

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

9:00 a.m.
Thursday,
May 13, 2004

Waller Creek Office Building
Room 437
507 Sabine
Austin, Texas

COMMITTEE MEMBERS:

ELIZABETH ANDERSON, Chairman
C. KENT CONINE, Vice Chairman
PATRICK GORDON
SHADRICK BOGANY
NORBERTO SALINAS
VIDAL GONZALEZ

STAFF PRESENT:

EDWINA CARRINGTON, Executive Director
BILL DALLY, Chief of Agency Administration
CHRIS WITTMAYER, General Counsel
TOM GOURIS, Director of Financial Real Estate
DAVID GAINES, Director of Internal Audit
ERIC PIKE, Director of Single Family Finance
Production
SARAH ANDERSON, Director of the Housing Center
SUZANNE PHILLIPS, Director of PMC
MICHAEL LYTTLE, Director of Governmental
Affairs
DELORES GRONECK
CURTIS HOWE, Director of Information Services
SARA NEWSOM
ANNE PADDOCK

ALSO PRESENT:

SENATOR FRANK MADLA

ON THE RECORD REPORTING
(512) 450-0342

STATE REPRESENTATIVE CORBIN VAN ARSDALE

HENRY GORHAM, Chairman of the Board, Blue Light
Village Housing, Corpus
Christi

SCOTT SIMS, representative from the Speaker's
Office

REV. HARVEY CLEMONS, former TDHCA board member

MIKE JONES, former TDHCA board chairman

PAM JONES

BOB CASH, for State Representative Kevin Bailey

GERALD RUSSELL, Montgomery Pines representative

LEWIS HILL, president, Ravenswood Sellers and
Park Home Association

STEVE FORD, developer, Pinnacle Apartments,
Cypress

DAVID BROWN, engineer, Pinnacle Apartments

KEN OVERSHINER, J.P. Morgan Chase

LLOYD GRIFFIN, GMAC Fannie Mae

SCOTT LANDEN, tenant

JOEL LEVITZ, market study specialist, Boston
Capital

JEFF SPICER

CRAIG ALTER, Southwest Housing Development
Corporation

ROBERT VOELKER, representative, Corinth
Estates, Corinth

MIKE GILBERT, representative, Meadows of
Oakhaven, Pleasanton

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1
2 CHAIRMAN ANDERSON: Good morning. I call to
3 order the board meeting of the Texas Department of Housing
4 and Community Affairs for Thursday, May 13, 2004. I will
5 call the roll. Vice Chairman Conine?

6 VICE CHAIRMAN CONINE: Here.

7 CHAIRMAN ANDERSON: Mr. Bogany?

8 MR. BOGANY: Here.

9 CHAIRMAN ANDERSON: Mr. Gonzalez?

10 MR. GONZALEZ: Here.

11 CHAIRMAN ANDERSON: Mr. Gordon?

12 MR. GORDON: Here.

13 CHAIRMAN ANDERSON: Mayor Salinas?

14 MAYOR SALINAS: (No response.)

15 CHAIRMAN ANDERSON: I believe that Mayor
16 Salinas has just gone to take care of something and will
17 join us shortly. So at present, we have five members
18 present. We do have a quorum.

19 The first item of business is public comment.
20 As is our normal practice, the board will solicit public
21 comment at the beginning of the meeting and will also
22 provide for public comment on each agenda item, after the
23 presentation made by department staff and motions made by
24 the board. So we will now entertain public comment for

1 those who wish to speak during the public comment period.

2 Senator Madla, would you like to speak now,
3 sir?

4 SEN. MADLA: It would help me.

5 CHAIRMAN ANDERSON: You bet. Welcome.

6 SEN. MADLA: Thank you.

7 CHAIRMAN ANDERSON: We appreciate you being
8 with us this morning.

9 SEN. MADLA: I will be brief. Thank you, Madam
10 Chair, members of the board. For those of you that are on
11 the board, let me just share a few thoughts with you.

12 I want to congratulate you on the staff you
13 have here. Ms. Carrington does an outstanding job. She's
14 been very responsive and very willing to work through all
15 the calls that I know she gets from members of my staff.
16 I wanted to let you know that you've really got a good
17 trooper here. We're fortunate.

18 The reason that I'm before this board today is,
19 that back in April, a small community that I represent in
20 far west Texas, the city of Toyah, was hit very, very hard
21 with some rains. Something like 40 or 41 businesses and
22 homes were damaged in that process. They have submitted
23 an application to this agency for assistance under the
24 HOME program. I'm here to urge you to give it favorable

1 consideration.

2 I know that you have a lot of requests that are
3 placed before you. I just want to say this. I come from
4 a large community, San Antonio. The large urban areas are
5 able to tap into dollars that small communities like Toyah
6 are unable to do. So I would urge you to keep that in
7 mind. You have a small community that is in a lot of
8 trouble right now, financially, because they have nowhere
9 to turn. Having said that, I think I've delivered my
10 message. I hope that you will look very favorably on the
11 application that has been submitted by the little
12 community of Toyah.

13 CHAIRMAN ANDERSON: Are there any questions for
14 the senator?

15 SEN. MADLA: I'd be glad to answer questions.

16 CHAIRMAN ANDERSON: We appreciate your
17 testimony. We appreciate you being here. We appreciate
18 your support of our department as chairman of the
19 Intergovernmental Relations Committee.

20 SEN. MADLA: Thank you. You all holler if I
21 can ever be of any assistance.

22 ALL: Thank you.

23 CHAIRMAN ANDERSON: Thank you, sir.
24 Representative Van Arsdale?

1 REP. VAN ARSDALE: Good morning. I want to
2 thank the board for letting me speak early. I have a
3 committee meeting at 10:00 so I really appreciate the
4 courtesy of letting me speak early.

5 I also want to echo the comment about Ms.
6 Carrington. I know that my committee in the House, one of
7 the ones I serve on, obviously handles you all's issues.
8 I found Ms. Carrington to be very easy to work with, very
9 good about communicating information, and very courteous.

10 I've enjoyed working with her and look forward to working
11 with her some more.

12 Item 6(c) is what I'm speaking on here. It's
13 proposed apartments, Pinnacle Apartments, on Huffmeister
14 Road in Cypress, Texas, in my district. The information I
15 just want to convey, it's real brief. I've got a lot of
16 these proposed developments in my district. I can just
17 tell you that this one has generated a stronger
18 constituent response and a broader constituent response,
19 in terms of just letters, E-mails, phone calls, by far
20 than any development that's been proposed in my district.

21 This is a file of the letters I have gotten. I
22 can tell you, I know when these things come about in the
23 suburbs, you always get the so-called NIMBY response, but
24 I want to talk about three things that are a little bit

1 different about this one.

2 The first thing is that the developer's
3 resident relationship has been, at best, frosty on this
4 particular development. The constituents back home are
5 very well organized, the homeowner associations, on this.

6 Before they saw the sign sort of posted on the street,
7 there really wasn't any contact or any sort of groundwork
8 laid.

9 I was not at the meeting that took place, but I
10 did read the transcripts, and I have spoken to people who
11 were there, and the developer was not answering any
12 questions at the meeting. They wanted everything to be in
13 writing and they would not orally entertain any sort of
14 dialogue with the residents. And so that's been a real
15 problem for the people there.

16 I guess to sum that point up. There hasn't
17 been a good neighborly attitude from the developer on this
18 one. I don't know if that's intentional. I suspect it's
19 more negligence. That's probably it.

20 The second issue -- and it's a very big one --
21 is flooding. In this particular area of Houston, they've
22 had a lot of flooding on the Wide Oak Bayou, which is
23 where this particular development is being proposed. I do
24 believe that part of this development is in the 100-year

1 flood plain, which is a problem, but there's a whole new
2 set of maps coming out from FEMA shortly based on the
3 whole Tropical Storm Allison. They're going to redraw
4 these maps.

5 There have been a lot of problems of flooding
6 in the Wide Oak Bayou, especially further downstream in
7 Jersey Village. This is sort of the second piece of this
8 particular development that I view to be peculiar compared
9 to some of the other ones.

10 The third is the particular school district
11 that this development is in. It's Cypress-Fairbanks ISD.

12 It is, if not the, it's one of the fastest growing school
13 districts in the state of Texas. It's a very large
14 school. It is not uncommon for Cy-Fair to build an
15 elementary school, for example, and then, before they open
16 the school, have to erect temporary buildings because
17 there are that many kids coming in and they can't keep up
18 with the infrastructure.

19 And so we're about to put a development with
20 new children in there. It's just a peculiar problem that
21 Cy-Fair has, that, for example, my other school districts,
22 Waller, Cline, Tomball, do not have the same level of
23 exponential growth that Cy-Fair does. And so I think it's
24 another problem that we need to consider.

1 That's really all I wanted to share with you
2 and I appreciate your time.

3 CHAIRMAN ANDERSON: Thank you, sir.

4 Any questions?

5 (No response.)

6 CHAIRMAN ANDERSON: Thank you very much for
7 being with us, Representative.

8 REP. VAN ARSDALE: Thank you.

9 CHAIRMAN ANDERSON: We appreciate your support
10 on the House Urban Affairs Committee and look forward to
11 continuing to work with you.

12 REP. VAN ARSDALE: Absolutely. You bet.

13 CHAIRMAN ANDERSON: Mr. Henry Gorham?

14 MR. GORHAM: Good morning, members of the
15 board. My name is Henry Gorham. I'm the chairman of the
16 board of Blue Light Village Housing in Corpus Christi,
17 Texas, 1417 Horn Road. I'm speaking on behalf of an
18 application, TDHCA #04-290.

19 What we have is an apartment complex that is
20 more than 30 years old, close to 40. It's 152 units that
21 are all affordable housing. Over the years, we've tried
22 to maintain the property as best we can. We have made
23 some efforts to keep it up. It's in fine shape right now,
24 but because of the age, we feel that we need to renovate.

1 We've been working with Southwest Texas Housing on this
2 thing.

3 Over the years, we've also made some repairs to
4 it, a new roof, a new parking area, and things like that.

5 And then we got the opportunity to -- it's been more or
6 less a piecemeal thing, CDBG funds, loans, and things like
7 that. Then we hooked up with Southwest Housing and we saw
8 the opportunity to go ahead, and get some tax credits, so
9 we can go ahead and do the whole thing, renovate the whole
10 property, and bring it up to what we feel is needed by the
11 people who work there.

12 We've had meetings with the tenants. They've
13 given us the input of what they want, what they desire.
14 One of the main things is air conditioning because we
15 don't have it. It's been a struggle and it's been
16 somewhat frustrating because of the attempts to get some
17 grants and funds. With this tax credit, we can get it.
18 If we get it, then we can go ahead and bring it up to what
19 we feel is appropriate.

20 This area is a low income area. Most of the
21 housing there is for low income and it's old. So this is
22 our first attempt to go ahead and upgrade this section.
23 With your approval and your help, I think we can go ahead,
24 and make more or less a benchmark in that neighborhood,

1 and say, Look, this is what is available, this is what you
2 can accomplish here, in this area.

3 With your help, I hope that we can go ahead and
4 be successful in this. I am sure that the neighborhood,
5 the community itself would appreciate it, and would feel
6 very much gratified to see something like this, because
7 this has never been attempted.

8 So speaking on behalf of this thing, I hope
9 that we do get your approval and we thank you.

10 CHAIRMAN ANDERSON: Thank you. Any questions?

11 MR. GORHAM: Any questions?

12 (No response.)

13 CHAIRMAN ANDERSON: Thank you for your
14 testimony, sir. The other affirmation forms for public
15 comment that I have all request to speak when the item is
16 presented, so we will certainly do that.

17 I want to thank Scott Sims from the Speaker's
18 Office for being here this morning. We're also very
19 honored to have Reverend Harvey Clemons, who is a former
20 member of the TDHCA board, here with us today. So we
21 appreciate you being here, Reverend.

22 Moving into our agenda now, we have a
23 distinguished former board member with us this morning,
24 Mr. Michael Jones, the former board chairman of the Texas

1 Department of Housing and Community Affairs. We are
2 delighted that he is here with us this morning. We would
3 ask that he come forward to the witness table so that we
4 can make some presentations to him.

5 MR. JONES: Do I really have to do that?

6 CHAIRMAN ANDERSON: Yes, he was sitting on the
7 back bench, back row.

8 MR. JONES: I feel a lot better having him in
9 front of me than I do having him behind me.

10 CHAIRMAN ANDERSON: Then I will ask Ms.
11 Carrington to open the festivities this morning.

12 MS. CARRINGTON: Good morning, Mr. Jones.

13 MR. JONES: Good morning.

14 MS. CARRINGTON: Good morning, Pam. Pam Jones
15 is back there. Pam, do you want to stand up, and wave,
16 and say, Hi, to everybody?

17 (Applause.)

18 MS. CARRINGTON: We know from time to time he
19 had to come home from TDHCA board meetings and give you an
20 earful.

21 I have a couple things for you, Mr. Jones. I
22 think I'll come down there.

23 (Pause.)

24 MS. CARRINGTON: Mike was here when I got here.

1 Mike had been appointed to the board in 1996 and served
2 until 2003. So that's seven years with TDHCA. He
3 served -- Delores looked up some information. He attended
4 exactly 100 board meetings --

5 MR. JONES: No?

6 MS. CARRINGTON: -- and he only missed five. I
7 think he served with 17 other board members for TDHCA.
8 From an executive director's standpoint, I can say to
9 everyone here, and to Mr. Jones, that having a board chair
10 who is as supportive, and as smart, and as humorous as Mr.
11 Jones is, it was a great pleasure. I appreciated it very
12 much.

13 Mike was always accessible to me. He didn't
14 call me, but when I called him, he would always find time
15 to talk to me. I would find that I really spent time
16 trying to make my notes before I called because I knew how
17 busy he was. I wanted to make sure that I was very
18 succinct, but he was always very helpful and very
19 supportive. So I appreciate that very much.

20 He cares very much about TDHCA. I told Mr.
21 Conine last night that I thought some of the board members
22 ought to tell some of their favorite stories. And so as I
23 was driving home, I thought, well, what's one of my
24 favorite stories about Mr. Jones. I guess it's a story

1 that I found out from one of my staff members not too long
2 ago.

3 That was when the days were really pretty dark
4 for TDHCA. We had a very, very key staff person who was a
5 finalist for another job, outside this agency. Mr. Jones
6 called him up and said, Hang in there with us. Don't
7 leave. Stay. Things are going to get better. We'll
8 never be where we want to be at this agency, but because
9 of Mr. Jones, and because of his support, we have
10 certainly come, I think, a long way.

11 So I have a plaque for you to go on your
12 wall --

13 MR. JONES: Thank you.

14 MS. CARRINGTON: -- and I have a card for you.

15 MR. JONES: Thank you.

16 MS. CARRINGTON: And then staff has a present
17 for you.

18 MR. JONES: Oh, well, thank you so much. Thank
19 you.

20 (Applause.)

21 MR. JONES: Madam Chairman, I'd just like to
22 say, thank you so much. You all are very gracious. I'm
23 so proud of this department, and where it is, and Ms.
24 Carrington and the staff, and all their hard work, and

1 your leadership. I'd just like to say this. It was a lot
2 of fun. I enjoyed it. I made many good friends, Kent,
3 Shad, Vidal, the Mayor. I didn't get to serve with you,
4 Pat, but it would have been fun, I know, if I had. To sit
5 here and see Harvey at the back of the room, that's the
6 cherry on top.

7 REV. CLEMONS: I didn't get one of those
8 plagues when they got me off the board.

9 MR. JONES: That's because they're going to get
10 you back. Thank you so much. I enjoyed it.

11 CHAIRMAN ANDERSON: Not quite so fast, Mr.
12 Chairman. It's fun to be able to say that to you. Your
13 board members also are delighted that -- you might want to
14 sit down. Your fellow board members are also delighted
15 that you and Pam made the trip to be with us today. I
16 thought I would begin by asking our vice chairman if he
17 had any comments of the day to share with us.

18 VICE CHAIRMAN CONINE: Well, thank you, Madam
19 Chairman. It is a pleasure for me to recognize Mike and
20 Pam. It is true, they're become friends throughout all
21 this. I was just curious how many executive directors you
22 served with during your time. I've kind of lost count.

23 MS. CARRINGTON: Four.

24 VICE CHAIRMAN CONINE: Four. I got on the

1 board back in 1997. So I guess as the senior member of
2 the board, and one that has had as much experience as
3 anyone, including -- of course, Reverend Clemons was here
4 prior to me getting here as well -- those were interesting
5 times for TDHCA, but we can truly say that because of
6 Mike's leadership, not only while he was serving on the
7 board, but subsequently as chairman, this department came
8 from a period in its history where things were turbulent
9 and tough, and accusations flying all over the place, to
10 one now that I think is a shining star as far as state
11 agencies go.

12 It's been printed on the record that there's
13 never been a state agency that's made such a dramatic
14 turnaround in such a short period of time. I think a
15 large part of that was due to Mike Jones and his
16 leadership on this board. We, the citizens of Texas, as
17 well as those who benefit from the affordable housing that
18 gets placed in Texas due to this department's efforts, owe
19 you a debt of gratitude. I want to personally thank you
20 for doing what you've done.

21 (Applause.)

22 CHAIRMAN ANDERSON: Shad?

23 MR. BOGANY: Mike, I'm glad to see you. You
24 know, I've been on this board, I guess, since 2001, I

1 guess, when I got appointed. I really didn't know what I
2 was getting into when I got on this board, but I will tel
3 you, you made it a lot easier. Your friendship, your
4 leadership has been outstanding.

5 One of the things I really would like to say.
6 You always did what was right, and not been behind
7 pressure, but just what was right. I appreciate that. If
8 you had a dictionary, and you looked it up, and you saw
9 leadership and character, your name would be there. I
10 just appreciate your leadership during the period that you
11 were here. Thank you.

12 (Applause.)

13 MR. GONZALEZ: Mike, both Shad and I really
14 appreciate you taking us under your wing when we came on,
15 because we really didn't know what we were getting into,
16 or we wouldn't have gotten into it. You did provide the
17 leadership and I feel like you were the catalyst for
18 change, including getting the new executive director, and
19 really turning this ship around, and making us all proud
20 of the board that we serve on now. So thank you for all
21 your leadership, and your friendship, and help, and
22 advice.

23 (Applause.)

24 MAYOR SALINAS: Well, Mr. Chairman, I really

1 want to echo Vice Chairman Conine's comments and I really
2 appreciate you putting up with me since 2001. I think
3 there are a lot of things that this agency has done. We
4 appreciate you being the leader.

5 When they start building that hotel next door,
6 we said that if it would be done at the time that we were
7 still here, that would mean that this agency was going to
8 be doing real well. I stayed there for the first time and
9 I thought about that meeting that we had with Mr. Conine,
10 when we brought in Ms. Carrington. I call it the
11 Carrington Hotel.

12 So I really want to thank you for all you've
13 done for Texas and giving me an opportunity to serve with
14 you. I know that I was loud at some times and I want you
15 to know that I appreciate you giving me some advice. I
16 think you made a few votes there that helped me on some
17 things that we needed to do.

18 So I appreciate what you've done for us. I'm
19 glad that I was able to meet you and have that friendship
20 that I have with you. Thank you, Mr. Chairman.

21 (Applause.)

22 MR. JONES: Thank you.

23 CHAIRMAN ANDERSON: Well, I want to echo what's
24 been said. You know, I didn't know Mike before I came on

1 the board in late 2001. In my first board meeting, you
2 know, the thing that struck me the most is he didn't call
3 a lunch break. We worked straight through lunch.

4 And so one of the things that I appreciate
5 about Mike, that occurred here, is that Mike tries to
6 listen to all sides, and do what's right, and balance the
7 interests of our neighborhoods and the interests of
8 housing needs and the interests of the advocates and the
9 legislature and the taxpayers.

10 I learned very early, that first board meeting,
11 that he indeed would listen, because starting then, with
12 the next board meeting, we began to take lunch breaks.
13 That is a tradition that generally continues until today.

14 So that, you know, I learned very quickly that Mike
15 listens.

16 He left shoes, very large shoes, that are
17 impossible to fill. His judgment, his steadiness, his
18 legal acumen, and his profound sense of fairness are
19 things that served this agency very well, over an extended
20 and sustained period. Truly, as others have said, the
21 reason that the department is in the position of strength
22 and continuing progress today is a testament to his
23 leadership.

24 All of us in this room that participated in

1 affordable housing, and all of the people of the state of
2 Texas, owe this gentleman -- and he is a true gentleman --
3 a tremendous debt of gratitude. So we appreciate you
4 being here today and the board has a little token for you
5 that I'll bring down.

6 (Pause.)

7 CHAIRMAN ANDERSON: We have this small token
8 and reminder of your service to the state and to the
9 department. We hope that it will remind you of the good
10 times and of your service and leadership here. We also
11 have a letter that is signed by the board and the staff
12 that I will read.

13 "Dear Chairman Jones,

14 "On behalf of the governing board and all the
15 employees of the Texas Department of Housing and Community
16 Affairs, as well as the thousands of Texans that the
17 department has assisted during your tenure on the
18 governing board, we present you with this token of
19 appreciation for, and in honor of, your service to the
20 department and to Texas. We are grateful for your
21 leadership and commitment to the department's mission."

22 (Applause.)

23 MR. JONES: I was going to say something good
24 about all of you all, but I will say this. Thanks for all

1 the lies. I'm so glad Pam got to hear them. Fortunately,
2 she does know they're lies.

3 I do want to say this. You know, you all have
4 worked on this board. You do really an important thing.
5 I thank you for it. A lot of the things that you just
6 said are attributable to me are not. You all know who
7 they are attributable to. A lot of hard work went into
8 Mrs. Carrington and it certainly was not me. We know who
9 that was.

10 I thank each of you for your great
11 contributions to the state of Texas and for you to be
12 willing to continue to do that. I thank you on behalf of
13 our whole staff. Thank you so much.

14 (Applause.)

15 VICE CHAIRMAN CONINE: Have you got a U-Haul to
16 get that home in?

17 MR. JONES: We'll get it there. Thank you all.

18 ALL: Thank you.

19 CHAIRMAN ANDERSON: What a great way to start
20 our board meeting. The first item of formal business on
21 the agenda is presentation, discussion, and possible
22 approval of the minutes of the board meeting of April 8.

23 VICE CHAIRMAN CONINE: So moved.

24 MR. GONZALEZ: Second.

1 CHAIRMAN ANDERSON: Ready to vote?

2 (No response.)

3 CHAIRMAN ANDERSON: All in favor, say, Aye.

4 (A chorus of ayes.)

5 CHAIRMAN ANDERSON: Opposed?

6 (No response.)

7 CHAIRMAN ANDERSON: Minutes are approved.

8 The next item is the presentation, discussion,
9 and report from the Programs Committee. Mr. Conine?

10 VICE CHAIRMAN CONINE: Thank you, Madam
11 Chairman. The Programs Committee met yesterday.

12 Just to update the board again on some of the
13 progress we have been making, taking a look at some of our
14 various programs. We had some more HOME program
15 discussions yesterday that focused on lot on where the
16 state was relative to the nation, if you will, in its HOME
17 program functions, and the various percentages of each of
18 the programs that we have within the HOME program. We
19 hope to come back to the board in a couple of months, I
20 think, with some recommendations and ideas that both staff
21 and the Programs Committee can bring back to you. We look
22 forward to that.

23 We also talked about an amendment to the
24 consolidated plan that we have ongoing with the governor's

1 office, as well as others interested in our one-year
2 action plan. I don't think we need any action on that at
3 this point in time. The board will get the fully revised
4 consolidated plan at the June meeting, as I recall.

5 We also had an update on our performance
6 measures. Again, we'll take a look at that in a couple of
7 months.

8 So there are no action items from the Programs
9 Committee, that I'm aware of, coming forth. That
10 concludes that portion of my report.

11 CHAIRMAN ANDERSON: Any questions.

12 (No response.)

13 CHAIRMAN ANDERSON: Thank you, Mr. Conine.

14 Item 3 is the presentation, discussion, and
15 possible approval of programmatic items. Mr. Conine?

16 VICE CHAIRMAN CONINE: Okay. I'll turn this
17 one over to Ms. Carrington.

18 MS. CARRINGTON: Thank you, Mr. Vice Chairman.
19 Your item 3(a) is a request to substitute committed HOME
20 funds in the amount of \$623,226 with Below Market Interest
21 Rate program funds that had not previously been
22 transferred to the Multifamily Housing Preservation
23 Incentive Program. Those of you that were at the Programs
24 Committee yesterday, you will remember Ms. Boston's

1 discussion of the PIP program and that the action today
2 would put additional funding into that program.

3 Basically, we're changing out a source of
4 funding. It is for a group called Ability Resources, Inc.

5 The development that they're developing is called Willow
6 Bend Creek. In addition, we would be requesting approval
7 to transfer 112,821 in remaining BMIR funds to the
8 Multifamily Housing Preservation Incentive Program.

9 The Willow Bend Creek development is one that
10 was previously approved by the board. It was approved in
11 September of last year. Basically, because of the other
12 HUD funding that they have in this particular development,
13 and the requirements of the HOME program funding, it makes
14 it very difficult to match these funding sources. We
15 talked yesterday in the Programs Committee about more
16 flexible funding sources. That's basically what we have,
17 with money in the BMIR program. So it's still the same
18 approval, just switching out the source of funding for
19 this particular development that has previously been
20 approved by the board.

21 VICE CHAIRMAN CONINE: Move for approval.

22 MR. BOGANY: Second.

23 CHAIRMAN ANDERSON: Questions for Ms.
24 Carrington?

1 (No response.)

2 CHAIRMAN ANDERSON: I have one question. When
3 we free up this 600,000 plus in HOME funds, then does it
4 go just back into one of the NOFAs that's open now? Or
5 how does that money get reprogrammed?

6 MS. CARRINGTON: It will go back into the NOFA
7 and then just be reallocated.

8 CHAIRMAN ANDERSON: In the same kind of
9 purpose, you know, like owner-occupied, the various HOME
10 programs or not necessarily?

11 MS. CARRINGTON: No, not necessarily.

12 CHAIRMAN ANDERSON: Okay. Any other
13 discussion?

14 (No response.)

15 CHAIRMAN ANDERSON: Hearing none, I assume
16 we're ready to vote. All in favor, say, Aye.

17 (A chorus of ayes.)

18 CHAIRMAN ANDERSON: Opposed?

19 (No response.)

20 CHAIRMAN ANDERSON: Motion carries.

21 VICE CHAIRMAN CONINE: Item (b), Ms.
22 Carrington?

23 MS. CARRINGTON: Thank you. 3(b), we are
24 requesting approval of two 2002-2003 HOME investment

1 partnership program awards. These activities would be for
2 owner-occupied assistance under the general set-aside.
3 The total award amounts would be \$520,000.

