

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING COMMITTEE

9:00 a.m.
Monday,
June 28, 2004

Auditorium
State Capitol Extension
1100 Congress
Austin, Texas

BOARD MEMBERS:

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

STAFF PRESENT:

EDWINA CARRINGTON, Executive Director
CHRIS WITTMAYER
TOM GOURIS
BROOKE BOSTON
BILL DALLY

ON THE RECORD REPORTING
(512) 450-0342

<u>ITEM</u>	<u>AGENDA</u>	<u>PAGE :</u>
CALL TO ORDER, ROLL CALL CERTIFICATION OF QUORUM		3
PUBLIC COMMENT		6
<u>ACTION ITEMS</u>		
Item 1	Presentation, Discussion and Possible Approval of Minutes of Board Meeting of May 13, 2004.	61
Item 2	Presentation, Discussion and Possible Approval of Housing Tax Credit Items:	
	a) Appeals to Board from Housing Tax Credit Applicants on Applications as follows: 04-062 Corrigan Gardens, Corrigan, Texas	62
	b) Report and Discussion on Quantifiable Community Participation from Neighborhood Organizations	72
	c) Housing Tax Credit Applications	82
Item 3	Presentation, Discussion and Possible Approval of Programmatic Items	114
Item 4	Presentation, Discussion and Possible Approval of Department Rules	
Item 5	Presentation, Discussion and Possible Approval of Multi-Family: Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits with TDHCA as the Issuer: (deferred)	139
Item 6	Presentation and Discussion of:	
	a) FY 2005 Draft Operating Budget	139
	b) FY 2005 Draft Housing Finance Operating Budget	147
EXECUTIVE SESSION		105
REPORT ITEMS		
Executive Director's Report		148

ADJOURN

150

P R O C E E D I N G S

MS. ANDERSON: We will come to order. Good morning, welcome. This is the June 28 board meeting for the Texas Department of Housing and Community Affairs. The first item of business is the roll call. Beth Anderson is here. Mr. Conine?

MR. CONINE: Here.

MS. ANDERSON: Mr. Bogany?

MR. BOGANY: Here.

MS. ANDERSON: Mr. Gonzalez?

MR. GONZALEZ: Here.

MS. ANDERSON: Mr. Gordon?

(No response.)

MS. ANDERSON: Absent. Mayor Salinas?

(No response.)

MS. ANDERSON: Absent. We have four members present, we do have a quorum. To open our meeting this morning, we have sort of a bittersweet agenda item, in that one of our longstanding, highly professional and a great contributor to the agency, one of our key employees is retiring. And I would like Ms. Carrington to, she has a presentation.

MS. CARRINGTON: Thank you, Ms. Anderson. What I would really like to do is stand up, but I don't know if

you all can hear me. Sara Newsom is actually retiring from TDHCA, but Sara has been offered one of those wonderful jobs in the private sector, and is leaving the agency as the manager of the compliance monitoring section.

And Sara has been with our agency for 15 years.

So that is quite a long time and a great contribution to the State of Texas, and to our particularly multi-family portfolio. Some of Sara's accomplishments are implementation, working and training on Fair Housing Act and inspections. Several years ago, the Agency took over a contract with the Affordable Housing Disposition Program, which was an RTC program that has brought us about a million dollars a year and that program, we have not had one finding in those AHDP units since they came into our agency.

There was a low-income housing tax credit manual that Sara worked with Tony Friedman. Many of you all may know Tony. He is basically the tax credit guru attorney in Washington. And that compliance manual, she worked with Tony on authoring that compliance manual that is used around the country.

Some of the developers may or may not be happy about some of these other things. She helped institute

the Housing Sponsor Report, the collection of tenant services information that goes to the Legislature, created cooperative agreements with urban cities for our inspections. Coordination with the Department of Justice for architectural accessibility training. Was very instrumental years ago when the board developed a Section 8 policy and implementation and monitoring for that policy.

Sara is very fiscally conservative with her section. Suzanne tells me that she requests they have to take 6:00 a.m. flights so they can save overnights. We appreciate that, Sara. Sometimes I catch those six o'clocks too, and they are tough, so thank you compliance staff for doing that.

Really, Sara is one of the few people in the country who knows the tax credit program from beginning to end. She has been in the trenches. She has been a very valuable asset to TDHCA.

She is always inspirational when it comes to our health and fitness. She is a marathoner, which some of you may or may not know. That probably helps her handle the stress of her job.

And Sara, actually, I think today is your last day. And we are going to miss you greatly. And so the

Agency has a plaque for you. It says: Presented to Sara Newsom, with deep appreciation for your many years of outstanding leadership and devotion as Compliance Manager, Texas Department of Housing and Community Affairs Board of Directors, and Department Staff.

(Applause.)

MS. ANDERSON: At this stage in the agenda, the Board will solicit public comment. We have a lot of people that have asked to speak today, so we are going to limit the comments to two minutes each. If I can ask Delores for help on that.

As is our normal practice, we take public comment both here at the initial stage of the meeting, or if the person who wishes to speak prefers to speak at the agenda item, that is fine as well. So at that person's option. The first witness affirmation form I have this morning is Representative Dora Olivo.

MS. OLIVO: Good morning, Madam Chair, board members. I am here on behalf of the College Street Apartments and they are looking to build them in Richmond, Texas. Richmond is a small community. It is a population of about eleven-, close to 12,000 people. And it has got a high Hispanic population, about 60 percent, about 14 percent black. But it is also a community that has a lot

of poverty there. Fort Bend as a whole is very affluent, but Richmond, Rosenberg have a lot of poverty and other pockets in Fort Bend County.

And that is why I am here this morning, because the College Street Apartments are going to be apartments that will, out of 100 units, 80 of them will be available for lower income people and that is very much needed. We do not have public transportation in Fort Bend County, and this College Street Apartments if they get built, will be behind Wal-Mart. They will be also close to, just practically across the street from University Junior College and also a tech school.

And because of these factors, I think it is very important that we have apartments that will offer these opportunities for people. Richmond for a long time, there are a good number of apartments there, but not all of them offer affordable rates for the people. So I think that it is really important that you look at these particular units, the College Street Apartments, that are looking to be built in Richmond, because there is such a need for them.

I spoke to the people in the housing authority and they said that there was some apartments there, the Munsinger [phonetic] Apartments that no longer take

vouchers, either. And there is only 320 vouchers in Fort Bend County. That is not a lot for people that cannot afford the housing, or need help with that. And so, this would be a unit that is very much needed in Richmond, Texas. So I would really appreciate your consideration for the College Street Apartments. Thank you so much for the work you do. Thank you. Any questions?

(No response.)

MS. OLIVO: Thank you.

