

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

PROGRAMS COMMITTEE MEETING

8:35 a.m.
Thursday,
April 8, 2004

Waller Creek Office Building
Room 437
507 Sabine
Austin, Texas

COMMITTEE MEMBERS:

C. KENT CONINE, Chair
BETH ANDERSON
VIDAL GONZALEZ

STAFF PRESENT:

EDWINA CARRINGTON, Executive Director
SARAH ANDERSON
BROOKE BOSTON
HOMER CABELLO
BILL DALLY
DELORES GRONECK
SUZANNE PHILLIPS
ERIC PIKE

I N D E X

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Executive Session:	(NONE)
Open Session:	(NONE)
Adjournment:	109

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MR. CONINE: Good morning. I hope everyone's okay.
I'll call to order the Programs Committee meeting of the Texas
Department for Housing and Community Affairs on Thursday, April 8.

I'll call roll right quick. Kent Conine is here.

Beth Anderson?

(No response.)

MR. CONINE: Vidal Gonzalez?

MR. GONZALEZ: Here.

MR. CONINE: We've got two here. That's a quorum.

Okay. Initially, we'll start off with any public
comment that may want to come before the committee. I have one
witness affirmation form. If you want to sign up and speak, feel
free to come forward and sign up a witness affirmation form right
quick.

The first one I have and the only one I have is Donna
Chatham.

Donna?

MS. CHATHAM: Good morning.

MR. CONINE: Good morning.

MS. CHATHAM: This is -- I'm Donna Chatham, Association
of Rural Communities in Texas. And, Mr. Chairman, we're just --

MR. CONINE: You're not on.

MS. CHATHAM: I'm not on? Okay.

1 MR. CONINE: Here comes the technical crew.

2 (Pause.)

3 MR. CONINE: Now.

4 MS. CHATHAM: There. Is it on now?

5 (Pause.)

6 MS. CHATHAM: For the record, I'm Donna Chatham with the
7 Association of Rural Communities in Texas. And we're just here to
8 inquire about the HOME NOFA and the status of that. Okay?

9 MR. CONINE: Okay. Thank you.

10 Do you want to respond now, or do you want to wait until
11 later on?

12 MS. CARRINGTON: It's not on the agenda, so I'd like to
13 respond now.

14 MR. CONINE: Go right ahead.

15 MS. CARRINGTON: Thank you, Mr. Chairman.

16 Yesterday afternoon, the Department posted -- and it was
17 a little bit after five o'clock -- the Department posted two NOFAs
18 for our HOME program. Both NOFAs are in the amount of approximately
19 \$9 million, so 9 million for one, and 9 million for the other. One
20 of them is for CHDOs, and the other one is for preservation and
21 acquisition and rehabilitation.

22 So those NOFAs are on the web site now. The way we are
23 structuring them, as we have told you that we were going to do, is
24 going to be on a first-come/first-served basis. We do have some tax

1 credit developers who've been interested in HOME funds, and so we do
2 want to get the word out that those NOFAs are up and available for
3 applications to the Department.

4 MR. CONINE: Okay.

5 Any other questions from Ms. Chatham?

6 (No response.)

7 MR. CONINE: I guess not. And, hopefully, that
8 satisfied her curiosity.

9 If that's the case, we'll close -- and we don't have any
10 more witness affirmation forms, we'll close public comment and move
11 on to the action items.

12 I believe Mr. Gonzalez was not here at the last meeting.

13 So as far as approving the minutes, we'll probably postpone that
14 until another time when we have enough committee members here to do
15 so.

16 MS. CARRINGTON: Okay.

17 MR. CONINE: Item 2: Overview of the HOME Program,
18 including responses to questions raised at our last meeting.

19 Ms. Carrington?

20 MS. CARRINGTON: Thank you, Mr. Chairman.

21 We have behind your tab for the Programs Committee the
22 responses to the questions that were raised at the March Programs
23 Committee meeting. We believe that these are substantially all of
24 the questions that were raised. We think that the committee may have

1 some additional information that you want, either as -- probably as a
2 result of the discussion today.

3 And we have divided our responses into responses that
4 came first from the single-family finance production division. And
5 then the second group of responses are responses from the portfolio
6 management and compliance division.

7 And then the last document that you all have in your
8 information is something called a Home Fires Memorandum, which comes
9 from HUD and in this particular instance addresses HUD's dictates to
10 participating jurisdictions to repay HOME funds in case of
11 foreclosure. So we thought that was important enough to include that
12 in you-all's information, also.

13 I would like to take your lead on how you want to go
14 through this. We have presented the question as we saw it at the
15 Programs Committee meeting, and then we have responded to your
16 questions. So I mean we can go through them one at a time or, if you
17 all have some particular questions or there's a response or so that
18 you would like --

19 MR. CONINE: All right. Well, I'll start, I guess,
20 especially since Vidal didn't have the benefit of being here at the
21 last meeting when a lot of this stuff was talked about.

22 On the first discussion item, I noticed that under the
23 down-payment assistance program during the '02/'03 funding cycle,
24 we've distributed some \$9-1/2 million. And it seems to me that the

1 Department has received 846,000 and change coming back.

2 MS. CARRINGTON: Okay.

3 MR. CONINE: And there's a statement in the paragraph
4 above that says, "This repayment to the Department is considered
5 program income." The question I now have is: Define what "program
6 income" is and the total ramifications of what that means, either to
7 us, as a department, coming from the state legislature or to us, as a
8 department, coming from the federal government or HUD, which is where
9 the money comes from.

10 MS. CARRINGTON: Yes, sir. As we go through these
11 questions, what I'm going to do is just go ahead and ask Eric Pike,
12 who is our Director of Single-family Finance Production, to come on
13 up. And then Suzanne Phillips will stay close for portfolio
14 management and compliance. So the staff, whose primary
15 responsibility it is to work with these programs, will be walking
16 through these with you all.

17 So, Mr. Pike?

18 MR. PIKE: Good morning. I'm Eric Pike, Director of
19 Single-family.

20 I'm not sure if I understood your question. Can you --

21 MR. CONINE: Well, there's -- on the response, the last
22 sentence of the first paragraph of the response says, "The repayment
23 to the Department," the money we've gotten back, "is considered
24 program income." What does that mean? Tell me in laymen's terms

1 what that means.

2 MR. PIKE: Okay. Basically, those are funds that have
3 come back to the Department because someone either sold their home or
4 refinanced their home within the 10-year deferred forgivable time
5 frame that we have established. And so that money basically comes
6 back in and -- to the Department. And according to HUD, we're not
7 allowed to take those funds and put them in an account and hold them
8 and save them or what have you. They must be distributed immediately
9 on a first-come/first-served basis.

10 So basically, when a drawdown comes in to the Department
11 from another entity, then those dollars -- those program income
12 dollars are applied to that drawdown to fund that drawdown. And
13 basically, that's the way the process works. So what you're seeing
14 there is -- for Fiscal Year 2003, we received \$846,000 back. And
15 that might have been comprised of projects that were funded back
16 in -- you know, two or three years ago that just happened to be
17 refinanced or in selling their homes.

18 MR. CONINE: But the -- okay. So to be fairly simple
19 about it and assuming we were doing \$10,000 down-payment assistance
20 on each one of those, we've now helped 84 more Texans buy a house
21 because the money came back in. Is that -- am I kind of getting the
22 math right there if they're \$10,000 a piece --

23 MR. PIKE: Right.

24 MR. CONINE: -- in down-payment assistance? Okay.

1 Now --

2 MR. PIKE: Well --

3 MS. CARRINGTON: It doesn't necessarily --

4 MR. PIKE: It doesn't necessarily work that way.

5 MS. CARRINGTON: -- go back into --

6 MR. CONINE: It doesn't necessarily go to --

7 MS. CARRINGTON: -- down-payment assistance.

8 MR. CONINE: So it can go anywhere in the HOME program?

9 MS. CARRINGTON: Into any other HOME-eligible activity
10 that is waiting for -- we use the term -- draws or waiting for
11 drawdowns, but -- is waiting for a payment from us under any
12 contract --

13 MR. CONINE: Okay.

14 MS. CARRINGTON: -- that would be HOME eligible.

15 MR. CONINE: We've expanded the HOME availability of
16 funds by some \$846,000?

17 MR. PIKE: Right.

18 MS. CARRINGTON: Yes.

19 MR. PIKE: And it could result in the additional award
20 of a project for homebuyer assistance or owner-occupied assistance --

21 MR. CONINE: Okay.

22 MR. PIKE: -- sometime on down the road.

23 MR. CONINE: I got you there. Now, how long a tail does
24 the federal government keep on what you're defining as program

1 income? In other words, this came out of the '02/'03 cycle. Okay?
2 And it went out one time, and now it has come back in as what we're
3 calling program income, and now it's going to go back out a second
4 time. How long does the federal government require us to keep tabs
5 on that money for them?

6 MS. CARRINGTON: Forever.

7 MR. PIKE: Forever.

8 MR. CONINE: Forever?

9 MR. PIKE: Uh-huh.

10 MR. CONINE: So in the concept that, as most of you
11 know, I have in at least my mind -- and I don't know whether the
12 other board members do or not, but -- if we shipped more of HOME
13 program dollars to repayment dollars, as opposed to grants, over some
14 period of time, then what we're faced with is the challenge of
15 recycling the money that comes back -- any money -- HOME money that
16 comes back in out first before new money then goes back out.

17 MR. PIKE: Exactly.

18 MR. CONINE: How difficult is that for the Department to
19 do?

20 MR. PIKE: Well, in the past, it has been a little, I
21 think, more difficult than it is currently. We have, as you know,
22 finally caught up basically with our allocation cycles that we're
23 receiving from HUD; we did so through combining the '02 and '03 cycle
24 to try to play catch-up, if you will.

1 The challenge that we face is trying to continue to keep
2 NOFAs out there and applications coming in and, you know, the funding
3 of additional projects.

4 MR. CONINE: So if this year we give out \$45 million in
5 HOME funds and 20 million comes back in from other sources, we're now
6 giving out 65 million, and we always have to keep tabs of that money?

7 MR. PIKE: Right. As you know, we awarded almost \$91
8 million this past year. And that was a combination of funds for '02
9 and '03 plus a considerable amount of deobligated funds that we had.

10 So we've put a lot of dollars out into the market, and we have a
11 NOFA out right now. We're going to be accepting our '04 HOME
12 applications April 16. So we're very curious to see how many
13 applications we will receive because, once again, we've sort of
14 flooded the market, if you will.

15 And that's not to say that there's still unmet need out
16 there. I have no illusions that -- we probably will receive a
17 significant number of applications still. But at some point in time,
18 I think you reach a point where the entities who apply may have to
19 sort of take a breather and step back and go, Okay; we've got all
20 this money we've got to administer. And we may reach that challenge,
21 you know.

22 We also have the American Dream Down-payment Initiative
23 program that's coming up, which is more homebuyer assistance funds.
24 We have approximately \$4 million that we'll be receiving for '03 and

1 04.

2 And so in addition to this 9.4 million that you're
3 seeing here in this write-up that we've done for homebuyer
4 assistance, we're also going to be having an additional \$4 million
5 available, plus the amount that we make available in our '04 cycle.
6 So there's going to be a considerable amount of funds that go out
7 across the state for homebuyer assistance.

8 MS. CARRINGTON: And to clarify, the NOFA that Eric is
9 mentioning that's due on April the --

10 MR. PIKE: Sixteenth.

11 MS. CARRINGTON: -- 16th, is different and separate from
12 the two NOFAs that I mentioned earlier that are 9 million each that
13 are going to be in open cycles, on a first-come/first-served basis.
14 The one that he's mentioning is going to be a competitive scoring for
15 owner-occupied, tenant-based rental assistance and homebuyer down-
16 payment assistance.

17 MR. PIKE: The ones Ms. Carrington mentioned earlier are
18 specifically for multifamily activities.

19 MS. CARRINGTON: Right.

20 MR. CONINE: Okay. I'm still dealing with the question
21 of the concept of a ramped-up block of dollars that continually
22 builds on itself over several periods of years. It would seem to me
23 like -- and I don't want to phrase this improperly. But it would
24 seem like to me that it may be more of a hassle for the staff of the

1 Department to have to deal with that concept as opposed to just
2 giving it away and being done with it, as opposed to tracking it
3 coming back in and tracking it going back out and here it comes back
4 in again. What --

5 MR. PIKE: Well, I mean --

6 MR. CONINE: Do we have the computer systems and do we
7 have the personnel -- do we have what it takes to be able to do that
8 on an ongoing basis?

9 MR. PIKE: Well, I can speak to some of that question,
10 but not all of it. Obviously, for me and my staff, our
11 responsibility and our job is to continue to put NOFAs out and to
12 basically try to have NOFAs available at all times during the year.
13 I have no doubt that we can continue to put these dollars out and
14 make it work.

15 It is -- I would suggest that this homebuyer assistance
16 program is successful -- I mean I don't foresee that -- it being a
17 problem. The -- there are some additional work load issues as they
18 relate to our loan-servicing department. All of these loans,
19 obviously, are required to be booked on the system and kept track of.

20 And it's not so much of an issue on a deferred -- ten-year deferred
21 forgivable program as it is if it were like on a 30-year.

22 And I -- Ms. Carrington may want to speak to that a
23 little bit more. Or -- Bill Dally is the person in charge.

24 (Laughter.)

1 MR. CONINE: Where is he?

2 MR. PIKE: He's the person in charge of our loan --

3 MS. CARRINGTON: The first time your name has been
4 mentioned, Bill.

5 (Laughter.)

6 MS. CARRINGTON: Mr. Conine, if I might? Suzanne
7 Phillips -- portfolio management and compliance is the division that
8 approves draws and processes and determines how much we have in the
9 amount of deobligated funds. So maybe between Ms. Phillips and Mr.
10 Pike --

11 Come on up, Suzanne.

12 MS. PHILLIPS: A tag-team match.

13 MS. CARRINGTON: Yes.

14 MS. PHILLIPS: Suzanne Phillips, Director of PMC. On a
15 question that you asked earlier about program income, we've been
16 averaging about a million dollars a year in program income. The most
17 recent amount, the 800,000, was from TSAHC and is the result of paid-
18 off loans that they have been holding. We brought that back in-house
19 earlier this year.

