really going to

1 be ongoing in that they will be doing some training in  
2 conflict management, in working in teams, stress --  
3 dealing with stress of staff as they move to different  
4 divisions.

5 And I don't get the calls too much. But Homer  
6 and Delores and a variety of people get calls from staff  
7 that says, I hear I'm moving to such-and-such a floor,  
8 What can you tell me about that.

9 And, you know, what we tell folks is that right  
10 now it's all very fluid, that Ruth and I and the  
11 facilities folks are making assignments based on what we  
12 believe is the best for the divisions and the best for how  
13 we operate in this agency.

14 We certainly aren't going to make everybody  
15 happy on where their floor assignments are and where their  
16 office assignments are.

17 And to the extent that we're not having to move  
18 staff, then we're not moving staff. We certainly don't  
19 want to create upheavals if we don't need to do that.

20 MR. JONES: Now, if the board members have  
21 stress who do we call?

22 MS. CARRINGTON: Homer --

23 MR. JONES: Homer. Okay. Great.

24 MS. CARRINGTON: -- chairs our P3 committee.

1 So --

2 MR. JONES: He's our stress --

3 MS. CARRINGTON: Stress management --

4 MR. JONES: -- reduction --

5 MS. CARRINGTON: -- is what he's --

6 MR. JONES: Right.

7 MS. CARRINGTON: -- being trained in. And he's  
8 an -- that team is an internal change agent team now.

9 MR. JONES: He's going to be busy.

10 MS. CARRINGTON: So --

11 MR. JONES: Thank you.

12 MS. CARRINGTON: -- we're very pleased. It's  
13 been almost a 12-month process. And obviously, as I've  
14 told the board before, the proof is going to be in how  
15 we're operating 12 months from now -- has this really  
16 improved our efficiency, our effectiveness, our  
17 productivity, our communication with staff, both staff  
18 internally and then our customers outside.

19 So that's it. And I probably will not report  
20 on that again unless the board asks for it. Okay. And  
21 you do have the chart that has the number of FTEs in each  
22 of the divisions and the names of the key staff in each of  
23 those divisions.

24 MR. JONES: Thank you.

1 MS. CARRINGTON: The second item on the agenda  
2 is the vote that will be taken a week from today, January  
3 15, the Sunset Advisory Commission vote on the Texas  
4 Department of Housing and Community Affairs. That meeting  
5 will start at two o'clock and will be in the Capitol.

6 And I do have an agenda for that meeting. You  
7 all did not get a copy of that agenda, but I have an  
8 agenda -- I have a copy.

9 And we are the third agency that will be voted  
10 on next Wednesday. They have us in the same order that we  
11 were on for our hearings. So we're behind the Economic  
12 Development Commission and the Funeral Commission.

13 MR. JONES: And we learned so much.

14 MS. CARRINGTON: And we learned so much when we  
15 were listening. So TDHCA is third and then TSAHC is  
16 fourth. And so that's Wednesday afternoon. So any of the  
17 board members are in town --

18 And, Mr. Jones, we might like to ask you to be  
19 with us as we hear the fate of the Texas Department of  
20 Housing and Community Affairs, if you can put that in your  
21 schedule.

22 And any of the other board members, also.

23 The next item on the agenda is the letter that  
24 we sent on December 31 to the Office of State-Fed

1 Relations in Washington presenting to Ed Perez our  
2 legislative priorities for this upcoming session of the  
3 Congress.

4 And Michael Lyttle did send this out to all the  
5 board members and asked for your all's comments. And  
6 basically, what we're doing here is pretty much tracking  
7 what NCSHA's preferences are going to be for this upcoming  
8 legislative session.

9 The one item is the last bullet, which is  
10 really a TDHCA issue and initiative. And it's one that  
11 you all have heard about as we've been considering the 4  
12 percent transactions and the 9 percent transactions, in  
13 that some of the qualified census tracts around the state  
14 are really becoming very concentrated with affordable  
15 housing.

16 And so one of the things that we put on our  
17 list was to remove that preference in the Internal Revenue  
18 Code for qualified census tracts.