4 We have a returned HOME award from the Gonzalez
5 Economic Development Corporation. They were recommended
6 for funding in July of last year. Their total amount was
7 500,000 in program funds and then 20,000 in administrative
8 funds. They have declined that award.

9 And so what we did was go to the next highest
10 scoring applicants on the waiting list and had a tie for
11 the next highest scoring. So we have two entities that
12 we're recommending that that 500,000 be split between.
13 The Institute of Rural Development, which is located in
14 Kingsville, we are requesting an award of 250,000 for them
15 on project funds and then 10,000 on administrative funds.

16 The Rural Economic Assistance League, which is
17 located in Alice, the same kind of structure, 250,000 for
18 project funds and 10,000 for administrative funds. Each
19 of these groups would be doing five units each of
20 owner-occupied. That is the program where dilapidated
21 homes are identified, that are currently owned, and we
22 would put up to 55,000 into rehab on those homes, or
23 reconstruct if need be.

24 Staff is recommending the acceptance back of

1 these HOME funds and the reallocation.

2 MR. BOGANY: So moved.

3 MAYOR SALINAS: Second.

4 CHAIRMAN ANDERSON: Questions, discussion?

5 VICE CHAIRMAN CONINE: Ms. Carrington, could I
6 get a little further explanation on the return of the
7 funds? We talked yesterday, again, in Programs Committee,
8 about HOME funds that are getting used. It seems a little
9 unusual to have every penny come back in an award that
10 we've had before. Can you shed some light on that for me?

11 MS. CARRINGTON: In this case, they just
12 declined the award. They decided not to move forward with
13 the activity that they had been awarded funds for. The
14 contract was never executed. They said, We've changed our
15 minds.

16 MAYOR SALINAS: It's Economic Development
17 Corporation that do these things in Gonzales. So they
18 probably just didn't want to do the rehab. I think their
19 main goal is to do economic development.

20 VICE CHAIRMAN CONINE: You know the application
21 process for some of these awards is not easy or painless.

22 I find it curious for a group to go through all that and
23 decide to return the award. I was wondering if there was
24 any other light we could shed on that.

1 MAYOR SALINAS: I think it's a shame that they
2 went ahead and turned it down. I can see how Economic
3 Development Corporation didn't want to deal with state
4 funds. They probably wanted to use that money for
5 something else, some business development in Gonzales.
6 This money is targeted to low income. Giving this to the
7 Economic Development Corporation anywhere else, any other
8 city in the state, and tell them to do some rehab. They
9 should have used it, but they did decide not to deal with
10 it.

11 MS. CARRINGTON: I think that the letter we
12 received from them -- and Eric Pike, our director of
13 Single Families -- Mr. Pike, I believe the letter just
14 said they're declining the award. I don't know if they
15 provided us more information than that.

16 MR. PIKE: Good morning. I'm Eric Pike,
17 director of Single Family. The letter was brief.
18 Basically, they didn't give much of an explanation, other
19 than that they had decided to decline the awards. It
20 could be a capacity issue. Maybe they had received other
21 awards and determined at that time that they didn't have
22 the ability to do it. There's a number of reasons,
23 possibly, that they didn't state in the letter.

24 It's a rare occurrence when someone, like you

1 said, Mr. Conine, goes through the effort and the pain to
2 complete one of our applications and then decline the
3 funds, but these people did.

4 VICE CHAIRMAN CONINE: Okay.

5 CHAIRMAN ANDERSON: Any other discussion?

6 (No response.)

7 CHAIRMAN ANDERSON: I assume we're ready to
8 vote. All in favor of the motion, say, Aye.

9 (A chorus of ayes.)

10 CHAIRMAN ANDERSON: Opposed, no?

11 (No response.)

12 CHAIRMAN ANDERSON: Motion carries.

13 VICE CHAIRMAN CONINE: Item 3(c), the Single
14 Family Mortgage Revenue Bond Program 61 lender list, Ms.
15 Carrington?

16 MS. CARRINGTON: The next item is approval of
17 our participating lender list for our Single Family
18 Mortgage Revenue Bond Program, Program 61, the one that we
19 recently released. This list is a list that can have
20 lenders added to it all along through the process. Right
21 now, we have 25 lenders who are participating and they
22 have 200 branches statewide. Staff has provided a map for
23 you on where these branches are located within the state.

24 We are working with several institutions.

1 There are some Asian banks that we are working with in the
2 Houston area that we are hoping would participate in our
3 first time home buyer program. It would be the first time
4 we have such institutions participating.

5 We are originating very nicely in this program.

6 Staff told me last night that our lenders have originated
7 over 10 million in loans. All of those loans are the
8 unassisted loans. If you will remember, those were the
9 very attractive interest rate of 4.99. So that program is
10 moving along very, very nicely.

11 As I said, this is our list to date for our
12 lender list, but we are looking to have additional lenders
13 added to the list.

14 VICE CHAIRMAN CONINE: Move for approval.

15 MR. BOGANY: Second.

16 CHAIRMAN ANDERSON: Any questions or further
17 discussion?

18 (No response.)

19 CHAIRMAN ANDERSON: Hearing none, I assume
20 we're ready to vote. All in favor, say, Aye.

21 (A chorus of ayes.)

22 CHAIRMAN ANDERSON: Opposed, no.

23 (No response.)

24 CHAIRMAN ANDERSON: Motion carries.

1 VICE CHAIRMAN CONINE: Item d is the HOME
2 program disaster relief award. Ms. Carrington?

3 MS. CARRINGTON: Next item is we are requesting
4 approval from the board for two disaster relief awards.
5 These awards would be funded out of HOME deobligated
6 funds. You will remember in our deobligation policy that
7 disaster relief is one of the priorities that we use for
8 these deobligated HOME funds.

9 You heard Senator Madla this morning discuss
10 the disaster of the city of Toyah. That disaster occurred
11 between April 4 and April 5, excessive rain. The area was
12 declared a disaster by the governor's office, which, of
13 course, is one of the key criteria for us to be able to
14 use these deobligated funds for disaster.

15 And then Brooks County also -- Brooks County is
16 north of Hidalgo County -- and their disaster occurred in
17 October of last year. It was also declared a disaster by
18 the governor's office.

19 Staff is recommending the amounts of \$514,800
20 for Brooks County as well as \$514,800 for the city of
21 Toyah. Basically, it's 495,000 in program funds and
22 19,800 in administrative funds. So it's the same amount
23 of award for both.

24 VICE CHAIRMAN CONINE: Move for approval.

1 MR. BOGANY: Second.

2 MAYOR SALINAS: Second.

3 CHAIRMAN ANDERSON: Any questions or
4 discussion?

5 (No response.)

6 CHAIRMAN ANDERSON: Hearing none, I assume
7 we're ready to vote. All in favor, say, Aye.

8 (A chorus of ayes.)

9 CHAIRMAN ANDERSON: Opposed, no.

10 (No response.)

11 CHAIRMAN ANDERSON: Motion carries.

12 VICE CHAIRMAN CONINE: Item e is the
13 recommendations for the United Cerebral Palsy HOME program
14 award. Ms. Carrington?

15 MS. CARRINGTON: Yes, thank you. What we're
16 asking from the board is approval of home buyer assistance
17 in the amount of \$530,000 for a group called Home of Your
18 Own Coalition, Hope for You. This is a group that serves
19 persons with disabilities and it's a set-aside for their
20 funding in our state consolidated plan.

21 As we spoke yesterday in the Programs
22 Committee, you all know that the grant agreement with HUD
23 has not been approved yet, because we had some amendments
24 to the action plan. Rather than having the Home of Your

1 Own Coalition wait until late June or early July to
2 receive their funding, what we're requesting is taking
3 \$530,000 out of deobligated funds, under our special
4 projects category, and go ahead and fund them now. Of
5 course, what it means is that when the HOME funds come
6 from HUD that there will be an additional \$530,000 that
7 will go in for other activities.

8 So it's basically an advance funding of this
9 entity so that they can continue their work and won't have
10 to discontinue any of the services that they're currently
11 providing.

12 VICE CHAIRMAN CONINE: Move for approval.

13 MR. BOGANY: Second.

14 CHAIRMAN ANDERSON: Questions?

15 (No response.)

16 CHAIRMAN ANDERSON: Discussion?

17 (No response.)

18 CHAIRMAN ANDERSON: Hearing none, I assume
19 we're ready to vote. All in favor, say, Aye.

20 (A chorus of ayes.)

21 CHAIRMAN ANDERSON: Opposed, no.

22 (No response.)

23 CHAIRMAN ANDERSON: Motion carries.

24 At this point, with the board's concurrence,

1 I'd like to reopen the public comment period. We have an
2 official here with the office of State Representative
3 Kevin Bailey who has other special matters, because of the
4 special session. If I don't see any objection, I'll ask
5 Mr. Cash to come forward.

6 MR. CASH: Good morning.

7 VICE CHAIRMAN CONINE: Good morning.

8 MR. CASH: My name is Bob Cash. I work for
9 State Representative Kevin Bailey. He wanted me to read
10 this statement to the board concerning Bristol Apartments
11 on the Green's Parkway.

12 "Dwayne Henson has one development in my
13 district, Shoreham [phonetic] Apartments, which is located
14 at 2450 Aldine, West Hill. Mr. Henson has another
15 development located in my district, before a change in my
16 district boundaries, called Brickmore Apartments, located
17 at 16101 Imperial Valley, Houston.

18 "Mr. Henson has always been very sensitive to
19 the needs of neighborhoods adjacent to his developments.
20 My office has yet to receive one serious complaint about
21 properties developed by Mr. Henson.

22 "The high standards of applicant screening, the
23 managerial style, and the architectural quality of these
24 developments has made them assets and add value to our

1 neighborhoods. Mr. Henson and his employees have worked
2 hard to avoid burdening our schools and maintaining
3 traffic flow.

4 "While Mr. Henson's site at Green's Parkway,
5 the Bristol Apartments, is adjacent to my district, I want
6 to take this opportunity to support that development,
7 because I know it will be a positive contribution to the
8 community."

9 CHAIRMAN ANDERSON: Questions?

10 (No response.)

11 CHAIRMAN ANDERSON: Thank you very much.

12 MR. CASH: Thank you.

13 CHAIRMAN ANDERSON: I will now close public
14 comment and proceed to agenda item 4, which is
15 presentation, discussion, and possible approval of
16 department rules. Ms. Carrington?

17 MS. CARRINGTON: Thank you, Madam Chair. This
18 is the approval of the draft 2005 multifamily private
19 activity bond rules. With the board's approval of this
20 draft, this morning, then these rules would be published
21 for public comment. The preapplications for the 2005
22 private activity bond program are due to the agency on
23 August 30, 2004. So these rules will need to be in effect
24 by July 1, 2004, in order to give the applicants

1 sufficient time to review the rules and determine whether
2 they will be applying to TDHCA or not.

3 Changes to the draft rule are minimal from the
4 rule that the board approved last year. We have attached
5 a black line document for the board so that you can see
6 the changes. We've clarified and we've made some minor
7 changes to mirror the qualified allocation plan in
8 legislation. We also added some language that explains
9 that the 2005 QAP, once it's approved by the board, may
10 take precedence over these bond rules.

11 We have scheduled three public hearings. Those
12 public hearings are scheduled for Dallas, Houston, and
13 Austin. That's going to be over the next month. The
14 rules will be brought to the board in June for final
15 approval.

16 We can, if the board so chooses, go over the
17 changes. Or if you all have particular questions that you
18 would like to ask, we can do that.

19 VICE CHAIRMAN CONINE: Move for approval.

20 MR. BOGANY: Second.

21 CHAIRMAN ANDERSON: Discussion or questions for
22 Ms. Carrington?

23 (No response.)

24 CHAIRMAN ANDERSON: I have a couple of

1 questions. The first is on page 9, at the top of the
2 page, where we talk about development support and
3 opposition. I just, I guess, am looking for some
4 clarification from you. I notice it includes the
5 presiding officer of the governing board of the county,
6 which is a local elected official. I'd just like to
7 understand why, given that we're not scoring local elected
8 official's letters in the 9 percent tax credit round, how
9 this is? Can you help me understand this?

10 MS. CARRINGTON: With the help of my general
11 counsel, I will be happy to help you understand that. Mr.
12 Wittmayer, do you want to come on up?

13 MR. WITTMAYER: Chris Wittmayer, I'm the
14 department's general counsel. In the 9 percent tax
15 credits, under the QAP, in the Senate Bill 264, they
16 specifically deleted the scoring of input for local
17 elected officials. In the bond scoring, they did not
18 address that. In fact, it gives the board authority to
19 decide additional items for scoring. So it's within the
20 board's discretion to score for local elected officials in
21 the 4 percent bond program.

22 MAYOR SALINAS: So they decided not to take our
23 recommendations that the elected officials in the
24 prospective counties, give us a recommendation on the

1 process? That's what they decided?

2 MR. WITTMAYER: They --

3 MAYOR SALINAS: I mean, that's why you're
4 changing the QAP?

5 MR. WITTMAYER: In the QAP, the board directed
6 us to ask the attorney general whether or not we were
7 permitted under Senate bill 264 to score for the input
8 from local elected officials. In light of the language of
9 Senate bill 264, as well as the letter from First
10 Assistant Attorney General, Mr. McBee, we made a decision
11 that we would not score the input from local elected
12 officials in the 9 percent bond competition.

13 MAYOR SALINAS: So it was the Senate and the
14 House of Representatives that do not want the elected
15 officials to have any kind of comments on what the
16 application has to do with? I have a problem with that,
17 but that's fine. They decided it and they do the rules of
18 the Senate. I think it's very unfair for the local
19 elected officials, especially the county officials, that
20 they are getting these products in their county and that
21 they have no say so.

22 I think that we need to send a message to the
23 local elected officials, at least the county commissioners
24 and county judges, that they do not have anything to do

1 with any kind of recommendation or anything that they had
2 in their counties. I thought we were trying to see if we
3 could get them involved in some of the problems that they
4 have, in making these developments closer to the
5 neighborhoods, and have them be more responsible for,
6 especially the flood zones, the planning and zonings, but
7 if it's left up to us, I do not have any problem with
8 that.

9 We can always override anything. It only takes
10 how many votes here to override it. I just felt that the
11 problems you had before, we could invite at least the
12 local county commissioners and county judges, but we need
13 to send a memo to them and tell them what is happening
14 here, because we had advised them that they were going to
15 be part of the process. So I think that if it's okay with
16 the board, that you all send a memo to every county judge
17 in Texas saying that they have been left completely out of
18 this process.

19 We had talked about that and we had put it in
20 our QAP. Some of them were very happy that they were
21 going to be able to kind of get involved. It's sad to see
22 that the state senators and state representatives do not
23 want them involved. I don't have any problems saying
24 that.

1 CHAIRMAN ANDERSON: Perhaps we should ask Ms.
2 Carrington and Mr. Wittmayer to sort of take that under
3 advisement and come back to the board --

4 MAYOR SALINAS: Well, I'll advise my people in
5 South Texas about what happened. I mean, if you all don't
6 want to do it and write a letter to the county judges,
7 there's only 254 of them --

8 CHAIRMAN ANDERSON: I just think we need to
9 give Ms. Carrington and Mr. Wittmayer some time to figure
10 out how to construct that letter and communicate with
11 whoever else they think we need to.

12 MS. CARRINGTON: We have notified the
13 development community, in the 9 percent round on the tax
14 credits, that letters from local elected officials will
15 not be scored.

16 MAYOR SALINAS: I know.

17 MS. CARRINGTON: We still, of course, are
18 encouraging letters of support or letters of opposition
19 because they do become part of the file and become part of
20 what staff reviews and what you all look at, but we did
21 let all applicants in the 9 percent round know that those
22 letters would not be for points. We have not notified all
23 the county judges though.

24 MAYOR SALINAS: You will or have?

1 MS. CARRINGTON: Well, we have not done that
2 and we will do as Ms. Anderson --

3 MAYOR SALINAS: I think you should have --

4 MS. CARRINGTON: -- suggested. We will take
5 that under advisement.

6 MAYOR SALINAS: I think you should advise them
7 and tell them about it. I mean, what's the use of them
8 sending any kind of communication to the Department of
9 Housing if they are not going to be scoring their letters.

10 CHAIRMAN ANDERSON: It could still be
11 considered by all of us. It just can't be scored.

12 MS. CARRINGTON: It does become part of the
13 file, which does go up on our website, and which you all
14 have an opportunity to review also.

15 VICE CHAIRMAN CONINE: That's with the 9
16 percent round. What we're dealing with here is the Rules
17 of Government and the private activity bond in the 4
18 percent round.

19 MS. CARRINGTON: Correct.

20 VICE CHAIRMAN CONINE: We've had testimony
21 that, whether it was intentional or unintentional, about
22 the Senate Bill 264, and the recent ruling from the
23 Attorney General's office, on the inability to score. We
24 still have the flexibility, based on what Mr. Wittmayer

1 just said, to put it in the private activity bond rules.

2 I, for one, think that what local officials
3 think about our projects is important and does weigh
4 heavily. I'd like to see us pass it with this thing
5 staying in it the way it is.

6 CHAIRMAN ANDERSON: Okay. I've just a couple
7 more questions. On page 16, the top of the page,
8 paragraph e, throughout this document, most of the time we
9 define the income levels, but the last two words of this
10 says "low income." I'm wondering if it might be helpful
11 for clarification to consider putting in the income level
12 there.

13 MS. CARRINGTON: We can do that, yes.

14 CHAIRMAN ANDERSON: Okay.

15 MS. CARRINGTON: That would be 60 percent of
16 AMFI and we can do that.

17 CHAIRMAN ANDERSON: Just clarify that. I think
18 that would be helpful.

19 And then I have a question on page 17, under
20 paragraph 2, where we have deleted -- this is just sort of
21 for my curiosity, to understand -- we deleted when we're
22 verifying gross income of our proposed residents, why the
23 reference to income tax returns was deleted.

24 MS. CARRINGTON: I would like to ask if Sara

1 Newsom, or someone from the compliance, Suzanne -- Suzanne
2 Phillips, we had a discussion about that the other day, as
3 a matter of fact. We're looking to make this consistent
4 with --

5 MS. PHILLIPS: I'm Suzanne Phillips, the
6 director of PMC. The department has adopted, as a
7 standard for eligibility of all of our rental housing
8 programs, HUD's procedures for determining eligibility.
9 It's actually put forth in Section 42. It's been adopted
10 by NCSHA.

11 Basically, it comes from the guidebook that's
12 published by HUD, 4350.2, that is used throughout the
13 multifamily industry, both Section 8, 202, 811. We also
14 use it for our Housing Trust Fund, AHDP. Basically, this
15 process defines what income is, using very specific
16 matter.

17 Using tax returns is a backwards look. It
18 doesn't speak to what the person's current income levels
19 are. The way that HUD and IRS have defined this income
20 eligibility is that it takes a snapshot of income as it is
21 during the intake process. And then it's annualized for
22 the next twelve months.

23 The only adjustments that are made to that
24 projection are those known changes that are going to

1 occur. If the applicant knows at the day of intake that
2 they're going to get a raise in two months, or that
3 they're going to become a seasonal worker, those types of
4 things are taken into consideration.

5 The manual is about this thick. We do
6 workshops to all of our program participants that walk
7 them through. Nowhere in any of our training do we take
8 that role, take that view.

9 Our single family programs on the bond side,
10 and on OCI, they do an intake like a lending institution.

11 And then they would use tax returns. The tax returns
12 won't disclose a lot of income. It won't disclose things
13 like child support.

14 The HUD form also gives a family an opportunity
15 to exclude some types of income. For instance, if they
16 have a child in the home that's under 18 and works, that
17 would not be included. On the lending side, it would. So
18 we try to keep our multifamily properties, the 200,000
19 units, all on the same page of intake.

20 CHAIRMAN ANDERSON: That's very --

21 MS. PHILLIPS: So we're trying to look for that
22 continuity.

23 CHAIRMAN ANDERSON: That's very helpful to me.

24 VICE CHAIRMAN CONINE: Can I follow up on that,

1 Madam Chairman?

2 CHAIRMAN ANDERSON: Sure.

3 VICE CHAIRMAN CONINE: Let me describe a
4 hypothetical to you and see how we are handling this in
5 the future.

6 If you have a self-employed person, who for
7 definition purposes falls in one of the low income
8 categories, and probably can't afford to have an
9 accountant do their tax return, so they prepare their own
10 tax return, I see we substituted a third party written
11 verification. How do you get the information on income
12 for that particular type individual?

13 MS. PHILLIPS: The 4350 guide has many pages
14 that give people guidance on how to do a verification
15 process for someone who is self-employed. So it would
16 even take into account someone who does day labor, someone
17 who does seasonal work, someone who mows lawns for a
18 living. So there is a very specific process.

19 We have forms that are available on the web,
20 that are under our section, that all the managers can pull
21 up, that will walk them through that process. So that
22 person will certainly be eligible. If they have a tax
23 return that they want to use, they certainly can use it,
24 but it's just not mandated.

1 VICE CHAIRMAN CONINE: Okay. Thank you.

2 CHAIRMAN ANDERSON: Thank you.

3 VICE CHAIRMAN CONINE: Okay.

4 CHAIRMAN ANDERSON: I just have one comment I'd
5 like to make. I don't mean to be dominating this, but,
6 you know, with these multifamily bonds, we see this
7 inducement list in the fall, and then we see the
8 developments come before us throughout the year, and I
9 just had several conversations with members of the
10 development community that have expressed concerns that
11 they go through the inducement process, the board sort of
12 votes the inducement list in a blanket kind of a way,
13 because it comes to us, you know, as a full block.

14 And then at times throughout the year, we'll
15 have a development that might have substantial opposition
16 and it creates a situation where a developer may have
17 invested substantial dollars and then the development does
18 not move forward because the board does not approve the
19 development. And so I just think it's timely, while we're
20 voting on these draft rules, just to urge the development
21 community, as they option land, to consider those kinds of
22 likelihood.

23 And then I also think that as a board -- or
24 I'll tell you what I'm going to do, I'm going to pay more

1 attention than I have in the past to the inducement list
2 this fall. I'll look at where the tracts are located so
3 that if we know there is a tract in an area where a lot of
4 things have been built, or, you know, that if appropriate
5 we can work with the development community to minimize the
6 situations where we vote an inducement, we vote to induce
7 the bonds, and then, you know, several months later, after
8 hundreds of thousands of dollars have been spent, the
9 development doesn't move forward.

10 I don't know of any way under our rules we can
11 guarantee that we don't -- and we certainly make no
12 representations that we guarantee if you're on the
13 inducement list you'll go forward. I do think we have a
14 situation that bears some consideration because obviously
15 we want to minimize the investment on the part of the
16 development community on a development that's not going to
17 go forward. The inducement list is the first time that we
18 get a look at where those tracts are.

19 VICE CHAIRMAN CONINE: I'm sure we could
20 encourage those hearing this today in the development
21 community to attend the public hearings and look for some
22 suggestions or ideas that might help minimize that
23 exposure and help streamline our process to a certain
24 extent. I look forward to seeing their comments.

1 CHAIRMAN ANDERSON: Any other questions or
2 discussion? Yes, ma'am?

3 MS. CARRINGTON: I am told by my crack
4 Governmental Affairs Director that we have notified Texas
5 Municipal League that the letters of local elected
6 officials will not be scored. Michael Lyttle, did we also
7 send letters to -- or who else did we notify?

8 MAYOR SALINAS: How about the Texas Association
9 of Counties? If we do that, then that would take care of
10 it.

11 MR. LYTTLE: I'm Michael Lyttle, director of
12 Governmental Affairs. We notified Texas Municipal League
13 and the Texas Association of Counties. We prepared a
14 document to give to them to transmit to their members as
15 soon as possible. The new legislative bulletin, as well,
16 updates it. They send it out on a monthly basis to their
17 members. So we did do that.

18 MS. CARRINGTON: Is that all?

19 MR. LYTTLE: Yes.

20 MS. CARRINGTON: Thank you, Michael.

21 CHAIRMAN ANDERSON: Any other questions or
22 discussion?

23 (No response.)

24 CHAIRMAN ANDERSON: Hearing none, I assume

1 we're ready to vote. All in favor, say, Aye.

2 (A chorus of ayes.)

3 CHAIRMAN ANDERSON: Opposed, no.

4 (No response.)

5 CHAIRMAN ANDERSON: Motion carries.

6 MS. CARRINGTON: The next item for your
7 consideration is to adopt the final rule regarding ethics
8 and disclosure requirements for outside financial advisors
9 and service providers.

10 The board has looked at this document multiple
11 times. You first looked at as a policy that we adopted
12 due to some legislation that was passed during the 78th
13 session of the legislature. We then turned it into a
14 draft rule, which the board approved, took it out for
15 public comment, and did not have any comment on it. Now,
16 we're bringing it back to you as a final rule.

17 It applies to outside financial advisors and
18 service providers. Typically, this is going to be those
19 professionals that we hire through our single family
20 mortgage revenue bond program. That's not a 100 percent,
21 but typically that's who it will apply to.

22 There have been no changes since you all
23 approved the draft.

24 MR. BOGANY: So moved.

1 MAYOR SALINAS: Second.

2 CHAIRMAN ANDERSON: Questions or discussion?

3 (No response.)

4 CHAIRMAN ANDERSON: Hearing none, I assume
5 we're ready to vote. All in favor, say, Aye.

6 (A chorus of ayes.)

7 CHAIRMAN ANDERSON: Opposed, no.

8 (No response.)

9 CHAIRMAN ANDERSON: Motion carries.

10 MS. CARRINGTON: The next item for the board's
11 consideration is the proposed new rule for the agency
12 draft concerning alternative dispute resolution and
13 negotiated rulemaking. Senate bill 264, which was our
14 sunset legislation this last session, requires that the
15 department develop and implement a policy to encourage the
16 use of appropriate alternative dispute resolution, to
17 assist in the resolution of both internal and external
18 disputes under the agency's jurisdiction.

19 This language was put in all agency's
20 legislation that went through sunset last legislative
21 session. So the language that shows up in our statute is
22 the language that is consistent with all agencies that
23 went through sunset.

24 We have previously, through the board adoption

1 of HOME rules, adopted -- or, I'm sorry, on the QAP, on
2 ADR, in HOME rules QAP and Housing Trust Fund. This will
3 be a separate stand-alone rule as we've done with our
4 compliance rules, our underwriting rules. This has been
5 out for -- I don't want call it public comment so I'll say
6 it's been out for public input over about the last three
7 months.

8 This proposed rule has been reviewed a couple
9 of times by the Center for Public Policy Dispute
10 Resolution at the University of Texas School of Law. They
11 have reviewed it a couple of times and have provided us
12 some suggestions and some input.