MS. ANDERSON: Thank you very much.

Mr. Alan Burrows?

MR. BURROWS: Good morning. My name is Alan Burrows, and I am with Representative Arlene Wohlgemuth's office. I am here to show our support of Country Lane Seniors Temple Community Project, TDHCA number 04017. Mr. Ken Mitchell, the developer has a similar project located in my district, Buena Vista Seniors. This 230 unit development has been very successful, increasing the number of affordable housing options for our seniors and becoming a valued part of the community.

Representative Wohlgemuth has no doubt that Country Lane Seniors will have the same positive impact in Temple that Buena Vista Seniors has had in my area. I would also like to note the extensive support that Country

Lane Seniors Temple community has received from the community. City, state and county elected officials, the Chamber of Commerce, Temple ISD, and the local area agency on aging, as well as neighborhood organizations have all written letters of support. Thank you.

MS. ANDERSON: Thank you. Don Jones?

MR. JONES: I left material all about it.

[phonetic]

MS. ANDERSON: Thank you, sir. Mayor Matthew Doyle?

MR. DOYLE: I'll just go without the mike, I think you all can hear me. Can everybody hear me okay? Penny, are you picking me up too, for the okay, yes ma'am. Thank you. Chairman Anderson, board members, I appreciate you letting me come speak today. As a ten-year member of the Texas Rehab Commission in the service of Texas, I want to first of all thank you for what you do for the citizens of Texas.

But I am here to speak on the Village at Morningstar in the City of Texas City. This is a senior citizen development with accessibility that was brought to you last year by Mayor Garza, who will speak a little later. But then he was my father though, about eight years ago when he was the mayor. The project has been

working forward. We have been able to score correctly. I understand this time, and I would like for your support. We have over 300 people on the waiting list, and our survey shows that we have need for over 700 units.

So, anything that you can do favorably for this project would be greatly appreciated. We last year, I think we talked to you all about having the urban areas more recognized. We are more an urban area in Galveston County, south of Houston. And a petrochemical community with a lot of retiring people. And I would greatly appreciate your consideration in this matter. Thank you.

MS. ANDERSON: Thank you, sir. Mr. Robert Garza?

MR. GARZA: My name is Robert Garza. I am the legislative director for Senator Gallegos. He had asked me to read a letter into the record. It reads, I am pleased to offer my strong support for Las Villas at Magnolia, a 100-unit senior community proposed for east Houston. Almond [phonetic] Development Corporation, the organization proposing this tax credit development is requesting an allocation of housing tax credits from TDHCA as well as funding from the state's Housing Trust Fund.

As a state senator, I am well aware of the shortage of suitable affordable rental housing for east

Houston seniors, especially those on fixed incomes. Las Villas at Magnolia is a particularly well-conceived development. Its location in the heart of east-end Houston provides direct access to public transportation and many commercial amenities. Further, this development is strongly supported by various community groups and local elected officials, including Mayor Bill White and State Representative Joe Moreno.

The tremendous need for this senior housing, along with the quality of the proposal warrants my enthusiastic support. I encourage you to give every consideration to awarding tax credits for this much-needed senior housing in my district. Sincerely, Mario Gallegos.

MS. ANDERSON: Thank you. Mayor Carlos Garza?

MR. GARZA: Ms. Anderson, members of the board.
Good morning.

MS. ANDERSON: Good morning.

MR. GARZA: My name is Carlos Garza. Last year, I stood before you as mayor of the City of Texas City on behalf of our Morningstar project. Today, I appear again on behalf of the Village at the Morningstar Project number 04213, but as former mayor. And I must admit, that I am enjoying being a former mayor.

But I am here this morning to join my

successor, and my mayor pro tem back when I was mayor, our new mayor Matt Doyle in asking for your support of this project, because it is needed in Texas City. First, I want to express my appreciation to the board for its change in a policy which now allows smaller communities like Texas City to effectively compete for senior citizen housing funding, and I want to thank you for that.

As Mayor Doyle mentioned, the City acquired this property for this project approximately eight years ago. The site is located one block from major shopping, including a grocery store, pharmacy, banks, beauty salons and restaurants. It is also in one of the city's enterprise zones. Last year, the city invested several hundred thousand dollars under my administration in repaving 34th Street, and upgrading our sanitary service system and storm service system, which runs along 34th. I point that out because 34th Street borders the eastern part of this project.

Additionally, our Texas City Housing Authority has approved 25 units of project-based housing choice vouchers with a ten-year renewable contract for this project. And of course, the city selected DMA Development Company, a company with a strong record of producing affordable housing throughout the great State of Texas to

assist us on this Morningstar Project. In conclusion, I wish to urge the board to accept the recommendation of staff and fund our Morningstar Project. Thank you for your time, and thank you for your consideration.

MS. ANDERSON: Thank you, sir. Helen Freeman?

MS. FREEMAN: I'm giving my time to another person.

MS. ANDERSON: And what would that person's name be?

MS. FREEMAN: Alvin Freeman.

MS. ANDERSON: Alvin Freeman?

MS. FREEMAN: Yes.

MS. ANDERSON: Okay. I don't know where you are in this stack, Mr. Freeman, but I will duly note that this person has ceded their time to you. John Garvin? Be mindful of the two minute time limit.

MR. GARVIN: Oh, I am very mindful of that, thank you. Well, I was going to compliment you, but I just -- John Garvin, with TAAHP. And first of all, I want to say thank you for volunteering for this role. Because there is not enough money in the world to pay most people to do what you guys do. After that AG opinion that came out Thursday, I did not envy any of you.

Second, I would like to thank Ms. Carrington

and Brooke Boston for the work they did late last week to get these revised scores in such a fast manner. I have never seen a government agency work that fast. I didn't mean that as a shot, by the way.

I submitted some written comment, just for your review. I know the timeliness of getting these applications recommended and everything is important, but we wanted to see a little more consistency in the points.

Where for example, in cases where you went from 8-6-4-2 to 7-5 we would recommend going 7-5-3-1, instead of going 8-6-4-2 to 7-6-4-2. It is easier read than me explaining.

It took me about 48 straight hours to understand what I was writing.

But one of the examples also is Exhibit 14 got more points than Exhibit 13, and when they did the revised scores, it flipped than around, so it was kind of a negative effect. Again, that could easily be remedied by giving more points to the 13 like it was before.

Also, on the affordable housing needs score, where it went from 20 to 7, we are asking that you consider giving quarter incremental points to show the difference between a 7 and a 6 is actually what used to be four points' difference is now only a one-point difference. So, we would like to see quarter point

increments on that. I know it will be horrible doing tie-breakers with quarter points, but people went to where you all said the need was, and they got a 20, and now they are only getting 7, and it is really hurting them.