20 The advantages -- there are some advantages of bringing
21 that program income process in house. We get 10 percent of it for
22 admin. So it increases our ability to pay for staffing and for
23 outsourcing work.

24 MR. CONINE: So each time we recycle a dollar, we get

1 paid to do it?

2 MS. PHILLIPS: At 10 percent of that.

3 MR. CONINE: Okay.

4 MS. PHILLIPS: If we don't bring those loans in house
5 and we leave them in the field, we then have the responsibility of
6 monitoring the entities' handling of that program income. So while
7 it does create a process internally, it's much easier than trying to
8 track program income in the field from 200 to 400 administrators.
9 Each of them run their programs differently.

10 MR. CONINE: Right.

11 MS. PHILLIPS: And, you know, that -- it would just --
12 in the past, we allowed them to keep it. But it was so problematic
13 and we had so many fundings, we brought it back in house. At this
14 point, I think we only have three or four administrators who are
15 actually administering their own loan programs, keeping their loans
16 and servicing them.

17 As far as the additional money that we brought in to the
18 Department, since -- from 1992 to 2004, the Department has expended
19 about \$318 million in HOME funds, and of -- that we awarded to
20 contract administrators. Of that, about \$265 million was actually
21 expended. So in that period of time, we brought back to the
22 Department about \$52 million.

23 So we awarded 318 million. They expended about 265
24 million. And the remaining amounts in their contracts were

1 deobligated by our shop. We've been doing that over the last year or
2 year-and-a-half. And we've been able to give production about \$50
3 million to reallocate out into the various activities.

4 This is an ongoing process. So every year that we close
5 out contracts, we're able to pull those unexpended funds back from
6 those entities and program it back out. Right now, we're looking at
7 about 15 million that we're getting ready to deobligate and
8 reallocate. And in the next year, we'll probably have another 15
9 million.

10 So we've got a constant building entitlement fund or a
11 fund that we can award based on that program income and those
12 deobligated dollars. It has been a very difficult process to get to
13 the point where we can do the accounting, but I feel fairly confident
14 that we're right on, within a million-or-so dollars, of what our
15 actual balances are. We've been working with Bill Dally's shop on
16 this for about a year.

17 MS. CARRINGTON: A year, yes. One of the reasons that
18 it has been so difficult and has taken portfolio management and
19 compliance as long as it has, although they've done an outstanding
20 job, has been that it was something that the Department was really
21 not doing a very good job of. We were not tracking to see if
22 contracts had been fully expended or whether they had maybe even been
23 executed after the Board had made an award.

24 So really did not have a good -- we weren't doing a good

1 job of finding out what had been utilized. And about a year or year-
2 and-a-half ago was when we really started focusing on this. And you
3 all may remember that about six or seven months ago, I think, we've
4 allocated -- you all have awarded about \$13 million in deobligated
5 funds that have gone to disaster assistance, which is one of the
6 priorities in the Agency's deobligation policy.

7 We also put \$5 million worth of deobligated funds into
8 the HUD -- into the CHDO NOFA.

9 Is that right?

10 It was the CHDO and the -- we put it in the multifamily
11 preservation. But of some -- of that 15 million that Suzanne was
12 mentioning, 5 million of that actually was put into the multifamily
13 NOFA that went up last night. So even though Suzanne thinks that it
14 may be about 15 million or so on an annual basis, I like to say that
15 since we're doing a much, much better job of tracking these contracts
16 and staying on our administrators and knowing whether indeed they're
17 using it all or they're not going to use it all, we'll have some, but
18 we really shouldn't have that much --

19 MS. PHILLIPS: Right.

20 MS. CARRINGTON: -- on an annual basis.

21 MS. PHILLIPS: Right. And there are a lot of
22 administrators whose contracts, you know, for -- in prior years, the
23 contract period is much shorter than what we're allowing now. And
24 often, they just simply ran out of time.

1 So one of the things that we did over the last year was
2 amend a lot of the contracts to allow people to finish spending the
3 funds that they had left over from their contracts as long as we had
4 a pretty good sense that they had a pipeline of pipeline that they
5 could serve. And by and large, most of the people have been very
6 willing to spend the money that was left over, so we extended the
7 time frames on their contracts. We're doing that very cautiously.

8 And there have been some people that have asked for
9 additional time that we've not given it to because they just didn't
10 have a good track record. And I felt it would be more likely that a
11 new subrecipient would spend the money faster.

12 There are some downsides to the process that we're
13 doing, the deobligation process, in that as soon as we deobligate
14 that money, there's a time line associated with it. So Eric and
15 Brooke have to -- we have to coordinate it pretty quickly. And, you
16 know, when I say we've got X amount coming down the pike, they have
17 to be ready -- no pun intended.

18 (Laughter.)

19 MS. PHILLIPS: They have to be ready with NOFAs to get
20 that money out so we don't simply run out of time on it --

21 MS. CARRINGTON: And it's a --

22 MS. PHILLIPS: -- and lose it back to the feds.

23 MS. CARRINGTON: It's a federal imposed --

24 MR. CONINE: And it's a federal statute on the time.

1 MS. CARRINGTON: -- time line, not Department imposed.

2 MR. CONINE: Is it 90 days, or 120 days, or what is it?

3 MS. PHILLIPS: It's in years. In each year, HUD does a
4 calculation. And depending on -- when they do that calculation
5 depends on what our time line is. I hate to be vague on it, but
6 they've been vague. You know, we've worked --

7 MR. PIKE: It varies.

8 MS. PHILLIPS: It varies often. This year, we worked
9 with the Fort Worth office in determining, you know, when they were
10 going to do their math and when our time line would begin. But I
11 can't -- I'm sorry that I can't give you a more specific answer, you
12 know. One of my detail folks could --

13 MR. CONINE: The --

14 MS. PHILLIPS: -- probably do it.

15 MR. CONINE: Out of -- the 318 million that you said was
16 the total over the last 12 years, or whatever -- is that all what I'd
17 call new money? That doesn't include any of what I would call
18 recycled money?

19 MS. PHILLIPS: Generally not. Generally not, because we
20 didn't have a whole lot of recycling going on.

21 MR. CONINE: Right.

22 MS. PHILLIPS: It -- I know that prior staff attempted
23 to do it, but I think that we were struggling with audit issues and
24 the processes. So I think it was just not a --

1 MS. CARRINGTON: A priority?

2 MS. PHILLIPS: -- priority.

3 MR. CONINE: Okay. So the \$52 million gap funds in '02,
4 you know, that you mentioned -- all that is predominantly deobligated
5 money?

6 MS. PHILLIPS: Right. It's not program income. You
7 know, the program income is not awarded to people; we can only award
8 the original dollars. We expend the program income. So the -- for
9 instance, when we had the 800,000 that came back from TSAHC, it
10 simply substituted for our 2002 HUD program year funds. So we spend
11 that first, and then we spend our --

12 MR. CONINE: The new money?

13 MS. PHILLIPS: -- entitlement allocation.

14 MR. PIKE: Which results in --

15 MS. PHILLIPS: Yes. So it just --

16 MS. CARRINGTON: Mr. Conine, we might -- to give the
17 committee a picture of how we have spent this money over the years --
18 and this is one of the questions you all asked us -- behind the
19 second blue page in your book --

20 MR. CONINE: Okay.

21 MS. CARRINGTON: -- there is a cover memo from portfolio
22 management and compliance.

23 VOICE: That's his cell phone ringing.

24 MS. CARRINGTON: Uh-oh.

1 MR. CONINE: The housing trust fund just got \$100
2 richer.

3 (Laughter.)

4 VOICE: And it's our internal auditor.

5 MR. CONINE: Oh, it is? Is it Mr. Gaines?

6 Mr. Gaines, thank you for your contribution to the
7 housing trust fund of \$100. You can pay it in over time; it doesn't
8 have to be immediately.

9 (Laughter.)

10 MS. PHILLIPS: And these charts represent those
11 contracts that we have actually closed out and completed, as opposed
12 to those that are still rolling and expending.

13 MR. CONINE: All right. This one?

14 MS. CARRINGTON: Uh-huh.

15 MR. CONINE: (Perusing documents.)

16 (Pause.)

17 MS. CARRINGTON: Okay. There is a cover memo at least
18 in my book. I'm sorry, Mr. Chairman.

19 MS. PHILLIPS: I have an extra.

20 MR. CONINE: It happens all the time.

21 MS. CARRINGTON: Where we're talking about the 317
22 million, of the 52 million that was not expended and then the 37- of
23 the 52- that has already been reallocated. But I think what's
24 probably most interesting for you all will be a series of charts that

1 start on page 3 down at the bottom. At least mine has a page number.

2 That says "HOME Program." And this covers the years
3 from '92 to 2004. And that's the 317 million that Suzanne has been
4 talking about. And the percentage at the top is the percentage
5 expended. Like -- the first one is "PDL," which is Predevelopment
6 Loan. And of the amount of funds that were available for
7 predevelopment in this 12-year period of time, 96.26 percent were
8 expended, equaling \$766,474. So that's how we read those charts.

9 MR. CONINE: So that's a percentage of what we allocated
10 initially in our board meeting allocation.

11 MS. PHILLIPS: Right.

12 MR. CONINE: So if we were measuring effectiveness, if
13 we thought all of them should be 100 percent, then those that didn't
14 hit there -- we didn't get the demand from whatever the activity was?

15 MS. PHILLIPS: And it could have been -- it's for many,
16 many reasons, anywhere from the contract periods being too short. It
17 could have been delays on our part in getting contracts out. It
18 could have been simply that they overestimated the amount of money
19 that they could administer. And we see that often, you know.

20 We give blocks of dollars in, you know, \$500,000
21 increments. And they spend 475,000 of it. So, you know, they -- it
22 just depends on the math of how many people they serve. And so that
23 varies.

24 For instance, the homebuyer, the 71 percent, I think is

1 a little deceiving, because we definitely had an issue with our
2 administrators having too short of a period of time to actually go in
3 and set up a program in their community. So we have remedied a lot
4 of those problems simply by its -- if we are delayed in getting the
5 contracts out, we extend the time frame that we allow them to expend
6 the money. And I think that --

7 MR. CONINE: Which is --

8 MS. PHILLIPS: -- another issue has been --

9 MR. CONINE: Part of the reason the Programs Committee
10 is going over all of these programs is to see if it -- if they're
11 user friendly or not user friendly and should we reallocate or make
12 some of the nuances of each of these programs different so the demand
13 will increase. I mean that's --

14 MS. PHILLIPS: Absolutely.

15 MR. CONINE: The whole goal here is to get the demand
16 up.

17 MS. PHILLIPS: And we also acknowledge that capacity has
18 been a serious problem. And it's --

19 MR. CONINE: Internal, or external?

20 MS. PHILLIPS: Both. And internally, this past year,
21 we've probably given individuals who work with the HOME program
22 between 80 and 100 classroom hours of training. It has been very
23 intense. We want to make sure that we know all the ins and outs, the
24 rules and the regs and -- you know, from beginning to end.

1 It's -- we've outsourced our implementation workshops
2 for our administrators so that we're doing a much better job now when
3 we provide contracts to folks in telling them exactly what the
4 program is and how to administer it. And this has been extremely
5 successful; we've gotten kudos from the industry continuously on our
6 new training process.

7 We've focused more on -- we've had the contractor take
8 the federal program defined by HUD and then apply our rules and our
9 activities and program designs and combined that in the training.
10 And generally, there are two or three days' training for our
11 administrators, and it has really helped a whole lot.

12 MS. CARRINGTON: And the group that we've outsourced it
13 with is a group that HUD has a contract with to do this kind of
14 training. So it provides all of those linkages in that that's
15 someone that HUD has blessed and says does a good job. And then we
16 are hiring them, and we have also been very satisfied with the level
17 of skill and knowledge that they've delivered in the trainings.

18 MR. CONINE: When you eliminate the PJs and deal with
19 the rest of the state, which is where we're targeting this money to
20 go to, is there an amount of money that's too much? Can it build up
21 to be -- if we embark on this recycling-of-money theory and can do it
22 effectively and can do the internal processes enough, what's the
23 demand out there?

24 Has -- is Sarah's, you know, housing demand study all

1 across the state -- does it show that there's enough demand out there
2 to keep soaking up all the money?

3 MS. PHILLIPS: Well, I think that as we go through the
4 process, I think what we're going to see is that there may be
5 saturation points in specific activities. It could very well be that
6 a community has done as much owner-occupied rehab as they can do or
7 as much down-payment assistance as they want to do. And it could be
8 that we may have to rethink what activities we focus on, you know.

9 TBRA hasn't been a huge focus of the Department. We
10 know that there's a huge need for tenant-based rental assistance,
11 that assistance that goes directly to renters. It's a very difficult
12 program, and I think that we're going to have to evolve the capacity
13 of our administrators.

14 But as we -- I think it's important to recognize when we
15 reach saturation points in individual areas that we identify whether
16 there's other products that they could use. Whether it's multifamily
17 construction or rehab tenant-based rental assistance, I think we're
18 just going to have to understand from a local level.

19 And it may even be where we get to the point where we're
20 going to have to start working with the local cities and communities
21 where they actually do housing need studies, where they understand
22 what type of housing they have, what their stock looks like, whether
23 it needs to be replaced and whether they've got plenty of stock but
24 no rental assistance where they actually get into the greater detail

1 of market analysis of what they need.

2 MS. CARRINGTON: I might have a little bit different
3 answer for that in that I think that what we're limited by -- I think
4 that there's absolutely no shortage of need. There's no data and
5 there's no information that we have that shows there is a shortage of
6 need for additional quality housing in the state, both single-family
7 and multifamily rental and home ownership.

8 I think where we are limited -- and Suzanne has really
9 already mentioned this -- is in the capacity of the local
10 administrators to be able to take on more funding and to deliver
11 those funds effectively and accountably. You
12 know, at the local levels, they're strapped like everybody else is in
13 the public sector. And as Suzanne said earlier, I mean at some
14 point, maybe they're not coming back and applying every year, because
15 they're saying, I've got all I can handle right now. So I think that
16 is certainly a limiting factor.

17 I think the other very important thing that she
18 mentioned is that there needs to be more of a matching from the local
19 level to the funds that we have available and the local entities
20 saying, "Where are our needs," and applying for those funds that
21 particularly address the needs in their area. So I think it's
22 capacity and matching.