13 An earlier version of this draft was also
14 provided to the Qualified Allocation Plan working group.
15 So it's been out there for a while. We have incorporated
16 many of the suggestions and many of the comments that have
17 bene made to us through this process.

18 Mr. Wittmayer, do you want to come up? The
19 Center for Public Policy Dispute Resolution made a couple
20 of last minute recommendations after the board book was
21 published. Chris, would you go through those and, perhaps
22 any --

23 MR. WITTMAYER: Last week, on the day we were
24 posting the board book, I received an E-mail from Susan

1 Schultz at the Center for Public Policy Dispute
2 Resolution. I'd asked her some time before then to make a
3 final review of the rule that we'd be proposing today.
4 She made three additional recommendations. I'd like to
5 put those to the board this morning because I'm
6 recommending that we make three relatively minor changes
7 to what's in the board book, in the rules that we will
8 propose if the board is agreeable.

9 On the page 1 of the draft rule, in section b,
10 definitions, (b)(1), I'm recommending the very minor
11 change of wording. That sentence would read, "The
12 Governmental Dispute Resolution Act does not grant the
13 department authority to engage in binding arbitration."
14 And then we give the citation to the act, section
15 2009.005(c), just a minor change of emphasis.

16 The last two changes are on the last page of
17 the proposed rule. Above the paragraph, the small (j), in
18 the paragraph numbered 3, where it says that we can have
19 less formal procedures when we do our rulemaking. Short
20 of negotiated rulemaking, they suggest that we add after
21 the language, "facilitated by department employee," add
22 "or a third party." I think that's a good recommendation
23 and I recommend it to the board.

24 The last change is in the next paragraph, (j),

1 talking about participating in an intergovernmental
2 efforts to share qualified governmental employees among
3 governmental agencies. They have reworded the end of that
4 sentence.

5 So that sentence will read, as we recommend,
6 "the department may participate in intergovernmental
7 efforts to share qualified government employees to act as
8 impartial third parties." And then they changed the
9 language to read, "They agree to reimburse the furnishing
10 entity in kind or monetarily for the full or partial cost
11 of providing the qualified impartial third party." I
12 recommend that we adopt their recommendation in that
13 regard.

14 MS. CARRINGTON: Thanks.

15 VICE CHAIRMAN CONINE: Move approval as
16 amended.

17 MAYOR SALINAS: Second.

18 CHAIRMAN ANDERSON: Questions?

19 (No response.)

20 CHAIRMAN ANDERSON: I'd just as soon we ask all
21 the questions today. I just have a question that really
22 probably is for Mr. Wittmayer. In the second change,
23 where they add the language about "or a third party," it
24 would be helpful to me to have an example of during our

1 less formal procedures how we might appoint a third party
2 as a facilitator.

3 MR. WITTMAYER: When we use less formal
4 procedures, such as in our QAP working group, and that is
5 typically facilitated by department employees, this
6 provision recognizes that that's the way we often do our
7 business in seeking public input. They just thought it
8 was useful for us to say as an option, that if we wanted
9 to, we could employ a third party to fulfill that
10 function.

11 We actually did that. Back on December 17, we
12 convened a public input rule to get some public input on
13 how to implement the requirement for quantifiable
14 community participation scoring. I was able to enlist the
15 volunteer assistance, on a pro bono basis to the
16 department, of Ben Cunningham, who is a very experienced
17 and well known Austin mediator. We used his services to
18 help facilitate that meeting. This would recognize that
19 that is an option that the department has, either you use
20 a department employee or some outside third party.

21 CHAIRMAN ANDERSON: Thank you. Any other
22 questions?

23 (No response.)

24 CHAIRMAN ANDERSON: Hearing none, I assume

1 we're ready to vote. All in favor, say, Aye.

2 (A chorus of ayes.)

3 CHAIRMAN ANDERSON: Opposed, no.

4 (No response.)

5 CHAIRMAN ANDERSON: Motion carries.

6 With the indulgence of the board, for the
7 second time today, I'm going to propose a couple of
8 adjustments to the agenda. I'm going to propose that item
9 5, which is the report from the audit committee, be
10 deferred until later in the meeting, because we do have
11 some people here on various other items that want to
12 comment at the agenda item. The audit committee report
13 is, perhaps, more of an internal matter. So seeing no
14 objection, we will defer item 5 until later in the
15 meeting.

16 Item 6 is the presentation, discussion, and
17 possible approval of multifamily mortgage revenue bonds
18 and 4 percent housing tax credits with TDHCA as the
19 issuer. Mr. Gonzalez?

20 MR. GONZALEZ: Yes. Okay. Edwina's staff is
21 recommending that the board renew and approve the issuance
22 of 4 percent tax credit notices with the Department of
23 Housing. The issue protects single bond transactions
24 known as 04-409, Evergreen at Plano Independence, 04-411,

1 Montgomery Pines Apartment, 04-415, Pinnacle Apartments,
2 and 04-416, Bristol Apartments.

3 MS. CARRINGTON: The first development for your
4 consideration this morning is Evergreen at Plano Parkway
5 Apartments. It's to be located in Plano, 250 units,
6 proposed to be one and two bedrooms. It is proposed to be
7 an elderly development. It is in priority 1(c) of the
8 private activity bond rules with the Bond Review Board.

9 This was a new priority that was created last
10 session. It went into effect this year for the 2004
11 transactions. I think three out of the four multifamilies
12 that you're going to look at this morning, that TDHCA is
13 an issuer on, actually fall into this category. It's in
14 census tracts that have a higher average income than the
15 area median family income of the area surrounding it.

16 The thought behind the creation of this
17 category was to encourage the development of multifamily
18 housing in incomes in census tracts that had a higher
19 median income. To give you an example, on this particular
20 transaction, the area median family income for Dallas is
21 \$65,100. The census tract that this development would be
22 located in is a little over \$100,000.

23 Behind tab 1, there is the board action
24 request. This development did score fifth out of 44 of

1 the applications that TDHCA induced last session, last
2 year. This development would have fixed rate tax exempt
3 bonds in the amount not to exceed 14,750,000. Behind tab
4 3 is the housing tax credit profile and board summary.
5 The amount of credits that are being recommended for this
6 transaction is \$585,335.

7 I'd like to point your attention to the bottom
8 of that page, on our public comment from citizens.
9 There's support, one, opposition, one, public hearing,
10 three, two, and then neutral. And then we also did hear
11 from some legislators or local elected officials. There
12 is a letter of support from Representative Jerry Madden in
13 District 67, Mayor Pat Evans, the county judge, and also
14 the county commissioner, and a note that the proposed
15 development is in accordance with the city of Plano's
16 consolidated plan.

17 The underwriting report is behind tab 5, with a
18 set of conditions that are probably not very different
19 from those that you usually see on these transactions.
20 The map is behind page 7. The summary of the public
21 comment, behind tab 9, along with a full copy of the
22 transcript of the public hearing, is also included for
23 your information.

24 Staff is recommending the issuance of the bonds

1 in the amount of 14,750,000 and tax credits in the amount
2 of \$585,335.

3 VICE CHAIRMAN CONINE: Move for approval. I'll
4 mention the resolution number on the bonds. It's 04-024.

5 MR. GONZALEZ: Second.

6 CHAIRMAN ANDERSON: Questions?

7 (No response.)

8 CHAIRMAN ANDERSON: Discussion?

9 (No response.)

10 CHAIRMAN ANDERSON: Hearing none, I assume
11 we're ready to vote. All in favor, say, Aye.

12 (A chorus of ayes.)

13 CHAIRMAN ANDERSON: Opposed, no.

14 (No response.)

15 CHAIRMAN ANDERSON: Motion carries.

16 MS. CARRINGTON: The second proposed
17 multifamily development for the board's consideration is
18 Montgomery Pines Apartments. It's located in Montgomery
19 County in Porter, Texas. It would be 224 units. It's a
20 family development, ones, twos, and three bedrooms. It is
21 priority 1(a) in the Bond Review Board's priority list.
22 This means that 50 percent of the units will be at 50
23 percent of area median family income and 50 percent of
24 units will be at 60 percent of area median family income.

1 The financing structure on this is 12,300,000
2 in tax exempt bonds and then one million, potentially, in
3 subordinate refunding bonds. This particular development
4 scored third out of 44 in our round of competition scoring
5 last year. The transaction structure is a variable rate
6 tax exempt bonds. That variable rate on those bonds is
7 scheduled to be 3.75 percent.

8 The tax credit allocation amount that's being
9 recommended is \$621,509. Behind tab 3, you see the tax
10 credit summary profile and board summary. Again, at the
11 bottom, letters of support from citizens at the public
12 hearing, and opposition. Also, letters from legislators
13 or local elected officials, there is a support letter from
14 Senator Tommy Williams, from Representative Dan Ellis, and
15 the county commissioner, and a comment that the
16 development is consistent with the Montgomery County five
17 year consolidated plan.

18 The underwriting report it behind tab 5, again,
19 with fairly standard conditions on this development. The
20 colored map is behind tab 7. Behind tab 9, there is a
21 summary of your public hearing information, comments, and
22 also a copy of the transcript of the public hearing.

23 I might note that on the summary page we put
24 behind tab 9 that we group it, it's public comment at the

1 public hearing, public official letters received, and then
2 letters and E-mails that we received, and then summary of
3 opposition at the public hearing. So there's really
4 various categories of ways that we receive information,
5 both support and opposition about developments.

6 VICE CHAIRMAN CONINE: Move approval. Again,
7 this is resolution 04-025.

8 MR. BOGANY: Second.

9 MR. GONZALEZ: Second.

10 CHAIRMAN ANDERSON: Any questions or
11 discussion?

12 (No response.)

13 CHAIRMAN ANDERSON: Hearing none, I assume
14 we're ready to vote. All in favor, say, Aye.

15 (A chorus of ayes.)

16 CHAIRMAN ANDERSON: Opposed, no.

17 (No response.)

18 CHAIRMAN ANDERSON: Motion carries.

19 With the concurrence of the board, we're going
20 to take a short break, like a ten-minute break, and then
21 we will take up item 6(c).

22 You know, I have to apologize, Mr. Russell. I
23 had your form sitting right here in front of me for public
24 comment on the agenda item before we voted. Is Mr.

1 Russell here?

2 VICE CHAIRMAN CONINE: Would you like to speak
3 now?

4 CHAIRMAN ANDERSON: Would you like to thank us?
5 I apologize, sir.

6 MR. RUSSELL: Not a problem. I'm Gerald
7 Russell. I was here to answer questions in the event
8 there were any. Apparently, there weren't.

9 VICE CHAIRMAN CONINE: You got your answer.

10 MR. RUSSELL: Thank you.

11 CHAIRMAN ANDERSON: Thank you.

12 So we'll be in recess for ten minutes. Thank
13 you.

14 (Whereupon, a short recess was taken.)

15 CHAIRMAN ANDERSON: Okay. Thank you. We are
16 back assembled in order to continue the meeting. We are
17 ready to entertain item 6(c), Ms. Carrington.

18 MS. CARRINGTON: Thank you, Madam Chair. This
19 is a proposed development, Pinnacle Apartments, to be
20 located in Cypress, Texas. It's 248 units. Again, this
21 is a priority 1(c) transaction, which was created by the
22 legislature last legislative session to encourage
23 development in census tracts that have a higher average
24 income than the surrounding area.

1 In this case, the area median family income in
2 Houston is 61,000. The AMFI for this particular census
3 tract is \$88,135. This is a family development to be
4 ones, twos, and three bedroom units. The tax exempt
5 amount of the bonds is proposed to be 14,500,000, with a
6 potential one million in subordinate refunding bonds.

7 Based on our scoring criteria, this development
8 scored 9 out of 44 that were induced by the board in
9 September of last year. It's a variable rate tax exempt
10 bond structure, with 3.75 percent interest rate on the
11 variable rate bonds. The tax credit recommended amount is
12 \$707,967.

13 Behind tab 3 in your book, and actually going
14 over to the back of that summary page behind tab 3, you
15 see the public comment from citizens, and public comment
16 at the public hearing from citizens, 39 in opposition,
17 public hearing, support 2, 215 opposition, neutral 9.
18 From elected officials or legislators, Corbin Van Arsdale
19 is opposed to the transaction. There is a statement that
20 it is consistent with the consolidated plan of Harris
21 County. The board did hear Representative Van Arsdale's
22 comments earlier.

23 Behind tab 5 is the multifamily underwriting
24 analysis for this particular transaction. I'd like to ask

1 Tom Gouris, who is our director of Real Estate Analysis,
2 to go through some of the issues that were identified in
3 the underwriting of this development.

4 As Mr. Gouris is coming up to do that, you have
5 your map behind tab 7. And then behind tab 9 is the
6 public comment summary from the public hearing, from
7 public officials and neighborhood organizations, general
8 public letters, E-mails, and petitions, and then a summary
9 of the opposition at the bottom of that page. Also,
10 behind the transcript of the public hearing, you have
11 several blue pages that serve as separators for letters
12 and E-mails that the department has received related to
13 this transaction. Now, they are all summarized in number
14 form on the summary page of the public comment summary
15 page, but we did provide those letters for you also.

16 Mr. Gouris?

17 MR. GOURIS: I'm Tom Gouris, director of Real
18 Estate Analysis. Good morning.

19 ALL: Good morning.

20 MR. GOURIS: As evidenced in our conditions
21 section of our underwriting report, we had a couple of
22 issues associated with this transaction. They're not
23 significantly different than the conditions we've had with
24 other transactions. I don't want to point them out to

1 make them seem larger than they are.

2 They are issues of concern. One is the debt
3 service structure. Based on the way that we underwrote
4 it, we feel like there's a potential for some redemption
5 of the small amount of the bonds. That's based on a fixed
6 rate for the bonds. These bonds are going to be offered
7 at a variable rate. And so there will be a significantly
8 larger amount of tax flow available to the project. So
9 it's unlikely that this redemption will actually have to
10 take place, but based on the way we had to underwrite it
11 with the fixed rate, it looks like there's a potential
12 redemption there of \$200,000. That's a standard condition
13 that we would reflect.

14 The next condition we would refer to the site
15 work cost and the flood issues. We are just looking for
16 additional clarification there. We, through our
17 underwriting process, had some concerns with regard to the
18 site and the flood issues, but we had those addressed by
19 the applicant and their engineers and we're just looking
20 for a little more clarification and documentation of that.

21 And then the third one also is in reference to
22 the financial structure, using a fixed rate, a proxy. It
23 gives the impression that there will be more significant
24 amount of deferral of development fee, an amount that

1 actually would incur some of the contractor fee, as well,
2 to be deferred. Again, with the variable rate loan, the
3 variable rate structure, we expect the reality to be that
4 there would be a lot more cash flow initially to be able
5 to reduce those deferral requirements significantly.

6 And then our last condition is a standard
7 condition that we have. As things change, we continue to
8 re-evaluate and ensure that they continue to meet our
9 guidelines.

10 Are there any questions?

11 VICE CHAIRMAN CONINE: Mr. Gouris, when we're
12 underwriting the variable rate bonds, you have to
13 underwrite based on some higher number as a fixed rate as
14 you said in your comments. Refresh my memory on how you
15 get to that number and -- well, go ahead and answer that
16 question first.

17 MR. GOURIS: Well, we always look to get
18 guidance from what the underlying lender is looking at,
19 and what their process is, because we want to mimic their
20 process. Our purpose for our underwriting is, you know,
21 to ensure that there is financial feasibility that a
22 lender would see as financially feasible as well. So we
23 will look at what their fixed rate is and how they create
24 a stack.

1 In this case, and with this it was a Fannie Mae
2 structure. So I reference it on page 8 of this
3 underwriting report, in the financial structure analysis.

4 They're actually be tied to the BMA rate, which is about
5 1 percent, but the Fannie Mae requirement is to use a rate
6 of 2.5 percent and then add to that the stack of fees,
7 remarking fees and what have you. And so in this case,
8 that stack built up to 5.815.

9 VICE CHAIRMAN CONINE: Have you guys, I know a
10 lot of these guys do some low floater bonds, and then do
11 some swaps, and price some swaps up. How would a swap
12 rate compare with the 5.8 rate? Would you have any idea?

13 MR. GOURIS: It would depend on the
14 transaction, you know. I think, from what I understand,
15 you know, swaps cost a little bit more. They're going to
16 be more akin to a fixed rate than a floater with a
17 repricing like this. That's my understanding.

18 VICE CHAIRMAN CONINE: Okay, but you did
19 mention that you're working in conjunction with the
20 underlying debt holders. How about the syndicators as
21 well? Do they participate somewhat in establishing
22 whatever their rate might be?

23 MR. GOURIS: They might. In many cases, the
24 syndicator and lender are going to have some relationship

1 already established. And so there will be some reference
2 in the commitments that the syndicator provides as to what
3 the rate might be or what have you. If that should vary
4 from what the lenders would have said, you know, then we
5 try to get in contact with the syndicator to find out why
6 there's a difference, and establish if that difference is
7 real or if it's just because they got an early commitment,
8 and that the lender had said something different than what
9 they were really going to do.

10 VICE CHAIRMAN CONINE: Okay. That's all my
11 questions.

12 CHAIRMAN ANDERSON: What's the board's
13 pleasure?

14 VICE CHAIRMAN CONINE: Are you ready for a
15 motion?

16 CHAIRMAN ANDERSON: I'm ready for the motion.

17 VICE CHAIRMAN CONINE: Oh.

18 MR. BOGANY: I move that we move forward.

19 MR. GONZALEZ: Second.

20 CHAIRMAN ANDERSON: Okay. So we have a motion.

21 It's been seconded. There are a number of people that
22 would like to make public comment on this. Now, I note
23 that the way these forms are marked, everyone is
24 indicating support for this development. I have one

1 witness affirmation where that is blank. So I'm going to
2 call on that person first. That's Mr. Lewis Hill.

3 MR. HILL: Good morning.

4 CHAIRMAN ANDERSON: Good morning.

5 MR. HILL: I'm Lewis Hill, president of the
6 Ravenswood Sellers and Park Home Association. We're a
7 single-family home community of 840 homes, approximately
8 1.2 miles from the proposed site.

9 First of all, we'd like to say that everybody's
10 entitled to fair housing and a decent, affordable place to
11 live. When our community first heard of this, we sat down
12 and voiced some logical concerns associated with this
13 building, such as school capacity, lack of service level
14 jobs, lack of adequate medical facilities in the area,
15 road congestion, public transportation. These are pretty
16 common things that come up.

17 One thing that stuck with us is that -- was
18 there really a need for this type of housing? On the
19 Huffmeister corridor, where this site is proposed, within
20 a 1.5 mile radius of the site, there's 900 apartments in
21 that area. There are four different apartment complexes.

22 One of them has over 500 apartments.

23 Of these, three of the apartments actually take
24 Section 8 program people in the apartments. Two of the

1 apartment units, which the communities were over 600
2 apartments, are operating at one-quarter capacity. Now,
3 they're pretty new. They're less than a year old, but,
4 you know, they don't have very many people leasing them
5 up. I know one of the people that leases them. They have
6 500 units, they've been open about four months, and
7 there's 30 residents. The other two vary from 70 to 90
8 percent full.

9 In the board action request, the staff
10 indicates that the site is within walking distance of
11 major retail facilities and employment opportunities. In
12 fact, this is not true. Nothing could be further from the
13 truth. As I stated, there's no public transportation.
14 Huffmeister has no sidewalks. The closest grocery store
15 is a mile away from the proposed site. There's no medical
16 facilities on Huffmeister, no clothing stores, and the
17 closest employer that would have more than ten employees
18 is the grocery store a mile away. The next closest
19 employer is several miles, that would retain more than ten
20 employees.

21 Currently, a number of these service level
22 jobs, which is the type of people that would be living in
23 these homes, are filled by the youth in the community.
24 They have grown up in the area, going to community

1 college, high school students, you know. So there's going
2 to be competition from the local residents for jobs as
3 well.

4 You know, as I said before, I represent 840
5 single family homes. You know, I just came to tell you
6 guys that we're unanimously opposed to this and hope you
7 guys will consider that in your decision.

8 CHAIRMAN ANDERSON: Thank you, sir.

9 Mr. David Brown?

10 MR. FORD: If I could?

11 CHAIRMAN ANDERSON: Yes, sir?

12 MR. FORD: There's a number of people I have
13 here that are mainly here as support.

14 CHAIRMAN ANDERSON: Right.

15 MR. FORD: I'm going to address the issue of
16 flooding. Mr. Brown is an engineer. I'm going to give
17 you kind of the surface of the flooding issue and if you
18 have any more detailed questions concerning the
19 engineering on the site, Mr. Brown is available to talk.

20 CHAIRMAN ANDERSON: With the board's
21 concurrence, we'll have Mr. Ford make his public comments.
22 Thank you.

23 MR. FORD: Since I know the board book was not
24 adequate, meaning I know it's not quite big enough with

1 enough paper, what I thought I would do is hand out a
2 small handout, a couple of pages.

3 CHAIRMAN ANDERSON: Not one, but two, I see.

4 MR. FORD: Actually, one thing is the school
5 district. I'll point that out to you in a moment, too.

6 My name is Steve Ford. I am, with Dwayne
7 Henson, the developer of the Pinnacle Apartments. I'm
8 here basically to address the issues that have been
9 brought up by Representative Van Arsdale and by the
10 Ravenswood Association and the Wide Oak Landing
11 Association.

12 One of the comments that was made earlier was
13 that we had not made any attempt to talk to the
14 neighborhood. We did go to the TEFRA hearing. I was not
15 able to attend, although we had eight or nine people
16 there, and there was a lot of communication back and
17 forth. At this point in time, whether it was right or
18 wrong, we elected not to make a public comment at the
19 state's TEFRA hearing. We elected to do this in writing
20 via E-mails and through an open house at a property we
21 have about 2.5 miles away.

22 We have responded to all the E-mails within, I
23 think, 24 to 48 hours of when they came in. We did have
24 an open house, in which one person from the Wide Oak

1 Landing group visited our apartments and actually made
2 some rather nice comments about the project.

3 So we feel like we've talked to them. The
4 issues, the big five, flooding, crime, property values,
5 school overcrowding, and traffic, are probably not new.
6 I've been to, I think, 15 TEFRA hearings and I don't know
7 that I've ever heard anything substantially different than
8 those.

9 In your book, you will have an aerial map.
10 It's a foldout in there that will give you an idea of our
11 proximity to the neighborhoods. We are probably 200 yards
12 from the nearest back fence, across a drainage ditch and
13 across a regional detention. So we're not going to be
14 looking in anybody's back yard, not now, not ever.

15 If you'll also look at the aerial photo, the
16 area between our property and 290, which is the major
17 traffic corridor, is a 25 or 30 acre site that's currently
18 been purchased for a regional hospital. Of course, that's
19 the best news I've heard because a hospital, to me, is
20 being almost as good as a Super Wal-Mart. You have 24
21 hour employment and a lot of people.

22 The traffic issue, most of our traffic has no
23 need to travel north on Huffmeister. There are no jobs.
24 The schools our kids will be attending are actually

1 northwest on 290. The employment is going to be primarily
2 up and down the 290 corridor and the 1960-Highway 6
3 corridor. I have several gentleman here who have done
4 three separate market studies that can address it. I'm
5 actually only going to have one speak, unless you have any
6 questions.

7 I also have the finance team here to discuss
8 the floating rate financing, if you have questions. It is
9 complicated and a lot of people don't understand it. Mr.
10 Conine, to answer your question, the swap rate today would
11 be about 4 percent. So if I took the floating rate and
12 swapped, my start rate would be about 4. As it is now,
13 it's 1 percent and my overall pay rate is about 3.80. So
14 my actual note interest amortization cap escrow
15 remarketing is about 3.8 percent. So you can see that
16 there's a substantial amount of money, even during the
17 construction period, probably \$700,000 or \$800,000, that
18 Tom Gouris has to plug in to his fixed rate equation, that
19 we simply don't pay or don't think we'll be paying.

20 As to the schools, Cy-Fair has been neutral on
21 the subject of our school and are not in opposition, have
22 not been in opposition to any of the three properties we
23 have in Cy-Fair. As recently as last week, we entered
24 into an agreement with Cy-Fair to handle all of our

1 services onsite. They will be doing after-school teaching
2 as our service provider. So it's kind of hard for me to
3 believe that if Cy-Fair has a big problem with us, that
4 Cy-Fair's going to enter into an agreement to teach our
5 kids after school.

6 The issue of crime -- we have 3,000 or so units
7 in Houston, and we have done studies on number of calls
8 relative to single family neighborhoods, and in fact in
9 the Sugar Creek, which is the nearest property to this,
10 the number of calls, once our property went in, actually
11 went down on a per capita basis. We can't find that there
12 are any more calls in apartment projects, per capita, than
13 there are in single family neighborhoods.

14 In fact, according to the city police, major
15 crimes -- now, I'm talking about murders, aggravated
16 rapes, robberies, et cetera, are well more predominant in
17 single family neighborhoods than they are in apartments.
18 There might be more petty crime in apartments, but we
19 can't find that the call list from the police department,
20 either the county or the city, indicates that there is any
21 prevalence of more calls or more activity in apartment
22 complexes, given that you're having 240 families in 15
23 acres instead of 240 families over 200 acres.

24 The flooding issue, this is a complicated one

1 because Houston floods and it floods all the time. One of
2 the reasons it floods is because this tract we're on, just
3 to give you an example, in the last 25 years, has subsided
4 three feet. So it's not as high as it used to be. That's
5 from ground water pumping.

6 Well, they don't allow that any more, but what
7 happens in Harris County and Houston, especially if you're
8 in an ETJ, you have to qualify -- and I'll let Mr. Brown
9 explain it, if you'd wish -- but there are three different
10 agencies you have to make happy in order to get a permit
11 to build. There's Harris County Flood Patrol, the city of
12 Houston because we're in their ETJ, and then there's
13 another group that I don't even know who they are, but we
14 have to make them happy, too.

15 The bottom line on the flooding is that there
16 were bad decisions made, or uninformed decisions made,
17 years and years ago. We're having to play catch up for it
18 right now. There simply was not enough detention. The
19 rule in older subdivisions was that the streets were
20 basically the catch basin and they would allow water to
21 enter the system in an orderly manner. Well, in
22 Houston -- and their impervious cover theory back then was
23 that anything that's grass is going to soak up a lot of
24 water; therefore, we don't have to worry about it as

1 runoff.

2 Well, all that's changed. All new
3 subdivisions, as any of you all in the home building
4 business know, have gigantic detention capacity. They
5 call them lakes now, but, in essence, they're building
6 homes on the detention. They're making up for a lot of
7 past sins.