Lastly, because a lot of people will lose their recommendations, we think, on this, and we know it is going to take a long time to heal this mid-stream rule change which was it had to happen, we ask that you do give us stronger consideration for forward commitments for folks who lost out by trying to play by the original rules. We understand that they had to change, but still a lot of people did the highest need scores, went to the hardest areas to serve to get the points and they got a real big cut. So thank you for your consideration. We again thank you for your volunteering. Any questions?

(No response.)

MR. GARVIN: Thank you.

MS. ANDERSON: Thank you. Granger McDonald?

MR. MCDONALD: Thank you.

MS. ANDERSON: And if we can let the record reflect that Mayor Salinas has joined us. Welcome, Mayor.

MR. MCDONALD: Thank you, Madam Chairman. I am here to speak about rural region 9 and the way that we have been misallocated the credits for several years. We

have got eleven counties that make up the rural section of rural region 9. And in that area, we have had a total of 672 units in the last ten years, which is something less than six units per county, per year, and the problem is just growing.

And we need to get ahead of the curve a little bit. We have got a lot of employment growth in rural region 9, especially due to the Toyota plant, which will be opening. And we are not going to have enough work force housing in the area. The allocation for this year was 885,000 because of the return of the Pleasanton 02131, the 2002 credits. But those credits were not fully allocated this year.

So far, the staff recommendation shows 730,000 worth of allocation, which means there was 125,000 in credits that weren't allocated that were available for rural region 9, so literally, we were double-dipped. We lost 2002 credits as well as 2004 credits.

I have got a couple of graphs that show what is happening in the way of credits. There has been 672 credits awarded in the last ten years, and only 238 credits in the eleven counties in the last five years. I am showing that the total region has had 5,475 credits, but that is including Bexar County. And the region has

been short, and especially with the growth coming in the area, we have one of the fastest growing counties, Bandera County, in the nation, and we need to try to get ahead and not be behind. I would like to ask that you consider forward commitments in rural region 9 this year. Is there any questions?

(No response.)

MR. MCDONALD: Thank you.

MS. ANDERSON: Thank you. Judy Morales?

MS. MORALES: Good morning. Madam Chair, board members. My name is Judy Morales, and I come from Temple, Texas. And I am representing Citizens For Progress. I am the Vice Chairperson. Citizens For Progress is here supporting Country Lane Seniors Project which is 04017, and ask that Citizens For Progress neighborhood letter and supporting documents be accepted and scored as part of this proposal.

As a neighborhood organization we have been very active for the last four years, and in October of 2003, filed for our 501(c)(3) status. Citizens For Progress goals have been to revitalize east Temple by addressing the housing, economic, infrastructure and education issues in order to upgrade the quality of life in our area.

Our Citizens For Progress neighborhood organization has been very active in various ways to mobilize and educate our citizens. We have conducted surveys, held community open forums, hosted seminars with the city Chamber of Commerce, did a Temple economic development corporation with the city officials regarding existing programs and services available to the citizens.

And now, we are working with the city in the process of having input for their CDBG action plan, and the five-year consolidation plan.

We believe Citizens For Progress positive active involvement is making a difference in bringing interest and new life into this area. New housing developing and housing for our seniors is vital. The 2002 Census showed that one-third of the 8,814 residents in this area have income below the poverty level. There are over 9,200 persons over the age of 60 living in Temple, with 25 percent of that population residing in this area.

In addition, there are over 10,341 disabled residents living in the city, many presently living in substandard housing. For this, we ask for your serious consideration in approving Country Lane Project service. Citizens For Progress feels that we have completed with all rules to be established as a neighborhood organization. I want to

thank you for allowing me to share with you what Citizens For Progress activity and the progress we have made. And now, I ask for Mr. Reverend Lee Crossley, Chairman of our Citizens For Progress, will provide specific information regarding our progress.

MR. CROSSLEY: Thank you. My name is Dr. Lee Crossley. I am the Chairman of the Citizens For Progress, and I want to bring to your attention the letter that I received from you, dated on June 7, 2004, stating that we did not have -- we had insufficient documentation that was provided to show that our organization was recorded as of March 1, 2004.

Also secondly, that insufficient documentation was provided to show that the organization is a neighborhood organization. And I want to submit to you three items, three documentations here to show that we are on record. First, I want to pass out from Bell County, showing that we registered in Bell County as a neighborhood organization. Next I want to submit the letter that we received from you, also. And I would like to submit to you our articles of incorporation that is filed in the office of the Secretary of State as of October 6, 2003.

Also, I would like to submit to you a

quantifiable community participation neighborhood organization submittal for the Country Lane Seniors civil community. And I submit this to you as of now. We would like for you to look at our documentations and reconsider Citizens For Progress, knowing that we are a community nonprofit organization and is working with the City of Temple as well in community development. Thank you. We have our city council lady that has something to say.

MS. ANDERSON: What is your name, ma'am?

MS. LUNA: My name is Patsy Luna. I am on the Temple City Council, representing District 2.

MS. ANDERSON: And you filled out one of these forms?

MS. LUNA: Yes, ma'am.

MS. ANDERSON: Okay. I will find it. Thank you.

MS. LUNA: This project would be wholly in my district, and on February 4 of this year, I wrote a strong letter of support for this project. Temple is known as the hospital center of the south. And there is a great need, an urgent need for more housing for senior citizens with supportive services for the frail, elderly and disabled residents of Temple.

The City of Temple has submitted a letter of

commitment of \$110,000 in support of this project. And the City of Temple certainly recognizes this -- it's a progress of which I am also a member -- as a neighborhood organization and feel that their input is vital in this project. We have a letter of strong support from the financial officer of the largest hospital in the south, Scott and White Hospital.

We also have the VA Hospital, very near to this project, King's Daughters Hospital also. And it would be a prime place for senior citizens to come, because when you get a little older, you want to be close to the hospitals, and Temple is the place for that. Thank you for your consideration.

MS. ANDERSON: Thank you.

MS. LUNA: Any questions?

(No response.)

MS. ANDERSON: Thank you. Geanie Morrison.

MS. MORRISON: Good morning.

MS. ANDERSON: Good morning.

MS. MORRISON: I am Geanie Morrison, State Representative from District 30, and I am here to talk about and speak of behalf of the Thomas Ninke Senior Village in Victoria. I want to begin by thanking the board this morning for allowing me to come before you

today to provide testimony regarding a very important project in our area. I am here today to speak on behalf of the Thomas Ninke Senior Village, and the recent housing tax credit application.

Due to the destruction of the 1998 floods, and an ever-increasing elderly population, this project has become imperative for our area. Unfortunately, I recently learned that the TDHCA staff did not give their favorable recommendation to this project. In response to that decision, I am here today to ask for your reconsideration of this project, and the important role that it will play in our community. In comparison to the other projects from around the state, this project ranked among the highest.