23 MR. CONINE: But aren't -- when we did NOFAs in the last
24 couple of years or three years, since we've, you know, in theory

1 gotten rid of some of the old staffing and internal problems and have
2 tweaked the programs over the -- do we get oversubscribed in all
3 these NOFAs?

4 MR. PIKE: I was going to mention that. Under the
5 owner-occupied rehabilitation program, we are -- I don't have the
6 exact figures, but we get a tremendous demand for those funds. It's
7 just overwhelming. And I have no doubt that we could continue to
8 spend millions and millions more dollars in that particular activity.

9 MR. CONINE: Well, now we're just back to marketing the
10 money and making the communities that we serve aware of the fact that
11 we got more money this year than last because we're going to do
12 something different.

13 MR. PIKE: Yes. I mean just to give you a little sense
14 of what we did last year, the owner-occupied program -- I think about
15 70-some-odd percent of our dollars went to that particular activity.

16 If you'll remember, you -- in December, you guys approved us the use
17 of some deobligated funds to fund some additional projects under the
18 HOME program. A significant majority of those were for owner-
19 occupied.

20 So we see an overwhelming demand for that. Where my
21 concern, I guess, would be that we're going to have to pay close
22 attention to is on the homebuyer assistance side. We are making a
23 lot of funds available in that activity and, obviously, have more
24 coming our way.

1 And I think that it's something that we can successfully
2 do, but we're going to have to monitor it and see what our demand is
3 on that particular activity and like Suzanne said, TBRA and some of
4 the other activities that we may not see the level of subscription
5 that we'd like to see.

6 MS. CARRINGTON: As we talk about owner-occupied,
7 though, the committee may remember that last month, we had public
8 testimony from a member of the public that was basically saying that
9 as the Department is putting as much money as we are into owner-
10 occupied, we are deviating from what the primary intent of the HOME
11 program was, and that was for rental production.

12 You know, my response to that is that even though it may
13 be the primary intent, one of the reasons that HOME is block-granted
14 to the states and block-granted to the PJs is for the states to be
15 able to determine where their greatest needs are and what kind of
16 activities they want to conduct with the HOME program funds. So I
17 just want to remind the group that that was one of the things we
18 heard last year -- I mean last month.

19 You all do have a chart. It is the -- one, two,
20 three -- fourth chart. We did -- we have spent over this 12 years
21 over 142 million in owner-occupied. And the chart for owner-occupied
22 does show, as Eric has already mentioned, that in 2001, which is the
23 last year that we have good numbers for, that 75.66 percent of the
24 funds that were allocated for or -- that were contracted for in

1 owner-occupied were actually expended.

2 So we have had a lot of dollars going to owner-occupied.

3 I guess it's probably -- no. Homebuyer -- well, it is. It's --
4 more money has gone into owner-occupied, at 142 million, than any
5 other single activity for the Department.

6 MS. PHILLIPS: And to follow up on a remark made by Ms.
7 Carrington about the focus of the rental program, the regulations are
8 written for all PJs, cities and states. And a lot of the
9 communities -- the smaller PJs don't have the access to the rental
10 funds that we do. I know HUD focuses a lot on the rental program,
11 but, generally, that -- those rules drive the smaller cities and
12 smaller PJs, as opposed to the state housing agencies who administer
13 the programs.

14 There's another anomaly about the way that we do our
15 programs and the -- related to capacity. And it is that so many of
16 our communities don't have staff to actually operate their programs
17 so they rely on our consultants.

18 And in Texas, luckily, we have excellent consultants who
19 are very willing to go into small communities to do housing, where it
20 typically wouldn't be done. Their specialty is owner-occupied
21 because that's -- it makes an immediate change to a community and
22 adds real estate stock.

23 So as we move out into other activities, if we move and
24 focus away from spending so much in owner-occupied, we're going to

1 have to work with our consultant industries and our communities to
2 build the capacity in those other activities, you know, to make sure
3 that, you know, we have the excellent capacity and program
4 administration that we have now.

5 The -- because -- we do struggle in some of the areas.
6 TBRA, while it's very popular, is very difficult. And, you know, we
7 generally are given --

8 MR. CONINE: Why?

9 MS. PHILLIPS: Well, it -- because it's beneficiary
10 driven. People have to -- the administrators are dealing with
11 individual tenants on a routine basis doing inspections, doing
12 follow-ups to complaints, doing reinspections every year and
13 recertifications of income. It's more -- I understand from the
14 administrators that it's more costly to administer, and they are
15 saying that they really don't get enough admin to run the programs.

16 So what I've suggested to some of the administrators is
17 for them to tell me what -- and tell Eric what their costs really are
18 so that we can determine how much we could increase and what would be
19 the appropriate amount to increase for the administration so they
20 would be more willing. We've made some pretty serious changes to how
21 we do TBRA, and generally -- and these were generally driven by the
22 administrators. And it seems to have helped considerably.

23 And we've also completely revised our implementation
24 manuals and the forms and the processes that we use with our

1 administrators to make it a little more user friendly; we've got a
2 lot further to go, but we have seen a lot of favorable response. And
3 I think that's even seen in Eric's shop, because more people are
4 actually applying for it.

5 MR. CONINE: Have we set up some public hearings or
6 workshop forums, you know, like we're doing for the QAP stuff where
7 the users are coming in and expressing, you know, We'd like to see
8 this tweaked or that tweaked? How -- give me a picture of that.
9 What's going on over there?

10 MS. PHILLIPS: Last -- not this year. Last year, right
11 after reorg, when the production staffs were doing their application
12 rounds, my staff set up workshops that began as soon as the
13 application workshop was closed. And we went across the state and
14 held --

15 Nine or ten workshops?

16 MR. PIKE: It should have been seven.

17 MS. PHILLIPS: Seven?

18 MR. PIKE: This past year, it was seven. I don't know
19 if --

20 MS. PHILLIPS: And then, subsequent to that, Edwina has
21 sponsored some workshops with PHAs where we've talked about TBRA.
22 We've trained probably 200 administrators in our implementation
23 workshops in TBRA. So we've really worked pretty hard to get the
24 word out. I know we're looking at our TBRA implementation manual now

1 to make some pretty -- more drastic changes to it.

2 For instance, we're going to try to change the way we
3 deal with self-sufficiency programs especially since we deal with
4 mostly elderly and disabled. So it's -- the self-sufficiency program
5 that you would provide that group of people is totally different than
6 what you would provide a working family or a house- -- you know, a
7 working single mother with small children. So we're trying to look
8 at the nuances of that and trying to better address it with Eric's
9 program designs.

10 MR. CONINE: Have you got any -- I don't want to
11 dominate this thing, but --

12 MR. GONZALEZ: No.

13 MR. CONINE: -- I'm afraid I might.

14 MR. GONZALEZ: Go ahead.

15 MR. CONINE: What about getting some public input on the
16 master theory of having more recycled money in each of these programs
17 versus grant money?

18 Would it be possible to get a series of either -- I
19 don't know how you want to do it -- public hearings or workshops --
20 because I think that's really important to hear, what the public
21 would have to say about that, because it is a departure from what we
22 currently do. Obviously, if we've only -- you know, if we're
23 recycling a million dollars a year over the last couple of years,
24 that's peanuts compared to what it could be.

1 MR. PIKE: Anybody --

2 MR. CONINE: I hate to ask a tough question. I really
3 do.

4 MR. PIKE: Well, I mean, obviously, you know, in the
5 fall -- we have our public hearings that are going to be coming up.
6 I would defer to Sarah Anderson on this question. But I --

7 (Laughter.)

8 MR. PIKE: I would think that that would be an
9 appropriate place to perhaps --

10 MS. CARRINGTON: To have --

11 MR. PIKE: -- entertain some of these --

12 MS. CARRINGTON: the discussion?

13 MR. PIKE: -- discussions.

14 MS. CARRINGTON: To have the discussion, yes.

15 MR. PIKE: Exactly.

16 You know, since owner-occupied is one of our
17 overwhelmingly oversubscribed programs and that's where a tremendous
18 amount of our dollars go, those funds have been granted in the past.
19 And that's one particular reason that I would suggest that we see
20 such few dollars basically recycling back through the program.

21 Really, the only recycling that to my knowledge is done
22 is through our homebuyer assistance program with the 10-year deferred
23 forgivable loan, and some rental.

24 MR. CONINE: Well, I think that's my point.

1 MS. CARRINGTON: Yes.

2 MR. CONINE: There are probably modifications in the
3 owner-occupied program and maybe a couple of others where it could be
4 a recyclable feature, as opposed to watching it going out the door
5 and never coming back. And that's why I want -- you know, rather
6 than it being just my idea or anybody else's idea, I'd rather have
7 some feedback from those who use the program and administrate the
8 program to see if it's a worthwhile goal.

9 Because, you know, you're improving real estate out
10 there and you're creating value, the chances of it coming back are
11 probably pretty good -- or, at least, some portion of that. And --

12 MR. PIKE: I would --

13 MR. CONINE: I think that if you could -- you know, if
14 you could get 10 million back out of a \$45-million cycle a year, then
15 you obviously -- and you get 10 million a year, all of a sudden,
16 that's -- you're building up some real money.

17 MR. PIKE: I would suggest that we could do some
18 roundtables perhaps prior to the public comment period, this fall,
19 and get some ideas from a group of the industry, you know, leaders
20 who participate in our program. And then maybe take it out on the
21 road, if you will, and provide the public some of the comments and
22 thoughts that we've gotten from --

23 MR. CONINE: Does that give us enough time to make some
24 changes for the '05 cycle?

1 MR. PIKE: Yes. It would.

2 MR. CONINE: I don't want to get --

3 MR. PIKE: Our '05 dollars typically would arrive in
4 March of next year. And to meet the Legislative Budget Board
5 performance measure requirements, we would need to have those funds
6 out the door by August 31 of '05.

7 MR. CONINE: Well, what about the rules of the game?
8 When do they have to be done?

9 MR. PIKE: The rules need to be finalized, I believe, by
10 December --

11 Is that correct, Sarah, around December?

12 (Pause.)

13 MR. CONINE: So we've got time?

14 MR. PIKE: -- because we have to submit this information
15 in our consolidated plan --

16 MS. CARRINGTON: Yes.

17 MR. PIKE: -- that has to go to HUD for their approval
18 and blessing, which, I mean, wouldn't be a problem. But there is a
19 time line there, if you will.

20 So if we took this -- if we did some roundtables and got
21 some public comment during the fall public hearing sessions, then I
22 would just suggest that based on the comment that we got, we could --
23 if we wanted to make a change, it could be done so, put into the
24 consolidated plan, get that approval, and then move forward with any

1 change for our '05 funding cycle.

2 MR. CONINE: Am I missing anything from a Department
3 standpoint that would be an issue, problem or concern that staff
4 would have relative to pursuing that course of action?

5 MS. PHILLIPS: The Department staff -- internally, we've
6 been spending a lot of time working out issues associated with
7 servicing the loans, recording program income and sharing information
8 between our shops so that we can move the money and faster
9 deobligate.

10 Actually, we're trying to move to the point where at the
11 end of the contract, if there's \$20,000 left in the contract, we
12 deobligate it then rather than having to try to play the balancing
13 game of, Are you ready to put it out; do we have the process in place
14 to get the NOFAs out so we can just, you know, keep the money rolling
15 through.

16 I know we've spent quite a bit of time with Bill Dally's
17 staff talking about the -- our new contract system and how it's going
18 to assist us in tracking those balances and the loan-servicing
19 process associated with bringing all those loans -- all those funds
20 into the loans, as opposed to grants. Right now, the majority of our
21 owner-occupied is going out as a grant, but I think it would -- by
22 increasing our loans by --

23 1,900 a year is about what you think we've done?

24 MR. PIKE: Uh-huh.

1 MS. PHILLIPS: I -- you know, I think it's -- it would
2 probably be Bill's response as to whether they could handle another
3 1,900 loans a year. But, hopefully, we've got our processes defined
4 well enough that we can add volume without imploding too greatly, you
5 know. If -- once we get to the point where we can actually fund
6 those quickly, the loan-servicing part should be pretty automatic.

7 MS. CARRINGTON: What's the average amount of loan on
8 our owner-occupied?

9 MR. PIKE: Well, it's just grants. They're --

10 MS. CARRINGTON: Grant. I'm sorry.

11 MR. CONINE: Grant.

12 MS. CARRINGTON: I'm sorry.

13 MR. PIKE: -- \$55,000.

14 MS. CARRINGTON: Is the --

15 MR. CONINE: How much?

16 MS. CARRINGTON: Is the max?

17 MR. PIKE: Well, the average amount that someone applies
18 for is, I would say, about 500,000, but the amount that's actually
19 made available on a particular home on average is 55,000.

20 MS. CARRINGTON: Okay. So they basically do go up to
21 the max?

22 MR. PIKE: Uh-huh.

23 MS. PHILLIPS: Right.

24 MS. CARRINGTON: Okay.

1 MS. PHILLIPS: Because they do reconstruct.

2 MS. CARRINGTON: Right.

3 MR. PIKE: Right. We have had some issues -- some
4 discussions about this issue. I'll bring up just a couple of points
5 that we've addressed, and one would be the requirement of homeowners
6 insurance and the cost associated with that for a low-income borrower
7 who's zero to 30. I'm not saying these are things that can't be
8 overcome; it's just issues that I wanted to raise with you that we've
9 identified.

10 There's also some legal issues that we would work --
11 would need to work out as to how this would work. If the homebuyer
12 dies and somebody inherits that property, how is all that handled?
13 Obviously, the staff constraints with booking, you know, 1,500 to
14 1,900 additional loans on a system for over -- I don't know -- a 30-
15 year period of time -- the costs associated with that -- I don't know
16 what those are, but there would obviously be some cost.

17 And so those are things that we here at the Department
18 would need to explore and figure out as to how we can make it happen.

19 MR. CONINE: That's -- it strikes me as --

20 MR. PIKE: There's also a -- I guess one good thing is
21 that -- it would be interesting to see the impact it may have on the
22 demand of that activity. I don't know if it would be significant or
23 not. It may be. It may not be.

24 MR. CONINE: So that's why I want to hear from some of

1 the folks out in the hinterlands that use the program, as opposed to
2 just making the decision up here. MR.