8 In our case, we have some -- I'm not sure of
9 the percentage, Dave can give you that -- about 15 percent
10 of our land, or 18 percent, is going to detention. The
11 flood people have realized that Houston doesn't get rain
12 in one little lump sum. They get it over days and then
13 they have a deluge. When they do, that means that ground
14 is saturated. Once the ground is saturated, and any
15 surface pooling has happened, you now have the equivalent
16 of concrete. So when the rain happens at that point, 100
17 percent of the rain that falls runs off.

18 So -- and this is laymen's terms that he's
19 described to me -- in essence, if this location stays
20 vacant, nobody builds anything on it -- which is not going
21 to happen because somebody will -- it actually is a bigger
22 risk to flooding than if anything is built on it under
23 today's current guidelines, because raw land is not
24 required to have detention. When that big storm comes,

1 after the ground is saturated, and the pooling has taken
2 place, 100 percent of the water rolls in.

3 In my case, once that same rain hits, I've got
4 a detention capacity of 2.5 acres and, I don't know, some
5 14 feet deep, that allows the water to enter the system at
6 a restricted level. So in essence they're better off with
7 any development on that site, right now, under today's
8 flood guidelines, in order to get a permit to build, than
9 they are if that land stays absolutely vacant.

10 Now, I have -- first of all, do you all have
11 any questions about this flooding? I can get David up
12 here to address it.

13 MAYOR SALINAS: Has he been approved by the
14 Houston flooding zone?

15 VICE CHAIRMAN CONINE: I think you said you
16 were approved by three different agencies?

17 MR. FORD: In order to get a permit, you have
18 to be approved by the city of Houston, you have to be
19 approved by Harris County Flood Control District, and the
20 engineering is onerous and it's based on anticipation of
21 what any of the new FEMA maps are going to show.

22 VICE CHAIRMAN CONINE: This project has already
23 gotten those approvals?

24 MR. FORD: That's correct. It is in the

1 county. By the way, there's no zoning in the county.

2 MAYOR SALINAS: We know that.

3 MR. FORD: I just thought I'd just point that
4 out to you.

5 VICE CHAIRMAN CONINE: Did you tee him up like
6 that?

7 MAYOR SALINAS: I didn't say anything.

8 MR. FORD: Again, I have Ken Overshiner, with
9 J.P. Morgan Chase, who's doing the construction credit
10 enhancement, he's here, if you need be to answer any
11 questions. I have Lloyd Griffin here from GMAC Fannie
12 Mae, who's doing the permanent loan, and he can address
13 some of the issues.

14 Tom's numbers show that we could have a
15 shortfall of \$200,000. I think Tom's numbers are probably
16 correct. We have 600,000 approximately hold back on
17 equity on this property. So that's the money that would
18 buy the bonds down, if and when that didn't happen, if it
19 did not underwrite to that number. It's kind of hard to
20 know what's going to happen two years out on rents and
21 expenses, but Fannie Mae gets a look-back.

22 In order to build a property like we do, I
23 think we spend a little more money than a lot of people
24 do, and these deals are tight. There's just a tremendous

1 deferred fee.

2 Mr. Henson and I, as a practical matter, don't
3 draw construction profit during construction. We hold the
4 construction profit to make sure we don't have cost
5 overruns, which are egregious at this point in time. I
6 don't know that we can find an item that is within 15
7 percent of where it was six months ago. I don't care
8 whether it's sheetrock, plywood, roofing, insulation.
9 Some items we're having trouble finding at all. So, you
10 know, it's hard to keep up. It's hard to know what your
11 total cost is going to be.

12 So we choose not to draw that money until we
13 look back and say, Now, it's finished. And then we only
14 draw half because we've still got to lease it up.

15 What I'll do is -- I have also with me
16 something I've never brought in, I haven't seen much here,
17 I have a tenant from one of our suburban properties. It's
18 in an almost identical census tract. Actually, he's in
19 the Katy School District, as you all know, one of you
20 all's more favorite areas. Scott is going to come up and
21 tell you kind of a little bit about this whole demand
22 thing.

23 Demand is hard to derive because in the Katy
24 situation we built out in essentially the middle of a

1 field, probably, I don't know, six miles from the nearest
2 apartments. And so from a demand perspective, nobody
3 could see where the tenants were going to come from.
4 However, we were next to a regional mall, and an AMC
5 center, and a Super Wal-Mart, and 19 restaurants, and car
6 stores. You know, we filled up in about four months.

7 Scott will be able to explain, I think, a
8 little bit better, from a tenant perspective, a resident,
9 about how far he commuted prior to living in our
10 apartment, now that he lives in close proximity. It will
11 give you an idea that it's very hard to look at existing
12 apartments in an area, both from an economic obsolescence
13 point of view and from a demand point of view, and
14 determine where your people are coming from. When you
15 have a lot of retail, or you have hospitals, and you have
16 car dealerships, you're going to have demand. He'll talk
17 to you about that.

18 Other than that, I've got Dr. Joel Levitz, who
19 is a market study specialist who works for Boston Capital.

20 He will be the only one that comments to the market, but
21 I think it's good to hear some of his demand perspective.

22 And then there's Scott, and then I think we'll be done
23 unless you have questions.

24 VICE CHAIRMAN CONINE: Could I follow up on the

1 representative's comment about the relationship between
2 you and the area home owners being "frosty?" I think that
3 was the word he used. You explained, I guess, some of
4 your position at the TEFRA hearing, in not engaging with
5 the residents. Can you further expand on that? Have
6 there been follow-up meetings and so forth?

7 MR. FORD: Well, we thought that, and because
8 we discussed with the department, that anything we put in
9 writing in the way of a commitment is a commitment. If
10 I'm not mistaken, it goes onto our commitment. Is that
11 not correct?

12 MS. CARRINGTON: Correct.

13 MR. FORD: We thought, maybe we were mistaken,
14 that the best thing to do was -- let's get all the
15 concerns and let's get them in writing. You send me a
16 question and I'll send you an answer. We gave them a 24
17 hour turnaround. Nobody responded.

18 Finally, they took the excerpts from the
19 meeting and sent me an E-mail that had ten questions,
20 which were basically the same we've had. They even wanted
21 to know how much money the developer was making and I was
22 happy to show them that, because I don't think anybody
23 would want this job. Anyhow, I then responded in a two or
24 three page E-mail to them, basically with the items that

1 are in the back of your folder.

2 The TEFRA situation is just a hard environment.

3 They go into a school, an elementary school -- again, I'm
4 not picking on the department, this is where they have to
5 go -- and half the people in the TEFRA thought that's
6 where their children, our children were going. Our
7 children are going to an elementary school that's not
8 overcrowded about a mile away, but they don't know that.

9 It's a very emotionally charged environment.
10 There were 170 or 200 people in there. Once that group
11 gets rolling, it's extremely hard to have dialogue. The
12 dialogue I had, I asked them if we could get five of the
13 leaders, let's sit down, let's talk. We'll talk about
14 every issue, as we did in Mayfair Park, which is our last
15 one in Houston. It's just extremely difficult to talk to
16 170 people. When everybody gets charged up, it's tough.

17 Pete Tevlin, one of the Wide Oak Association
18 president, did show up at our open house that we had down
19 the road. He was pleased. He went through the property.

20 He wrote in the wideoaklanding.com that he spent an hour
21 with our supervisor, Janet, and they walked the property.

22 I'd love to think it was just an exceptional night, but
23 they tell me it's like that most of the time. He said it
24 was actually a very beautiful property.

1 Now, did that mean he wasn't still opposed?
2 No, I think he's still opposed, but I don't think he has a
3 problem with our product.

4 It's just very, very difficult to enter into
5 those dialogues. People work different hours. We thought
6 maybe this Internet thing is a great thing. Well, in
7 retrospect, what we're going to do is try to have a
8 meeting either immediately after or before a TEFRA to get
9 the TEFRA part out of the way, the notification of the
10 financing and try to set up a group, a smaller group, of
11 the community leaders so we can sit there and discuss it
12 in a less heated environment.

13 I mean, it quickly can turn into a lynch mob.
14 Robbye will tell you that if Robbye hadn't shut this
15 meeting down, it was getting ugly. I had it video-taped,
16 if anybody would like to have this videotape. I did that.

17 I don't think they were particularly happy about that,
18 but we did videotape the whole meeting. It's just not
19 easy.

20 MAYOR SALINAS: How many people were in
21 attendance in the public hearing?

22 MR. FORD: I think it was between 170 and 200.

23 MAYOR SALINAS: You only had two in favor?

24 MR. FORD: We had six people there in favor.

1 VICE CHAIRMAN CONINE: Shad's got a question.

2 CHAIRMAN ANDERSON: Yes, Mr. Bogany?

3 MR. BOGANY: I still believe that in the
4 development community, and I guess in the department's
5 eyes, we need to relook at these TEFRA hearings because
6 when you've got a mob, and you can't get any information,
7 there's no dialogue that's going to be discussed because
8 their minds are made up before they got there. I still
9 believe, as a department, or TSAHC, or any one of these
10 groups, you've got to come up with a better route on these
11 TEFRA hearings.

12 I read through the public hearing remarks. I'm
13 familiar with that spot. I think it's a great spot for
14 affordable housing. The thing that bothers me as I read
15 through everything is that we still assume that people who
16 make less money don't have cars. We still assume that --
17 and I'm reading this, and I'm, like, well, no medical
18 facilities. Well, why would you want to stay there? Why
19 do you assume that everybody doesn't have a car? Why do
20 you assume that everything is subsidized housing?
21 Actually, everybody in this room that owns a home is in
22 subsidized housing.

23 It just bothers me that we're still hitting the
24 same old things. Really, there's no facts. There's

1 nothing to support all the comments that are here. I've
2 not heard one thing. It really does bother me that we as
3 a department, and we as a development community, can't do
4 a better job of getting this out. Now, I don't think
5 you're going to overcome everybody, but I do believe that
6 these hearings should be a lot more controlled than what
7 they are, and just kind of go for what you know.

8 That's why I decided not to show up. I didn't
9 want to be hanging out there somewhere, literally. So my
10 comments are that, you know, going through them, I read
11 them, I didn't hear anything that would justify the
12 opposition on this project. It's a great spot.

13 The thing that bothers me is that when you were
14 out in the field, nobody had any opposition. If you're in
15 an industrial part, nobody cares. The moment you get
16 anywhere near a single family subdivision, everybody
17 cares. The bottom line, I've yet to see any study that
18 says it brings down property values. I hadn't seen one
19 yet.

20 I just think TSAHC, the group, the development
21 community, and the department should work with trying to
22 come up with some rules and regulations of a TEFRA
23 hearing, some sort of, I guess, dog and pony show,
24 something to really preempt the strike, and assume that

1 I'm on welfare, that the gentleman earlier mentioned
2 Section 8 housing, and assume that Section 8 housing is
3 going to be there.

4 It could be somebody in the family who can no
5 longer afford their house, somebody getting a divorce, an
6 entry level teacher, an entry level fireman, somebody
7 working at the car dealership down the street. That's a
8 great spot. I went out and looked at it myself and I just
9 thought it was a great spot.

10 I'm down in Houston. I was concerned a little
11 bit about the flooding. Now that I've heard your remarks
12 on that, I'm okay with that.

13 I really believe that -- I was a little
14 concerned about the frosty relationship with the
15 community. I think you should have handled that a little
16 bit better than what was done. The thing that really
17 saddens me is that we're told by the legislature to get
18 these decentralized, in a higher census tract, and then
19 the people that vote on it come in and tell us, well, I
20 don't want this one over here. And so, I mean, I just
21 have some concerns with that. I really do.

22 I just think it's a great project. I went out
23 there and looked at it. I walked the land. I had some
24 concerns about Wide Oak coming through there, but now that

1 you've answered them, I'm okay with that particular
2 project.

3 I do believe you guys need to do a better job.
4 Maybe you should have handed all these out. I mean, this
5 is expensive, but maybe you should have had these on a
6 slide show of some sort because this is very impressive.
7 It would make me look at it differently. Thank you.

8 MAYOR SALINAS: How close is the first
9 subdivision, 1.5 miles away from the project?

10 MR. FORD: What did you say? Excuse me.

11 MAYOR SALINAS: The first type housing, I mean,
12 the first subdivision.

13 MR. FORD: The first subdivision is about a
14 quarter of a mile away. It's Wide Oak Landing.

15 MAYOR SALINAS: It's about a mile and a half?

16 MR. FORD: Ravenswood, that the gentleman
17 talked about, is about a mile and a half away.

18 MAYOR SALINAS: How many were against it a
19 quarter of a mile away?

20 MR. FORD: Oh, I think they're pretty much all
21 against it.

22 MAYOR SALINAS: How many are there?

23 MR. FORD: It's hard to say. There were 39
24 officially opposed at the TEFRA hearing, but I'm sure

1 there's petitions with more people on them.

2 CHAIRMAN ANDERSON: Thank you for your
3 testimony.

4 MR. FORD: If I could, one second, and I'll get
5 out of the way. Scott drove in from Houston to speak as a
6 resident. He is registered as one and he'll take about
7 two minutes. Thank you.

8 MR. LANDEN: Good morning. Thank you for
9 having me.

10 It may be a little unorthodox for me to be
11 here, but I feel real strong about this situation that
12 we're in. Just to give you a little history, my business
13 requires me to move, sometimes quite often. Sometimes, I
14 get to be stagnant in a position for a little while, but I
15 got notification that I had two weeks to relocate to Katy
16 from Garland, Texas. When I was in Garland, I was
17 traveling from Garland to Arlington to work every day,
18 which many of you know, is roughly about an hour drive.

19 Whenever I got the notification to move to
20 Katy, the first and foremost issue on my mind was I have
21 no clue where Katy is. I have no clue what side of
22 Houston. I have no clue where I'm going. And so a very
23 important part of that to me was location of where I lived
24 in proximity to where I work. It's always, when you move

1 to a brand new city, a brand new town, anything like that,
2 you want to be in close proximity of those things you
3 know. That was extremely important to me.

4 As Mr. Ford has stated, there's nothing in
5 close proximity. I actually work in Katy Mills mall.
6 There's really no apartment complexes in close proximity
7 to that, the nearest one begin roughly four miles away.
8 This property, this one property, is almost directly
9 around the corner. It's one mile away. It's phenomenal
10 for peace of mind.

11 Secondly, this being affordable housing, I,
12 as a resident, have to go through, as well as everyone
13 else. Was I uncomfortable with that? No, actually, I was
14 very comfortable with that. I'd rather jump through those
15 hoops, full well knowing that the people that I lived in
16 this community with are jumping through those same hoops.

17 They're checking my credit. They're checking
18 to see if I'm a public offender, anything like that.
19 Well, I have the peace of mind of knowing that myself, my
20 wife, and our two kids are living in a community that, we
21 service ourselves. We monitor ourselves. We work with
22 each other. We are a community within the grand
23 community.

24 That's an issue I think so many times single

1 family units, single family house owners don't realize, is
2 we bring so many things to the economy, to the community.

3 We want the exact same things for our kids. I have a
4 five year old son with epilepsy. That's a lot to him, but
5 I want the same things for my kids.

6 Would I like to have a house? Sure. I've had
7 a house before. This is the closest thing to having a
8 house that we can have right now. I have the benefit in
9 living in this community, that I never had before. That
10 is, my wife no longer has to work. She has the ability to
11 stay home with my five year old and my one year old and
12 raise our kids. I'm crossing my fingers, hoping that in
13 18 years, I've got two, pretty solid kids because of the
14 fact of she was able to stay home and teach them, as well
15 as the schooling and things like that.

16 Do I think schooling is an issue? No. My son
17 is in a PPCD class at Memorial Parkvale Elementary, Katy
18 School District. It's for development and behavioral kids
19 coming up through the school system. Is that an issue for
20 them? No. You know, we bring that tax money to that
21 school district just like anyone else.

22 Ultimately, the community that I live in, I'm
23 extremely proud of. I can honestly say in all the
24 apartments I've ever lived in, I would not be standing

1 before you today if I didn't live in this one. There's
2 always been issues. There's always been problems. The
3 management team that's there are phenomenal, fantastic. I
4 walk in the door, it's like Cheers, they know our names.
5 They know every single one of us as we walk in there.

6 They know what our concerns are. They know
7 when our kids get home from school, things such as that.
8 If there are issues, if there are problems with the
9 construction, they're immediately on top of that. If it's
10 something that they can't fix immediately, they're in
11 constant communication with us as to when it's going to be
12 taken care of, always letting us, the residents know, that
13 they're just as proud of the property as we are.

14 Now, unfortunately, I've been transferred even
15 further, even deeper into Houston. I'm no longer in close
16 proximity, but now that I've lived here, I know my way
17 around. I'm not so uncomfortable. Ironically, I drive
18 1960, just past Huffmeister every day. So I know exactly
19 the area that they're speaking of. It's a beautiful area.

20 Yes, where it sits would be an opportune place
21 because my property as well sits directly off Grand
22 Parkway. Quite a good stretch, it almost looks like it's
23 just a little town out in the middle of nowhere, by
24 itself. I believe, just in seeing this area, that's the

1 design that this Pinnacle property would look like.

2 Are there jobs? You've got 1960. You've got
3 290. There are jobs.

4 Is this community going to take all the jobs
5 away from the rest of the community? No, absolutely not.

6 Houston is still a growing, burgeoning area. As it
7 continues to expand, the job situation continues to
8 expand, et cetera.

9 I won't take up any more of your time. I just
10 want to take a moment to let you all know that the
11 community that I live in, the community that's been
12 developed, has given me and my family the ability to live
13 much better than we've had the ability to live before.
14 Thank you all. Do you have any questions?

15 CHAIRMAN ANDERSON: Thank you for your
16 testimony.

17 MR. LANDEN: Thank you very much.

18 CHAIRMAN ANDERSON: Thanks so much.

19 MAYOR SALINAS: Is this Katy community close to
20 this site?

21 MR. FORD: No.

22 MAYOR SALINAS: I know they're not because they
23 would be here.

24 CHAIRMAN ANDERSON: Now, I'm going to ask --

1 and I am not trying to limit public comment by any
2 means -- as Mr. Ford explained, he has the market analyst
3 here, the representative of the construction and the
4 permanent financing, an engineer who addresses the water
5 issues. I guess my question is -- would the board like to
6 hear testimony from these people? Or would you --

7 MAYOR SALINAS: What is our staff recommending?

8 MS. CARRINGTON: Staff is recommending the
9 allocation of 14,500,000 in tax exempt bonds and a
10 potential one million in subordinate refunding bonds. And
11 then staff is recommending an allocation of tax credits in
12 the amount of \$707,967. So staff is recommending this
13 transaction for both the issuance of the tax exempt bonds
14 and the 4 percent tax credits.

15 VICE CHAIRMAN CONINE: There's already a motion
16 on the floor.

17 MAYOR SALINAS: I think you had a motion and a
18 second on that.

19 CHAIRMAN ANDERSON: Yes, we do.

20 VICE CHAIRMAN CONINE: I call the question.

21 CHAIRMAN ANDERSON: Any discussion?

22 (No response.)

23 CHAIRMAN ANDERSON: Hearing none, I assume
24 we're ready to vote. All in favor of the motion, say,

1 Aye.

2 (A chorus of ayes.)

3 CHAIRMAN ANDERSON: Opposed, no.

4 (No response.)

5 CHAIRMAN ANDERSON: Motion carries. Item 6(d)?

6 MS. CARRINGTON: The last transaction for the
7 board to consider with TDHCA as the issuer is the Bristol
8 Apartments, located on Green's Parkway, in Houston. The
9 proposal is for 248 units. It's a family development,
10 one, two, and three bedroom units. It's a priority 1(a)
11 transaction, with 50 percent of the units at 50 percent of
12 area median family income and 50 percent of the units at
13 60 percent of area median family income.

14 The proposed amount on the tax exempt bonds
15 would be 12,625,000, a potential one million on
16 subordinate refunding bonds. This development scored 7
17 out of 44 in our scoring last year. It is also a variable
18 rate tax exempt transaction with the same variable rate of
19 the others you've looked at this morning, of being 3.75
20 percent.

21 The allocation of tax credits would be
22 \$898,771. That is behind tab 3. On this particular
23 development, the public comment from citizens in support
24 and opposition was zero, the public hearing, support 4,

1 opposition zero. Legislators or local elected officials,
2 we do have a letter of support from Senator John Whitmire.

3 I think I saw a letter from Representative Turner this
4 morning that was handed to me, although I had not seen it
5 previously. I believe that is a letter of support.

6 MS. GRONECK: Yes. It just came in over night.

7 MS. CARRINGTON: Okay. It's from
8 Representative Turner and the city of Houston has
9 indicated this development is consistent with the city of
10 Houston's consolidated plan.

11 Behind tab 5 is the underwriting report, with
12 fairly standard conditions of the department. Tab 9 is
13 your summary of the public hearing, and letters that have
14 bene received by the department from public officials, and
15 also letters of support and E-mails, and then a summary of
16 opposition at the public hearing, although if you look at
17 the public hearing summary, there was no one on the record
18 that identified themselves that actually lodged opposition
19 against this development.

20 Staff is recommending the issuance of the bonds
21 and also the allocation of the 4 percent tax credits.

22 VICE CHAIRMAN CONINE: Madam Chairman, I think
23 in the previous vote we just took, we didn't get the
24 resolution number in there.

1 CHAIRMAN ANDERSON: That's correct, we didn't.

2 VICE CHAIRMAN CONINE: So let me get Ms. Rippe
3 [phonetic] happy. That was resolution 04-023. If we've
4 got no opposition, let that be known in the record.

5 I would move approval of this next one. It's
6 resolution 04-022.

7 MR. BOGANY: Second.

8 CHAIRMAN ANDERSON: Discussion or questions?

9 MR. BOGANY: I have some discussion.

10 CHAIRMAN ANDERSON: Sure.

11 MR. BOGANY: I was looking at the -- is the
12 developer here?

13 MR. FORD: Yes, he is.

14 MR. BOGANY: Oh, okay, you again.

15 MR. FORD: He looks a lot like the last guy.

16 MR. BOGANY: I looked at the market study on
17 this. My concern is that I -- and I'm familiar with this
18 location, too. It's around industrial, office buildings,
19 and things of that nature, in the Greenspoint area. When
20 I looked at the map, I saw, maybe count, ten to 20, maybe
21 15 to 20, apartment complexes that we have funded in this
22 general area. We've probably had about four or five that
23 we've funded in the last three years in this general area.

24 Then, because I'm familiar with this area,

1 we've got a whole lot of private development in this
2 general area. I guess I'm concerned. I think your
3 project is going to be okay, but I'm concerned about
4 everybody else in the area. Greenspoint, at this point in
5 time, for a while it was going the other way. I think it
6 was about flat lining right now.

7 The biggest concern in that area is that the
8 area is just kind of deteriorating. At one time, it was
9 doing well. Now, it's beginning, people are moving out.
10 You've got a lot of apartments that have low rents all
11 through that area that are probably privately owned.
12 They're hanging their signs out, free rent everywhere.

13 Houston has an abundance of apartments that are
14 vacant. I think, somebody told me the other day, 20,000
15 something online, to come on. I'm thinking, okay, are we
16 giving you a prescription to fail? Or are we hurting
17 everybody else around you because of your project? We
18 just voted on one last month, last time I was here, right
19 down, not far.

20 You meet all the criteria. You're within your
21 mile radius. Everything is there, but where you look at
22 it on a map, it's scary. I'm concerned, not about yours,
23 because I think yours is going to make it, but I'm
24 concerned about all the people around you, and the three

1 or four that's been there three years, and we've got a
2 couple, I think, that are proposed to come behind you.
3 I'm just beginning to get concerned that we're picking
4 these spots and it just looks like it may be a bad spot
5 for an apartment complex. I just want to get your opinion
6 on that.

7 MR. FORD: Again, obviously, we looked at that,
8 too. The market out there has a number of properties that
9 have got 10 to 12 percent vacancy. The biggest bunch is
10 Cityscape, owned by the Arcon Group out of Dallas. It
11 should be interesting to note that they and Lincoln
12 Properties, neither one, came out in opposition, nor did
13 the Greenspoint Association, simply because we have been
14 on Imperial Valley with our property before. There's a
15 lot of interaction between us and the Arcon Group. They
16 have 5,500 units in there. It's a staggering amount.

17 The problems that they've had -- well, first of
18 all, we communicated with them. So they weren't taking
19 any Section 8 at all. Now, they have one property that
20 takes some Section 8. So on our property, Whitmore, which
21 is about 1.5 miles away, we probably have 40 percent
22 Section 8.

23 The other issue is they're 85 percent one
24 bedrooms and we've got 30 percent one bedrooms. So their

1 vacancy is in one bedrooms. They have no vacancies in
2 their twos. They've even converted some of their twos to
3 threes to try to get the market.

4 The other thing that they're finding out is
5 that basically they've spent a lot of money, \$8 million on
6 their properties. What we're causing by moving in is that
7 everybody that's got a rundown property is either starting
8 to spend money on it or they will be, in effect, shut
9 down.

10 I think there is enormous economic obsolescence
11 in that area. I really don't think the demand on that
12 side of the freeway has been met. It's a lot different
13 than -- I mean, you say, it's only a mile away. Well, it
14 is, but it's perceived to be definitely a better area to
15 live until you get north to Northborough. Northborough's
16 had a lot of problems.

17 An example, when you go to the next two
18 intersections up is Airtex. On Airtex, which is I'm going
19 to say probably two miles north, we have a property, Quail
20 Chase, that's directly across the street from two brand
21 new bond deals. One was a local issue and one was a state
22 issue. They happened almost simultaneously so there was
23 no issue of concentration because they happened within a
24 week.

1 During the lease-up of those two properties,
2 approximately 450 units, we have lost absolutely no
3 occupancy in Quail Chase. So here's 100 percent at 60,
4 you have one of these is 100 at 50, and you have another
5 100 at 60. They're literally across the street and we
6 have not lost any occupants.

7 I think it's because there is demand. I think
8 part of the problem with the Greenspoint is they've had
9 severe flooding. I think there is a perception that you
10 could get flooded. I think that creates a problem.
11 Anybody that wants -- I mean, they were flooded 2,500
12 units in Allison and then, one year later, they flooded
13 1,500 more units in the same project.

14 One of my best friends in the world is in
15 charge of that project and he told me, he said, at first
16 we were opposed to anybody coming in. The other issue is
17 Greenspoint has got a problem. They need development.
18 They need tax base. They need it to grow up. They don't
19 need to sit there and decide who gets to come in, because
20 if it's apartments one day, it's going to be an office
21 building to protect Gerald Hines the next, and then a
22 hotel to protect Trammell-Crow and the Wyndham the next.

23 So their policy was -- look, we want you do to
24 some things. We created a three-quarter acre greenbelt on

1 our property on Ella with a jogging path because that's
2 what they asked for. We will completely landscape it and
3 they will maintain it.