Thomas Ninke Project was the highest scoring application in the state that was eligible for funding but did not receive it. Even though the Thomas Ninke was the highest scoring application in Region 10, it did not receive any allocation, and it was one of only six applications that scored the maximum twelve points for quantifiable community participation. Again, this is an extremely important project for our area.

If sufficient funds are not available through this year's allocation, I would request that we would have

a forward commitment for funding be granted for an allocation for the 2005 allocation period. Again, I thank the board for providing me the opportunity to bring this important project to your attention, and I would just ask for your favorable reconsideration of this project, as it is very important to our community.

MS. ANDERSON: Thank you very much for being here.

MS. MORRISON: Thank you.

MS. ANDERSON: Roy Navarro, I think, from the Pharr Housing Development Corporation.

MR. NAVARRO: Good morning. Ms. Anderson, board members, Ms. Carrington. My name is Roy Navarro, and I am the director of the Housing Authority in Pharr, Texas. I am also the immediate past president of the Pharr-San Juan I. S. D. school board, and current member.

And also the director for the Pharr Housing Development Corporation, which is an affiliate nonprofit corporation of the Pharr Housing Authority.

I want to thank you for the opportunity to appear before you, and talk in support of Las Canteras, TDCHA file number 04037, a 100-unit development, of which 40 units are public housing. In 1993, the Pharr Housing Authority demolished 75 units of public housing, due to a

serious environmental problem caused by U.S. Highway Expressway 83. And Las Canteras includes of 40 public housing units replacing the 75 that were demolished. Las Canteras is currently not recommended for allocation of low-income housing tax credits.

We are requesting that you reconsider the staff's recommendation. With 131 points, Las Canteras is the highest scoring nonprofit in Area 11. At \$5,770 per unit of the low-income housing units, it is the lowest number of new construction tax credits per unit, in Region 11, outside the USDA set-aside. The three highest scoring units use \$7,000 per low-income unit. The Pharr Housing Authority has committed \$500,000 for the development and construction, and in order to serve the very low-income families, the Pharr Housing Authority has also committed an operating subsidy to fund the operating costs of the 40 public housing units.

Although support letters were submitted from four neighborhood groups that have been active in Pharr and Hidalgo County for 15 years or more, the application did not receive any points for community support letters.

We strongly believe that points should have been awarded for community support, and we intend to vigorously appeal the staff's decision. I respectfully urge TDHCA

reconsider the staff's recommendation and award an allocation of low-income housing tax credits to Las Canteras, TDHCA file number 04037. Thank you so much.

MS. ANDERSON: Thank you.

MR. SALINAS: How much allocation was given to Region 11, which really is the --

MS. CARRINGTON: What the board has to review this morning are the recommendations. They are not the allocations. They are the recommendations. And Region 11 had total credits available for the region of \$4,725,727.

There is a rural allocation that must be satisfied in this region. That was \$1,919,277. There was also an urban/exurban, so basically, the \$4.7 million that is available in Region 7 is divided up into two geographic categories. One for rural and one for urban/exurban.

And the list that the board has, that are the recommended list shows the applications that are being recommended at this point, and those that are not being recommended. There are set-asides, of course, that must be satisfied on a statewide basis, and that is the nonprofit set-aside, and then we must satisfy some set-asides in each of the regions. We must satisfy an at-risk. We must also satisfy an amount for rural, and an amount for urban/exurban. And staff will be going

through, after the public testimony, and when we do our presentation, we will be going through the rationale and the methodology for all 13 service regions, Mayor.

MR. SALINAS: Okay. As long as we just go ahead and consider that this is one of the lowest and the poorest areas in the state. And we have always had poor participation from people in that area, and now that we have participation now, some of our area members in the lower part of the Valley, I wish would consider maybe forward commitments, or maybe later on work something out, so we can help the area of housing in that community.

One of the biggest problems we have in that area is the Colonias, and we would like to bring -- being that I am from there -- I would like to see more of these people applying for some of this housing, which is one of the best things that has ever happened to the Rio Grande Valley. And I just want the board to consider anything that we might have on set-asides or consider the neighborhood allocations and probably bring some of this back, and if not, maybe forward commitments in a later year, or maybe later work with them because we haven't had that much participation from the Valley in the past.

I think that there is only two big developers out of Houston that have been doing some of that for us

over there. And we have finally got some of the cities and housing authorities to participate with us in bringing better housing for our people there, and I really appreciate it, Mr. Navarro, bringing this to us. And hopefully, we can help you later on, or look at it again.

I think this is not the end of it, right.

MS. CARRINGTON: No, sir. That is not the end.

MR. SALINAS: This is not the end.

MR. NAVARRO: Thank you, Mayor.

MR. SALINAS: Yes, sir.

MR. NAVARRO: Thank you.

MS. ANDERSON: I think it is Mayor Palacios from the City of Pharr? Yes, sir.

MR. PALACIOS: Good morning.

MS. ANDERSON: Good morning.

MR. PALACIOS: Board members, staff, thank you for the opportunity to speak to you this morning. My name is Leopolo Palacios, Mayor of the City of Pharr, and I am here on behalf of the City of Pharr to voice our support for Las Canteras Apartments in Pharr, project number 04037. And we hereby request that you reconsider staff's decision to not award tax credit for the support and development.

Las Canteras is the preferred application for

the City of Pharr, and a priority for the citizens of our community. Las Canteras is essential to replacing much-needed low-income housing in our community. The sponsor, Pharr Housing Development Corporation, is poised to provide quality housing and excellent service for low-income families. Roy Navarro, executive director of the Pharr Housing Authority and his team have a tremendous understanding of the needs of the local community and especially of the needs of low-income families.

I want to express my concern at the methods used by the Texas Department of Housing and Community Affairs staff in processing letters from local community groups in order to receive points under quantifiable community participation. While I recognize that the enabling legislation was not written as clearly as we would have preferred, I am concerned that the spirit and intent of the legislation to encourage the local groups to comment on specific applications is being -- when we require neighborhood groups to meet overwhelmingly strict criteria.

The majority of the support letters received statewide did not qualify. This is a stunning 94 percent failure rate, which makes it reasonable to question the validity of the original test. If only 6 percent of the

communities' children pass the TAKS test, we would not admit this town is more than others. With regards to housing developers and consultants who are experienced in this field, the Department reviews their applications and provides a list of deficiencies with several days to correct the oversights.