3 PIKE: Right.

4 MR. CONINE: I think we need to -- we need some
5 feedback. And maybe a concept of a proposed new structure before you
6 have the public hearing so that you've given all the thought to the
7 nuances of the program, again, trying to accomplish the end goal
8 here. You've satisfied yourself that you can do it, you know, from
9 an administrative process. Then let's see what kind of feedback you
10 get from them.

11 I mean I -- it just strikes me as one of the less -- one
12 of the better-kept secrets is that over the last ten years we've
13 created \$142 million of family wealth, which is basically an
14 improvement to the HOME that doesn't have to be paid back. I mean
15 that's a nice little story to tell. If the right person has got
16 ahold of that information and used it in the appropriate fashion, I
17 would think a lot of people would be gratified to hear that.

18 MR. PIKE: Well, one thing we've also wanted to do is
19 try to talk to any other state that may be doing owner-occupied.
20 There are not very many out there actually that do this activity, but
21 we wanted to see if we could maybe perhaps model our program or, at
22 least, get some ideas from a similar -- from a program out there that
23 may be doing, you know, repayable loans, versus grants.

24 MR. CONINE: Yes. Well, participate in an organization

1 that should help with that particular effort.

2 MS. PHILLIPS: Eric and I sat in on several workshops
3 where we talked with other state housing agencies about their
4 activities. And we are an anomaly. Most state housing agencies --

5 MR. CONINE: You've just -- twice, you've used that word
6 this morning.

7 MS. PHILLIPS: That's my favorite word.

8 (Laughter.)

9 MS. PHILLIPS: I have staff --

10 MR. CONINE: I'm not sure how --

11 MR. GONZALEZ: That's the word of the day.

12 MR. CONINE: I'm not sure how to take it.

13 MS. CARRINGTON: That's good. It's good that we're an
14 anomaly, Mr. Conine.

15 (Laughter.)

16 MR. CONINE: Is that a good word, or a bad word?

17 MS. PHILLIPS: Oh. My staff does it -- they roll their
18 eyes when I use that word.

19 (Laughter.)

20 MS. PHILLIPS: We do all activities: Rental, TBRA,
21 owner-occupied. Most housing agencies select one. For instance,
22 North Carolina only does homebuyer assistance with their bond
23 program. They do rental, but they only do -- take out permanent
24 loans. They don't get involved in the construction side.

1 Owner-occupied? Most people run from it because it is
2 so difficult because of lead issues and -- you know, there's a lot of
3 hoops that have to be jumped through. We're unusual --

4 (Laughter.)

5 MS. PHILLIPS: -- in that most of our owner-occupied
6 recipients are elderly and the disabled population, you know. So we
7 serve a unique population with \$142 million. So it's -- you know, it
8 definitely has some unusual aspects in how we administer it.

9 MR. CONINE: The -- how much money goes -- in HOME funds
10 goes to the PJs annually? We get 44- or 45 million. How much goes
11 to the PJs?

12 MS. SARAH ANDERSON: We get a third. So --

13 MR. CONINE: We get a third?

14 MS. SARAH ANDERSON: Yes.

15 MR. CONINE: So 80 million goes to them -- that 90
16 million goes to them?

17 MS. SARAH ANDERSON: Right.

18 MR. CONINE: Is there a -- wouldn't there be a
19 commonsense approach to try and bring them in to some of these
20 discussions that we're going to have and see where they spend their
21 money and try to do some what I would call program alignment?

22 MS. PHILLIPS: We've asked HUD to explain to us how we
23 can pull those reports from the shared system. And if not, HUD has
24 agreed to do some research to tell us what different -- how different

1 PJs in Texas administer it and what activities they've used. So this
2 is going to be -- that's a process that we've initiated and we'll
3 need HUD's help on.

4 MS. CARRINGTON: Sarah Anderson may have something --

5 MS. SARAH ANDERSON: I can --

6 MS. CARRINGTON: -- may have some light to shed on that.

7 MS. SARAH ANDERSON: I'm Sarah Anderson. We actually
8 began some research related to this, and we've contacted and gotten
9 the annual performance reports of or are in the process of getting
10 all of them from all of the PJs.

11 And I actually have a handout for you that outlines what
12 at least 25 of the PJs are doing right now, and it lets you know the
13 activities. So --

14 MR. CONINE: How many PJs are there out there?

15 MS. CARRINGTON: Last month, I thought we had 41. And
16 when we added up that number -- because that's when Ms. Anderson went
17 out of the room -- I think we came up with about 78 or 79 million.
18 But I believe the number was 41 --

19 MS. SARAH ANDERSON: And --

20 MS. CARRINGTON: -- participating jurisdictions.

21 MS. SARAH ANDERSON: Yes.

22 MS. CARRINGTON: And you do have in your notebook,
23 but -- maybe you don't, Mr. Conine --

24 MR. CONINE: Yes.

1 MS. CARRINGTON: -- but the rest of us do. There is a
2 chart that lists 20 PJs. And I'm assuming as we look at 20 of 41
3 that these are the ones that -- we had their consolidated plan --

4 MS. SARAH ANDERSON: Right.

5 MS. CARRINGTON: -- and their one-year action plan. So
6 we actually had the information.

7 MS. SARAH ANDERSON: Well, what you have in your board
8 book is actually specifically -- I'm not sure what you're looking
9 at -- related to disabilities and --

10 (Pause.)

11 MS. SARAH ANDERSON: We -- what we have in the board
12 book is related to disabilities and special needs. And what I've
13 just handed out is actually all the activities that the PJs do.

14 And there's a pie chart on the front which shows that
15 the majority actually of the money that's being spent in the PJs is
16 actually going to rental assistance. That's about 46 percent. The
17 next highest would be single-family owner-occupied, and then it kind
18 of goes down from there.

19 And I know that it came up at the last board meeting
20 that the primary activity should be multifamily or rehab. And it
21 turns out that the PJs aren't necessarily using their HOME money,
22 either, for multifamily activities. They're -- about 6 percent is
23 going to multifamily development, and about 90 percent to multifamily
24 rehab. So --

1 MS. CARRINGTON: Sarah, this is not the complete
2 universe of PJs, though; this is --

3 MS. SARAH ANDERSON: Right.

4 MS. CARRINGTON: -- 25?

5 MS. SARAH ANDERSON: Right. What we've been able --

6 MS. CARRINGTON: This is 25 out of the 40 or 41?

7 MS. SARAH ANDERSON: Right.

8 MS. CARRINGTON: Okay.

9 MS. SARAH ANDERSON: What we've been able to get --

10 MS. CARRINGTON: So far, today. But we are in the
11 process of attempting to gather information from all of them.

12 MS. SARAH ANDERSON: Right.

13 MR. CONINE: What kind of -- let me ask it differently.

14 What -- how would you perceive the PJs being -- would they be
15 receptive to getting together as a concerted effort, a statewide
16 concerted effort, to evaluate how much money goes into which program?

17 MS. SARAH ANDERSON: Actually, I think so. I've been
18 to -- about a year ago, I was approached by Paul Hilgers of the City
19 of Austin, who asked if we could help spearhead bringing the PJs
20 together and said that even they feel a disconnect a little bit with
21 their -- the other PJs in the state.

22 They're not sure what the other people are doing and, I
23 think, are interested in -- there doesn't seem -- I don't think
24 there's a conference that brings them all together. They don't sit

1 down -- their planners don't sit down and talk. So I definitely
2 think there's some desire on the part of the PJs to have that kind of
3 dialogue.

4 MR. CONINE: Well, I'm sure you're going to get a little
5 bit of both schools. You're going to get a little bit of the ones
6 who are reaching out and trying to find out, you know, what everybody
7 else is doing, and you're going to get those that say, you know, This
8 is my money, and I'll spend it like I want to.

9 MS. SARAH ANDERSON: Sure.

10 MS. CARRINGTON: When I mentioned this to Cindy Leon,
11 she told me that from time to time -- I don't know if it's on any
12 kind of regular basis, but HUD does get their participating
13 jurisdictions together.

14 MR. CONINE: Can we check on that? And let's --

15 MS. PHILLIPS: We were --

16 MR. CONINE: -- kind of see --

17 MS. PHILLIPS: We were there last week with the PJs that
18 were in our district, if you will. I think there were probably 45 to
19 50 attendees.

20 MR. PIKE: Exactly. On March 30, Suzanne and I traveled
21 along with Sandy Mauro to Fort Worth. And they had a community
22 development directors meeting. And they bring in representatives
23 from all the participating jurisdictions and talk about HOME issues
24 and CDBG issues.

1 MS. PHILLIPS: But generally --

2 MR. PIKE: But that's --

3 MS. PHILLIPS: -- HOME has been the stepchild in most of
4 these --

5 MS. CARRINGTON: And it has been --

6 MS. PHILLIPS: -- conversations.

7 MS. CARRINGTON: -- mostly CDBG.

8 MR. PIKE: Right.

9 MS. CARRINGTON: And there might be some benefit of the
10 Department -- and I know you've mentioned this -- before, Mr. Conine,
11 of the Department actually spearheading this kind of a meeting so
12 that it gets to be our meeting with the PJs, as opposed to being
13 HUD's meeting.

14 MR. CONINE: Yes. I would invite HUD, but I think
15 that --

16 MS. CARRINGTON: Well, indeed we would.

17 MR. CONINE: -- we certainly would be -- I think we'd be
18 well served to initiate the process.

19 MS. CARRINGTON: Okay.

20 MR. CONINE: And we can figure out when and how and all
21 that kind of stuff, and you guys can report back on that whenever --

22 MR. PIKE: Okay.

23 MR. CONINE: -- it's possible.

24 Take me through the owner-occupied assistance program

1 right here. Just give me the -- you know, the high points of what an
2 average \$55,000 grant -- who it goes to and how the process works and
3 how they get it and so forth.

4 MR. PIKE: During the application process, a contract
5 administrator will survey residents of the community who've expressed
6 an interest or desire in having their home rehabilitated. Obviously,
7 they must go through a selection process. That selection process is
8 identified and included in their application as to who they're going
9 to target, basically.

10 Because our agency focuses most of its scoring criteria
11 on serving the 30-percent-and-below market, most of the applications
12 that come in house in order to be competitive are serving that 30
13 percent market. Typically, overwhelmingly, it's serving an elderly,
14 oftentimes-special-needs people.

15 And I think that's what makes our program here in Texas
16 probably different from some other programs, because, in other states
17 where you're serving a population that's 80 percent AMFI, which is
18 allowed under HUD rules, it's very different from the program that we
19 operate that serves an overwhelmingly extremely low-income
20 population.

21 Once the funds are awarded to the contract
22 administrator, then, typically, most of these organizations that
23 apply for these funds do use the services of a grant consultant
24 because of their expertise. Many of our very rural communities do

1 not have the capacity to bring in a contractor and inspectors and
2 oversee construction and all that.

3 They just do not have the capacity, so they use the
4 services of a grant administrator who -- then once the homes are
5 identified, the, you know, contractors move in, basically, and do
6 their rehabilitation. Or they do their evaluation and determine
7 whether the home needs to be rehabbed or reconstructed.

8 MR. CONINE: And we have maximums on the dollar amounts?

9 MR. PIKE: The Department has, I guess you could say,
10 unofficially adopted a maximum of approximately \$55,000; under the
11 HOME rules, that figure could be much higher. There are some
12 221(d)(3) limits that can be used, but we've shied away from allowing
13 the use of those figures simply because in some areas of the state,
14 that would boost the housing prices to perhaps 70- or \$80,000.

15 So it would certainly have an impact on the number of
16 households that we serve. So right now, we have a cap of
17 approximately \$55,000.

18 Typically, anything -- when you go out and do an
19 inspection, if the home has got to be -- have lead-based paint
20 abatement done, that typically boosts the cost at least about
21 \$10,000. That's what our research has found. And that oftentimes
22 warrants a home being reconstructed, versus being rehabilitated.

23 Generally, there's a rule of thumb. Anything that's
24 25,000 or below, you rehab. If it's above -- if it's 25- or above,

1 you reconstruct. That's not always a hard-and-fast rule, but that's
2 typically what we see in the industry.

3 MR. CONINE: Okay. So the local contract administrator
4 finds a house, and we're going to spend \$30,000 on it. At some --
5 who's doing the estimates? Is there some contractor that does the
6 estimate? Tell me how that process works.

7 MR. PIKE: Right. Typically, through the services of a
8 grant consultant that has been hired, they will identify a
9 construction contractor who does have inspectors and things on board
10 that basically come in and do, I believe, what's called a feasibility
11 analysis of that property. And they make that determination at that
12 time.

13 That feasibility analysis -- there's guidance provided
14 as to what that should include in our -- Suzanne's implementation
15 manual that is provided to the administrators once they receive an
16 award.

17 MR. CONINE: Are we displacing people? Is there any --
18 I mean do they go to a hotel, or do they stay at the house? What do
19 they do?

20 MS. PHILLIPS: There are some issues associated with the
21 homeowner. And the administrator or the consultant has to apply the
22 Uniform Relocation Act requirements. And if they don't have friends
23 or family to stay with, then we do have to reimburse for their
24 relocation.

1 What we generally see is that, as I said earlier, most
2 of our homes, because of either the housing stock in the community or
3 the presence of lead, have moved most of our awards or the
4 beneficiaries to the reconstructs.

5 We've been -- Eric and I have been talking about this
6 for several months now and have been talking with our consultant on
7 how to assess this process and to understand whether we are --
8 whether our administrators are doing enough investigation to make
9 sure that we're not tearing down more than we need and that we're
10 actually looking at all eligible households in the community rather
11 than just those that need to be reconstructed.

12 We're also concerned that, you know, we're not serving
13 very many households with families and are trying to understand how
14 better to serve that group. The last thing we want to do is think
15 that we have a program that excludes families with children because
16 of -- you know, unintentionally because of the size of the homes, the
17 financial limitations or the eligibility criteria for the financial
18 review process.

19 So this is something that we are absolutely looking at
20 and talking about. And we've talked with our administrators about
21 this, as well.

22 MR. CONINE: So is there a role for an appraisal
23 process -- a before-and-after appraisal process once we spend the
24 \$30,000 I'm talking about spending on this hypothetical home?

1 MS. PHILLIPS: The -- as a part of the reporting back to
2 the Department after the completion, HUD requires that we get an
3 after-rehab value. And this is reported as actually the contract is
4 being closed out.