4 We moved the entry to the property back to a
5 back street, off of a major street, because it was their
6 request. It will be totally perimeter fenced with access
7 gates on all the entrances.

8 Now, I don't argue with what you're saying. It
9 looks like, well, if there's 12 or 15 percent of 6,000
10 units empty, surely there's enough places to stay. I just
11 don't believe that unless they convert the one bedrooms,
12 the units that are 500 square foot or 600 square foot one
13 bedrooms, they effectively become obsolete in the market.

14 I don't know that we do affordable housing a
15 service by not building something that is compliant with
16 what people want to live in, in 2004, not what they wanted
17 to live in, or maybe they didn't even want to, in 1980,
18 when they built them. I mean, those were merchant built
19 properties. They were sold. They've been owned by ten
20 owners until Arcon came in.

21 Arcon has done a great job, but I flew on the
22 plane from Dallas last week with Bill Duvall -- the
23 management company is Lincoln Properties, and I asked him
24 about it. I said, Do you have a big problem? He said,

1 No, as matter of fact, the better the quality of the
2 development that comes in, the better we're going to do.

3 They had a real problem. They had a crime
4 problem. Our methods, they're using some of our screening
5 methods that they didn't use before. They used to allow
6 the people that had the money, but no jobs. Now, you've
7 got to have a job to stay in their apartments.

8 They've now realized that Section 8 people are
9 not bad because we were filling up with them. Now they
10 realize that they've opened a whole section of the 5,500
11 units and they're accepting Section 8. I tell them they
12 should accept them throughout the property and don't just
13 say, This is a Section 8 property or not, but they're not
14 there yet.

15 MR. BOGANY: I know we've got 20,000-something
16 people on the Section 8 housing rolls there, too. It just
17 seems like a heavy concentration, I mean, from my side. I
18 do know that the study says if you put too many,
19 everything starts to deteriorate. That's my concern and I
20 just wanted to bring it up, about the other people around
21 you. I'm glad to see that they feel okay about it.

22 VICE CHAIRMAN CONINE: Mr. Ford, the flooding
23 that you alluded to on the properties surrounding, is that
24 some of the older properties?

1 MR. FORD: Yes.

2 VICE CHAIRMAN CONINE: So by the new standards
3 of developments on the newer properties that have been
4 built in this area, they've actually done the detention --

5 MR. FORD: Yes.

6 VICE CHAIRMAN CONINE: -- and some of the
7 flooding issues have been resolved on newer properties?

8 MR. FORD: Well, yes, as a matter of fact,
9 Harris County is trying to close right now on a 260 acre
10 property just north of Green's Bayou, to make it one
11 regional 260 acre detention pond. They're doing it
12 through an overflow process where they build a little damn
13 on Green's Bayou. When Green's gets to a certain height,
14 it will flood the 260 acre catch basin.

15 They think that will, along with some more
16 downstream remediation, where they're actually buying
17 homes and tearing -- remember, Houston bought a bunch of
18 homes up off of Parker and 59? Well, they're building
19 another big regional detention there that will be several
20 hundred acres. It's just going to take time because they
21 got too far behind and the growth happened too fast. And
22 then you have, you know, a perfect storm, and it's a
23 catastrophic event, and everybody now thinks, well, all
24 their engineering is now shot and they go back to the

1 drawing board.

2 VICE CHAIRMAN CONINE: You've got all the
3 necessary approvals at this point --

4 MR. FORD: Yes.

5 VICE CHAIRMAN CONINE: -- for this project?

6 MR. FORD: Absolutely.

7 VICE CHAIRMAN CONINE: Okay. Thank you.

8 CHAIRMAN ANDERSON: Questions or discussion?
9 (No response.)

10 CHAIRMAN ANDERSON: We have a motion. Right?

11 VICE CHAIRMAN CONINE: Yes.

12 CHAIRMAN ANDERSON: Thank you.

13 VICE CHAIRMAN CONINE: You're welcome.

14 CHAIRMAN ANDERSON: Hearing none, I assume
15 we're ready to vote on the motion. All in favor, say,
16 Aye.

17 (A chorus of ayes.)

18 CHAIRMAN ANDERSON: Opposed, no.

19 (No response.)

20 CHAIRMAN ANDERSON: The motion carries.

21 Item 6(e) is, Ms. Carrington, the underwriters.

22 MS. CARRINGTON: Item 6(e) is the addition of
23 one senior manager to the underwriting list for
24 multifamily and then one that has applied to remain on the

1 list. In April of last year, the board approved a request
2 for qualifications for investment banking firms to work in
3 the roles of senior manager and co-manager in our
4 multifamily areas. You have previously approved some
5 responses. It's basically an open RFQ. So they apply
6 when they desire to apply to the agency.

7 And so the two that we have, Newman and
8 Associates has applied. They would remain on the approved
9 list. Citigroup would be added to the approved list.
10 Both of them are in the senior manager role.

11 We do have, for the board's information, I have
12 at least numbers. Currently on our list of underwriters
13 for multifamily, we have 28 senior managers and we have 14
14 co-managers.

15 Staff is recommending the remaining on for
16 Newman and adding Citigroup.

17 VICE CHAIRMAN CONINE: One of those is kind of
18 suspect, but I'll go ahead and move for approval.

19 MR. BOGANY: Second.

20 CHAIRMAN ANDERSON: Discussion or questions?

21 MR. BOGANY: What's suspect about them?

22 VICE CHAIRMAN CONINE: I can't discuss that
23 here.

24 CHAIRMAN ANDERSON: Hearing none, I assume

1 we're ready to vote on the motion. All in favor of the
2 motion, say, Aye.

3 (A chorus of ayes.)

4 CHAIRMAN ANDERSON: Opposed, no.

5 (No response.)

6 CHAIRMAN ANDERSON: Motion carries.

7 Item 7 on the agenda is presentation,
8 discussion, and possible approval of housing tax credit
9 items. Ms. Carrington?

10 MS. CARRINGTON: The first item for the board's
11 consideration is the interagency contract between the
12 Texas Department of Housing and Community Affairs and the
13 Office of Rural Community Affairs, otherwise known as
14 ORCA. This is the second year of this interagency
15 contract. There was one that was executed about a year
16 and a half ago. The contract addresses how TDHCA will
17 cooperate and work with ORCA as it relates to the
18 administration of the rural allocation in the tax credit
19 program.

20 The proposed contract does follow the
21 requirements that are laid out in the department's statute
22 and also in the 2004 qualified allocation plan. We've
23 provided a copy of the contract. Actually, the board
24 approved this, maybe about three months ago, four months

1 ago. And then it went to the ORCA board in the format
2 that had been approved by this board. The ORCA board came
3 back and they had some additional language that they were
4 suggesting and recommending.

5 So basically what they approved was not the one
6 we sent over there. What they approved was the one that
7 had this additional language. For the board's
8 information, on page 2 of 4, in bold type, is the language
9 that the ORCA board approved, which is "each year the
10 TDHCA board and ORCA executive committee shall hold a
11 joint workshop" and then several other lines of text.

12 So staff is recommending that the board approve
13 this contract with this change.

14 MR. BOGANY: So moved.

15 MR. GONZALEZ: Second.

16 CHAIRMAN ANDERSON: Questions?

17 (No response.)

18 MAYOR SALINAS: I think we need that workshop
19 with ORCA.

20 CHAIRMAN ANDERSON: I have a question, Ms.
21 Carrington. There has been some discussion about having
22 that joint meeting being on, I think it's July 7, which is
23 the public hearing for our board on the QAP. Has that
24 been discussed with ORCA, about that serving to meet the

1 requested language that they've asked us to add to the
2 contract and approve?

3 MS. CARRINGTON: The date of the meeting that
4 has been discussed with ORCA, for them to be invited.

5 CHAIRMAN ANDERSON: That's not quite my
6 question. My question is -- has it been discussed with
7 them that that would fulfill their request, as evidenced
8 in this language for a joint meeting, a joint workshop?

9 MS. CARRINGTON: Mr. Wittmayer, do you know if
10 we've asked ORCA specifically that question? Staff has
11 moved along with the assumption that by having that joint
12 meeting, our board, I mean, you all, them, and the public,
13 that that would satisfy that requirement.

14 MR. WITTMAYER: I alerted the general counsel
15 at ORCA yesterday that we were looking at this tentative
16 possibility, just to alert them, and we were waiting for
17 the board's approval. And then if the board approves this
18 action, then we would invite them to that meeting and
19 suggest that that was a way to meet this requirement.

20 CHAIRMAN ANDERSON: Well, I appreciate that,
21 but the answer to that question might dictate how I or
22 other board members would vote on this contract.

23 MAYOR SALINAS: Yes.

24 MS. CARRINGTON: We can certainly place a call

1 if the board wants to wait on this item. We can place a
2 call and ask that question directly.

3 CHAIRMAN ANDERSON: I think that would be, if
4 that's possible while we're still convened --

5 MS. CARRINGTON: Yes.

6 CHAIRMAN ANDERSON: -- we'll just come back to
7 this.

8 VICE CHAIRMAN CONINE: I actually have another
9 direct question on a different matter, if I could. In the
10 spirit of, I guess, being overworked and underpaid, I was
11 wondering if we could maybe say the TDHCA board and/or its
12 designees? We don't have a tax credit committee. Or we
13 could provide for a smaller subset of this board to meet
14 with ORCA, but, I mean, we're all busy and have things to
15 do.

16 I would hate for, if four of us don't show up
17 for this meeting, not to have an official meeting; so to
18 provide a little wiggle room there, and to provide Madam
19 Chairman maybe to appoint two or three of us to meet with
20 their executive committee. I notice that they're putting
21 their executive committee in here and not the full board.

22 CHAIRMAN ANDERSON: That was the reason that I
23 suggested a meeting that I knew we were already going to
24 have. So I'm certainly in sympathy with whatever helps us

1 make best use of our respective board's time.

2 MS. CARRINGTON: If I might comment, Mr.
3 Conine, the executive committee is what they call the nine
4 members of their board. They call it executive committee,
5 but it's the nine members of their board.

6 VICE CHAIRMAN CONINE: I still would make a --
7 well, this isn't even on the floor yet, is it?

8 CHAIRMAN ANDERSON: Yes, it's been moved so.

9 VICE CHAIRMAN CONINE: I would move to amend, I
10 guess, the document to say, "Each year the TDHCA board
11 and/or its designees."

12 CHAIRMAN ANDERSON: All right.

13 MAYOR SALINAS: Yes.

14 CHAIRMAN ANDERSON: Now, I think I need to ask
15 a parliamentary question. We don't have a second on that
16 amendment.

17 MAYOR SALINAS: I'll second it.

18 CHAIRMAN ANDERSON: Oh, you seconded it. Okay.
19 So can we just, if we want to go make that phone call,
20 can we just sort of let that motion -- we don't have to
21 withdraw it? I keep looking at Mr. Wittmayer.

22 MR. WITTMAYER: You can hold it in abeyance.

23 CHAIRMAN ANDERSON: We hold it in abeyance.
24 That sounds like an excellent thing to do. And then in

1 the meantime, we'll move on to 7(b).

2 VICE CHAIRMAN CONINE: We'll start calling you
3 Robert Gould.

4 CHAIRMAN ANDERSON: Just trying to be legal.
5 Thank you.

6 MS. CARRINGTON: 7(b) is staff requesting an
7 approval of some revisions to the 2004 tax credit rural
8 rescue policy that will enable developments with funding
9 from USRD, rural housing services, that are experiencing
10 foreclosure, loan acceleration, to be submitted to the
11 board for recommendation for forward commitment. The board
12 had previously approved this rural rescue policy. You
13 approved it in February.

14 We are now coming back with some recommended
15 amendments to this policy. One of them, if you will look
16 on page 2 of the policy, in the middle, this is making
17 what we hope is very clear about which year's QAP
18 developments would fall under -- they're going to receive
19 an allocation out of a forward commitment so it would be
20 the upcoming year's QAP, out of the '05 credit ceiling.

21 However, because the '05 QAP is not going to be
22 in place at that time, and they wouldn't know which
23 requirements they could or could not meet with the '05
24 QAP, basically what we're saying with this policy is --

1 they'll comply with as much of the '05 as they can, but if
2 they can't comply, we're saying that we will exempt them
3 from having to meet those requirements that were not in
4 place when we issued a forward commitment.

5 MR. BOGANY: I have a question.

6 MS. CARRINGTON: Yes, sir?

7 MR. BOGANY: So this is not something
8 permanent? This is just for the 2005 QAP, because I don't
9 want them to think they're exempt all the time.

10 MS. CARRINGTON: This is specifically for any
11 forwards that the board would be granting in '04 under
12 this rural rescue policy. We have had basically no
13 activity under this policy. We want to leave it in place.

14 Staff is recommending that we certainly leave it in place
15 for another year or a part of a year. And then I think
16 what we'll be doing is re-evaluating this and maybe coming
17 back with a recommendation of why we believe it should
18 stay in place for yet another year, or whether we might
19 recommend to you all that we not have this policy.

20 What we're trying to address, you know, what
21 we're grappling with is, if it's a forward commitment,
22 what QAP does it come under, because you're making
23 forwards in a year when that QAP has not been approved.
24 You will remember the last couple of board meetings,

1 you've made some exceptions to bedroom configurations
2 because that was not in place at the time. So what we're
3 trying to do is address that issue and try to make it as
4 clear as we can.

5 VICE CHAIRMAN CONINE: Move for approval.

6 MR. BOGANY: Second.

7 CHAIRMAN ANDERSON: Questions or discussion?

8 (No response.)

9 CHAIRMAN ANDERSON: Hearing none, I assume
10 we're ready to vote. All in favor, say, Aye.

11 (A chorus of ayes.)

12 CHAIRMAN ANDERSON: Those opposed, no.

13 (No response.)

14 CHAIRMAN ANDERSON: Motion carries.

15 I do have public comment on both of these
16 deals.

17 MS. CARRINGTON: The next item for the board's
18 consideration is an allocation of 4 percent tax credits
19 for Primrose at Aldine Bender Apartments to be located in
20 Houston. The Harris County Housing Finance Corporation
21 would be the issuer on this transaction. It's an elderly
22 development. It would be 248 units. The amount of credit
23 recommended is \$848,953. This is a development that is in
24 the priority 1 criteria with the Bond Review Board's

1 requirements, which is 50 percent of the units at 50
2 percent of AMFI and 50 percent of the units at 60 percent.

3 Behind the summary page, there is a spreadsheet
4 on the summary of the transaction. Remember, on these,
5 since we are not the issuer, the board does not get a copy
6 of the TEFRA hearing, but the department has received two
7 letters of support from elected officials on this
8 transaction, U.S. Congressman Gene Green and Senator Mario
9 Gallegos. There is one letter of opposition from an
10 elected official, Representative Kevin Bailey.

11 The summary of what we have received is on the
12 tax credit program summary page. There's a comment from
13 the city of Houston saying that it is consistent with
14 their consolidated plan. There's very standard conditions
15 on the underwriting report for this development.

16 Staff is recommending the allocation of
17 \$848,953 in tax credits.

18 MR. BOGANY: There's no map of this one here.

19 VICE CHAIRMAN CONINE: I found one.

20 MS. CARRINGTON: It's behind the underwriting
21 report, the last page of the underwriting report, Mr.
22 Bogany.

23 MR. BOGANY: Oh.

24 VICE CHAIRMAN CONINE: Here it is.

1 MR. BOGANY: Oh, sorry.

2 MS. CARRINGTON: Okay.

3 VICE CHAIRMAN CONINE: I'll move for approval
4 just to get it on the table.

5 MAYOR SALINAS: Second.

6 CHAIRMAN ANDERSON: Okay. I do have two people
7 to make public comment. Mr. Jeff Spicer?

8 MR. SPICER: I'm available for questions at the
9 pleasure of the board.

10 CHAIRMAN ANDERSON: Mr. Craig Alter?

11 MR. ALTER: Thank you, board members. I'm
12 Craig Alter with Southwest Housing. I wanted to give you
13 some additional support letters that had not been received
14 in time for your package. So I'll go ahead and present
15 those.

16 VICE CHAIRMAN CONINE: Thank you.

17 MR. ALTER: I just did want to point out that
18 you will see that you will have letters from additional
19 local representatives, particularly an eloquent letter
20 from the city council member in that district, who has
21 visited our sites and who has been quite impressed by the
22 work that we do, as well as other local organizations.

23 I'm available for questions if you have any.
24 Thank you.

1 MR. BOGANY: I have a quick question. I may
2 have missed it when I was going over it. Is this a
3 seniors project?

4 VICE CHAIRMAN CONINE: Elderly.

5 MR. BOGANY: Elderly, okay.

6 VICE CHAIRMAN CONINE: Any other public
7 comment?

8 CHAIRMAN ANDERSON: No, Mr. Spicer completed a
9 witness affirmation form and is here to answer any
10 questions if we have any.

11 (Pause.)

12 CHAIRMAN ANDERSON: If the audience will bear
13 with us for just a minute, we would seek some materials.
14 We want to give the board an opportunity to review this
15 briefly.

16 (Pause.)

17 MS. CARRINGTON: Do the board members have
18 questions of the staff?

19 MAYOR SALINAS: Call for the question. I think
20 they have a good project.

21 CHAIRMAN ANDERSON: I have just a couple of
22 questions, Ms. Carrington, about the underwriting report.

23 Page 2 of the underwriting report talks about an after
24 school program. I wonder why I'm reading that in a

1 seniors development.

2 I also am interested in hearing from Mr.
3 Gouris, since he's already here, about the market study,
4 because one of the conditions -- you know, there's some
5 language in the underwriting report about the market study
6 that gives me a little pause, too. So if you could also
7 address that.

8 MR. GOURIS: I'm Tom Gouris, director of Real
9 Estate Analysis. I believe what we had in the supportive
10 services was sort of a broad scope of the type of services
11 they provided. I mean, we probably just reiterated all
12 those services without using our brain to realize that
13 that one service might not be -- although, that's in the
14 report.

15 CHAIRMAN ANDERSON: Although if that's the way
16 they submit it --

17 MR. GOURIS: Yes. I also understand that in
18 some cases senior developments do have some day care
19 facility functions occasionally because they get
20 residents, you know, that are seniors but have their
21 children living with them with children, in some cases. I
22 don't know that that's the case here, but I've heard that.

23 CHAIRMAN ANDERSON: Is that permissible --

24 MR. GOURIS: Yes.

1 CHAIRMAN ANDERSON: -- on an extended basis?

2 MR. GOURIS: Yes, as long as the head of the
3 household is --

4 MS. CARRINGTON: As long as the head of
5 household meets the definition.

6 MR. GOURIS: It depends on which senior
7 definition they meet, but yes.

8 MS. CARRINGTON: We've certainly had some
9 developments where developers have said and committed, and
10 we put that in the blurb on make sure that they don't have
11 that.

12 CHAIRMAN ANDERSON: Okay.

13 MR. GOURIS: Not to confuse the issue, I don't
14 think that's what's going on here.

15 MS. CARRINGTON: We're not confused. No.

16 MR. GOURIS: I don't believe that's what's
17 going on here. I think this was our --

18 VICE CHAIRMAN CONINE: I daresay there are
19 seniors that are still going to school

20 MR. GOURIS: Aren't we all?

21 MS. CARRINGTON: Now, whether they need after
22 school care is another matter.

23 MR. GOURIS: The concern about the market
24 study, specifically, it does have a higher than normal

1 inclusive capture rate, but seniors development is allowed
2 to go over the 25 percent.

3 MS. CARRINGTON: It can go up to 100 percent.

4 MR. GOURIS: We allow it to go up to 100
5 percent. The market area is a little bit larger than you
6 typically see for a family transaction because they're
7 going to be drawing from a larger population area, as
8 senior developments typically do. This market area is
9 particularly large, but it is not unreasonably so.

10 CHAIRMAN ANDERSON: Okay. I also see that the
11 applicant has applied for city of Houston HOME funds. Is
12 the feasibility of this development contingent on the HOME
13 funds?

14 MR. GOURIS: As I recall, we went back and
15 forth on that issue. I think in the final version of what
16 we came to, it's not contingent on receiving those HOME
17 funds, but if they do, they need to be in a --

18 MS. CARRINGTON: Grant form.

19 MR. GOURIS: -- grant form, exactly. If they
20 don't receive the HOME funds -- my understanding from the
21 developer is that if they don't receive the HOME funds,
22 they don't believe the transaction will go forward -- I
23 think it's still possible for them to defer enough
24 development fee. That's at a zero percent on the

1 situation. So that the total would make it work, but our
2 requirement was if they get the HOME funds was that they
3 had to be in the form of a HOME grant, or non-repayable,
4 for that period of time.

5 CHAIRMAN ANDERSON: Thank you. Any other
6 comments or questions?

7 (No response.)

8 CHAIRMAN ANDERSON: Hearing none, I assume
9 we're ready to vote. All in favor -- do we need a
10 resolution? No, we don't need it for this.

11 VICE CHAIRMAN CONINE: No,

12 CHAIRMAN ANDERSON: All in favor, say, Aye.

13 (A chorus of ayes.)

14 CHAIRMAN ANDERSON: Opposed, no.

15 (No response.)

16 CHAIRMAN ANDERSON: Motion carries.

17 MS. CARRINGTON: The next item for your
18 consideration, and there isn't a tab, but it's in the same
19 section. So it's right behind the colored map. This is
20 the issuance of tax credits in the amount of \$662,566 for
21 a development to be located in Corinth, Texas, with the
22 Denton County Housing Finance Corporation as the issuer on
23 this transaction.

24 This one is proposed to be an elderly

1 transaction and it is priority 1(c), which you have seen
2 several of these today. As we've mentioned, it is this
3 new legislative category which allows a priority 1 scoring
4 for developments that are to be located in census tracts
5 with median income that's greater than the median income
6 of the county.

7 In this particular development, as you look
8 through the market study, you can see that the department
9 had great difficulty with the quality of the market study.

10 As a matter of fact, we are removing this analyst off of
11 our market study list. We'll be working with them to work
12 on the quality and the format, and using the department's
13 laid out, approved, accepted practices, which are in our
14 underwriting rules and guidelines.

15 We did, after some revisions to the market
16 study, and staff doing a considerable amount of work on
17 this particular transaction, did get to a comfort level to
18 be able to recommend the transaction to the board for the
19 issuance of the tax credits.

20 VICE CHAIRMAN CONINE: Move for approval.

21 MR. BOGANY: Second.

22 CHAIRMAN ANDERSON: Any questions or
23 discussion? I do have Mr. Voelker here if the board has
24 questions or the staff.

1 MR. VOELKER: The only thing I'll say is this
2 is not an elderly development. It's a family development.

3 So I just wanted to clarify that. If you have any
4 questions?

5 CHAIRMAN ANDERSON: Hearing none, I assume
6 we're ready to vote. All in favor, say, Aye.

7 (A chorus of ayes.)

8 CHAIRMAN ANDERSON: Opposed, no.

9 (No response.)

10 CHAIRMAN ANDERSON: Motion carries.

11 MS. CARRINGTON: 7(d) is a request for two
12 amendments to housing tax credit developments that involve
13 material changes. If it's a material change, the board
14 has to approve.

15 The first one is for Little York Villas, which
16 was a 2003 allocation. It's located in Houston. They are
17 reducing the size of the clubhouse and increasing the size
18 of the two and three bedroom units. This was redesigned
19 to be more functional and also to meet some requests of
20 the homeowners, to provide a 130 foot buffer between the
21 last building and where the homes start.

22 The staff is recommending that this amendment
23 be approved. We've noted at the bottom that this change
24 wouldn't have effected the allocation, the application for

1 an '03 award. If you look right above that, you'll save
2 the time on printing. An evaluation of the Real Estate
3 Analysis division is pending. That analysis has been
4 finished and completed. That analysis did not indicate
5 that there was any change in feasibility or any change in
6 the credits based on this redesign.

7 MR. BOGANY: So moved.

8 MAYOR SALINAS: Second.

9 CHAIRMAN ANDERSON: Any discussion or
10 questions?

11 (No response.)

12 CHAIRMAN ANDERSON: Hearing none, I assume
13 we're ready to vote. All in favor, say, Aye.

14 (A chorus of ayes.)

15 CHAIRMAN ANDERSON: Opposed, no.

16 (No response.)

17 CHAIRMAN ANDERSON: Motion carries.

18 MS. CARRINGTON: The second one for your
19 consideration is actually a bond transaction. So it's a
20 private activity bond and a 4 percent tax credit
21 allocation. It's located in Tyler and there was a
22 necessity for a change in the development's site plan
23 because of a creek that ran through the property. So the
24 number of buildings has been reduced from 14 to twelve.

1 They've increased the number of one bedroom units and the
2 number of two bedroom units was decreased slightly. The
3 total number of units did not change, however.

4 An analysis by the real estate division has
5 been completed, and it indicated that this still would
6 have been eligible for the same amount of credits, and
7 would not have effected the award because this was a bond
8 transaction. Staff was recommending the approval of the
9 site plan.

10 MR. BOGANY: So moved.

11 MR. GONZALEZ: Second.

12 CHAIRMAN ANDERSON: Any discussion or
13 questions?

14 (No response.)

15 CHAIRMAN ANDERSON: Hearing none, I assume
16 we're ready to vote. All in favor, say, Aye.

17 (A chorus of ayes.)

18 CHAIRMAN ANDERSON: Opposed, no.

19 (No response.)

20 CHAIRMAN ANDERSON: Motion carries.

21 MS. CARRINGTON: The next item is 7(e). Our
22 qualified allocation plan does require that if the
23 construction loan needs to be extended, that the board
24 must approve that. We have one request for an extension

1 of a construction loan. The applicant has indicated that
2 they've experienced delays in obtaining building permits
3 and finalizing their partnership agreement documents with
4 the syndicator.

5 It's Little York Villas, which you just
6 approved some changes for. It's located in Houston.
7 Their current deadline for closing of the construction
8 loan is June 11. The new deadline that was recommended,
9 and is being requested by staff, is July 12, 2004. We are
10 recommending that deadline be extended for one month.

11 MR. BOGANY: So moved.

12 VICE CHAIRMAN CONINE: Second.

13 CHAIRMAN ANDERSON: Questions?

14 (No response.)

15 CHAIRMAN ANDERSON: Hearing none, I assume
16 we're ready to vote. All in favor, say, Aye.

17 (A chorus of ayes.)

18 CHAIRMAN ANDERSON: Opposed, no.

19 (No response.)

20 CHAIRMAN ANDERSON: Motion carries.

21 MS. CARRINGTON: The next item for your
22 consideration, 7(f), is a request for a reallocation of
23 returned tax credits for Meadows of Oakhaven Apartments
24 and a request for a waiver of the 2004 qualified

1 allocation plan and rules for that development. Staff is
2 not recommending the reallocation and the waiver.