Neighborhood organizations by their very nature are more likely to be small, nonprofit, volunteer organizations. They are not given any equivalent review and time to correct their deficiencies, nor do they have the financial resources to hire a legal counsel to establish formal organizational documents. The number of points tied to these letters, a plus or minus twelve can mean the difference in receiving funding or not. Las Canteras Apartments falls in this category. Las Canteras has filed an appeal, and the City of Pharr intends to assist in the appeal process.

MS. ANDERSON: Mr. Mayor.

MR. PALACIOS: The support from these neighborhood organizations, one that has been here in existence in 1976 should be counted.

MS. ANDERSON: Mr. Mayor, I need to ask you --
(Pause.)

MR. PALACIOS: Thank you for allowing me to be

here this morning. And I know I went over the two minute limit. And with all due respect I think that I have traveled over 300 miles to be here for two minutes, and I think it should be at least four or five minutes. Thank you.

MS. ANDERSON: Thank you, sir.

MR. PALACIOS: You all have a good day, and I appreciate your support. God bless all of you.

MS. ANDERSON: Thank you. Roney Powell?

MR. POWELL: Good morning. Madam Chairman, ladies and gentlemen of the board. My name is Roney Powell. I am the mayor pro-tem of the City of Goliad, Texas. I am here this morning to comment on application number 04082 of your agenda. It is also known as the Fenner Square project of the City of Goliad.

The city council's opposition to this project is as follows: the city council of the City of Goliad voted on April 20, 2004, to reject any support for the Fenner Square project. This opposition was reaffirmed on the council's May 20, 2004, meeting. A letter that was addressed, dated April 27, 2004, to the offices of State Senator Ken Armbrister, at their request, reaffirming this city's position on this project.

You may have in your packets of materials an

undated document that appears to be a City of Goliad proclamation. This proclamation was not prepared by any member of this city. We question the validity of some of the points claimed by the applicant in the area of in-kind, local and nonprofit contributions. In the interest of the two minutes, I am going to forgo exactly what those contributions are, unless I am requested.

Our opposition to the project: there are any reasons. One of the reasons was that it was dropped on us at a very late date, and it was sponsored by the county and not the city, and we did not have sufficient time, we feel, to digest the possible impact on the community. And it was promoted as an economic development project for our city, and our own evaluation is that it would not be of an economic benefit to the city, because very little if any tax revenues could be collected to provide the necessary city services.

The nature of the project has changed several times during our knowledge of it, and the city council has not even seen the most current proposal from the applicant. The applicant has not met with the city to assess the impact of the project in the area of city services. And this is the last point -- because of the tactics of the applicant in the project in the community,

the city has not -- the applicant has not gained the total trust of the city council. Any questions?

MS. ANDERSON: I have a question for you. Is William J. Schaefer, is he the mayor of Goliad?

MR. POWELL: Yes, ma'am.

MS. ANDERSON: Okay. And our material indicates that he supports this development.

MR. POWELL: That's -- at this point, not correct.

MS. ANDERSON: Do you have a letter? Or did he write a letter to withdraw his support?

MR. POWELL: No. The proclamation that -- is this the document that you are referring to there?

MS. ANDERSON: I just have a summary. The board has a summary. And based on what I see here, it says the mayor supports it. And then, there is also a box checked that says there was resolution of support from local government.

MR. POWELL: The resolution of support that you are referring to is the document that I am referring to. That was prepared by the developer. The mayor, at this point, states that he signed it without thoroughly reviewing it.

MS. ANDERSON: So, he did sign it.

MR. POWELL: He did sign it. As of yesterday, the mayor did not support this project.

MS. ANDERSON: Well, did you bring a document withdrawing the mayor's support?

MR. POWELL: No. I did not. We can furnish that document if it is necessary.

MS. ANDERSON: Well, I would think you would want to do that.

MR. POWELL: Right.

MR. BOGANY: One question.

MS. ANDERSON: Sure.

MR. BOGANY: I really don't understand why you guys don't want this project?

MR. POWELL: We believe that the economic -- we are a very small community. The applicant's own statements indicate that this development will not be occupied primarily by residents, current residents of our communities.

MR. BOGANY: How do you know that?

MR. POWELL: Because that is what he has said in a public meeting. When he is justifying sales tax increases to the community, his own statements indicate that people in our community will not be the primary occupants, that there are going to be people coming into

our community to occupy his development.

MR. BOGANY: But you need housing in Goliad, though.

MR. POWELL: His estimates of the available housing are much more limited than our own surveys. Our own surveys indicate that there is approximately a 20 percent vacancy rate in lower cost housing developments in the city, other than the HUD government facility, and it generally is filled.

MR. BOGANY: So, if I understand you correctly, what the developer has told you that if somebody from Goliad wants to rent this apartment, he is giving preferential treatment to those?

MR. POWELL: No, sir. He is not saying he is giving preferential treatment. But the financial structure, the costs of the rents in the Fenner Square project are much higher than the available units that are there now.

MR. BOGANY: Okay.

MR. POWELL: In other words, a person can go into one of the other privately run apartments at a much lower cost. Not per square foot, but by the unit.

MR. BOGANY: Are they newer units or older units?

MR. POWELL: They are from older to mid-age. There is -- at this point we feel -- not a severe shortage for our current residents.

MR. BOGANY: Okay. Thank you.

MS. ANDERSON: Any other questions?

(No response.)

MS. ANDERSON: Thank you, sir.

MR. POWELL: Thank you.

MS. ANDERSON: Mr. Gary Driggers.

MR. DRIGGERS: Madam Chair, board of directors, I am the applicant that the previous speaker was just referring to. My name is Gary Driggers. I am with Legacy Regional and co-developer of Fenner Square, a 32-unit rural housing project in the City of Goliad. We worked in tandem with the County of Goliad for the last ten months. We have been involved in the City of Goliad since October of last year.

The site where this project will be situated is actually a county-owned site. And they have provided us that site. We came there upon their urging, because they needed housing. There is a certain group in Goliad that owns rental units that do not want to see this project become a reality. The county, like I said, has worked in tandem with us for a very long period of time with this

project, and by all public records, the County of Goliad needs housing.

The County of Goliad has never received an award in the history of this program. One issue that is very important in rural housing, as you know, is the financial feasibility of these projects. And as of a few weeks ago, we are one of the very few projects in the entire United States that has been awarded a Section 538 Guaranteed Rural Rental Housing Mortgage. That is a national program that was only allocated \$99 million for this year, for the entire country. Our mortgage was approved for a 40-year amortization and our rate of interest is only 4.7 percent.

This is a tremendous advantage for the City of Goliad, one that probably will not come around for the longest time. I met with the city many times. And we wish we had the entire county commissioners here, because they voted overwhelmingly for this project. And the Mayor did sign that proclamation. He might not approve of it now, but he did sign that documentation. I would respectfully request that the board continue with the recommendation of the staff and allow this project to go forward. Thank you.