5 And generally, what we're seeing is that we're within 2
6 percent of the rehab value or a little less than that, but that's --
7 you know, it's much closer than I predicted it could be. Staff did a
8 real quick preliminary review based on your question last month, and
9 I think they've reviewed maybe 25 files and found that we were within
10 2 percent of the award amount.

11 MR. CONINE: So you get that back in?

12 MS. PHILLIPS: Yes, as a report from the administrator.

13 MR. CONINE: You know, I have a hard time even
14 understanding that since they're -- you know, inherently, the land
15 has value and the foundation has value. Even if you rebuild the
16 whole thing, it -- we should be -- and even though, I'm sure, there's
17 a lot of, you know, contract administrator -- administrative fees and
18 hotel bills and all that kind of stuff that get -- that's wrapped up
19 in the 30 grand, but -- we should still be fairly close.

20 And if you're going to structure some sort of recycling
21 program on the money, as opposed to a grant, then we need to figure
22 out the nuances of that relative to setting the right amount of -- if
23 it's a \$30,000 grant and 25- of it comes back, or whatever the case
24 may be, I -- you all need to think through that very detailed.

1 MR. PIKE: Right. And that -- those are some of the
2 issues that we've found ourselves presented with when we examine
3 going to a loan program. There's just nuances and things like that
4 that we would need to work through in the Department to ensure that,
5 you know, we don't have any problems. But --

6 MR. CONINE: But if you had an elderly couple and you
7 spent 30,000 bucks on their house and then they move back in, they
8 don't have to pay it back if -- they just have it --

9 MS. PHILLIPS: Well, I understand that --

10 MR. CONINE: -- right now?

11 MS. PHILLIPS: -- we have some administrators who are
12 loaning -- who -- while we give that as a grant, they are actually
13 taking that a step further and providing it as a loan.

14 MR. CONINE: Really?

15 MS. PHILLIPS: Yes.

16 MS. SARAH ANDERSON: That's an interesting point --

17 MR. CONINE: Isn't that interesting?

18 MS. PHILLIPS: Yes.

19 MR. CONINE: See what you find out when you have these
20 kinds of sessions? You just find out about all kinds of these little
21 nuances.

22 How many do we have doing that?

23 MS. PHILLIPS: Not very many.

24 MR. CONINE: And what happens to those dollars when they

1 get them back?

2 MS. PHILLIPS: We're looking at that right now.

3 MR. CONINE: We are?

4 MS. PHILLIPS: Yes.

5 MR. PIKE: Yes.

6 MR. CONINE: I would think we would.

7 MS. PHILLIPS: Yes. We are.

8 MR. CONINE: Hmm. Okay.

9 MR. GONZALEZ: Here comes Beth, just in time for a
10 question.

11 MR. CONINE: Any other questions on the owner-occupied
12 assistance stuff?

13 (Pause.)

14 MR. CONINE: Okay. Do the same sort of thing with
15 tenant-based rental assistance. Just take me through a general
16 description of the program.

17 MR. PIKE: I'll let you do that one.

18 MS. PHILLIPS: That one's painful.

19 (Laughter.)

20 MS. PHILLIPS: Generally, the administrator applies for
21 an amount that they believe that they -- generally, what we see is
22 that it's PHAs or nonprofits who are getting these funds. And the
23 administrators have an intake process; they define what their most
24 critical need is in their community, and they apply their program to

1 a specific group: People with disabilities or elderly, as part of
2 their self-sufficiency program. And we do a lot of administration
3 with MHMRs.

4 So we are working with people who are in transition from
5 institutions or who have been referred by the MHMR to a housing
6 agency. They set up their -- they supply us the names of the clients
7 that they are going to serve, their income, how much the tenant's
8 portion is -- of rent will be and what our subsidy will be.

9 They also have the ability to determine and to decide
10 whether they're going to supply security deposit and utility deposit
11 funds. On an annual basis, they have to reinspect the units. They
12 have to be habitable under some very specific criteria.

13 And they recertify the household to make sure that they
14 continue to be eligible, that they have not had additional income, a
15 new job or that they have not lost income so that we can adjust the
16 subsidy. We do that tenant by tenant, which is --

17 MR. CONINE: We do that?

18 MS. PHILLIPS: We do that. It is very -- an
19 administrative burden for the Department, but it has a great benefit.

20 The administrators give us individuals' names, and we deal with and
21 we have records relating to the eligibility on those individuals.

22 MR. CONINE: And how many -- there's no guarantee they
23 get it year after year after year. But how many are we serving right
24 now in the tenant-based rental assistance program?

1 MS. PHILLIPS: (Perusing documents.)

2 MS. CARRINGTON: While you're thinking about that,
3 Suzanne, TBRA will last for two years --

4 MR. CONINE: Okay.

5 MS. CARRINGTON: -- for a family.

6 MS. PHILLIPS: Right. It can be extended, but we will
7 only commit for a two-year period. And we require them to do the
8 contract with the tenant in increments of two years, we've just --
9 I'm sorry -- in one year. We've just instituted that, and it was in
10 response to numerous problems that we saw in doing field work
11 where -- the units were not being reinspected and the tenants' income
12 was not being recertified. So we've moved to doing this on an annual
13 basis.

14 MR. PIKE: Here.

15 MS. PHILLIPS: About 300.

16 MR. PIKE: Right.

17 MR. CONINE: And --

18

19 MS. SARAH ANDERSON: Households?

20 MS. PHILLIPS: Households.

21 MR. CONINE: And these are folks that are either renting
22 a house --

23 MS. PHILLIPS: Or an apartment.

24 MR. CONINE: -- or maybe an apartment somewhere or a

1 townhouse or whatever it may be -- any sort of rental facility?

2 MS. PHILLIPS: Right, as long as it meets a certain
3 habitability standard.

4 MR. CONINE: And what is our average of those 300
5 families? What people -- what is the average award for tenant-based
6 rental assistance for an annual period?

7 MS. PHILLIPS: I don't have that information right off
8 the top of my head. Generally, the tenants' incomes are zero to 30-.
9 So --

10 MR. CONINE: Right.

11 MS. PHILLIPS: -- I would imagine that we would be
12 paying the majority share of their rent.

13 We have some administrators who limit how much they're
14 going to pay individual clients, which -- you know, I think that's
15 one of the things that we're going to probably talk to them about
16 during our implementation workshops.

17 You know, it just seems kind of counterintuitive that
18 they would agree to give somebody a subsidy but then limit the amount
19 of subsidy they're going to give them. So I think there's a lot of
20 just real basic policy concerns that we need to work out with some of
21 our less-experienced providers.

22 MR. CONINE: It works a lot like Section 8 vouchers.

23 MS. PHILLIPS: It's -- actually, it's --

24 MR. CONINE: That's basically all that is.

1 MS. CARRINGTON: Yes. It's a mirror of --

2 MS. PHILLIPS: It's so close to Section 8 that it -- we
3 would like to see more of our PHAs administering it. We're trying to
4 eliminate all the differences that we've created in our program, but
5 there are some that come from HUD which are really surprising. You
6 know, they administer both the programs, but they put some
7 limitations on TBRA that's not on their voucher program.

8 MR. CONINE: That's not surprising. You know --

9 MS. PHILLIPS: It's not surprising.

10 (Laughter.)

11 MR. CONINE: You know better than that.

12 MS. PHILLIPS: But we've pretty much eliminated as much
13 as we can to where if there's an administrator who's providing
14 Section 8, they can run the programs concurrently. I would imagine
15 the administrators would say that that has not quite happened yet,
16 but that is our goal. But it's --

17 MR. CONINE: And in theory, you could go back to HUD and
18 say, "Align the two up a little more" --

19 MS. PHILLIPS: Absolutely. And --

20 MR. CONINE: -- if we -- you know, if you really wanted
21 to get into it?

22 MS. PHILLIPS: And we have gotten into it with them --

23 MR. CONINE: Fix it, I guess?

24 MS. PHILLIPS: -- about that particular item.

1 MS. CARRINGTON: And we are going to be participating.
2 That was actually one of the questions that we did respond to you all
3 on the Q&A on, What work are we doing; what kind of outreach; how are
4 we involving housing authorities. And along with having some
5 multiple roundtables with housing authorities, several of us are
6 going to be participating later this month in the TEXNARO meeting,
7 which is in Austin. So --

8 MR. CONINE: That --

9 MS. PHILLIPS: Theoretically, the TBRA is -- was
10 designed to take people off waiting lists. And, you know, that
11 theoretically is great, but the waiting lists never opened and have
12 remained closed. So we do have clients that probably stay on longer
13 than two years.

14 MR. CONINE: Have we explored outsourcing the -- all the
15 administrative part of this to the local, as opposed to us going
16 through the income qualifications and inspections --

17 MS. PHILLIPS: They --

18 MR. CONINE: -- and all the garbage we're doing?

19 MS. PHILLIPS: They do all that. They do the
20 eligibility. They use -- they're required to do the inspections.
21 But because of how HUD's -- their -- the system's called IDIS. How
22 it's set up, individual tenants have to be entered.

23 I know that -- one of the things that I remember from
24 four or five or ten years ago maybe, before I had any role in the

1 administration. There was a period where HUD talked to different
2 state housing agencies about whether or not the administrator could
3 do direct data entry into these systems.

4 And I know most state agencies elected not to allow the
5 administrators greater access. But this is definitely something
6 that's on my talking points issues to -- with HUD to understand what
7 other responsibilities that we could provide to the administrators so
8 they're responsible for doing more of the data entry since they have
9 to do it, anyway.

10 MR. CONINE: Are the PJs set up to do all the same stuff
11 that we're doing?

12 MS. PHILLIPS: Not --

13 MR. CONINE: I mean they've got half of their funds
14 going out and -- at least the ones we've got or the ones we're
15 looking at have half their funds going out. Are they keeping the
16 same sort of records and doing all the same stuff?

17 MS. PHILLIPS: Absolutely. So what you have is a small
18 city. They -- we have to operate exactly the same as a small city
19 does, which is ridiculous. Well, I shouldn't say that. It's
20 difficult.

21 MR. CONINE: Yes.

22 MS. PHILLIPS: We have suggested to NCSHA and COSCDA and
23 to HUD that we believe that HUD should create a different set of
24 rules for state housing agencies than what the rest of the PJs have.

1 CDBG is that way.

2 And I know both Rich [indiscernible] and Sandy Mauro
3 have been carrying that torch across the country and asking the
4 question, Why is it that a state provider of CDBG has much more
5 latitude for the decision-making process than we do and are allowed
6 in the HOME program. And in CDBG, there's actually state rules, and
7 then the participating or the --

8 MR. PIKE: Entitlement.

9 MS. PHILLIPS: -- entitlement rules.

10 So they have two different sets of rules. With the HOME
11 program, we all operate under the same --

12 MR. PIKE: Set of rules --

13 MS. PHILLIPS: -- bureaucracy and set of rules, which
14 is -- you know, that's very difficult, which is why most other state
15 housing agencies have limited their involvement in different
16 activities.

17 MS. BETH ANDERSON: Yes. That leads me to a question.
18 I'm curious about how this mix of the Texas, both in the PJs and in
19 our use of HOME funds, and the relative proportions of TBRA, versus
20 multifamily, development, versus single-family or, you know,
21 whatever, compares. If we looked across the country, do the other
22 states look like Texas in the distribution of funds, or not?

23 MS. PHILLIPS: Not. We have -- actually, in
24 headquarters in HUD in Washington, they segregate the reports of

1 state agencies from the other PJs. So when they do comparisons, they
2 compare us to other state housing agencies.

3 MR. CONINE: The word she has used is anomaly. She has
4 used it twice today. We --

5 MS. PHILLIPS: I'm trying not to.

6 MR. CONINE: We are an anomaly.

7 MS. BETH ANDERSON: In the way we allocate our HOME
8 funds?

9 MS. PHILLIPS: Yes.

10 MS. BETH ANDERSON: And how do -- so then how do other
11 states -- what -- is there a pattern in the other states where they
12 give more to single-family financing or something? And --

13 MS. PHILLIPS: I -- we can certainly provide you those
14 reports. I've looked at them and circulated them in the Department
15 about two months ago, but --

16 MS. CARRINGTON: I think --

17 MS. PHILLIPS: -- that was two months ago.

18 MS. CARRINGTON: -- one of the examples that Suzanne
19 gave a few minutes ago was North Carolina, who, if I remember
20 correctly, programs all of their HOME funds for homebuyer assistance
21 for down-payment assistance. And I think what we've heard in this
22 discussion is that Texas -- we program HOME funds into all eligible
23 activities --

24 MS. PHILLIPS: Right.

1 MS. CARRINGTON: -- and that that's not necessarily the
2 case with other state HFAs, that they choose, like one activity
3 perhaps and focus on that activity.

4 MS. PHILLIPS: But our activities and how we operate are
5 by and large driven by the public hearings, and the public hearings
6 drive the consolidated plan. So what we hear from the participants
7 is what generally you see in our plans.

8 I think that one thing that's different between us and
9 other state housing agencies -- using the North Carolina example,
10 they only do -- and this was a couple of years ago, and they may have
11 changed. They do their homebuyer in concert with their bond program.
12 They do some rental, but they only do take out of permanent loans,
13 as opposed to interim and construction lending.

14 So, you know, different state housing agencies have
15 structured their -- even though they may do the same activity, they
16 have structured their programs differently.

17 MS. BETH ANDERSON: I'd be very interested, if it's not
18 too much trouble, to get that two-month-old data to see the
19 comparison of how we're programming the funds versus other states.

20 MR. PIKE: I would suggest, too, that -- many of the
21 other states do not get nearly as large of an allocation of funds
22 that we get. So I would suggest that that probably limits their
23 ability --

24 MS. BETH ANDERSON: Yes. But --

1 MR. PIKE: -- to do all of these activities.

2 MS. BETH ANDERSON: -- I'd be interested in looking at
3 California.

4 MR. PIKE: Yes.

5 MS. BETH ANDERSON: And I don't think that would be the
6 case in California --

7 MR. PIKE: Right.

8 MS. BETH ANDERSON: -- or Arizona or other border states
9 or Florida or, you know, other large states with large net in
10 migration.