19 I talked to Barbara Thompson at NCSHA  
20 yesterday. She said really this hasn't been brought up by  
21 other states, that what other states have been bringing up  
22 is can we get more QCTs designated.

23 Well, if you would designate more QCTs then  
24 that would provide an opportunity for the boost in more

1 areas and would perhaps address this. So she's perhaps  
2 looking at it at a different way than what we were. But I  
3 think the -- you know, if we were able to get some change  
4 in that, that the end result would be pretty much the  
5 same.

6 We have several staff that are going to  
7 Washington next week. NCSHA holds agency-only roundtables  
8 and workshops on homeownerships and on tax credits. And  
9 so this is one of the things that they'll be talking about  
10 next year -- I mean, next week.

11 Any questions on the legislative agenda?

12 (No response)

13 MS. CARRINGTON: Okay. There is also, which  
14 was not on our letter, but is something that we have  
15 passed to the Office of State-Fed, and is high on NCSHA's  
16 list. And this is a single-family homeownership tax  
17 credit, which would mirror very much the low-income  
18 housing tax credit, but would be for single-family  
19 homeownership.

20 It was -- it's very much the President's  
21 initiative. It was proposed last summer. Did not pass,  
22 although the legislation was proposed and then debated and  
23 discussed.

24 And my staff tells me that at least on the

1 House side that we're looking for that lead to be Henry  
2 Bonilla from Texas, who would be the lead on the House  
3 part of this legislation. So I think we'll all be working  
4 with and watching this very closely in this next  
5 legislative session.

6 I have been invited and have accepted an  
7 appointment to be a member of the Advisory Committee for  
8 the Federal Home Loan Bank of Dallas. Meets three times a  
9 year.

10 You all may remember that several years ago  
11 TDHCA was approved as a non-member borrower of the Federal  
12 Home Loan Bank. We really haven't utilized that ability  
13 very much.

14 And in talking to a couple of board members  
15 about accepting this appointment, I think the idea is we'd  
16 like to find out what the Federal Home Loan Bank can offer  
17 the Department and look to see if maybe we can participate  
18 in some of the programs that they have.

19 So three meetings a year. That starts in  
20 February. And they pay my travel, which is always a good  
21 thing in these kinds of budget times.

22 MS. ANDERSON: Can I ask you a question about  
23 that?

24 MS. CARRINGTON: Yes, ma'am.

1 MS. ANDERSON: This letter is signed by Shelia  
2 McAfee.

3 MS. CARRINGTON: McAfee. Uh-huh.

4 MS. ANDERSON: Am I confusing her with someone,  
5 or is she now going over to run the Dallas Affordable  
6 Housing Coalition?

7 MS. CARRINGTON: I don't know.

8 MS. ANDERSON: They're -- they have an  
9 executive director for the first time in the Dallas  
10 Affordable, you know, which is a wonderful --

11 MS. CARRINGTON: Uh-huh.

12 MS. ANDERSON: -- coalition of people.

13 MS. CARRINGTON: Uh-huh.

14 MS. ANDERSON: And the person came from the  
15 Home Loan Bank. And I just --

16 MS. CARRINGTON: Would that be --

17 MS. ANDERSON: -- and it's a woman.

18 MS. CARRINGTON: Was it Sonia Brown?

19 MS. ANDERSON: Maybe that's it.

20 MS. CARRINGTON: Yes. Sonia was the --

21 MS. ANDERSON: Is that it?

22 MS. CARRINGTON: Sonia previously -- Sonia left  
23 the Federal Home Loan Bank maybe about three years ago.

24 MS. ANDERSON: Okay. That's probably it.

1 MS. CARRINGTON: So -- and I think that's  
2 probably --

3 MS. ANDERSON: Okay.

4 MS. CARRINGTON: -- who it is.

5 MS. ANDERSON: You don't know her?

6 MS. CARRINGTON: I do know Sonia.

7 MS. ANDERSON: Okay.

8 MS. CARRINGTON: Yes. Very well.

9 MS. ANDERSON: Good.

10 MS. CARRINGTON: Yes.

11 Upcoming speaking events. On Monday I was not  
12 feeling very well. So in my stead I sent Robert Onion and  
13 Tom Gouris. And I'd like to thank them again publicly for  
14 going to Dallas at the invitation of Jerry Killingsworth,  
15 who heads the City of Dallas' Housing Department now.