MR. CONINE: Quick question, if I might.

MS. ANDERSON: Sure.

MR. CONINE: Is the project located in the county or the city?

MR. DRIGGERS: It is actually located in the city.

MR. CONINE: But the county owns it?

MR. DRIGGERS: The county owns the site. I mean, it's a situation where the two governmental agencies overlap on many things. The city doesn't provide any services to speak of. There is a volunteer fire department. There is no city police. All that is provided by the county. So, that is why the county is in favor of it.

MR. CONINE: Okay. Thank you.

MS. ANDERSON: Mr. James Myers.

MR. MYERS: Good morning.

MS. ANDERSON: Good morning.

MR. MYERS: My name is Jim Myers, and I am president of the P. A. C. E. -- People Active in Community Effort homeowners group in San Antonio. I appreciate the opportunity to talk to you. I am surprised, after 74 years of living, I still get nervous around a microphone, but if you will bear with me, I will get through this. I think a chimpanzee with a speech impediment could make

these points that I am going to make to you.

I am going to read you a couple of letters. We are in opposition of the case number 04142, which is the Western Trail Apartments in San Antonio. In your file, there is a letter that I had wrote to Ms. Carrington. And briefly, it says that we have received notice from the 4910 Southwest Partners L.P. as to their intent to construct an apartment complex to be located at 4910 Southwest Military Drive. That is the correct address, by the way, not Medina Base Road, and advising us that they have applied for tax credits from you.

The property is located within the defined boundaries of the homeowner's association and we wish to state that we do not support this project. After viewing the site, and taking photos of the subject property, and I gave Delores some pictures that she might want to pass down the line to you, it is apparent that the main entrance to this property is directly adjacent to an adult entertainment facility known as the Tom Cat Lounge. And I offered to do personal reconnaissance into this matter, but my wife vetoed the idea.

And I also have vacated collision report service, which is in deteriorated condition. In our opinion, this property is not suitable for the tenants,

and especially the school age children who will reside there. It is our belief that these tax credits would more wisely used at a different location in the same area. Should you require any additional information and so forth. The pictures, to me, speak for themselves. Of all the projects that you consider for approval, this should be at the bottom of your list.

If there is any documentation in your file that says that the homeowners association, the city council, or the school district supports this project, it is entirely false. Mr. Mercer, our state representative has gone to great lengths of waving the flag and beating the drums to ensure that the homeowners' associations are properly represented in these matters. When he states in his letter of support that we have supported this, that the city council has supported it, that the school district has comported, it is totally untrue.

I think that Mr. Mercer is an honorable man. I believe that his staff has totally misinformed him. I doubt if he even knows where the project is, or which school that the schoolchildren would be forced to attend.

My time will not permit me to document all these other things that are in the file, but I would just like to say a couple of clever things to you. I hope they're clever.

My former Commander-in-Chief, President Harry Truman used to say: always do the right thing. It will gratify some people and astonish the hell out of the rest.

And one last thought. I don't know how you are going to work this into my presentation, but I read it and it was so clever. It said: it is useless for all the sheep to pass resolutions in favor of vegetarianism if the wolf remains of a different opinion. So whatever that means in this presentation, just tie a ribbon around it. I am sure you can use it somewhere.

MS. ANDERSON: Thank you, sir.

MR. MYERS: Thank you very much.

MS. ANDERSON: Don Jones.

MR. JONES: Madam Chair. For the record, my name is Don Jones. I am chief-of-staff to Texas State Representative Ken Mercer. I hadn't actually intended to use my time to address the board today, after all, but I would just like to respond to Mr. Myer's remarks and comments, if I might.

Representative Mercer did, in fact, very strongly endorse the Western Trail Apartments. We worked diligently with the applicant to make sure that he had, in fact, contacted the various neighborhood groups that were identified by the city. The P. A. C. E. organization did

initially, I understand, provide a letter of support, or at least agree to, even though, to the best of my knowledge, the project was never briefed thoroughly and completely or to the entire neighborhood organization.

As far as Mr. McGill's other efforts, he actually held a public hearing. Public notice went out. These were in addition to efforts to contact and work with neighborhood groups. No one showed up there, other than one of my staff members, who went there to observe. None of the neighborhood groups came to object. Nobody came to raise the issues.

As far as the school district goes, this is a poor school district. I personally spoke with two of the board members, and their concerns were that, one, there were going to be taxes paid, school taxes paid, and that was checked off. Yes, there were. Secondly, this particular school district has an average daily attendance shortfall on many of its campuses, so they welcome additional attendance.

So in all of these cases, Mr. McGill did show good faith effort, did make an honest, conscientious effort to fulfill those requirements of Senate Bill 264 in terms of community support, working with the community, working with the school district, working with the local

elected officials and address all of those issues appropriately. Therefore, Representative Mercer did provide a very strong recommendation of approval for this project. Thank you.

MS. ANDERSON: Thank you. Mr. Jim Wyatt.

MR. WYATT: Good morning. Madam Chair, to the distinguished Board. My name is Jim Wyatt. I am a city councilman from the City of Victoria, superdistrict 5. I am here in reference to project number 04216, the Tom Ninke project, in which you heard my state representative Geanie Morrison speak on, just moments ago. I won't waste much of your time, but I wanted to make certain that we recognize that this particular project, as noted by State Representative Morrison, that it was not on the list of funding for '04.

I would like to also share with you, in addition to the remarks, that Ms. Morrison, Representative Morrison shared with you that this particular project was slated for my district, which is the southern portion, the southern half of Victoria. We just spent, as a city, over \$8 million taking rehab in this area with streets, and in this area sanitary sewer, cleaning it up, et cetera. But let me point out that this particular project as a project in superdistrict 5 district, the city did pass a

resolution supporting this project.

This particular project received the highest score in Region 10 that any other project that was in our region. We also had the highest score out of all the applications in the state without an allocation. Out of the 180 community support applicants, there were only six that received a complete score. Victoria, and this particular application was one of the six.

Recognizing that there may be some monies left over for our region, we ask for a reconsideration, if there be any, to fund this project in '04. If not, what we are seeking is a forward commitment for the project in '05. Let me share with you that I don't take an envy in your position, trying to allocate all the dollars for all the needs that we have around housing. I certainly appreciate your serving on the board, and I certainly would appreciate your consideration. Again, thank you for this opportunity.

MS. ANDERSON: Thank you, sir. Roger Clark?

MR. CLARK: Good morning. I am the director of business for the Housing Authority of the City of Victoria. Today, I am representing the housing authority and the citizens of Victoria in the support of the Thomas Ninke Senior Village project. My involvement with the

housing authority gives me lots of insight into the necessity of the affordable housing in our city for senior citizens. The Authority owns 47 units designated as senior housing.