11 MR. PIKE: Right.

12 MS. PHILLIPS: We can get to-date information. HUD has
13 a web page where we can actually go and find out our standing in
14 different activities.

15 MS. BETH ANDERSON: Okay.

16 MS. PHILLIPS: You know, for instance, one of the things
17 that we've looked at is where we stand with other housing agencies in
18 serving zero to 30-. And we were really happy to see that in the --
19 between the one and 49, we're actually, I think, Number 22 or 23. So
20 we serve more zero to 30- in our rental program than most other
21 participants, even though that may be their primary activity.

22 So it's a very interesting report. We'll -- Eric and I
23 will define some parameters --

24 MR. CONINE: Back on tenant-based rental assistance,

1 really the only "recyclable" money would be utility deposits or
2 security deposits because the rest of it's just helping them out with
3 the rent.

4 MS. PHILLIPS: Right. And we did look at your
5 suggestion last month of whether it would be to our advantage to
6 bring that in. And last year, we only allocated \$26,000 in --

7 MR. CONINE: For deposits?

8 MS. CARRINGTON: Yes.

9 MS. PHILLIPS: Yes, in utilities.

10 MS. CARRINGTON: 260 -- we assisted 260 households in
11 the eleven months in 2003. And of that, 26,000 in security
12 deposits -- security and utility deposits was provided.

13 MS. PHILLIPS: And --

14 MS. CARRINGTON: So it's a fairly small number.

15 MS. PHILLIPS: Right.

16 MR. PIKE: Right.

17 MS. PHILLIPS: And while we could do it, it would be
18 administratively huge.

19 MR. CONINE: Right.

20 MS. PHILLIPS: I think we'd have people running from the
21 building and screaming.

22 (Laughter.)

23 MR. CONINE: Touch on the predevelopment loan side right
24 quick. And obviously, percentage-wise, it's well used, but not a lot

1 of money?

2 MS. PHILLIPS: And it hasn't been done since --

3 MR. PIKE: It's --

4 MS. PHILLIPS: -- '98 or '99.

5 MR. PIKE: I'll be real honest with you. It's not
6 something I have any experience with, because we've not done that
7 activity in the last number of years.

8 MS. PHILLIPS: And in fact, the report that we put in
9 here -- I think the last contract we closed out was in --

10 MS. CARRINGTON: '97?

11 MS. PHILLIPS: -- 1997.

12 MS. CARRINGTON: Which -- we show 100 percent
13 expenditure, but we only had \$210,000 of funds in that activity.

14 MS. PHILLIPS: Right.

15 MS. CARRINGTON: So --

16 MR. CONINE: Again, that would be -- again, if it's
17 termed a loan, money -- what's the history on the money coming back?
18 Any idea?

19 MS. PHILLIPS: It didn't come back.

20 MR. CONINE: Really?

21 MS. PHILLIPS: Yes. You know, it's generally -- you
22 know, it resulted in a project or something like that, but there were
23 conditions associated with it. Now, we've had other predevelopment
24 programs that -- we've used other funding sources, but this was

1 specifically to HOME.

2 And, you know, I think that after this period, we may
3 have moved to housing trust fund for predevelopment.

4 MS. CARRINGTON: And capacity building.

5 MS. PHILLIPS: Right.

6 MS. CARRINGTON: Yes. That's right.

7 MS. PHILLIPS: But we can certainly give you some
8 information about those specific contracts.

9 MR. CONINE: Okay. I'm just curious. I mean from my
10 viewpoint, if it's 96 percent used, you know, it's -- that's the
11 highest success rate we've got on at least using the funds.

12 MS. PHILLIPS: Right.

13 MR. CONINE: It may be an administrative nightmare, and
14 it may be a pain in the rear, but, you know, that's why we have smart
15 people here doing it -- instead of machines. And --

16 MS. PHILLIPS: We're not that --

17 MR. CONINE: -- that's not a -- you know, there's a huge
18 demand to have affordable subdivisions put on the ground. And if
19 these predevelopment loans can help that effort, then I think we need
20 to explore. If the housing trust fund's meeting all the demand we've
21 got, fine. I just want to know, I guess: In the future, is --
22 "Would there be more demand if the program's restructured, not,
23 "Would there be more demand if we just had more money the way it
24 currently is."

1 MS. PHILLIPS: I think --

2 MR. GONZALEZ: Yes.

3 MS. PHILLIPS: -- a lot of the things that are viewed as
4 predevelopment are eligible costs. So, you know, I think -- you
5 know, I probably should have looked at the records first before I say
6 this. But I think those were for -- those funds were for things like
7 market studies and things like that.

8 MS. CARRINGTON: And environmental and very --

9 MS. PHILLIPS: Environmental.

10 MS. CARRINGTON: -- I mean, you know, looking at a piece
11 of land and making a determination of whether it was suitable for a
12 particular kind of development. And of course, what happened, having
13 been involved years ago with some of those early predevelopment loans
14 from TDHCA -- you know, in a good many of the cases, what happened
15 was a transaction never moved forward because, for a variety of
16 reasons, it wasn't determined feasible.

17 And, you know, the organization asked for the
18 predevelopment money because they didn't have it themselves to do it.
19 They've spent the money and basically have no ability to pay it
20 back.

21 MR. CONINE: So you had some of those who didn't pay
22 back? Is that what you're saying?

23 MS. CARRINGTON: No, sir. When I was at the other
24 organization, we had one of those predevelopment contracts of TDHCA.

1 And so we looked at multiple applications from small nonprofits
2 around the state who thought they wanted to try to do a housing
3 development, and we did not find very many of them feasible.

4 MR. CONINE: Okay. Just getting you on the record.

5 MS. CARRINGTON: Thank you for the opportunity to
6 clarify.

7 (Laughter.)

8 MR. CONINE: Rental housing development? Can I touch on
9 that for just a second? Just -- I think I know what it is, but give
10 me the two-minute version.

11 MS. PHILLIPS: The rental housing developments generally
12 we have focused on historically. But recently, CHDOs -- they're very
13 difficult to do. And because of the --

14 MR. CONINE: Why?

15 MS. PHILLIPS: Why?

16 MR. CONINE: Why.

17 MR. PIKE: The capacity.

18 MS. PHILLIPS: The capacity. Most of the CHDOs that we
19 brought in are first-time developers. Some of them have had some
20 history of development but, generally, on a very small scale. They
21 may have done a duplex or some single-family, but, generally, they're
22 fairly new. A lot of their experience is in the form of an employee
23 rather than an organization.

24 The fact that HUD requires repayment of failed projects

1 makes it even more important that we're sure that the entity has not
2 only the capacity to get the project developed but keeps it
3 operational and in good financial standing throughout the
4 affordability period.

5 MR. CONINE: Now, why would HUD require that on that
6 particular activity and not on some of the others?

7 MS. PHILLIPS: They do require it on all activities. If
8 there's a foreclosure or a unit fails to fulfill its affordability
9 period, we do have to pay it back. In other words, if we foreclose
10 on a --

11 MR. CONINE: Put that on the list to go talk to them
12 about.

13 MS. PHILLIPS: Oh, it's on the list. And it's --

14 MS. CARRINGTON: And this is also -- it's the Home
15 Fires -- the briefing on the Home Fires --

16 MR. CONINE: Yes. I saw that in there.

17 MS. CARRINGTON: -- Volume 5, Number 2. What Suzanne is
18 discussing is this two pages --

19 MR. CONINE: It's a good way to get nobody to do
20 anything --

21 MS. CARRINGTON: Right.

22 MR. CONINE: -- in those activities.

23 MS. PHILLIPS: Well, we have had -- when they came out
24 with this Home Fires, about three weeks later, Eric and I were at a

1 meeting with other HOME providers, state housing agencies, and there
2 were a couple of them who said, We are no longer going to do down-
3 payment assistance. We've had some who have said that they were
4 booking all of their loans, as to footnotes, into their financial
5 statements as a liability. They're changing how they do business.

6 NCSHA went into a critical response mode and wrote HUD
7 and wrote a couple of members of Congress and, you know, have really
8 been in almost a continuing running battle with HUD on the issue.

9 MR. CONINE: How long has it been out there?

10 MS. PHILLIPS: About a year -- close to a year. It has
11 been bandied about for a while. The headquarters staff mentioned it
12 during a couple of workshops.

13 And it was not very well received by the attendees at
14 the meeting because -- you know, our basic response was, You're
15 asking us to serve a population that's not being served in the
16 marketplace, and you're asking state agencies and state governments
17 to take a financial risk that the lending institutions won't take.
18 And, you know, they require this repayment for nonfederal dollars --

19 MS. BETH ANDERSON: Right.

20 MR. PIKE: Which we don't have.

21 MS. BETH ANDERSON: It's going to drive all the HOME
22 funds into like TBRA, where --

23 MS. PHILLIPS: Right.

24 MS. BETH ANDERSON: -- there's no --

1 MS. PHILLIPS: Right. And that is more, you know,
2 intense that we actually see beneficiary by beneficiary.

3 They've recently come out with some pseudo-guidance on
4 how to apply for a waiver. And it's -- we've got a test case going
5 through the Department now under review where we're going to ask for
6 waiver of repayment based on what we believe is a clear path of due
7 diligence that we've followed in making the award and trying to make
8 the deal work. And we've -- we're hopeful that we get, you know,
9 some -- a favorable review back, because it is our worst --

10 MS. BETH ANDERSON: Nightmare.

11 MS. PHILLIPS: -- scenario that really we've gotten.
12 And if they're not agreeable on this, then we really do have some
13 problems.

14 MR. CONINE: But assuming -- assume we got rid of that
15 problem just as a -- you know, a miracle happened. The rental
16 housing development program assists CHDOs in putting the projects on
17 the ground in the form of?

18 MS. PHILLIPS: Loans. And I understand there have been
19 some occasional grants. We have a limitation of -- within our rule,
20 not federally, of a million-five to each award. So it basically
21 either limits the size of the deal that we do or requires that
22 another lender participate.

23 MR. CONINE: And we structure that per underwriting,
24 or --

1 MS. PHILLIPS: Yes.

2 MR. PIKE: Right.

3 MS. CARRINGTON: -- whatever?

4 MS. PHILLIPS: It goes through underwriting. And they
5 generally will also -- they do just like they do with the other
6 awards: Suggest what the interest rates and those --

7 MR. CONINE: And that's a direct application to us from
8 the applicant? There's no --

9 MS. PHILLIPS: Yes.

10 MR. PIKE: Right.

11 MS. BETH ANDERSON: Was that Houston single-room-only
12 thing --

13 MR. PIKE: Right.

14 MS. PHILLIPS: Yes.

15 MS. CARRINGTON: Yes. It was --

16 MR. PIKE: That was --

17 MS. BETH ANDERSON: -- funded out of this activity?

18 MS. CARRINGTON: It was HOME funds. And I think we have
19 Trust Funds, also --

20 MS. PHILLIPS: Right.

21 MS. CARRINGTON: -- in Canal Street.

22 MS. PHILLIPS: And there may even be a private lender.

23 MS. CARRINGTON: And that is --

24 MS. BETH ANDERSON: There is a private lender in it,

1 too?

2 MS. PHILLIPS: Oh.

3 MS. CARRINGTON: Yes.

4 MS. PHILLIPS: It's 811. There are some federal funds
5 involved.

6 MS. CARRINGTON: I think it's important to clarify that
7 all rental housing development funds don't go to CHDOs --

8 MS. PHILLIPS: Right.

9 MS. CARRINGTON: -- and that, certainly, there is a
10 portion of them that do, but many other kinds of applicants can
11 participate in the rental housing development program.

12 And if I can go back to the Home Fires for just a
13 minute? I think when you look at the chart that Sarah Anderson
14 provided us on the 20 other -- 25 PJs around the state, I don't know
15 if it's because of the Home Fires or what, but theirs -- they're
16 programming 46 percent at TBRA and then 25 percent at owner-occupied,
17 which is 70-some-odd percent. And who knows if it's because of this
18 foreclosure issue?

19 But I think we certainly have already seen an interest
20 or a driving to certain activities that would not require a
21 repayment.

22 MS. PHILLIPS: Generally, with our rental properties,
23 our LURA allows them to serve on a long term, up to 80 percent.
24 There are some complex rules associated with their initial occupancy;

1 90 percent of all their tenants have to be at 60 percent and below
2 initially.

3 And so a tenant has to go in and tag a unit as HOME-
4 eligible. We have to keep records on those individual units as
5 they're tagged "HOME." And then, after that, their occupancy can go
6 up to 80 percent.

7 Sometimes we're in a first-lien position. Sometimes
8 we're in a second-lien position. I know that asset management and
9 Tom's shop have been looking at the group of HOME projects that we've
10 allocated up to this point, assessing their financial health and
11 determining whether we're in a position where we need to do workouts.

12 And we're going through that process right now.

13 We've had some very, very good experiences with the HOME
14 program. We've got HOME projects that have multiple subsidies.

15 We have HOME projects that have: HOME and tax credits;
16 HOME and rural housing; HOME, rural housing, tax credits and housing
17 trust fund. So, you know, we've got multiple subsidies. That's
18 usually required to make these deals work especially in the rural
19 areas, because the rent limits are pretty low and the construction
20 costs are the same generally as where they are other places.

21 I think Brooke can probably talk to the application
22 process. But --

23 MR. CONINE: Before she does that, I'm -- how often do
24 we review the difficulties in the structure of the program? Have we

1 done that lately?

2 (Pause.)

3 MR. CONINE: Not tweaking. I mean major thinking
4 through of, Is it being done right?

5 MS. PHILLIPS: A couple of years ago, we had some major
6 rethinking because we realized that we were structuring the deals
7 incorrectly. We were providing HOME funds at zero percent to tax
8 credit projects. That was kind of imploding the tax credit side, so
9 we've had to restructure that process. But I think, by and large,
10 our administration hasn't changed that much.

11 MR. CONINE: I mean it's the second-largest use of the
12 money over the last ten years or 12 years. And --

13 MS. PHILLIPS: From the operations side, we've done a
14 lot of scrubbing in how we monitor and in the reporting requirement
15 just in response to some clarifications that HUD has provided on what
16 they expect. And -- but as far as the application process and the
17 underwriting process, I can't remember right off the top of my head
18 any major changes.