16 And we had thought that the idea was to do some  
17 education on private activity bonds, how the lottery  
18 process works, how TDHCA looks at those bond issues when  
19 we allocate the 4 percent credits. And it was with five  
20 members of the city council who serve as their  
21 neighborhood and development committee.

22 It ended up being seven members of the council  
23 with an audience. And it was a little perhaps, more -- I  
24 don't want to say acrimonious. But it was --

1                   What would the word be, Robert?

2                   MR. ONION:   Intense?

3                   MS. CARRINGTON:  Intense.  Thank you.  Thank  
4 you.

5                   And when Jerry called yesterday and told me two  
6 things, that he absolutely got what he wanted out of our  
7 presentation and that the staff did a wonderful job, you  
8 know, I appreciated him calling.  And I think their --

9                   The City of Dallas is beginning to be an issuer  
10 to reactivate their Housing Finance Corporation for  
11 multifamily.  All they've done for years is single-family.

12                   Couple of years ago they got approval from the  
13 council to do rehabilitation with private activity bonds.

14                   And then I think last year they got approval from the  
15 council to do elderly private activity bonds.

16                   But what the director wants to do is the  
17 ability to do multifamily family with private activity  
18 bonds.  And so as they are getting into that, they were  
19 very interested in the philosophy, the approach and some  
20 of the timing issues, the underwriting issues with TDHCA.

21                   And what I think it ended up getting into a  
22 discussion about was the some of the older tax credit  
23 transactions that are located in Dallas and how much  
24 monitoring is done on those transactions, how much is put

1 back in the way of reserves.

2 And, you know, quite frankly I think Robert and  
3 Tom probably fielded those questions maybe a whole lot  
4 better than I would have been able to do.

5 So again, thanks to both of you all for doing  
6 that for the Department.

7 MS. ANDERSON: May I ask a question?

8 MS. CARRINGTON: Yes.

9 MS. ANDERSON: Oh -- of Mr. Onion?

10 MS. CARRINGTON: Yes.

11 MS. ANDERSON: Mr. Onion, did the NHP refunding  
12 come up -- I mean, it is a set of older tax-credit  
13 properties in Dallas County.

14 MR. ONION: Did not.

15 MS. CARRINGTON: There was, I understand, a  
16 good -- several developers who were in the audience. And  
17 a couple more council members than those than were on the  
18 committee who were interested in what was going on. So I  
19 look at it as a real opportunity for the Department to be  
20 in front of groups like this and assist them if we can, as  
21 they begin to grapple with the issues of issuing for  
22 multifamily.

23 Dallas Housing Summit on the 30th of January.  
24 I will be there speaking on whatever they tell me to speak

1 on. But that is the large summit that draws 2- or 300  
2 people in the Dallas area.

3 And what they are actually interested in us  
4 talking about is initiatives and challenges and in doing  
5 our financing in the kind of economy and climate that we  
6 have right now.

7 The last item on the executive director's  
8 report is my participation, along with board member  
9 Anderson's participation in the Rural Task Force for the  
10 follow up to our colloquium -- to the Housing Colloquium  
11 in Santa Fe.

12 Eight task forces were put together and one of  
13 them was a rural task force to address housing and housing  
14 finance issues in rural areas.

15 And so I volunteered to serve on that task  
16 force and did offer Ms. Anderson, also, who did attend  
17 that colloquium. And I'm hoping that Ms. Anderson is  
18 going to say yes to participation in that. And --

19 MS. ANDERSON: Absolutely.

20 MS. CARRINGTON: -- we've had one meeting and  
21 we'll be working and doing a report out in June on how  
22 we're doing on this particular task force.