These units remain 100 percent occupied probably 99 percent of the time. The vacancies occur only when the occupants become too ill to remain living on their own, or when they pass away. The average waiting period, I would say, in Victoria, Texas, for an affordable senior housing project is two years to get a new apartment to live in. Eighty units doesn't seem like a lot. But 80 units would greatly cut our waiting time down to probably less than a year. Thank you very much.

MS. ANDERSON: Thank you, sir. William Brown.

MR. BROWN: Good morning. My name is William Brown. I am here representing San Diego Creek Apartments, 04050. Approximately ten months ago, I was -- well first of all, I will just quickly say, I chose this year to come in and start getting into the tax credits. It has been interesting.

About ten months ago, I met Mayor Grace in Alice, Texas. Mayor Grace is an amazing lady. I told her about the program that I wanted to bring to Alice, felt like there was a need. She agreed, said we are in dire

need of housing. Put the troops together, I met the economic development director, I met the city manager, and she brought in all of the city council members. After many meetings, she went out into the community. We met the community.

We had a number of community support, and as late as Wednesday, I felt like this project would be tied with the other project in the community in Robstown, because I was certain we signed the certificate, which would have awarded us the state average for the one point we would have been tied, and I felt like we would win in a tiebreaker.

Well, since that time, I feel like I drew the black bean. Because I could have obviously, I had an opportunity to be in the leveraging as well, and the leveraging apparently changed all of the scores, and everything has been re-written in the last three or four days. So the very least that I can do, is ask if this project, if it is not lucky enough to be awarded tax credits, which I felt that it would have been done in a tiebreaker, that this project be considered for forward commitment. Thank you for your time. I do have just some packets to show the support, that I would like to leave for each member.

MS. ANDERSON: Thank you.

MR. BROWN: Thank you.

MS. ANDERSON: Cuca Perez.

MS. PEREZ: Buenos dias. (Speaking Spanish.)

Me nombre es Cuca Perez.

MR. GARZA: Good morning. My name is Manuel Garza, and if I may, I would like to approach and provide you with some documentation. First of all, on behalf of the community in San Antonio, thank you for the consideration and the funding for the Rudy C. Perez - Vista Del Sol, number 04258.

We received a letter from the Department of Housing and Community Affairs multi-family finance production division saying that our letter did not meet the requirements to be scored. The requirements of course, says that there is insufficient documentation to provide that the organization was on record as of March 1, 2004, and did not provide the total number of members of the organization, or a brief description of the process used to determine membership.

We respectfully disagree, and appeal the decision. First, the Engenita [phonetic] Association is an officially registered community organization. Beginning in 1985, the Engenita Association conducted town

hall meetings to bring about the implementation of a very needed infrastructure that included sidewalks, street improvements and a drainage system in Census Tract 1606 in San Antonio. The actual construction went on from 1987 to 1996 at a cost of about \$20.7 million. This effort involved over 500 neighborhood participants and this went on for about five years.

A development of a private and public land inventory as an economic development strategy has been created, and has created over 675 occupied housing units in the Edgewood Independent School District community. This private housing development has taken over a period of seven years. And in 1997, we partnered also with the Edgewood Independent School District Housing Economic Development Committee as well as other neighborhood organizations and community organizations in Edgewood.

Most recently, June 16, 2004, we broke ground for 54 new single-family homes. This was done through the City of San Antonio's affordable showcase of homes. We Edgewood residents very much care about our community's future and while our efforts can be considered to be admirable, compared to the wealthiest school districts, this many homes are being built in one year in the other school districts. On page 2, there are some

characteristics of the site, which includes the residents' homes and the median income, and of course, the site qualities that include -

MS. ANDERSON: Sir, I need to ask you to finish up, please.

MR. GARZA: Okay. You have got the rest of that in writing. We would like to see the project funded this year, if possible, and if not, for whatever reasons, we ask for a forward commitment for the following cycle. Thank you very much. If there is any questions, I am willing to answer any questions.

MR. SALINAS: What you are really asking is for us to consider forward commitments?

MR. GARZA: Well, if it is not possible this year, Mayor Salinas, yes. Forward commitment for the following cycle.

MR. SALINAS: We have got a letter from your state representative that says that you were denied the support of being on record by the community, or -

MR. GARZA: By Texas Department of Housing and Community Affairs.

MR. SALINAS: But, you said that you all have it on record that shows Mr. Menendez. So, I would like the staff to look at it, and maybe consider forward

commitments at a later date.

MS. CARRINGTON: And we are looking at all of those.

MR. GARZA: Yes. And of course, there is documentation there from the City of San Antonio and Bexar County Housing and Human Services, which is the recording agency that does projects in Bexar County. But again, if it can be possible this year, for the next cycle.

MR. SALINAS: Thank you.

MS. ANDERSON: While we're on this discussion of this development, State Representative Jose Menendez sent a letter and asked that I read it into the record, which I will do at this time.

Dear Ms. Anderson, I am writing regarding the Vista Del Sol - Rudy C. Perez, Sr. Apartments. The Edgewood Neighborhood Association and the Community Workers' Council, which are part of my district were denied points for neighborhood organization support for not being "on record" with the state.

Edgewood is on with TDHCA and with the City of San Antonio, and the Community Workers' Council is on record with the Secretary of State and the City of San Antonio. If you have additional questions regarding the standing of the above organizations, please feel free to

contact me. Thank you for your attention to this matter.

The next person to give comment is Lucy Hall.

MS. HALL: Good morning. Madam Chair and members of the board. My name is Ms. Lucy M. Hall, and I am the president of the Community Workers' Council of San Antonio, and I am talking on project 04258, the letter which you received from Representative Jose Menendez. The Community Workers' Council is in support of the Vista Del Sol - R. C. Perez, Sr., Apartments. This apartment complex will be constructed between Southwest 36th Street, Southwest 37th Street [phonetic], and Old Highway 90 West.

This apartment is in our zone area. The Community Workers' Council has been chartered since December 3, 1956, by the state. We are recognized by the city. The state did tell us that we were inactive, but we did provide information to them on our status. We have copies of our status and you have copies of that. We have about 40 regular members in our organization. The Council and the Edgewood Community do support this project.

We feel this apartment complex is needed in our area. We feel these complexes give people an opportunity to live in a top-rated apartment complex. The complex will help increase the student enrollment in the Edgewood school district. We ask to forward this complex, if there

is no funding for this particular year. Thank you very much for your time.

MS. ANDERSON: Jesse Alcala.