19 MR. CONINE: And the demand side has been what through
20 the years? Oversubscribed? Undersubscribed?

21 MS. BOSTON: Undersubscribed.

22 MR. CONINE: Undersubscribed?

23 MS. BOSTON: Yes. That was --

24 MS. BETH ANDERSON: Across the board, or just in the

1 CHDO -- I mean --

2 MS. BOSTON: Brooke Boston. We've been
3 undersubscribed -- at least since our area took over the activity for
4 rental, we're undersubscribed on preservation, and we're
5 undersubscribed on CHDO rental, which is why both of the NOFAs went
6 out as open NOFAs. So we can, hopefully, just deal with folks as
7 they come in and not have people wait all year to do a fund. We can
8 actually work with them.

9 Particularly on the CHDOs, the applications themselves
10 last time were oversubscribed, but, once we went through and
11 determined eligibility and that they had met threshold and then
12 financial feasibility, there weren't enough to even use all the
13 funds; we still have 9 million left of the '02/'03 CHDO rental or
14 just CHDO together. And we've decided to have it just go out as
15 rental.

16 Because a lot of it had to do with eligibility and
17 feasibility, that was why we thought, Well, if we go out as an open
18 cycle and there's no back-and-forth dialogue and they can continue to
19 work with the Agency and we don't basically just say, "Oh, you're
20 ineligible," or, you know, "You're weak here; so that makes you a no-
21 go," now we can say, "Well, you're weak here; let's work together and
22 bone up that component of your application, and we'll keep you in the
23 pipeline."

24 MR. CONINE: Would you give me some feedback from the

1 CHDO groups around the state on -- I believe an open cycle will help,
2 you know. I never have thought real estate is a once-a-year deal.

3 But I want some more feedback from the groups out there
4 that have used the program as to the nuances of the program and what
5 would help it and what would hurt it. I want to hear some -- from
6 some of those folks.

7 MS. PHILLIPS: That's an excellent suggestion. I know
8 that in the next year-and-a-half, we're going to have to look at our
9 rental portfolio and, specifically, our CHDO rental portfolio very
10 closely. We have been told by HUD to expect that their next step of
11 work will be into the rental and CHDO rental programs. So the --
12 your suggestion will tie very closely in to that preparation.

13 MR. PIKE: I wanted to say also that we have implemented
14 a deficiency process, which wasn't in place previously, which allows
15 us the flexibility to work with an applicant. If there's a form
16 missing or a document missing or things like that, in the past, we
17 may have had to have disqualified them. But now we have the ability
18 to work with them to cure some of those issues.

19 I mean, obviously, if it has got a major underwriting,
20 you know, problem, that may not be able to be worked out, but we're
21 hoping that with that maneuver along with the open funding cycle,
22 we'll see more and more applicants apply -- successfully apply and
23 compete and be funded for those dollars.

24 MS. CARRINGTON: That deficiency process that we built

1 into our HOME rules is -- mirrors our tax credit deficiency process.

2 And it certainly made sense to us that you don't just kick them out
3 until next year.

4 MS. BOSTON: A couple of other changes to the rental
5 program, to follow up on your concern of changes. One change is that
6 they have to meet all of the threshold requirements for tax credits.

7 Basically, we -- in part of going for a uniform application, we
8 said, you know, Whatever we've identified for a credit deal as being
9 important is really what boils down to being important for any rental
10 deal.

11 So the Housing Trust Fund and HOME have the exact same
12 threshold standards. For the HOME program, there are some additional
13 requirements that they also have to submit -- to satisfy, you know,
14 HUD regs that are not applicable in the tax credit.

15 Two other changes that just went out in these two NOFAs
16 and that I think we consider substantial and the development
17 community would probably consider substantial as well. There's a
18 minimum requirement that at least 10 percent of every development has
19 to serve 30 percent -- 10 percent of the units have to go to people
20 at 30 percent of the area median income. And it -- that was
21 specifically targeted to try and address kind of the report card that
22 we get from HUD.

23 One of our measurements is serving units -- families at
24 30 percent, and we haven't been succeeding at that very well

1 according to HUD's measurement of it. And so we added that into the
2 NOFAs.

3 And then the other one was to actually accommodate what
4 Suzanne was telling you all about, the recapture concerns, and to
5 reduce that time as much as possible. HUD's actual affordability
6 requirements on rental deals are different than our state regulation.

7 For new construction, it's 20 years. And for rehab, it depends on
8 how much you're putting in per unit and may be as low as five years
9 for the affordability.

10 So in the NOFAs, we actually split it out and did a two-
11 tiered affordability term. We said your first term is your federal
12 affordability requirement, which is just whatever's required by HUD.

13 And then, separately, we're going to hold you to a state term which
14 finishes you up to 30 years, which is what 2306 requires, but it will
15 only be for the state portion of it and will not have the federal
16 recapture associated with it.

17 So we're trying to minimize our risk at least as much as
18 we can about the Home Fires being -- issue.

19 MR. CONINE: Okay.

20 If you don't mind, I -- we've just got one more to talk
21 about. It may go a little longer over time, but let's talk about the
22 contract for deed right quick just to get, again, a thumbnail sketch
23 of that program.

24 MR. CABELLO: Hi. Homer Cabello. Basically, the way

1 the contract for deed program worked: We released a NOFA, and we're
2 getting nonprofits to apply that serve the colonias region.

3 But one of the major challenges that we have is that we
4 have a lot of grassroots nonprofit organizations working in the
5 colonias. So they tend to struggle with the HOME funds. And that's
6 probably why you don't see a high-dollar value volume that has been
7 utilized through the HOME program.

8 Historically, we have utilized pots of money that were
9 available -- zero percent money and bond refunds -- where the
10 nonprofits will do the application intake for us and then we will
11 process them and then put them in our loan origination and loan-
12 servicing system. And, you know, we will order the title commitments
13 and do surveys and all of the actions that is required to close a
14 real estate transaction.

15 But since those pots of money have dried up, we are now
16 going back to utilizing the HOME funds. With the HOME funds, not
17 only do we have to convert contracts for deed, but we have to
18 rehabilitate the homes up to, at a minimum, colonias housing
19 standards, but, preferably, housing quality standards. So it's the
20 conversion plus the rehabilitation to be in compliance with the HOME
21 dollars and the rules and regulations governing the HOME program.
22 So --

23 MR. CONINE: So let me stop you there. You're combining
24 owner-occupied assistance money --

1 MR. CABELLO: Correct.

2 MR. CONINE: -- with conversion money?

3 MR. CABELLO: Correct.

4 MR. CONINE: Okay.

5 MR. CABELLO: Now, the Rider 13 to our appropriations
6 bill requires us to convert 400 contracts for deed and to not --
7 expend no less than \$4 million, which is very difficult to achieve
8 with the HOME funds because if we're using them both for conversion
9 and rehab, we're averaging 20,000- to \$30,000 a household, so we'll
10 need 7-, 8- or \$9 million just to meet the mandate of Rider 13.

11 The capacity of nonprofits is a major issue. We
12 released a \$2 million NOFA last year, of which we only awarded 1.2-
13 --

14 MR. PIKE: 1.3.

15 MR. CONINE: Wait a minute.

16 MR. CABELLO: -- \$1.3 million.

17 MR. CONINE: I'm confused. You said we -- under that --
18 under the example you used, we need 7-, 8-, or \$9 million?

19 MR. CABELLO: Correct.

20 MR. CONINE: How much are we allocating this time?

21 MR. CABELLO: Well, we released the \$2 million NOFA.

22 MR. CONINE: Two million? So what you're saying is we
23 need more money in that program to get that volume?

24 MR. CABELLO: To meet the --

1 MR. CONINE: If --

2 MR. CABELLO: -- legislative --

3 MR. CONINE: If we didn't have the nonprofits having a
4 capacity problem, we would need 7-, 8- or \$9 million?

5 MR. CABELLO: To meet the legislative mandate utilizing
6 the HOME program -- utilizing the HOME dollars to meet that
7 legislative mandate.

8 MR. CONINE: Okay. All right. And --

9 MS. BETH ANDERSON: Are there still thousands of homes
10 in the colonias that are held under a contract so that there are that
11 many homes to be converted to -- from -- what do you call it --
12 contracts for deed?

13 MR. CABELLO: That's a difficult question to answer
14 because a lot of the contracts for deed are not recorded instruments.
15 We are finding a lot of contracts for deed in the colonias that do
16 not have water. And we cannot utilize the HOME dollars if there is
17 no water services in those areas.

18 Now, a lot of holders of contracts for deed are doing
19 their own refinance programs because we're having difficulty getting
20 payoffs from the contract for deed holders -- the owners of the
21 contracts for deed, because they're getting 12, 14, 16 or 18 percent
22 interest on their money -- and we're paying them off -- and they
23 can't reinvest that money and get that type of return.

24 So they're doing their own conversions, and so we're

1 finding them less and less. Now, we have -- we find the majority of
2 the contracts for deed from Webb County, Little Laredo to El Paso.
3 We're not finding very many in the Rio Grande Valley any more.

4 One of the suggestions that we should probably make at
5 the next legislative session is if this -- if we are to keep that
6 rider, we should expand it to also include a refinance program
7 because the colonias residents are still experiencing a lot of the
8 issues that they had under contracts for deed, but they now have
9 title to the property, but they're still paying 12-, 14- or 16-
10 percent interest.

11 And they're still under negative amortization. They're
12 still being charged a lot of fees. There are still a lot of the same
13 issues.

14 MR. CONINE: Right.

15 MR. CABELLO: But we can't get to those people anymore
16 because they were given title to the property.

17 MR. CONINE: They've been converted already.

18 MR. CABELLO: Correct.

19 MR. GONZALEZ: Excuse me.

20 MR. CONINE: Yes, sir.

21 MR. GONZALEZ: So you're suggesting refinancing --
22 trying to go to the legislature to offer a refinancing --

23 MR. CABELLO: I would --

24 MR. GONZALEZ: -- program?

1 MR. CABELLO: I would suggest amending the rider to also
2 do contracts for deed conversions in addition to a refinance program
3 for residents in the colonias.

4 MR. CONINE: Tell me about the capacity of the
5 nonprofits out there to do this. What sort of issues are --

6 MR. CABELLO: Well, we have a lot of nonprofits that
7 work in the colonias that struggle just to keep their doors open on a
8 daily basis. There are many executive directors that we deal with of
9 these nonprofits that usually are volunteers or do not get paid on a
10 regular basis, which -- you know, we've got to admire those types of
11 people because they're helping very --

12 MR. CONINE: Yes. I'm very familiar with that.

13 MR. CABELLO: Okay.

14 MR. CONINE: I do a lot of that myself.

15 MR. CABELLO: Okay.

16 (Laughter.)

17 MR. CABELLO: The biggest issue -- you know, we do our
18 fill to also provide them technical assistance. And we assist them
19 in trying to build their capacity to apply for these types of
20 programs.

21 However, as we're out there teaching nonprofit staff how
22 to do application intake and how to put an application package
23 together and submit it to us, we have taught those staff members a
24 new skill, and what we're experiencing is a high turnover rate at

1 these nonprofits because now they can go somewhere else and get a
2 real job and make more money, which -- you know, more power to those
3 people.

4 It's just very frustrating on our end over here in
5 trying to implement these programs and get these dollars expended by
6 having a high turnover rate. And --

7 MR. CONINE: Why don't we just go out and do it
8 ourselves? Why are we depending on the nonprofits?

9 MR. CABELLO: We have been doing it on our -- by --

10 MR. CONINE: We have?

11 MR. CABELLO: We have. Through our field office, we
12 take in the applications. We process them here in Austin.

13 MR. CONINE: Yes?

14 MR. CABELLO: We input them in our loan origination/loan
15 servicing system --

16 MR. CONINE: Right.

17 MR. CABELLO: -- and then we close them at the title
18 companies.

19 MR. CONINE: Okay.

20 MR. CABELLO: We have been --

21 MR. CONINE: So we are doing some of that?

22 MS. BETH ANDERSON: What percentage of them are done by
23 nonprofits versus this process you've described where we just do it
24 ourselves?

1 MR. CABELLO: Well, we utilize the nonprofits to help us
2 do the application intake, where they get us the W-2s and the check
3 stubs and all that information. But then they give that to our field
4 office, and then they input it into our loan origination system.

5 I would say -- of the funds that are not HOME funds, I
6 would say that about 25 percent of those loans originated were
7 assisted through nonprofit organizations. On the remaining 75, we
8 went and met with the individual families, either at their homes or
9 at a community center or something, and we did the application
10 intake.

11 MS. PHILLIPS: But the contract's still with another
12 entity?

13 MR. CABELLO: No. These were utilizing bond funds
14 where -- we only released the funds upon closing of that real estate
15 transaction at a title company. So those were -- that's what we're
16 calling the individual contract for deed loan program.

17 MR. CONINE: Have we been to HUD? I mean the colonias
18 are a border-state issue, and they don't write rules in Washington,
19 D. C., for specialty, little problems like this. Have we been to HUD
20 to say, "Look, we need some help on the relaxation of the HOME Fund
21 side of this thing so that we can specifically target these people to
22 take care of an abuse that's going on," basically, at least in my
23 mind? And what has their answer been?

24 MR. CABELLO: We were able to bring Secretary Martinez

1 down to El Paso, and we gave him a tour of the colonias. And one of
2 the -- there were several -- issues that we were trying to convey to
3 him and his chief of staff at the time was that there are some
4 colonias that do not have water --

5 MR. CONINE: Right.

6 MR. CABELLO: -- but the financing and other funds have
7 been secured, and that the water lines are eventually going to be
8 coming in because all the funding has been obtained, and, Can we go
9 in there and start doing the contract for deed conversions and
10 rehabilitate these houses to be able to handle indoor plumbing; And
11 within a year or two-year period, the water lines will be coming in,
12 and all we have to do is just plug them in and let them go. And the
13 answer is still no.

14 The other issue is the capacity, but there's a lot of
15 federal regulations that govern these funds. And it's very
16 difficult. It's very difficult.

17 MS. BETH ANDERSON: Are these --

18 MS. PHILLIPS: Can I add something? One of the -- I'm
19 sure you remember the problem that we had with our TSAHC monitoring.
20 It was -- their finding was generally driven by a contract for deed
21 program, you know. That's what opened the door.