3 Some background on this development, it was
4 awarded an allocation of 9 percent credits in October
5 2002. It was awarded \$407,934. The development was to be
6 located in Pleasanton and it did come out of the rural
7 set-aside. There have been numerous delays in each stage
8 of completion of this development. The board has granted
9 multiple extensions on this particular development.

10 Staff's recommendation is at the bottom of this
11 page. Our recommendation is to not approve it because
12 required deadlines have not been met and we believe it
13 would set an unfavorable precedent if the board does take
14 this action.

15 Now, we have given you, as we usually attempt
16 to do, an alternative, or an option, in the second
17 paragraph. If you do choose to grant this request, we
18 would recommend that the waiver of the 2004 QAP also be
19 granted, but that the development would be put on a much
20 abbreviated timeframe.

21 So basically what the applicant is asking for
22 is to return the credits he received in '02. They would
23 go into the '04 pool. And then those '04 credits would
24 turn around and be reallocated to this development. So

1 that's what the applicant is seeking today.

2 VICE CHAIRMAN CONINE: Do you want a motion or
3 can we hear him first?

4 CHAIRMAN ANDERSON: With the board's
5 concurrence, I think we certainly can hear him first.

6 VICE CHAIRMAN CONINE: I'd love to hear what he
7 has to say.

8 CHAIRMAN ANDERSON: Mr. Gilbert?

9 MR. GILBERT: Well, thank you for hearing me.
10 This is our fourth transaction. We've been participating
11 in the program for nine years now. We've completed
12 projects in Fredericksburg, Floresville, and just, most
13 recently, in Pasadena, 126-unit senior development which
14 is leasing well. Our other properties are performing and
15 fulfilling their responsibilities as affordable housing
16 developments.

17 We have encountered problems with a lack of
18 adequate funding primarily. Well, with the first
19 syndicator, it was a low appraisal that produced a loan
20 that was approximately \$350,000 short of what the
21 application was for, with Munie Mae Midland.

22 And then we went into our cost analysis. Our
23 cost analysis proved that it was significantly higher than
24 what we had proposed in our application. So between those

1 two circumstances, we had a shortfall of about \$805,000.

2 We could not overcome that with Munie Mae.
3 They did not want to raise their syndication price and did
4 not want to go back to the appraiser. So that was
5 terminated in July. We continued to try to work something
6 with them as we moved forward with another syndicator and
7 with another lender, who was the lender with whom we
8 closed our construction loan.

9 We closed with Stearns Bank and with Alliant
10 Capital as our equity provider. Alliant basically
11 negotiated that transaction with Stearns. The objective
12 was to close in December. As we moved forward into
13 December, the Alliant people discovered by the way they
14 were calculating the numbers that the debt covered ratio
15 during the seventh year of this takeout commitment from
16 Stearns -- which is not intended to be something that you
17 live with, but it's something that you have to try to
18 permit the mortgage that you prefer to have on the
19 property for 30 years -- they found that their debt
20 coverage ratio was inadequate. So they said, We can't do
21 the deal.

22 That was in January, February. At that point,
23 we were getting short on time to be able to negotiate a
24 new deal with a syndicator, and to get it underwritten and

1 closed, and get under construction, and meet the
2 deadlines. Even though that was the case, we still talked
3 to Bank One and their CDT connection, Community
4 Development Trust, and also the Richmond Group. They
5 expressed interest, but they were concerned about the time
6 to complete the property before year end.

7 We see now that because MSA for San Antonio is
8 now going to include Atascosa County, where Pleasanton is
9 located, and the rents will be significantly higher, that
10 we have a much better chance of having adequate funding
11 sources to open up the lender avenues, which would include
12 HUD in this case. We have done one HUD before. The
13 property in Houston is a HUD. We're familiar with the
14 process, and we know how it works. We believe that we
15 will have the feasibility with the new MSA rents coming
16 available in '05 to do this transaction and bring it to
17 reality.

18 VICE CHAIRMAN CONINE: Mr. Gilbert, does the
19 property qualify under the 2004 QAP currently?

20 MR. GILBERT: I don't know what the
21 qualification for that would be.

22 VICE CHAIRMAN CONINE: Let me ask, maybe,
23 Brooke to comment on that. Would the property, in your
24 opinion, Brooke, does it meet the 2004 QAP?

1 MS. BOSTON: No, I don't think it does.

2 MR. GILBERT: Is that the design?

3 VICE CHAIRMAN CONINE: Yes, I'm talking about
4 design-wise. I'm talking about the design, the units.

5 MR. GILBERT: It has one bedrooms. The one
6 bedrooms have 750 square feet. It has two bedrooms and
7 three bedrooms.

8 VICE CHAIRMAN CONINE: Ms. Boston, do you know
9 where it doesn't meet the design? Here's where I'm headed
10 with this, because you've spent a lot of money on
11 architects and engineering and so forth --

12 MR. GILBERT: I've got about \$160,000 invested
13 in this transaction.

14 VICE CHAIRMAN CONINE: Right. My question
15 is -- for it to meet the 2004 QAP, would you have to go
16 and withdraw them all? Or would the ones you have be
17 usable?

18 MS. BOSTON: I don't know. I didn't bring the
19 unit mix with me.

20 VICE CHAIRMAN CONINE: You haven't looked at
21 that?

22 MS. BOSTON: I didn't bring the unit mix with
23 me, to compare and see if the percentages would meet it or
24 not. I can go check real quick.

1 MR. GILBERT: If you know what it is off-hand
2 real quick, our two bedroom, two baths have 950 square
3 feet.

4 MS. BOSTON: It's actually not just the square
5 footage. It's actually the percentage of the units that
6 are ones, twos, or threes, because the '04 QAP now has --
7 you can't have, I think, more than --

8 VICE CHAIRMAN CONINE: Do you remember what the
9 unit mix breakdown was, Mr. Gilbert, of the 76 units?

10 MR. GOURIS: 38 percent, I believe.

11 MS. CARRINGTON: Mr. Gouris, is that you at 38
12 percent threes?

13 MR. GOURIS: Yes, 38.9 percent threes.

14 VICE CHAIRMAN CONINE: So does that meet the
15 criteria or not?

16 MS. BOSTON: Let me grab it real quick.

17 VICE CHAIRMAN CONINE: Just if the board will
18 indulge me, just for a second.

19 MS. CARRINGTON: His request to us, according
20 to staff's write-up, was a two-pronged request.

21 VICE CHAIRMAN CONINE: I understand.

22 MS. CARRINGTON: It was a waiver of the '04.
23 So that leads me to believe that someone had taken a look
24 at that and said --

1 VICE CHAIRMAN CONINE: Somebody knew what they
2 were doing.

3 MR. GILBERT: That had been suggested to me, by
4 staff, that we might want to ask for that, ask for a
5 waiver of the '04. I don't think there was any
6 intelligent basis for that, other than, if you don't know,
7 then it meets it after the waiver. I was not aware of
8 '04, the disposition of the quantities.

9 MS. CARRINGTON: That was new.

10 MR. GILBERT: The energy requirements are not a
11 problem. As far as the configuration like that, it's not
12 that difficult to change the boxes.

13 VICE CHAIRMAN CONINE: Well, I guess I was --

14 MR. GILBERT: I suspect that we probably meet
15 it though.

16 VICE CHAIRMAN CONINE: I was approaching it
17 from the save bills of the architect and engineer, because
18 I can appreciate the fact that if you've got to go redo
19 this, it's --

20 MR. GILBERT: Oh, it's not fun.

21 VICE CHAIRMAN CONINE: -- it's significant.

22 MS. BOSTON: It would violate on both the two
23 bedrooms and three bedrooms. His percentages exceed the
24 amount permitted in the QAP.

1 VICE CHAIRMAN CONINE: Okay.

2 MR. GILBERT: They exceed? I have too many?

3 MS. BOSTON: Correct. The way it's written in
4 the QAP is that you can't have more than 45 percent twos
5 and you can't have more than 45 percent threes.

6 MAYOR SALINAS: How much extension are you all
7 looking for?

8 MR. GILBERT: Well, Ms. Carrington said that it
9 would be an accelerated plan. I don't know to what that
10 accelerated plan would be. In my opinion, we have to be
11 able to get our financing to the point to where the '05
12 rents come out, with the MSA designation, which is going
13 to give us the rent levels that we need. So we'll be
14 building the project in '05 and we should be able to
15 complete in '05.

16 From a cost viewpoint -- and as we all know,
17 costs have been significantly rising -- the property would
18 qualify for more tax credits, if it was underwritten
19 today. So the debt picture is important, that we have
20 enough debt funds to provide feasibility. We have 407,000
21 in tax credits and we'd probably figure somewhere in the
22 neighborhood of 440,000 today.

23 So it's important for us to get to the '05
24 window. We're going to attempt to, if we do get the

1 extension effectively, we're going to go ahead and try to
2 work with the Atascosa County 2004 rents, with HUD, and
3 see if we can make that deal work, so that we can get
4 under construction that much faster.

5 MAYOR SALINAS: How much more time do you need?

6 MR. GILBERT: Well --

7 MAYOR SALINAS: The extension would be, you
8 look at how much, what time? I can understand, you know,
9 that it's a small community of Pleasanton of Atascosa
10 County. Having a project like this, in this area, would
11 be important for this agency, but --

12 MR. GILBERT: Yes, they have a --

13 MAYOR SALINAS: -- you don't seem to be moving
14 very fast.

15 MR. GILBERT: Of course, the impetus from the
16 new automobile plant in San Antonio is going to be helping
17 that area. We have a project in Floresville also, and
18 these small towns really do need some internal growth.

19 MAYOR SALINAS: I know.

20 MR. GILBERT: It's hard for them to survive
21 traveling to a metropolitan area. They all have high
22 commuter ratios. And so --

23 MAYOR SALINAS: I know the staff is not
24 recommending it --

1 MR. GILBERT: -- there is internal growth there
2 that's going to help it.

3 MAYOR SALINAS: I know the staff is not
4 recommending it, but we've done this before. How much
5 more time could we extend? I'm not looking at Ms.
6 Carrington at all.

7 MS. CARRINGTON: Okay.

8 MAYOR SALINAS: I can understand his
9 expenditures at 168,000.

10 CHAIRMAN ANDERSON: Ms. Boston, did you have
11 something you wanted to say? Or were you trying to
12 respond to what you thought was going to be a question?

13 MS. BOSTON: I just wanted to clarify that it's
14 not --

15 CHAIRMAN ANDERSON: Would you let her approach
16 the mike?

17 MR. GILBERT: Oh, certainly.

18 MS. BOSTON: I'm sorry. I just wanted to
19 clarify that technically it's not an extension. Actually,
20 their credits are going to be returned and we're actually
21 giving him a new allocation.

22 MAYOR SALINAS: Can we do that?

23 MS. CARRINGTON: The board has the discretion
24 to do that.

1 MAYOR SALINAS: If the board has the
2 discretion, can we do it? I mean, where is the lead
3 counsel? You all have to take into consideration that
4 this is a small community in Pleasanton. I think this
5 board's obligation is to find a way to kind of help this
6 small community.

7 CHAIRMAN ANDERSON: I'm reading the last
8 paragraph of the staff request: Regardless of what action
9 the board takes today, these 2002 credits are not lost?
10 They go into the 2004 ceiling that we will make decisions
11 on in June and July?

12 MS. BOSTON: Correct.

13 CHAIRMAN ANDERSON: I have a question for Mr.
14 Gilbert. And then I have a question for Ms. Boston. My
15 question for you, sir, is that the staff gives us an
16 option to, if we choose to override the recommendation and
17 approve this request, that we do it on an abbreviated
18 timeline, where you would carryover, by July 30, which is
19 about two and a half months away, commit substantial
20 construction by the end of the year, and be in service by
21 August 31, 2005. Now, do I understand accurately that you
22 have no financing commitment in place today and you would
23 initiate discussions with HUD about that?

24 MR. GILBERT: That's correct.

1 CHAIRMAN ANDERSON: Okay. Thank you.

2 MR. GILBERT: Everything had come to a stop
3 until the credits were a possibility.

4 CHAIRMAN ANDERSON: Okay. Thank you.

5 MR. GILBERT: It is the syndicators that have
6 expressed continued interest --

7 CHAIRMAN ANDERSON: All right.

8 MR. GILBERT: -- but we do have to get the
9 financing.

10 CHAIRMAN ANDERSON: Okay. Ms. Boston, my
11 question for you is -- and, sometimes, those of us who are
12 not in this industry don't put two and two together until
13 it sort of happens by accident in a meeting -- but we just
14 approved a request for Little York Villas for an extension
15 of time to close the construction loan. It says it's also
16 a 2002 allocation.

17 So I'm interested in the last sentence, under
18 Meadows of Oakhaven, that says "the credits are coming
19 back regardless because the applicant will clearly not
20 satisfy 2002 placement in service deadline of December 31,
21 2004." My question for you is -- is there a typo on this
22 page?

23 MS. BOSTON: Yes, there is. Little York Villas
24 is a 2003 development.

1 CHAIRMAN ANDERSON: Oh, it is?

2 MS. CARRINGTON: It is an '03 allocation, yes.

3 CHAIRMAN ANDERSON: Okay. Thanks.

4 MS. CARRINGTON: Thank you for catching that.
5 It was right on the first request.

6 CHAIRMAN ANDERSON: It just made me ask the
7 question, but that answers it.

8 MS. CARRINGTON: Yes, absolutely.

9 CHAIRMAN ANDERSON: Other questions or
10 discussion? Well, we don't have any motion. So I guess
11 that might --

12 MAYOR SALINAS: I would like to see if we
13 could -- I would like to make a motion that we go ahead,
14 and accept the credits, and give back to him in the '04,
15 and take the recommendation from the staff that he has to
16 have something by July, have some construction and,
17 hopefully, ready in '05.

18 MR. GILBERT: I didn't have the benefit of
19 seeing the recommendation. Was it completion in '05?

20 MS. CARRINGTON: It was on our website, Mike.
21 I'm sorry.

22 MR. GILBERT: Was the completion in '05?

23 MS. CARRINGTON: What the staff is recommending
24 is carryover by July 30, 2004, commence substantial

1 construction by December 31, 2004, and then be placed in
2 service by August 31, 2005.

3 VICE CHAIRMAN CONINE: Just to be clear,
4 staff's recommending that as an alternative. Staff's
5 recommendation is to deny this request.

6 MAYOR SALINAS: Deny, yes.

7 MS. CARRINGTON: Correct.

8 VICE CHAIRMAN CONINE: Mr. Mayor, I
9 respectfully have to disagree with your motion. I didn't
10 hear a second on it anyway, but I view this as a dangerous
11 precedent of what looks to me to be leap-frogging, from
12 two tax credit years to future tax credit years. There's
13 probably no one in this room more sensitive to the fact
14 that you've got a lot of money expended here, because I've
15 my share of those as well, that for one reason or another
16 didn't make.

17 I view the opportunity, though, of rather than
18 doing this leap-frog routine, between the '02 and the '04
19 tax credit rounds, I think to resubmit for the '05
20 allocation, in a normal process, where your normal scoring
21 would take place, when you have obvious amounts of
22 substantial investment. That would allow you an
23 opportunity to recoup your investment, but go through the
24 competitive process that you need to go through.

1 There have obviously been reasons why the
2 particular project has not commenced as of this point. In
3 some cases, we're sympathetic to those, but I think the
4 precedent of doing the give-back, if you will, on '04
5 forward allocation is just not appropriate at this time.

6 So I make a motion to support the staff request
7 to deny it.

8 MR. BOGANY: Second.

9 CHAIRMAN ANDERSON: It was one of these two.

10 MR. BOGANY: Either one. Pick either one.

11 CHAIRMAN ANDERSON: Any other questions of
12 staff or discussion among the board?

13 (No response.)

14 CHAIRMAN ANDERSON: Hearing none, I assume
15 we're ready to vote. All in favor of the motion, say,
16 Aye.

17 (A chorus of ayes.)

18 CHAIRMAN ANDERSON: Opposed, no.

19 (No response.)

20 CHAIRMAN ANDERSON: The motion carries.

21 MS. CARRINGTON: Next item for your
22 consideration is the report on the housing tax credit
23 inspection fees related to QAP requirements. We have
24 provided a chart for you.

1 From 1997 to 2002, there was a requirement that
2 construction inspections be performed -- well, there's
3 still a requirement, but for this period of time, it was
4 being done actually in the program area. And then we
5 transferred it over to the financial services area. When
6 we transferred the collection of these fees from the
7 programs area to financial services, there was
8 approximately 203,000 due from developers. Since then,
9 the financial services has billed and collected
10 \$826,298.12. We still have \$15,598.01 remaining to be
11 collected.

12 The board may remember that fees do have to be
13 current. All fees of the department have to be current
14 for developers who are participating in either the 9
15 percent or the 4 percent. So the board had asked for this
16 report, an update, and that's what it is. It's an update
17 for you.

18 MR. BOGANY: I have a quick question.

19 MS. CARRINGTON: Yes, sir?

20 MR. BOGANY: So we requested these monies, but
21 they're still outstanding?

22 MS. CARRINGTON: On the invoice date, we have a
23 couple of them that are -- yes, sir, they've all been
24 billed. Some of them are, you know, within 30 days. It

1 looks like we have one that's 120 days.

2 VICE CHAIRMAN CONINE: I've got a sneaking
3 suspicion in about 20 or 30 days, you'll see a mad rush of
4 these to get paid.

5 CHAIRMAN ANDERSON: I want to commend the
6 financial services division for, you know, putting in
7 place an ongoing process to keep these billed so that we
8 bill current and we collect on a current basis. This is a
9 very different picture than we, the board, saw when we
10 first started looking at this, what, a year and a half
11 ago. So I was curious just to see what this report would
12 look like and am very gratified by what's on this piece of
13 paper. Congratulations and thank you.

14 MS. CARRINGTON: Thank you.

15 The next item is 7(h) --

16 CHAIRMAN ANDERSON: Mr. Dally, is there
17 anything you just had to say about that?

18 VICE CHAIRMAN CONINE: Can we get some coffee
19 with that money?

20 MR. BOGANY: And doughnuts.

21 MR. DALLY: No, my comment was I was just glad
22 to have an opportunity to bring a great report like this.

23 Some of the staff responsible, David Cervantes and Ernie
24 Palacios, are in the back. So I don't do this billing and

1 stuff, but they are in charge of that and have done a
2 great job.

3 ALL: Good job.

4 (Applause.)

5 MS. CARRINGTON: Next item for the board's
6 consideration is a request for an increase in the amount
7 of the 4 percent credits on a previously approved bond
8 transaction. We haven't had one of these in a while, but
9 it's the Lake West Community Townhomes in Dallas. It's
10 part of a Dallas Housing Authority redevelopment. It's
11 part of the HOPE VI. They are requesting, in additional
12 credits, \$38,116, which would increase their total
13 allocation to 570,370.

14 There is an underwriting analysis that goes
15 through the justification for these increases. Their
16 bids, their hard costs came in more than what was
17 anticipated. Architecture and engineering turned out to
18 be a little bit more than they had thought. They incurred
19 some interest expense and then they had reserve account
20 requirements that were higher than they had originally
21 anticipated.

22 It actually increased their development costs
23 by \$1,315,311, so about 38,000 in tax credits. Since this
24 does not come out of the competitive ground, staff is

1 recommending, we're comfortable with their justification.

2 We are recommending this increase.

3 MR. BOGANY: So moved.

4 VICE CHAIRMAN CONINE: Second.

5 CHAIRMAN ANDERSON: Any questions for the
6 staff, discussion?

7 (No response.)

8 CHAIRMAN ANDERSON: Hearing none, I assume
9 we're ready to vote. All in favor, say, Aye.

10 (A chorus of ayes.)

11 CHAIRMAN ANDERSON: Opposed, no.

12 (No response.)

13 CHAIRMAN ANDERSON: Motion carries.

14 Now, we will go back and pick up agenda item
15 number 5, which is concerning the meeting and report from
16 the Audit Committee.

17 MR. BOGANY: Okay. We had an Audit Committee
18 meeting yesterday, went over several items, the status of
19 prior audit issues, Section 8 self-sufficient program, and
20 the status of the central database. I'm going to ask
21 David Gaines to come up and give us an overview on that
22 particular meeting.

23 MR. GAINES: I'm David Gaines, director of
24 Internal Audit. These materials are behind tab 5(a) of

1 your materials, or the agenda is listed there. As Mr.
2 Bogany spoke of, we spoke to the agenda items listed.
3 I'll just kind of touch on the highlights relating to each
4 of those agenda items.

5 The first one is the results of the statewide
6 federal single audit for the year ending August 31, 2003.

7 We spoke of the purpose of the audit. We spoke of the
8 results of the audit, which included eleven findings.
9 Nine of those have been reported by management as
10 resolved. The remaining two, one of them is relating to
11 the Family Self-Sufficiency Program, which is a separate
12 agenda item. That is discussed separately. The remaining
13 item was a finding relating to the department's cost
14 allocation plan that management hopes to have resolved by
15 the end of June.

16 As I go through this, I'll be glad to elaborate
17 on any of this, but I'll be touching at a real high level.

18 So that's all I really had planned on for the full board
19 relating to the single audit.

20 The next agenda item related to the status of
21 prior audit issues. That's behind tab 5(b). Of the seven
22 issues listed there, five of them are being reported as
23 fully implemented or resolved by management. However,
24 it's probably more appropriate that just three of these be

1 reported as implemented. The difference of two relates
2 specifically to issues 268 and 269, on pages 2 and 3 of
3 that summary. I believe I need to speak to those briefly.

4 Both the issues resulted from the fiscal year
5 2001 audit, conducted by KPMG. During their subsequent
6 year's audit for fiscal year 2002, KPMG cleared these
7 issues. Accordingly, for the most part, that's the
8 reason, in part, that these are being reported as
9 implemented. At that time, management kind of moved them
10 to the back burner, as implemented.

11 Since that time, HUD, in their follow-up on
12 these issues, which oftentimes can easily be in excess of
13 a year from the original issuance, with a letter dated
14 3/26/04 and more recently 5/3/04, HUD has indicated that
15 they don't consider these issues fully resolved. They
16 have requested supporting documentation to clear these
17 issues. The corrective actions requested by HUD could be
18 a significant burden on the department. That's something
19 that management is in communications with HUD and working
20 through.

21 At this point, HUD is expecting a response from
22 the department by July 1, with additional supporting
23 documentation to clear these issues. At that time, HUD
24 will consider the information provided and will get back

1 with the department accordingly.

2 VICE CHAIRMAN CONINE: Which program is this,
3 Mr. Gaines?

4 MR. GAINES: This relates to the HOME program.

5 VICE CHAIRMAN CONINE: Okay. Thank you.

6 MR. GAINES: In that respect, in discussions,
7 informal discussions I guess, between HUD and the
8 department, I understand from the director of portfolio
9 management and compliance that one of the issues, which
10 could be a significant concern, burden of the department,
11 there was known questioned costs of 26 -- let's get this
12 in front of me real quick.

13 MS. CARRINGTON: 29 --

14 MR. GAINES: Right.

15 MS. CARRINGTON: 29,400.

16 MR. GAINES: Right. The known questioned cost
17 was 29,400. In these informal discussions, the director's
18 understanding is that HUD is willing to accept that as the
19 final amount, which would be good news for the department,
20 as opposed to the projected amount; taking that sample,
21 and the resulting 29,000, and projecting that to the total
22 population. Once you do that, the numbers increase
23 considerably. So that's something that the department's
24 cautiously optimistic about. However, to date, that's

1 been discussion and we haven't seen anything to that
2 effect in writing.

3 So I did want to bring you all's attention to
4 both of those. Potentially, that could be a burden on
5 this department, if we do have to follow through as
6 prescribed by the most recent formal communications.

7 VICE CHAIRMAN CONINE: Ms. Carrington, I know
8 your meeting with the HUD regional director in the next
9 week or two. Is this a topic for discussion on that
10 particular agenda?

11 MS. CARRINGTON: We are working on our agenda.
12 We have meeting now. Ruth is pulling out the copy of the
13 agenda. I would say if we don't have it on there, it's
14 very possible we need to put it on there.

15 VICE CHAIRMAN CONINE: Yes, I think so. In the
16 Programs Committee meeting yesterday, it was apparent to
17 me in listening to the reports from our great staff that
18 we're spending an awful lot of time going backwards and
19 trying to satisfy by the book documentation on a lot of
20 stuff that I think this agency will readily admit that we
21 had some deficiencies in during that period of time. It's
22 also taking a lot of HUD staff time.

23 I would like, from the viewpoint of really
24 nothing to lose, I don't think we really have anything to

1 lose by asking formally, rather than informally, that HUD
2 would come to some quick overall resolution of this issue
3 as it pertains to some period of time going backwards. To
4 me, we're just wasting a whole lot of time.

5 Whatever that discussion would be, I would
6 appreciate you having that with the regional director's
7 office and getting some sort of feedback. If we need to
8 go to Washington, D.C. and have that discussion with the
9 HUD folks in Washington, then I think we ought to do it,
10 because we could be spending a lot more productive time,
11 with a lot of our great staff, looking forward in this
12 HOME program, as opposed to looking backward. I'd like to
13 get there as fast as we can, while I think the door would
14 be open to some of those discussions. Is that possible?

15 MS. CARRINGTON: Yes, sir.

16 VICE CHAIRMAN CONINE: Thank you.

17 MR. GAINES: I do have those numbers in front
18 of me. There is a significant difference between the
19 actual that they noted and the projected. The actual is
20 29,000, in which case the best strategy may be to cut HUD
21 a check in resolution, as opposed to the staff time
22 involved in clearing up the projected population,
23 projected questioned costs being 2.3 million.

24 VICE CHAIRMAN CONINE: Right. I'm in full

1 agreement that there needs to be some high level
2 negotiations here. I understand, you know, that
3 everybody's doing their job on both sides of the table,
4 under what the rules of the game are, but I'm not sure, in
5 the end, anyone will be well-served by the time and effort
6 that we're going through. I just would like to take a
7 shot at it, if we can.

8 MR. GAINES: I'm sure management and staff
9 appreciates your comments.

10 The next agenda item is behind 5(c). This
11 relates to the Section 8 Family Self-Sufficiency Program
12 for Brazoria County. Eddie Fariss, the director of the
13 Community Affairs program, spoke to this issue, going into
14 detail discussing the plan and the timeline involved to
15 resolve this issue.

16 He also spoke of a wrinkle that had surfaced
17 that may affect the plan. HUD has recently approved
18 Brazoria County as a public housing agency. As such, the
19 county is eligible to deliver the Section 8 program. The
20 department currently is assessing the impact of this
21 recent development. Until that assessment is done, the
22 plan that has been put in place is kind of an iffy plan
23 and we'll have to work through this assessment to fully
24 appreciate the full impact.