23 MR. JONES: Thank you very much.

24 With that, the only thing left I see on our

1 agenda is the executive session.

2 Is that correct?

3 MS. CARRINGTON: That's correct.

4 MR. JONES: So at this point in time we'll go  
5 into executive session.

6 (Whereupon, a recess was taken.)

7 MR. JONES: If we could remain in order. This  
8 day, January 8, 2003, at a regular board meeting of the  
9 Texas Department of Housing and Community Affairs held in  
10 Austin, the board of directors adjourned into a closed  
11 executive session, as evidenced by the following:

12 The board of directors began its executive  
13 session today, January 8, 2003, at 9:51 a.m. The subject  
14 matter of this executive session deliberation is as  
15 follows:

16 Litigation, anticipated litigation, potential  
17 or threatened under Section 551.071 and 551.103, Texas  
18 Government Code Litigation Exception.

19 Regarding Cause Number GN-202219, Century  
20 Pacific Equity Corporation versus Texas Department of  
21 Housing and Community Affairs, et al., from the 53rd  
22 Judicial District Court of Travis County, Texas.

23 Number two, consultation with attorney,  
24 pursuant to Texas Government Code regarding Multifamily

1 Housing Mortgage Revenue Bonds, Williams Run Apartments  
2 Series 2000A and Heatherwilde Estate Apartments  
3 Development Number 02075 and discussion of any item listed  
4 on the board meeting agenda of the even date.

5 With that, I will call us into executive  
6 session.

7 (Off the record.)

8 MR. JONES: Call our executive session back  
9 to -- no -- I'm now calling our open session back to  
10 order.

11 And I hereby certify that this agenda of an  
12 executive session, Texas Department of Housing and  
13 Community Affairs was properly authorized, pursuant to  
14 Section 551.103 of the Texas Government Code, posted in  
15 the Secretary of State's Office seven days prior to the  
16 meeting, pursuant to 551.044 of the Texas Government Code;

17 That all members of the board of directors were  
18 present with the exception of Mr. Conine and Mr. Gonzalez  
19 and that the matters discussed were litigation,  
20 anticipated litigation, potential or threatened under  
21 Section 551.071 and 551.103 of the Texas Government Code  
22 Litigation Exception regarding Cause Number GN-202219,  
23 Century Pacific Equity Corporation versus Texas Department  
24 of Housing and Community Affairs et al., in the 53rd

1 Judicial District Court of Travis County, Texas. Action  
2 taken, none.

3 Consultation with attorney, pursuant to Section  
4 551.071(2) of the Texas Government Code regarding  
5 501(c)(3) Multifamily Housing Mortgage Revenue Bonds,  
6 Williams Run Apartments, Series 2000A. Action taken,  
7 none.

8 Heatherwilde Estate Apartments, Low-Income  
9 Housing Tax Credit Development Number 02075. Action  
10 taken, none.

11 And discussion of any item listed on the board  
12 meeting agenda of any -- even date. Action taken, none.

13 I certify that this is a true and correct copy  
14 of the record of the proceedings, pursuant to the Texas  
15 Open Meetings Act, Chapter 551 Texas Government Code as  
16 amended. And it's signed by myself, Michael E. Jones,  
17 Chair.

18 And I believe that concludes our agenda for  
19 today. The board will entertain -- the Chair will  
20 entertain a motion to adjourn.

21 MR. BOGANY: So moved.

22 MS. ANDERSON: Second.

23 MR. JONES: Motion's been made and seconded.

24 Discussion?

1 (No response)

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

4 (A chorus of ayes.)

5 MR. JONES: We're done.

6 (Whereupon, the meeting was concluded.)

C E R T I F I C A T E

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MEETING OF: TDHCA Board  
LOCATION: Austin, Texas  
DATE: January 8, 2003

I do hereby certify that the foregoing pages, numbers 1 through 47, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Housing and Community Affairs.

\_\_\_\_\_  
(Transcriber) 01/15/03  
(Date)

On the Record Reporting, Inc.  
3307 Northland, Suite 315  
Austin, Texas 78731