22 And while they then -- you know, it's the camel's nose
23 under the tent. Their concerns were originally rooted in that
24 contract for deed conversion program. You know, their concept of the

1 type of housing that's there and the end product just doesn't match
2 what actually happened.

3 We were able to get HUD to agree to a lower physical
4 standard from housing quality standard to colonias housing standard.

5 But even though they approved it, I don't think that they visually
6 and intellectually understood what it would look like. And then,
7 when they saw the product, they said, Well, this isn't sufficient.
8 But it was sufficient under the terms that they agreed to.

9 So, you know, there is a major disconnect between, you
10 know, the reality of the situation and what's actually happening.
11 The HUD awards that -- the HOME awards that we have for contract for
12 deed -- they're generally slow to draw because of the capacity issue.

13 So, you know, HOME might not be the best tool to do this program
14 with.

15 MR. SALINAS: Can --

16 MS. BETH ANDERSON: I've got a question about whether
17 your concerns about Home Fires and the liability -- potential
18 liability the Department has under Home Fires extend to our use of
19 HOME funds for this purpose. Yes?

20 MS. PHILLIPS: Yes, because we had to pay back a lot of
21 money on these projects that they were not satisfied with the final
22 structure of. You know, they -- it was just a disconnect in their
23 minds.

24 MR. SALINAS: Can --

1 MR. CONINE: Yes, Mayor?

2 MR. SALINAS: Can I -- I know I'm not a member of this
3 committee. But every time I hear --

4 MR. CONINE: You're welcome at any time.

5 MR. SALINAS: -- the conversation about no water in some
6 of these colonias and -- you know, we've got to hold those elected
7 officials accountable, you know. And there is an attorney general
8 that needs to be -- they need to be reported. And, you know, the
9 abuse has to stop from Webb County to El Paso. You know, it -- the
10 only reason you have this problem is because there is no policing of
11 these people that are building these colonias without any water.

12 It's unheard that you still have that problem over
13 there, you know. The contract for deed has to stop. People have to
14 stop doing that. That's -- I don't think -- that's against the law.

15 And I think that the attorney general and -- you know,
16 we're not going to stop this until the attorney general files a
17 lawsuit against one developer and fines him a quarter of a million
18 dollars. And I guarantee you that's what's happening in Hidalgo
19 County. They filed a law suit, and that developer paid \$131,000 in
20 fines. And I guarantee -- you went to the county clerk, and
21 everybody was filing those contracts through those people.

22 You will not find one contract in Hidalgo County in the
23 Valley any more simply because they went ahead and used the power of
24 the law. And you still find -- some attorney general people go to

1 the county clerk and find out that that contract is 90 days old. If
2 it's 90 days old, they go back to the developer and file a law suit
3 against it because it has to do -- they have to file it in 30 days.

4 Now, if that is being done in the valley, why can't it
5 be done in Webb County and the rest of the area all the way down to
6 El Paso? I'm -- it seems to me that they're about ten or 15 years
7 behind, and the attorney general seems not to want to do anything
8 about it. But the law is there. If -- I mean the mechanism is
9 there. The county judges and the county commissioners need to be
10 held accountable for this.

11 MR. CONINE: Yes. And I would suggest a couple of
12 things after hearing what I've heard. One: Let's meet with the
13 attorney general's office.

14 MR. SALINAS: I think so.

15 MR. CONINE: And because he doesn't have the
16 information -- we've got the -- we've got people out in the field
17 down there. We've got the information. We're probably closer to it
18 than any other --

19 MR. SALINAS: Yes.

20 MR. CONINE: -- state agency, to be honest.

21 MR. CABELLO: Can I interrupt you there --

22 MR. CONINE: Yes.

23 MR. CABELLO: -- about the attorney general?

24 MR. CONINE: Sure, you can.

1 MR. CABELLO: First of all, we -- former board member
2 Judge Daross -- we've talked to him quite a bit because he heads up
3 the attorney general's office in El Paso.

4 MR. CONINE: Yes.

5 MR. CABELLO: And he's part of our meetings at times.
6 But I will tell you that the attorney general just lost their funding
7 for colonias enforcement, and they just let go of those two attorneys
8 that were filing these types of lawsuits. Now, we were -- I attended
9 a meeting Monday because the secretary of state's office, which is
10 like the lead colonias agency for the State of Texas --

11 MS. CARRINGTON: And has quarterly meetings that we
12 participate in.

13 MR. CABELLO: And we meet on a quarterly basis --

14 MS. CARRINGTON: Right.

15 MR. CABELLO: -- and we talk about colonias issues.

16 It was just brought to our attention that the county
17 judge in Starr County is selling illegal lots in Starr County. It
18 was brought up that --

19 MR. SALINAS: And he was fined and he paid a fine of
20 \$68,000 in the last law suit they filed against him.

21 MR. CABELLO: So, you know, that was something that was
22 brought up at the last meeting. The -- a lot of the colonias
23 individuals that we are working on the Border issues with were
24 talking about, Well, what is the next colonias legislation that needs

1 to be worked on. And it's enforcement. That's what everybody agreed
2 on.

3 MR. SALINAS: It's enforcement.

4 MR. CABELLO: It's enforcement. Because right now --
5 what we did in El Paso -- we had to create a matrix. When we find
6 that people are violated, we send them to Texas rural legal aid, the
7 county attorney's office and to Judge Daross' office, and they all
8 say, "It's not in our jurisdiction," and so forth and so on.

9 So we've created a matrix. So if you're a colonias
10 resident and you're violated for this, we look at the matrix and just
11 say, You fall under the county attorneys, or, You fall under the AG's
12 office. But it's enforcement that's the biggest issue that we're
13 dealing with.

14 Contracts for deeds -- we're not seeing as many anymore
15 because the developers are giving them title now or the holders of
16 the contracts are giving them title now. But the abuses are still
17 there.

18 MR. SALINAS: But, you know, the county has to have a
19 permitting system. And they should not give anybody a permit to get
20 water if they do not have a recorded plat. If they don't have what
21 is supposed to -- what the law says they're supposed to have, they're
22 not supposed to give them a permit for a septic tank or for water.

23 I mean it's very simple. The law is there, but people
24 are just not doing it. And somehow, the attorney general needs to

1 find out, and the governor's office needs to find out.

2 MR. CONINE: And there's also another group of -- the
3 Texas Association of Counties has -- you know, they have their own
4 trade association for all those county judges and commissioners. We
5 need to meet with those guys and have a face-to-face with them and
6 say, Look, here is the problem; We're experiencing it firsthand.

7 And on some of those things that you're talking about,
8 once the right set of ears hears that sort of thing, I think you'll
9 be surprised --

10 MR. CABELLO: Right.

11 MR. CONINE: It's my guess that we will be surprised
12 that there might be some --

13 MR. CABELLO: I would tell you there have been many laws
14 that have been passed since '89. Supposedly the stop of the
15 proliferation of the colonias has taken place.

16 MR. CONINE: Right.

17 MR. CABELLO: But I will tell you that the Texas Water
18 Development Board is getting ready to release another colonias
19 report. Where we used to have just under 1,500 colonias along the
20 Border, this new report has identified over 2,200. So there's more
21 colonias being identified. And that report has yet to be released.

22 But that was discussed at the Monday meeting. So --

23 MR. CONINE: And the third meeting is with HUD. I think
24 we need to -- even if Secretary Martinez was there, it really -- you

1 know, we need to get to the right people to get the decision made at
2 a lower level to allow at least Texas and maybe Arizona and
3 California and any other state that has got this sort of issue the
4 ability to come in and provide financing with HOME funds and maybe
5 even a refinance situation.

6 MR. SALINAS: Yes. Refinancing is the answer to
7 everything you have.

8 MR. CONINE: Yes. I mean I think the abuse that happens
9 on the contract for deed and/or high-interest-rate loans is separate
10 and apart from whether the house has water or not. The two issues
11 aren't necessarily hooked together. I mean we had farms in this
12 country without water for years, and people turned out okay that came
13 out of those places.

14 So we need to try to make -- see if we can make HUD
15 understand that and get to the right people. And if, you know, we
16 start with Cindy and move from there, I don't know, but we -- I'd
17 like to at least see us go through that effort and report back to the
18 board on what actually happened in each of those three meetings.

19 MR. CABELLO: All right. I do -- would like to mention
20 that I believe the HOME program is a good funding source for the
21 contract for deed conversion because not only do we bring them in and
22 convert them, but we're also addressing their housing rehab
23 situation.

24 MR. CONINE: Yes. I'm with you.

1 MR. CABELLO: So we're taking care of many, many issues.

2 MR. CONINE: I'm with you on that.

3 MR. CABELLO: But I will also tell you that the colonias
4 residents that don't have -- do not have water are very happy
5 themselves. I mean --

6 MR. CONINE: Well -- and --

7 MR. CABELLO: -- they're living.

8 MR. CONINE: And we ought to try to get them water.
9 That's not -- I'm not saying they shouldn't be without water. My
10 point is that there's two separate abuses going on and we need to
11 make sure that those who have their little fingers in the pie
12 understand that we need to address both. And I don't think they are.

13 MR. GONZALEZ: I have a question --

14 MR. CONINE: Vidal?

15 MR. GONZALEZ: -- for clarification purposes.

16 When you say no water, does it -- are you referring to
17 that they didn't have the county water lines, or, in some cases, do
18 you consider if they have a well or something? How do you consider
19 that? Or --

20 MR. CABELLO: Well, let's take our Webb County -- self-
21 help center that we have in Webb County. We're targeting five
22 colonias right now through our CDBG program through the self-help
23 center. They don't have water; they truck in the water. If you
24 drive down there, you'll see the tanks.

1 And they're -- but the county and the city and NAD Bank
2 and the Texas Water Development Board -- the funding is there for the
3 water to come in. We help to do the right-of-way acquisitions; we
4 move houses and fences and gas lines and all that stuff, and the
5 water's coming in.

6 But we've got an organization that we're funding that
7 wants to go do the rehabs, but we can't even though the funding has
8 been secured and the pipes are laying out there beside the highway.

9 MR. SALINAS: Right.

10 MR. CABELLO: Because -- they're going to be eventually
11 put in. But we can't touch those houses because the HUD rules don't
12 allow us to, and it's very frustrating. It's the chicken-before-the-
13 egg type of thing.

14 MR. SALINAS: We need to change the rules then.

15 (Laughter.)

16 MR. CONINE: Yes. That's --

17 MR. CABELLO: I've been trying.

18 MS. BETH ANDERSON: That's a conversation that --

19 MR. CABELLO: I've been trying.

20 MR. CONINE: That was my point on meeting with the
21 current HUD administration to see if we could --

22 MR. GONZALEZ: And I guess the only point I wanted to
23 make sure we understood was -- is that typically it would have some
24 type of facilities to have some water there at the house; it's not

1 like there's not any water available.

2 MR. CABELLO: Yes. They truck it in.

3 MR. GONZALEZ: Yes.

4 MR. CABELLO: Webb County -- the county put spigots down
5 the road. And they go up and fill up their tanks of water, and then
6 they come back and put it in the houses.

7 MR. CONINE: Yes. I was in Mexico City recently. And
8 they still don't have enough water pressure in Mexico City to service
9 the 20 million people that live there, so they've got these huge,
10 black pots on top of every house --

11 MR. CABELLO: Yes.

12 MR. CONINE: -- that has a water line running up to it.
13 And it fills it up, you know, during the middle of the night. And
14 water pressure goes off during the day because it's being used out of
15 those self-containers. There are ways to get things done and service
16 the pipeline, but I -- you've got to get all three of them kind of
17 sitting at the same table in order to get something accomplished
18 here.

19 MR. CABELLO: And finally, I believe that we have to
20 have some major capacity building. I mean --

21 MR. CONINE: Right.

22 MR. CABELLO: Because once we build that capacity, they
23 can then start using these dollars.

24 MR. CONINE: Well, I'll tell you. The other -- in

1 response to that, I'd like to see -- instead of our fate being
2 determined by nonprofit capacity building, why not let's go out there
3 and do it ourselves? I mean there's no -- we can pay the people.

4 We can -- at least give me some sort of analysis that
5 would take that into consideration because, if we're just talking
6 from Webb County to El Paso and 2,200 colonias, we're better off with
7 our fate being determined by our own people, as opposed to those who
8 are there for nonprofit purposes and doing it on a volunteer basis
9 and not getting paid to do it. That's a bad horse to ride.

10 MS. CARRINGTON: That's right.

11 MR. CABELLO: It's very -- I don't want to use the word
12 "frustrating," but it's very challenging. And that's why we started
13 doing it --

14 MR. CONINE: Right.

15 MR. CABELLO: -- ourselves.

16 MR. CONINE: The state legislation needs to understand
17 that. And if we explain that to them and why we need more FTEs and
18 all that kind of good stuff, I think maybe we'll get a little hearing
19 there. But I would like at least to see some feedback on the
20 administrative cost of just doing it ourselves and not spending the
21 money for capacity building, because that obviously has not worked
22 for various reasons.

23 Anything else?

24 Yes, Vidal?

1 MR. GONZALEZ: We may want to approve the minutes now
2 that Beth is here.

3 MR. CONINE: Oh, yes. Thank you for reminding me.

4 We need to get the minutes approved from our previous
5 meeting of last month, which would have been what? Let's see.

6 (Perusing document.)

7 MR. PIKE: March.

8 MR. CONINE: March. Could I get a motion to do that?

9 MS. BETH ANDERSON: So moved.

10 MR. CONINE: I'll second it.

11 Any further discussion?

12 (Pause.)

13 MR. CONINE: Seeing none, all those in favor signify by
14 saying aye.

15 MS. BETH ANDERSON: Aye.

16 MR. CONINE: Aye.

17 MR. GONZALEZ: One abstention.

18 MR. CONINE: And one abstention.

19 That concludes our Programs Committee. I'm sorry I went
20 over, for those of you in the audience. We stand adjourned.

21 (Whereupon, this meeting was concluded.)

C E R T I F I C A T E

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3 MEETING OF: TDHCA Programs Committee

4 LOCATION: Austin, Texas

5 DATE: April 8, 2004

6 I do hereby certify that the foregoing pages, numbers 1
7 through 100, inclusive, are the true, accurate, and complete
8 transcript prepared from the verbal recording made by electronic
9 recording by Penny Bynum before the Texas Department of Housing and
10 Community Affairs.

(Transcriber) 04/16/04
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