1 VICE CHAIRMAN CONINE: Can we get a report back
2 on this at our next board meeting?

3 MS. CARRINGTON: Yes, sir.

4 VICE CHAIRMAN CONINE: Great. Thank you.

5 CHAIRMAN ANDERSON: It would be good to have
6 that report, perhaps, even as part of the Programs
7 Committee agenda, if that agenda is going to encompass the
8 Section 8 program.

9 MR. GAINES: The next agenda item, behind tab
10 5(d), relates to the status of the central database. We
11 discussed the status, where we're at. There are three
12 parts to this. There's the summary project plan status.
13 Following that is an issues risk management work paper,
14 documenting some of the more significant issues that have
15 been prioritized for resolution. And then there's the
16 capital budget rider activity, a discussion of the monies
17 involved in the appropriations.

18 On the summary, our recent accomplishments have
19 been that we have moved the contract system and CMTS is
20 now into production. We've reclassified that as completed
21 on your summary plan.

22 We've recently completed the
23 post-implementation review, which was a review conducted
24 by the project team on how well it performed on the

1 contract system, with the intent to identify opportunities
2 for improvement going forward. The results of this review
3 have been incorporated into the project charter, the
4 document by which the team is operating, defining roles
5 and responsibilities.

6 The charter has been approved by the steering
7 committee. There were, in going through that charter, a
8 couple of issues where full agreement wasn't reached.
9 Those issues still need to be resolved and they're going
10 to be addressed. We'll be revisiting those in short
11 order. The balance of the charter has been approved.

12 You'll note at the top of the summary page,
13 immediately following tab 5(d), the first of the three
14 components of the status update, that the CMTS and program
15 monitoring specifications were being done by a contract
16 consultant. It's being reported at 95 percent complete.

17 The major module that's currently in
18 development is the multifamily module. This provides
19 functionality for the multifamily housing programs
20 including the tax credit program, multifamily properties
21 of the HOME and Housing Trust Fund programs, and the bond
22 programs. The business sponsors of this module include
23 the directors of Multifamily Finance Production division,
24 the Real Estate Analysis division, and the Portfolio

1 Management and Compliance division.

2 This is post-award functionality so application
3 and scoring functionality and the tracking of preaward
4 activities and information will be considered for future
5 development, future modules, or future releases of this
6 modules. You'll note on line 15 of this summary that the
7 requirements of the design phase of the module have been
8 completed.

9 However, also note that the module's design,
10 confirming that design by the business community, doesn't
11 begin until August 13, after the current award cycle.
12 While this seems to be the best we can do from a
13 scheduling perspective at this time, it's not an ideal
14 situation, in that the consultant that accumulated the
15 requirements and built the design will no longer be under
16 contract at that time. So accordingly that increases the
17 risk associated with that.

18 Yes, sir, Mr. Bogany?

19 MR. BOGANY: Ms. Carrington, I'd like for us
20 to -- I don't know if it's an action from our end, but I
21 think we need to keep the consultant on until this thing
22 is finished. In our meeting the other day, the gentleman,
23 I guess, the staff that's heading this up thought, well,
24 you know, we've got this. Once he's finished, I think we

1 can take it on. We've been playing with trying to get
2 this up and running and get it in place. I think just for
3 the safekeeping of knowing you've got the expert right
4 there to you, and get it finished, we ought to keep that
5 person on, that consultant on all the way through until
6 it's finished.

7 CHAIRMAN ANDERSON: Is there a way to restart,
8 you know, his agreement is going to stop, to sign him to
9 an agreement that's effective September 24? I mean, have
10 you all looked at what might be feasible to retain that
11 expertise?

12 MR. GAINES: Well, there's been discussions
13 along those lines. Also, in that respect, management has
14 anticipated that risk and they have tried to minimize it
15 by having two of the IT staff work with the consultant
16 during the requirements gathering and the design work. As
17 far as maybe trying to shut down the consultant, have him
18 come back, that's been a discussion without a whole lot of
19 positive response from the consultant's end.

20 CHAIRMAN ANDERSON: Well, of course. I'm a
21 consultant. I'm going to take the same position --

22 MR. GAINES: Right.

23 CHAIRMAN ANDERSON: -- but if I don't have
24 anything to do on September 24, you bet I'd be back here.

1 MR. GAINES: I believe that's exactly the
2 condition, in that depending on what other projects he may
3 come by between now and then, that would be the big
4 contingency.

5 CHAIRMAN ANDERSON: I mean --

6 MR. BOGANY: I mean, he's helped us with this
7 from ground zero all the way up. I just think from
8 whether it's a budget, whether we sign him up again for
9 that date, he needs to put on his priorities, if he
10 doesn't have it on his date now, that he's coming back
11 here on that date that we implement this. I mean, we've
12 paid him money all the way to this point. And now, you
13 know, to walk away when implementation is here, I've got
14 an issue with that.

15 I think either we arrange for him to pick up at
16 that date, but I just think it puts the department at a
17 disadvantage, when you're implementing something we've not
18 done. We've got a lot of data that's going in, a lot of
19 things are happening, and I just think it puts the
20 department at risk if we don't bring him in. I think we
21 ought to be able to find the money to keep him on or
22 demand that he pick up at that date and come back.

23 MR. GAINES: I think Mr. Dally here is fixing
24 to respond to that. I'd like to just clarify one issue

1 first. It's not so much that we'll be implementing at
2 that time, but we'll be confirming the design of the
3 system by the business community. With a confirmed
4 design, then the IT development staff in house will be
5 developing the system.

6 MR. DALLY: I'm Bill Dally, Chief of Agency
7 Administration. We do have the funds. We do have the
8 money. The last page of the central database will show
9 you what we had in the way of appropriations and capital
10 budget. We are underspent there.

11 We do anticipate bringing on some additional
12 programming help to build the code once these requirements
13 are confirmed. So we'd be looking to get the consultant
14 to come back and be with our business users, our
15 multifamily, real estate analysis, to go through that
16 final on the requirements before we begin to build, but we
17 do have the funds. However, we would need to explore a
18 new contract or something.

19 CHAIRMAN ANDERSON: He wouldn't be writing the
20 code is what I hear you saying anyway.

21 MR. DALLY: No.

22 CHAIRMAN ANDERSON: The value of having him
23 return would be more around confirming the requirements,
24 getting ink on the paper to sign off on the requirements

1 and the design. And then the actual coding of the system
2 he hasn't done in any case, or wouldn't do in any case?

3 MR. DALLY: No.

4 CHAIRMAN ANDERSON: He's not a Java programmer?

5 MS. CARRINGTON: Yes, we have the capability to
6 do that in house.

7 VICE CHAIRMAN CONINE: Do you understand what
8 everybody just said, because I didn't?

9 CHAIRMAN ANDERSON: Uh-huh.

10 VICE CHAIRMAN CONINE: I can't -- I agree with
11 Mr. Bogany's position. It sounds like we need him, but I
12 haven't heard that the staff agrees with Mr. Bogany's
13 position.

14 CHAIRMAN ANDERSON: I thought I heard Bill say
15 he would attempt to sign a new contract with Russ to use
16 him in the right role, which is confirming requirements
17 and design, but not writing the system. Russ is not a
18 Java programmer.

19 MR. DALLY: We could do that. It's just that
20 we've gotten to the point and we really haven't considered
21 it even internally. Mr. Bogany brought up a good point.
22 I think now, certainly if that's your direction, then I
23 think that would be a good use to bring him back.

24 CHAIRMAN ANDERSON: You all ought to consider

1 it or maybe tell us why not.

2 VICE CHAIRMAN CONINE: At our next committee
3 meeting.

4 CHAIRMAN ANDERSON: Yes, at the next committee
5 meeting.

6 MR. DALLY: I wouldn't object to that.

7 VICE CHAIRMAN CONINE: Okay. All right. Good.

8 CHAIRMAN ANDERSON: I have a related question,
9 which is while we're sort of in this hiatus where we've
10 got the multifamily module parts defined, but they haven't
11 yet been reviewed by the business unit, and can't be,
12 really, until the housing tax credit cycle is over, what
13 is the internal IS resource, what are our Java people
14 doing now?

15 MR. DALLY: I heard Curtis Howe -- is he here?

16 CHAIRMAN ANDERSON: No.

17 MR. DALLY: No? Well, what they're working on
18 are the bugs, fixes, work orders related to the CMTS and
19 to the contract system. So they are working on our
20 implemented systems now, making changes to that. So they
21 are engaged.

22 CHAIRMAN ANDERSON: Are those changes and bug
23 fixes, did they go through a change control process?

24 MR. DALLY: Yes, ma'am.

1 CHAIRMAN ANDERSON: Okay, yes, thank you.

2 MR. GAINES: I wanted to speak to that.

3 CHAIRMAN ANDERSON: That's music to my ears.

4 MS. CARRINGTON: Yes, indeed.

5 MR. GAINES: Also, the remaining phase of the
6 consultant's contract right now is designing reporting
7 screens and accumulating the reporting requirements and
8 designing the screens, which the IT shop will take and do
9 the development of those screens.

10 CHAIRMAN ANDERSON: I'd urge us to get that
11 design right so we build them once, and then we don't just
12 continue to --

13 MR. GAINES: Yes.

14 CHAIRMAN ANDERSON: You know, we build what we
15 want now, then be happy with what we have.

16 MR. GAINES: There is also, I understand, some
17 pretty significant Section 8 work. I don't think I have a
18 full understanding of what all that involves, but it's
19 something that's in the pipeline. Maybe you can speak to
20 that, Bill. To me, it sounds like it's going forward in
21 that particular piece. I'm not real familiar with it.
22 Ms. Carrington, maybe you can speak to that, too. I'm not
23 real familiar with that.

24 MS. CARRINGTON: Yes. As we did our

1 reorganization, we discovered some significant issues
2 related to how we administer Section 8, with multiple
3 software programs and a lot of inconsistencies in data.
4 So what staff is doing is beginning to work on that area,
5 bring it under one system, and figure out how we can be
6 more efficient, and have numbers that match up.

7 CHAIRMAN ANDERSON: Okay. Thanks.

8 MR. GAINES: Thank you, Bill. An additional
9 portion of the status report that we are providing with
10 this meeting, and we'll be doing going forward, are
11 various issues that have been prioritized. These are
12 normally issues that are elevated because the project
13 managers or team leads aren't able to deal with, either
14 due to resource constraints, or lack of authority, or such
15 strong disagreements on how to proceed.

16 We've been identifying those and prioritizing
17 them. You'll see several listed there. They're all in
18 various degrees of being addressed from one perspective or
19 another. Plans are being developed. Understanding of the
20 issues is one of the first steps. We'll have an issue and
21 not even fully understand it. So we have teams working on
22 those issues.

23 That was my prepared comments. The very last
24 page relates to the appropriation balances and the

1 expenditure of funds. At this point, management is okay
2 with the status of those funds.

3 MR. BOGANY: Madam Chairman, we also went
4 through the personnel evaluation of David. We went into
5 executive session. At this point, I would like to state
6 that we believe that David and his group are performing at
7 a very high standard. At this time, I'd like to move that
8 we vote on his personnel evaluation.

9 MR. GONZALEZ: Second.

10 CHAIRMAN ANDERSON: Great. Is there any
11 discussion or questions?

12 (No response.)

13 CHAIRMAN ANDERSON: I assume then we're ready
14 to vote. All in favor, say, Aye.

15 (A chorus of ayes.)

16 CHAIRMAN ANDERSON: Opposed, no.

17 (No response.)

18 CHAIRMAN ANDERSON: Motion carries.

19 MR. BOGANY: Thank you.

20 MR. GAINES: If I may, just in that respect, in
21 leading up to my evaluation yesterday, there was a comment
22 made along the lines that we came to agreement on this,
23 there were several things we couldn't agree on, and I
24 encourage each of you to let me know about those

1 disagreements so I can possibly work on them.

2 MR. BOGANY: We will.

3 CHAIRMAN ANDERSON: I have one question and I'm
4 not sure if it's for Mr. Gaines or Mr. Bogany. The issues
5 table that I thought was a good addition to the central
6 database reporting, because it's at a summary level, I
7 noticed that all of those are considered pending issues as
8 of May 4. Did you all talk about setting an expectation
9 about when we'd see that same issues table with proposed
10 action plans?

11 MR. BOGANY: We talked to David that it was
12 very important that we have a finite date on those. We
13 kind of went over everything and kind of got an idea that
14 the dates were very realistic of what they were trying to
15 do. We tried to make an emphasis with some of the staff
16 that was here, it is very important that we get this thing
17 finished and try to hit these dates.

18 We went over pretty much all those dates.
19 After the staff explained it, it all seemed very -- part
20 of the plan. It was not, I thought a long time, but based
21 on what they had to say in regards to it, it seems as
22 though it was on the level of completing this project.
23 Even though we thought the dates were a long time out,
24 listening to staff, these dates were needed to get it done

1 right.

2 MR. GAINES: I appreciate the comment. We do
3 have, for each of these issues, key staff identifying who
4 can do what by when. As it fully materializes, we'll
5 bring it back to the board on a regular basis.

6 CHAIRMAN ANDERSON: Yes, I mean, there are some
7 things like the training on CMTS was inadequate. Well,
8 I'm interested, and I'm sure the rest of the board is, in
9 knowing, what's the action plan to deal with that? When
10 is better training going to be developed? When is it
11 going to be delivered?

12 MR. GAINES: The last issue on that issues
13 list, by the way, as we look at it further, and further
14 assess, and develop better understanding, we feel that
15 that is more appropriately classified as a change request
16 and it will go through that same process.

17 CHAIRMAN ANDERSON: Okay.

18 MS. CARRINGTON: I might suggest that we put
19 another column on this, that has more of the date and the
20 action plan.

21 MR. GAINES: As those plans are developed and
22 finalized, that will be part of this.

23 CHAIRMAN ANDERSON: I think my underlying
24 message, if I'm not being explicit enough, is that those

1 plans need to be built now, not later. I would expect on
2 a monthly basis to see how we're progressing, and building
3 the action plans, and addressing these things --

4 MR. GAINES: I understand fully.

5 CHAIRMAN ANDERSON: -- because this has been in
6 development a long time.

7 MR. GAINES: Yes, ma'am.

8 VICE CHAIRMAN CONINE: Mr. Gaines, as a former
9 Audit Committee chairman, I want to thank you for
10 continuing to do a great job.

11 MR. GAINES: Thank you for your support. Thank
12 you, Madam Chair.

13 MR. BOGANY: Thank you, Mr. Gaines.

14 CHAIRMAN ANDERSON: Ms. Carrington's executive
15 director's report is next.

16 MS. CARRINGTON: There are two brief items.
17 The first one, I've handed out to the board a chart that
18 reflects our marketing trade shows, speaking engagements,
19 from April until August. We are busy. We are out as much
20 as we can possibly be in marketing the agency.

21 You all have already heard that we did receive
22 a letter from the Attorney General's office recommending
23 that we not score letters from local elected officials.
24 Our next Urban Affairs meeting is Thursday, May 20. If

1 any of the board members could come to town that day, we
2 would appreciate, and I think the Urban Affairs Committee
3 would appreciate, having --

4 MAYOR SALINAS: Is that a Wednesday?

5 MS. CARRINGTON: It's a Thursday. It's a week
6 from today.

7 MAYOR SALINAS: Okay.

8 MS. CARRINGTON: It is posted for 10:00 a.m.
9 For any of you that come that morning, we have a bonus for
10 you that afternoon because that's the afternoon that Cindy
11 Leon from HUD will be in town. Actually, she's going to
12 be here all day. In the morning, she'll be meeting with
13 the trade associations and in the afternoon, she meets
14 with TDHCA staff. So if we have pressing items that we
15 would like to discuss with our regional director, it's the
16 perfect opportunity.

17 The charge is interim charge number 3. We are
18 going to be talking about housing need. What was the
19 other one, Mr. Lyttle, housing need and?

20 MR. LYTTLE: Gap financing.

21 CHAIRMAN ANDERSON: Gap financing.

22 MS. CARRINGTON: Gap financing. Thank you very
23 much.

24 Several of us are heading out to Portland,

1 Oregon for the NCSHA rental housing workshops. I always
2 like to brag on staff. Byron is going to be on a session
3 on Saturday for HFA round tables, as is Sarah Anderson,
4 and I am now co-chairing the committee on management
5 innovations. I'll be doing that at the EDUs meetings.

6 And then Sara Newsom is going to be speaking on
7 a panel. Suzanne was invited. Suzanne is going to stay
8 here. Sara is going to go.

9 About the only that wasn't invited to speak was
10 Eric Pike and we'll work on fixing that. Anne Paddock is
11 also going to be going out there, too. So we have a good
12 contingent of folks going out to Portland.

13 I think the last thing is we have on the
14 intranet, which I think you all can get to -- I don't
15 believe they can. Bill, can they get to the Intranet?
16 Can the board members get to it?

17 MR. DALLY: No.

18 MS. CARRINGTON: Okay. So it's internal.
19 We're calling it the electronic water cooler. It got
20 implemented, I guess, on Monday of last week. It was the
21 brain child of a fellow out of Sarah Anderson's group.
22 Basically, we've got the affordable housing finance
23 article there. We've got interesting things that are
24 going on with staff.

1 We have one of our staff members in bond
2 finance who made the CBS Sunday morning program because in
3 Buda, Texas, they have a wiener dog race, and Heather
4 Hognet's dog, Mo, came in third. They interviewed
5 Heather, her family, you see Mo. We've got it in
6 streaming video. It's great. We are going to enter it
7 for the NCSHA communication award at the annual meeting in
8 October because it's just a delightful kind of way for
9 staff to kind of see what's going on internally within the
10 agency.

11 VICE CHAIRMAN CONINE: Die she win, place, or
12 show?

13 MS. CARRINGTON: She came in third. Mo came in
14 third. Last year, Mo won, but Mo was ripped off, I
15 understand, because there were some "ringers" that were
16 brought in, as opposed to just being the local area dogs.
17 They brought in some "ringers." Anyway, we will end on
18 that note.

19 CHAIRMAN ANDERSON: Before I forget, we need to
20 go back to agenda item 7(a). We're almost through. This,
21 as you will recall, is the interagency contract between
22 the Texas Department of Housing and Community Affairs and
23 ORCA. Mr. Wittmayer, would you share the results of your
24 conversation that you had?

1 MR. WITTMAYER: I spoke with Jerry Hill, the
2 ORCA general counsel and he thought the July 7 meeting
3 would be workable. He was going to try and call Chairman
4 Jeter, but he was unable to do that quickly enough for us
5 to have an immediate answer back.

6 What we could do is, looking at the two
7 sentences in bold type, we could amend them to read,
8 strike out "each year" and just put "on July 7, 2004, the
9 TDHCA board and the ORCA executive committee shall hold a
10 joint workshop" --

11 CHAIRMAN ANDERSON: Or public hearing.

12 MR. WITTMAYER: -- "or public hearing, to take
13 public comment, and discuss the proposed QAP. At the
14 workshop, the ORCA executive committee shall provide its
15 input on the threshold of the scoring criteria applied to
16 the applications eligible for the tax credit rural
17 set-aside. Underwriting criteria no longer in the QAP
18 will also be discussed at this joint workshop or public
19 hearing." We'll strike out, "or at a separate joint
20 workshop."

21 CHAIRMAN ANDERSON: Yes. Now, we have a motion
22 that's in abeyance, right, that's been amendment by Mr.
23 Conine and the amendment has been seconded also to say
24 that the TDHCA board and it's designees --

1 VICE CHAIRMAN CONINE: And/or.

2 CHAIRMAN ANDERSON: -- and/or its designees,
3 yes, sorry. And then I would propose that the suggestions
4 Mr. Wittmayer's just read, substituting on "July 7" for
5 "each year" and removing the last six words of the
6 paragraph, "or at a separate joint workshop," I would
7 propose that we amend it that way also.

8 VICE CHAIRMAN CONINE: Why are we putting July
9 7? I mean, what if it falls on Saturday, Sunday,
10 whatever?

11 CHAIRMAN ANDERSON: This is only a one-year
12 contract.

13 VICE CHAIRMAN CONINE: Oh.

14 CHAIRMAN ANDERSON: That is the date that we
15 have already said, in this board, we're going to have a
16 public hearing -- I would like it to read public hearing,
17 not workshop, that's part of my amendment, too. Since we
18 haven't heard back from Chairman Jeter, then the language
19 that we send back over to ORCA, I'm proposing the
20 amendment to make it clear what our intent is.

21 MR. WITTMAYER: Could we strike the designees
22 since we're going to actually do it on July 7?

23 VICE CHAIRMAN CONINE: No.

24 MAYOR SALINAS: No.

1 MR. WITTMAYER: Okay.

2 VICE CHAIRMAN CONINE: It is not an acceptable
3 amendment --

4 CHAIRMAN ANDERSON: It's not your call.

5 VICE CHAIRMAN CONINE: -- to the maker of that
6 motion.

7 MR. WITTMAYER: Message received, sir.

8 CHAIRMAN ANDERSON: My amendment?

9 VICE CHAIRMAN CONINE: He did not read the
10 and/or designees phrase in his statement.

11 CHAIRMAN ANDERSON: No, he did not. We have an
12 amendment. I guess we should vote on that amendment
13 before we amend it again.

14 VICE CHAIRMAN CONINE: Correct.

15 CHAIRMAN ANDERSON: Okay. I'm sorry.

16 VICE CHAIRMAN CONINE: No, you're doing good.

17 CHAIRMAN ANDERSON: We are now voting on the
18 amendment to add the language, "the TDHCA board and/or its
19 designees." That is the language we're voting on. The
20 motion has been made and seconded. Is there any
21 discussion?

22 (No response.)

23 CHAIRMAN ANDERSON: All in favor of the
24 amendment, say, Aye.

1 (A chorus of ayes.)

2 CHAIRMAN ANDERSON: Opposed, no.

3 (No response.)

4 CHAIRMAN ANDERSON: Okay. The amendment has
5 now been adopted and made part of the made motion.

6 VICE CHAIRMAN CONINE: Move the amended
7 agreement --

8 MR. BOGANY: Second.

9 VICE CHAIRMAN CONINE: -- with ORCA, the killer
10 whale.

11 MR. WITTMAYER: Including the recommendation
12 made by the board's chair of July 7 and public hearing?

13 VICE CHAIRMAN CONINE: Yes, to include your
14 statements.

15 MR. BOGANY: Second.

16 CHAIRMAN ANDERSON: Okay. All in favor?

17 (A chorus of ayes.)

18 CHAIRMAN ANDERSON: Opposed, no.

19 (No response.)

20 CHAIRMAN ANDERSON: Okay. The motion carries.
21 We've got it clear on what needs to go into the document
22 that goes back to ORCA?

23 VICE CHAIRMAN CONINE: Now, I'd like to make
24 another motion, if I might?

1 CHAIRMAN ANDERSON: Yes, sir.

2 VICE CHAIRMAN CONINE: I'd like to move that
3 the board chair have the authority to designate either the
4 entire board or a subgroup of this board for that July 7
5 meeting.

6 MR. BOGANY: So moved; second.

7 CHAIRMAN ANDERSON: Discussion or questions?

8 (No response.)

9 CHAIRMAN ANDERSON: All in favor of the motion?

10 (A chorus of ayes.)

11 CHAIRMAN ANDERSON: Opposed, no.

12 (No response.)

13 CHAIRMAN ANDERSON: Motion carries. Are there
14 any other motions?

15 VICE CHAIRMAN CONINE: Not on that subject.

16 MR. BOGANY: To adjourn.

17 CHAIRMAN ANDERSON: Sir?

18 MR. WITTMAYER: As a last item, I didn't know
19 if the board wanted to take up the internal auditor's
20 performance evaluation. You have that --

21 VICE CHAIRMAN CONINE: I think we did that.

22 CHAIRMAN ANDERSON: You were out of the room.

23 MR. WITTMAYER: Okay. Thank you.

24 VICE CHAIRMAN CONINE: Ms. Carrington, Mr.

1 Bogany mentioned something earlier today that might merit
2 some further discussion while we're here. That's the
3 structure of the TEFRA hearing, the exact structure and
4 the way the things are led and facilitated. Can you just
5 enlighten us if there are any programs, or policies, or
6 rules in existence, in place that are in existence today
7 that either we need to take a look at in the future? Is
8 that something that would be an internal discussion that
9 the department could take care of?

10 MS. CARRINGTON: There's no federal kind of
11 policies and procedures, other than the federal law
12 requires you to have the TEFRA hearing, Tax Equity and
13 Fiscal Responsibility Act hearing. So we do that. The
14 issuer is the one that's responsible for doing that.

15 We have made some changes based on some
16 comments that the board has had, probably over the last
17 year or so, in that what you look at a transcript of a
18 hearing, what you'll see first is that there's more of a
19 general discussion before staff calls the hearing to order
20 and says, Okay, now we're going to call it to order as
21 such and such a time and here are the witness affirmations
22 form I have.

23 That's been in an effort to give the developer
24 an opportunity to get in front of the citizens and show

1 drawings. Some of them do show drawings. They bring
2 renderings. In some of our hearings, that's turned out to
3 be the most of the conversation. And then when staff
4 actually calls it to order, there's not very many people
5 who actually come up and testify.

6 I can't say that it's worked out as well as we
7 would have liked it to. Some of the developers will come
8 early and have their renderings out there. So I think we
9 are certainly open to any suggestions that the board might
10 have. We've sort of struggled with the format.

11 I mean, you have to have it. We have a court
12 reporter. People are going to be on the record. What
13 happens sort of around that is certainly something that we
14 think could be improved.

15 VICE CHAIRMAN CONINE: Does it fall within the,
16 I guess, the public open meetings act, or whatever, where
17 we produce an agenda, let's say for the TEFRA hearing,
18 seven days in advance and have that agenda be somewhat
19 more structured than what we're currently doing today? Is
20 that possible? Do you want a chance to look into it?

21 MR. WITTMAYER: I believe it's possible, but
22 we'll confirm that it is and look at having a set agenda
23 that meets all the federal requirements plus additional
24 items to make it more user-friendly and function better as

1 an opportunity to engage the community.

2 VICE CHAIRMAN CONINE: Well, let's get some
3 comments back from the three public hearings on our
4 multifamily rurals, I think, that are going out to the
5 three cities, on some structure of that TEFRA hearing. I
6 think that would be some good feedback to get from the
7 development community as well as the interested citizens.

8 CHAIRMAN ANDERSON: Could we use, you know,
9 some E-mailing list we have, or something? I question how
10 much you want to encourage public comment, but I don't
11 want to discourage it either. Is there some way the
12 department can publicize it that not only are we having
13 these public hearings, but we're interested in all kinds
14 of comments, up to and including comments on how to
15 improve the TEFRA hearing process, just so they know we're
16 looking for that?

17 MR. BOGANY: I think once you have it, and then
18 you send it out to the neighborhood leader, just as you
19 send the notice out, when they come in, they'll know how
20 it's going to be run, so it doesn't, in my opinion, get
21 out of hand. This is the way it's going to be done.

22 I would encourage that working group that you
23 had before, you know, when we were working on QAP, maybe
24 invite them back in and throw this out to them. How do

1 you think that it should be run? Get some give and take
2 from that private-public sector, the people here on staff
3 who are there, who actually go there and see how it's
4 coming out, and then throw it out on some suggestions, and
5 then come back to us with some sort of plan.

6 MS. CARRINGTON: I think we thought that the
7 TEFRA hearing for Pinnacle was a kind of controversial
8 public hearing. We've had one that's been worse since
9 then. Ironically, the name of it is Tranquility Bay, but
10 it was, staff tells me, the worst public hearing that
11 they've ever been to.

12 MAYOR SALINAS: How many people were there?

13 MS. CARRINGTON: I don't know because I haven't
14 seen the transcript yet, Mayor.

15 VOICE: Where was that?

16 MS. CARRINGTON: It was in Houston.

17 MAYOR SALINAS: Public hearings are to define
18 the objection to projects and listen to people, you know.
19 Where we're getting where we have a public hearing and you
20 have 200 people there, and 198 are opposed to what we're
21 doing, and two are in favor, and then we come here and
22 approve the project, so what's the need for a public
23 hearing? The people that were opposed were not actually
24 listened to.

1 You know, public hearings are supposed to be
2 for us to hear the public and how they feel about what
3 we're doing in their area. You know, I voted for this
4 project in Houston today. I mean, I saw that there were
5 212 people and there were only two people in favor. I
6 mean, in Katy, there were 2,000 people, nobody in favor,
7 but here today, we had --

8 MR. BOGANY: Well, but --

9 MAYOR SALINAS: Well, let me get it out.
10 Public hearings, and I go through that all the time, so I
11 know, if we are going to have public hearings, then we are
12 going to have 100 percent of the people against the
13 project, and then we come here and we don't take that into
14 consideration, so are we just doing it to abide by what
15 they're telling us to do? Or why are we doing it?

16 MR. BOGANY: I'd like to respond to that. I
17 think the public hearing is for us to take part and take
18 in recommendation of what the public says, but I also
19 think I have to use my own brain. When I read through a
20 public hearing, I hear lies, and innuendos, and things
21 that are not true, and people making emotional statements
22 based on what some neighbors told them, or something that
23 has happened, or how they grew up in a public housing
24 format.

1 You know, I've got to make a decision based on
2 facts and not fiction. I think unfortunately when we're
3 doing this, the fiction is so much out there. You know,
4 we get these little white signs that we set up in the
5 neighborhoods, that says, public housing, look, small
6 writing. Automatically, I know there's a public housing
7 project coming up. Why don't the little signs have a
8 picture of a family or a policeman or a fireman sitting in
9 these? I just think the way we do it is not from a
10 marketing side. It's from, I hope they don't read the
11 writing. It's real tiny.

12 I personally believe -- when I read through
13 these comments, I didn't see one comment that was
14 justified. It's all based on people with emotion and not
15 having any idea. You know, when you look at these
16 projects -- I take Katy, for example, right down the
17 street from the one we voted against, they're putting in
18 an apartment complex right there. I don't see anybody
19 protesting. I don't see anybody walking out, not saying
20 it's too many, but they're building right there.

21 So how does the public sector have that ability
22 to do that and we can't put a nice housing project close
23 to the school, where this project, you have no sidewalks,
24 you've got to go a ways to the school? I'm just --

1 MAYOR SALINAS: I can understand you because
2 you have a big problem in Houston. We do not have the
3 problems, you know, we have a way of taking care of those
4 problems. My problem with these public hearings is that
5 we have to listen to everybody in Houston where other
6 elected officials that are there are not even listening to
7 people. You know, those county commissioners, those city
8 councilmen, and everybody that looks to Houston should
9 take care of this problem --

10 MR. BOGANY: Right.

11 MAYOR SALINAS: -- but we hear it here and I'm
12 very opposed to that. We have to take care of your zoning
13 area in Houston.

14 MR. BOGANY: Well --

15 MAYOR SALINAS: I'll tell you one thing.
16 Everybody here in Austin goes through a process, a public
17 hearing. If those elected officials do not follow the
18 public hearing, they get voted out, you know, because we
19 have a process. The only time I think that we have this
20 kind of public hearings with problems is the city of
21 Houston. I mean, anybody can go ahead and say, Well, 212
22 people went to the public hearing and there were only two
23 people in favor, but when we went ahead and approved it
24 anyway --

1 CHAIRMAN ANDERSON: My opinion is I did
2 consider that public comment.

3 MAYOR SALINAS: Okay.

4 CHAIRMAN ANDERSON: I read that. I think Shad
5 did. You're hearing his words that he did, too. I think
6 that this board has demonstrated time and time again that
7 we do hear the public comments, whether it's in the
8 transcript or from people that -- I mean, I'm really
9 proud, and think the department ought to be proud, of all
10 the time we give to public comment, and the investment in
11 time that we take to read it.

12 MAYOR SALINAS: All right. So --

13 CHAIRMAN ANDERSON: So it doesn't mean that we
14 vote the way the preponderance of the people at any given
15 public hearing express their preference; it doesn't mean
16 that we vote that way, but we consider it. That's what
17 our obligation is to do --

18 MAYOR SALINAS: I understand.

19 CHAIRMAN ANDERSON: -- I think, on the public
20 hearing, is to consider it.

21 MAYOR SALINAS: I understand, but when they
22 come here -- we had a public meeting from San Antonio the
23 last time. They go ahead and call the mayor a bunch of
24 names and everybody on the council and everybody and their

1 friend. Well, we had a recommendation from the city and
2 the planning and zoning, and it was so easy for us to go
3 ahead, and tell them no, we are going to go with the
4 recommendation of those elected officials that made the
5 decision for us.

6 Here, it's so difficult for us, in Houston.
7 Those elected officials in Houston are not taking any of
8 the B.S.

9 CHAIRMAN ANDERSON: The citizens have no other
10 recourse.

11 MAYOR SALINAS: They have no other recourse.

12 CHAIRMAN ANDERSON: Yes.

13 MAYOR SALINAS: So that's like --

14 MR. BOGANY: Madam Chairman, can I make a
15 comment?

16 CHAIRMAN ANDERSON: Sure.

17 MR. BOGANY: Let's take the two projects that
18 we just voted on today. One was in the middle of an
19 industrial park, office buildings around it. Whoever goes
20 to school there is going to have to walk a ways. There
21 are no sidewalks, no comment.

22 If you look at the public comment, anything
23 close to a neighborhood, we get public comment on. If
24 it's out somewhere in the field, if it's out somewhere

1 around industrial, people don't care. It's only because
2 they know that it's near our neighborhood and the thought
3 process is that it's going to bring my property value
4 down. That's probably the number one issue with most of
5 these people.

6 There are no facts out there that I have seen
7 yet -- and I have seen several studies -- and I don't see
8 why at these TEFRA hearings we don't talk about those
9 studies, and start off the meeting. I believe you give
10 your point, then let the public giving it. You can defuse
11 a lot of anger by first coming and marketing it right.
12 That's the thing.

13 The developers owe it to us to do their part.
14 I don't think they really do their part to do this. I
15 listened to one today talk about, you know, he took
16 E-mails and he didn't really look at it. If I was a
17 resident, I would have been upset with that, because I
18 felt like I didn't get a fair shake from him. I just
19 think, at some point, we need to tell these developers,
20 you have to do this. You can't rely on us to be your
21 police and be the righteousness, the conscience, of the
22 community. You have to do that.

23 It's very frustrating to me because these
24 people really, really don't know. I look at every project

1 that we've had public opposition on and it's because it's
2 near a neighborhood, every one of them. They all say the
3 same thing. It bothers me.

4 Why can't we, when we do TEFRA hearings, start
5 off saying, How many homeowners in here? Everybody raise
6 their hand. Do you believe that all of you guys own
7 subsidized housing? You know, why not bring that point to
8 them? We never think about it. I just think it's a
9 marketing side, that we need to spend time with a
10 marketing person to help push this issue out.

11 If you look at all the opposition, everything
12 is near a neighborhood. If it's not near a neighborhood,
13 it's a problem. We just did one in Katy. Nobody said
14 anything about it in Katy. It was out in a field, off of
15 99. If you look at it, it's out there all by its
16 lonesome. Nobody said a word, but when you go down the
17 street, near a school, where in my opinion, it should be,
18 everybody's complaining. I just think we really need to
19 look at that in the development.

20 The last point I'd like to make is we forget
21 these people vote, too. It's some thought that these
22 people do not vote and they do vote. I made a comment
23 when I lived down in Rosenberg. I said, Why don't you all
24 have the voting polls at these projects?

1 You could get the community to come in, see how
2 nice it is. You get the people in the area to come in and
3 vote, the people that live in the apartments. Then you
4 have a situation where then the representatives say, Oh,
5 they vote, too. Why not have the polling places at these
6 nice clubhouses we're putting in, you know? Let them see
7 what's going on in these complexes.

8 I expect that these developers -- these people
9 do vote and they seem to believe that they don't vote.
10 Most of the people that come up here don't even think they
11 work. Most of them -- you know, I read the stuff on
12 Pinnacle and I'm, like, why would I want to live in that
13 neighborhood? They have no medical facilities. They have
14 no sidewalks. Why would I want to live there myself? Why
15 would I want to go sell a house over there? There's
16 nothing going on over there, but it's not that that's
17 right.

18 I think it's all built on emotion. I think
19 it's up to the development community, TSAHC, to diffuse
20 this. It's not our job to do this. I think it's up to
21 them, because they are the end result. They make the
22 money, not us. I just would like to see this group come
23 together because it's all thrown up on us.

24 Everybody's getting mad at Patrick. I mean, I

1 read the stuff in El Paso. I mean, come on. The biggest
2 place we need affordable housing is El Paso, but it's all
3 thrown back at him because everybody expects us. I think
4 it's up to TSAHC and the development community to make
5 those decisions. These people vote and we seem to think
6 they don't.

7 To me, as I told the developer at Reading on
8 the Park, why don't you get a polling place? You call the
9 Democratic Party. You call the Republican Party. I said,
10 Why don't you have a polling place right here in this
11 clubhouse that has computers and everything here. You
12 know --

13 MAYOR SALINAS: The incumbents that are there
14 do not want to make them accessible to vote because they
15 are the incumbents.

16 MR. BOGANY: I'm just saying, it's a thought.

17 MAYOR SALINAS: You know, I would tell you, I
18 would keep them away. I would keep the polling place
19 away.

20 CHAIRMAN ANDERSON: I think Mr. Bogany raises a
21 lot of excellent points, some of which have been the
22 content of discussion in the past. I would, I think on
23 behalf of the board, urge your creativity as you go into
24 this public comment period on the multifamily bond rules.

1 As these public hearings are scheduled, try to find a way
2 to do some outreach in the development community and
3 among, as Mr. Bogany suggested, the community, the people
4 that have been part of the public input committees, and so
5 forth.

6 Let's try to really sort of drum up some
7 comments that give us some insight. There are people, Mr.
8 Jack, for example, in the audience today, who have a point
9 of view that would probably be very helpful to us. So
10 let's try to encourage our constituencies to use this
11 public comment period to bring us some creative solutions
12 to address this problem. Is that fair?

13 (No response.)

14 CHAIRMAN ANDERSON: Is there any other business
15 to come before the board?

16 VICE CHAIRMAN CONINE: I'm sorry I brought that
17 up. At one of the next board meetings, for one of the
18 next couple of months, could someone -- because I'm a tad
19 confused on how many meetings we're having and when?

20 MS. CARRINGTON: Two June and two July.
21 There's an early June, a late June, an early July, and a
22 late July.

23 VICE CHAIRMAN CONINE: So we've got two in each
24 of the months?

1 MS. CARRINGTON: Two in each of the months,
2 yes.

3 VICE CHAIRMAN CONINE: Okay.

4 MS. GRONECK: I had a June 10. I believe
5 that's a correct date.

6 MR. BOGANY: June 10?

7 MS. GRONECK: I believe it's June 10.

8 MS. CARRINGTON: Well, let's don't go with
9 believes.

10 CHAIRMAN ANDERSON: I tell you what. Can we
11 please, today, send out, Ms. Groneck, or tomorrow morning,
12 an E-mail with the dates as of today and asking all the
13 board members to respond immediately if they have
14 conflicts? Ask those board members, then, to propose
15 alternate dates. There are a couple of these meetings
16 that have to be 30 days apart.

17 And then I would just ask each of the board
18 members to double check. You know, these are very
19 important meetings the next couple months. Please double
20 check your calendars, make sure you don't have a conflict.

21 If you do, we'll all work together to resolve any
22 conflicts so we can get this locked down very quickly.

23 VICE CHAIRMAN CONINE: We just added one today,
24 too, with this ORCA thing.

1 CHAIRMAN ANDERSON: No, it was already there.
2 It's a public hearing that was already on the calendar for
3 July 7. Is that the right date?

4 MS. CARRINGTON: Yes.

5 VICE CHAIRMAN CONINE: I guess my point is,
6 unless you designate otherwise, the full board is expected
7 to be there, now, based on --

8 CHAIRMAN ANDERSON: It's a public hearing.
9 There will be no business done by the board at the
10 meeting. It is truly, if I understand correctly, a public
11 hearing to hear public comment on the proposed 2005 QAP
12 before a draft rule is developed and published.

13 MS. CARRINGTON: I would imagine what you will
14 be hearing will be many of the reports or positions out of
15 the QAP working group.

16 CHAIRMAN ANDERSON: So it is a public hearing.
17 It is not -- but it happens to be the day before the July
18 8 board meeting, which we have to have because we have
19 some 4 percent deals.

20 VICE CHAIRMAN CONINE: Well, let me just ask a
21 question then.

22 CHAIRMAN ANDERSON: Okay.

23 VICE CHAIRMAN CONINE: If we're signing an
24 agreement with another state agency, that the TDHCA board

1 will be there, and we're not calling it a board meeting,
2 are we in default of that agreement if we don't call a
3 board meeting?

4 CHAIRMAN ANDERSON: No, we're calling it a
5 public hearing, not even a --

6 VICE CHAIRMAN CONINE: I know what you're
7 calling it, but my question is related to the document
8 that we're now getting ready to sign.

9 CHAIRMAN ANDERSON: Well, we've just amended
10 the contract language in the document. So now, they
11 haven't signed the version we're willing to sign. I mean,
12 I hear your point.

13 VICE CHAIRMAN CONINE: It still doesn't answer
14 my question.

15 CHAIRMAN ANDERSON: Well, I think the way --

16 VICE CHAIRMAN CONINE: Would we be in default
17 of that document, if both parties signed it, if we leave
18 it as a public hearing and none of the TDHCA board members
19 show up on July 7?

20 MAYOR SALINAS: Well, she's going to assign
21 somebody to come.

22 CHAIRMAN ANDERSON: I think if it's a public
23 hearing.

24 VICE CHAIRMAN CONINE: Well, we gave her that

1 authority and she hasn't exercised that authority yet.

2 MR. WITTMAYER: As I was saying, the way you
3 amended the contract, it would include the board designee,
4 the board or a designee.

5 VICE CHAIRMAN CONINE: Okay. So I guess my
6 point is, she needs to do that.

7 CHAIRMAN ANDERSON: We could send you, yes.

8 VICE CHAIRMAN CONINE: She needs to do that.
9 If she doesn't, if she chooses not to do it, then my point
10 is, contractually, the TDHCA board is supposed to show up.

11 MR. WITTMAYER: If she doesn't designate.

12 VICE CHAIRMAN CONINE: If she doesn't do
13 something. So what I'm trying to do is not get in a
14 catch-22 here with the contract versus what is being
15 called a public hearing and none of us show up.

16 CHAIRMAN ANDERSON: I think, we were asked --
17 this is, you know, one more meeting on the calendar. We
18 were asked this year, by members of the development
19 community, to provide a time prior to the publication of
20 the draft rule, for the board to hear directly comments
21 from members of the QAP working group or others in our
22 industry, their comments about the QAP before a draft rule
23 is published. And so adding this public hearing was an
24 effort to honor that request.

1 It's certainly, absolutely, totally, my intent,
2 and plan, and decision, that I will certainly be there for
3 that public hearing. So we will not be -- I mean, unless
4 I'm in the hospital or something, we will not be in a
5 position where there is no board representation at that
6 public hearing.

7 MS. CARRINGTON: Might I ask about the board
8 meeting on July 8 and what we're going to have on that
9 agenda? Is it possible that our public hearing could be
10 in the morning of July 8 and then have the board meeting
11 in the afternoon? It would be a very long day, but that
12 might be preferable.

13 CHAIRMAN ANDERSON: The board members still
14 could choose whether or not -- I mean, at what time they
15 arrive. I mean, it's still a public hearing. Would
16 anybody object to that as an alternate approach?

17 VICE CHAIRMAN CONINE: No.

18 CHAIRMAN ANDERSON: It doesn't change the fact
19 that the morning session is a public hearing, not a board
20 meeting. There's no business transacted at a public
21 hearing.

22 MAYOR SALINAS: We could do it in the
23 afternoon. Do we have to act on anything?

24 CHAIRMAN ANDERSON: Well, that is the other

1 alternative. We could do the board meeting in the morning
2 and the public hearing in the afternoon. I don't know how
3 long we've had that July 7 date publicized and if that's
4 going to create problems in the development community.

5 MS. BOSTON: Since I was still waiting to get
6 confirmation that that was acceptable to the board, we
7 have not rereleased the timeline with a firm date yet. So
8 we haven't, it would still work out.

9 MS. CARRINGTON: The agenda for that board
10 meeting, Brooke, is?

11 MS. BOSTON: Mostly going to be, I would
12 imagine, on the multifamily component, at least, it's
13 primarily going to be appeals --

14 MS. CARRINGTON: Appeals.

15 MS. BOSTON: -- and some bond deals, probably.

16 VICE CHAIRMAN CONINE: I guess my point was,
17 Madam Chairman, was just please appoint somebody. If you
18 don't, my fear is that we'll be in default of the
19 contractual obligation.

20 CHAIRMAN ANDERSON: All right.

21 MAYOR SALINAS: I'll be here on the 7th if you
22 need me.

23 CHAIRMAN ANDERSON: Duly noted. Now, I'd like
24 to get a sense of the board about the suggestion that Ms.

1 Carrington made, about instead of doing it over two
2 different days, having the public hearing on the morning
3 of the 8 and the board meeting on the afternoon, or having
4 the board morning of the 8 and the public hearing in the
5 afternoon. Does that work?

6 VICE CHAIRMAN CONINE: That works.

7 CHAIRMAN ANDERSON: That's the sequence?

8 VICE CHAIRMAN CONINE: Yes.

9 MS. CARRINGTON: Which means, of course, that
10 you would need to change the date, which, of course, you
11 could.

12 MR. WITTMAYER: You've approved an agreement
13 for July 7 with ORCA.

14 MR. BOGANY: Let me ask you a question.

15 VICE CHAIRMAN CONINE: We could reconsider.

16 MR. BOGANY: What's the problem with it the way
17 it's already set up now? You're going to be there. If
18 you're not going to be there, you're going to assign Mr.
19 Conine to be there. Right?

20 VICE CHAIRMAN CONINE: No, I'm not going to be
21 there.

22 CHAIRMAN ANDERSON: It does take less of the
23 other board members time. If you wanted to come to the
24 public hearing, then it doesn't stretch you over two days

1 like we did this month. You could fly in and fly out in
2 one day.

3 MR. BOGANY: I don't see anything wrong with
4 the way we've got it set up. You're going to designate.
5 If you can't make it, you're going to designate one of us
6 to go. And then the next day we have a board meeting.

7 MS. CARRINGTON: I would like to encourage as
8 many of the board members as possible. I'd like to set a
9 schedule that would facilitate as many of the board
10 members being at the public hearing as possible. One of
11 the things that staff has heard is that the board does not
12 have an opportunity to hear all of the varying interests,
13 discussions, recommendations, that what you all see is
14 staff's interpretation of what the QAP ought to look like
15 in the draft QAP.

16 Now, we provide that very good, I think,
17 reasoned response, that says, These groups have this
18 comment, but we have heard, over the last several months,
19 that the development and, I think, the legislative
20 community is really very interested in knowing, in having
21 some assurance, that the board has had an opportunity to
22 hear from all of these various groups as we grapple with
23 drafting a QAP.

24 So I would like for you all to set a schedule

1 that facilitates as many of you being there as possible.
2 It is very important to this department. It's very
3 important. We really, really need to do this well.

4 MR. BOGANY: I don't mind being there, at this
5 point, but I have to check my schedule for July 7. My
6 thought is that I don't mind being there, Beth, and being
7 there, but once I check my schedule to make sure, but to
8 come up and stretch is for two days --

9 CHAIRMAN ANDERSON: It's hard.

10 MR. BOGANY: -- it's hard, you know. To be
11 here today, to be here all day, and then to have to go back
12 and work is very difficult.

13 CHAIRMAN ANDERSON: Mr. Wittmayer, do we have
14 an option, that is consistent with open meetings, where we
15 can, even though we've handled that agenda item, make a
16 motion that maybe it's as simple as saying July 7 or July
17 8, or changing it to July 8? Do we have that option while
18 we're still in session here?

19 MR. WITTMAYER: I think you need to reconsider
20 that agenda item and substitute on or about July 7 or 8.

21 VICE CHAIRMAN CONINE: Move to reconsider.

22 MR. BOGANY: Second.

23 CHAIRMAN ANDERSON: Discussion or questions?

24 (No response.)

1 CHAIRMAN ANDERSON: Hearing none, I assume
2 we're ready to vote. All in favor of the motion, say,
3 Aye.

4 (A chorus of ayes.)

5 CHAIRMAN ANDERSON: Opposed, no.

6 (No response.)

7 CHAIRMAN ANDERSON: Motion carries.

8 VICE CHAIRMAN CONINE: Can we amend the ORCA
9 document to say on or about July 7 or 8?

10 CHAIRMAN ANDERSON: That's what you did.

11 VICE CHAIRMAN CONINE: All we did is a motion.

12 MR. WITTMAYER: Yes.

13 CHAIRMAN ANDERSON: Oh, we just moved to
14 reconsider. Now, we have to change the document.

15 VICE CHAIRMAN CONINE: Yes, you do.

16 CHAIRMAN ANDERSON: Okay. Thank you. I'm
17 sorry.

18 MS. CARRINGTON: I'm already there, too.

19 CHAIRMAN ANDERSON: I'd be lost without you.

20 VICE CHAIRMAN CONINE: It's Robert's Rules.
21 I'm going to keep you in between the mailboxes.

22 CHAIRMAN ANDERSON: Did someone second that?

23 MR. BOGANY: Second.

24 CHAIRMAN ANDERSON: Any discussion or

1 questions?

2 (No response.)

3 CHAIRMAN ANDERSON: Does everybody understand
4 what we're voting on?

5 (No response.)

6 CHAIRMAN ANDERSON: All in favor, say, Aye.

7 (A chorus of ayes.)

8 CHAIRMAN ANDERSON: Opposed, no.

9 (No response.)

10 CHAIRMAN ANDERSON: Thank you. The motion
11 carries.

12 MR. BOGANY: I have one question. On this
13 public hearing, how many hours is this? It could be, if
14 we listen to everybody, we could be there all day.

15 VICE CHAIRMAN CONINE: Two minutes.

16 MS. CARRINGTON: I think we probably envision
17 about a four hour public hearing. Certainly, we can limit
18 time.

19 VOICE: Four hours?

20 MAYOR SALINAS: So the meeting would be on
21 the --

22 MS. CARRINGTON: Well, the QAP working group
23 met on Tuesday of this week. They started at 10:00, and
24 they finished at 5:30, and they resolved not a whole lot.

1 MR. BOGANY: Well, that's my whole point.

2 MS. CARRINGTON: The whole point, Mr. Bogany,
3 is we're listening and we're providing the opportunity.

4 CHAIRMAN ANDERSON: I would love to have
5 staff's -- as we think ahead to that meeting, how to
6 structure that meeting beyond just limiting time. Does it
7 make sense -- now, I know it's a public hearing, but does
8 it make sense to take comments in some order, you know, by
9 QAP section or something? If you all would think through
10 it, you don't have to tell us now, but just think through
11 how we might do that. So if you think about the board
12 that doesn't hear these issues all the time, what's the
13 way to present it to us so that we hear everything related
14 to signage at the same time, or everything related to
15 the --

16 MS. CARRINGTON: We can put that on the witness
17 affirmation form.

18 CHAIRMAN ANDERSON: And then we can shuffle
19 them.

20 MS. CARRINGTON: You know, do you want to talk
21 about threshold? Do you want to talk about scoring? Do
22 you want to talk signage?

23 Mr. Lyttle will be communicating with each of
24 you to see how many of you can come back to town on May

1 20.

2 MR. BOGANY: May when?

3 MS. CARRINGTON: May 20, for the Urban Affairs
4 Committee meeting.

5 MR. BOGANY: Oh, they want us all there, too?

6 MS. CARRINGTON: Well, there was a comment at
7 last session about wanting to see more of you all's
8 smiling faces. Ms. Anderson attended.

9 CHAIRMAN ANDERSON: Part.

10 MS. CARRINGTON: We would like to see more of
11 you.

12 CHAIRMAN ANDERSON: Mr. Conine, particularly,
13 as the vice chairman, I am going to be out of the
14 continental, lower 48 on the 20th.

15 MS. CARRINGTON: And HUD's coming to town that
16 day, Mr. Conine.

17 VICE CHAIRMAN CONINE: Can I go with you?

18 MS. GRONECK: The mayor is part of our 20th
19 meeting.

20 CHAIRMAN ANDERSON: Good.

21 VICE CHAIRMAN CONINE: June 20?

22 MS. CARRINGTON: May.

23 VICE CHAIRMAN CONINE: The Urban Affairs
24 Committee in Austin?

1 MS. CARRINGTON: Yes.

2 CHAIRMAN ANDERSON: Okay. Is there any other
3 business to come before this board?

4 (No response.)

5 CHAIRMAN ANDERSON: Hearing none, I'll
6 entertain a motion to adjourn.

7 MR. GONZALEZ: Motion to adjourn.

8 CHAIRMAN ANDERSON: We're adjourned. Thank you
9 all very much.

10 (Whereupon, at 1:30 p.m., the meeting was
11 adjourned.)

C E R T I F I C A T E

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MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: May 13, 2004

I do hereby certify that the foregoing pages, numbers 1 through 207, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Housing and Community Affairs.

(Transcriber) 5/24/2004
(Date)

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