MR. ALCALA: Madam Chair, Ms. Anderson. Board members. My name is Jesse Alcala. I am a school board member with Edgewood I. S. D., and I am also chairman of our community housing and economic development committee.

I am here to support this. I have been here before to support this, this apartment complex, the Rudy C. Perez, Sr., Apartments 04258.

It is critical; it is very important. It will increase our student enrollment. We are in dire need of new housing. And I continue to support this because it is good for the community. It is good for the school district. It is good for our housing and economic development. So please, as has been mentioned by Mr. Garza and the previous speakers, if it can't be funded for this year, please let's get some forward commitments for it for next time. Thank you.

MS. ANDERSON: Thank you, sir. Okay, I have twelve speakers that want to speak on Oxford Place, the development is 04167. And certainly, you have all filled out forms, and you are all welcome to speak, but if you want to have someone speak on your behalf that is also

fine. The first form I have is from Minnie Irving. Well, that happens. We're all going to have the chance to do that here soon. Stephanie Johnson?

MS. JOHNSON: Good morning, counsel. How are you this morning. As a former resident of Oxford Place, I am just asking for the support of the tax credit. The beauty of it to me, I am a single parent, and also the amenities as far as better arrangements, as far as living in the facilities. It just to me -- it would be a great credit for those who are really trying to help their selves as me myself being a single parent making a future for those who may come behind me or whatever, but the development really needs to upgrade, it really does.

By being the age factor on the development, and we would just really appreciate your support in this credit, because we have come to every last meeting. We have supported it, we have written, we have petitioned and everything. So basically, that is all I wanted to say. Thank you for your time.

MS. ANDERSON: Thank you. Maria Vega? Is Maria here?

Did I mess up that name. Maggie Bess?

MS. BESS: Hi everybody. I can be speaking while I am walking. Good morning, everyone. My name is

Maggie Bess, and I am the resident council president for Oxford Place in Houston, Texas. And I want to speak on the tax credit, and the number is 04167. First of all, I want to thank you members of the board for considering the tax credits for us.

And as Ms. Johnson first stated, it is needed on our property, very much bad. But first of all, I want to let you know that we are deserving people on our site.

First of all, the police has come over, and they have dedicated themselves to Oxford Place to help us clean up Oxford Place and we have formed a patrol committee in order for us to help the police do their job like they are supposed to do it.

So, I just want to thank the board for considering us again, and we have a whole lot of programs on our project, which we have the Boy Scouts, the Girl Scouts. We have Head Start, we have the mentorships, what we are trying to do on our property to instill good citizens for our children as they grow up on the property and maybe some of them will come back and work with the kids that come after them. So this is the thing that we are doing on our project now. So, I am not going to bore you all with details and more details and everything. But I think that we deserve the tax credit. So would you

please. God bless you.

MS. ANDERSON: Thank you. Cora Morris. Is Cora Morris here? Oh, okay.

And then the next person will be Catalina Mendoza.

MS. MORRIS: Good morning, Chairperson, Council. My name is Cora Morris, and I am here to represent 04167,

MS. ANDERSON: Excuse me just a minute. Can we have quiet and respect to the speaker? Thank you.

MS. MORRIS: Yes. I am representing Oxford Place also. And the reason that I feel like we deserve this tax credit is due to the fact that since I have been present over there, we have come a long way. We have cop patrol. We have attendance in school is getting better. I think there's no more deserving people than Oxford Place, because a better environment, better housing creates better residents and better productive citizens. Thank you.

MS. ANDERSON: Thank you. Catalina Mendoza? Is Ms. Mendoza here?

Dorothy Davis? Is Dorothy Davis here? I'm sorry? You don't want to speak. Okay, that's fine.

I think it's Andrea Chavez at 605 Berry Road.

Melba Portillo. Does anyone know Melba?

VOICE: She doesn't want to speak.

MS. ANDERSON: She doesn't want to speak.

Okay, that's fine.

Bertha Alicia Morene? Marianna Gaitan. Okay.

Tracy Jenkins? Is Tracy Jenkins here? Oh, hi.

MS. JENKINS: Yes. My name is Tracy Jenkins and I want to talk about Oxford Place. It is a better nice place to stay in and stuff. And it is a better plan for the kids and everything else, you know. And that's it.

MS. ANDERSON: Thank you. Okay, Minnie Erving, is she back? Okay.

MS. ERVING: Good morning. Ms. Anderson and members of the board, I want to thank you all for just giving me an opportunity to be able to speak this morning.

I come to you all representing Oxford Place, number 04167, and we are in dire need of asking you all to support us on the tax credits to get that place torn down and rebuilt. Simply because well, it would be 100 percent better.

We have a lot of children in the community with school that travel backwards and forwards to school and it is in dire need of bring renovated, and we are asking you

all's support to allow us the tax credit to try and get the place redone. And I appreciate you all giving me an opportunity to speak.

MS. ANDERSON: Thank you very much.

Okay, last call for Maria Vega. And Andrea Chavez. And then I have a form without a name on it. Is there anyone else here that one that wants to speak to the Oxford Place development. Okay. Hi, and what is your name, ma'am.

MS. BOBINO: I am Ms. Rhonda.

MS. ANDERSON: Rhonda?

MS. BOBINO: I reside at Oxford Place.

MS. ANDERSON: And what is your last name, Rhonda?

MS. BOBINO: Bobino. B-O-B-I-N-O.

MS. ANDERSON: Great. Thank you.

MS. BOBINO: Yes. I speak on behalf of 04167.

In the community, we have seniors, kids, lots of activities. It's just a beautiful place. I have only been there a year. And it is beautiful and I thank God for being there today. And Ms. Bess, she has come a long ways for the community. The kids have activities, the kids they have all kinds of activities. It's just so beautiful a community today, compared to the way I hear it

used to be.

But I prefer to be there today, and we deserve to have the tax credit dollars. And I mean for the seniors, the kids, to make it a better place for all the young ones that is growing up that is going to be there awhile. They would like to come back to a nice community. Nicer than what it is today. And we truly ask if we could please qualify to have these tax funds. Thank you.

MS. ANDERSON: Okay. Catalina Mendoza. All right.

Emmanuel Glockzin.

MR. GLOCKZIN: Madam Chairman, members of the board, TDHCA staff. I am Emmanuel Glockzin, representing Lexington Court in Kilgore, Texas. We are pleased to see this recommendation in Region 4. We have support from the city, the county and the state representatives. And this is one development, this is the first tax credit development that is going to be built in Kilgore. So we appreciate your support and recommendation. Thank you.

MS. ANDERSON: Thank you. And Charles H. Taylor, Senior. Charles H. Taylor, Senior from Houston?

Okay. That is all the witness affirmation forms that indicated that people wanted to speak at the public comment period. The other forms that I have

indicate that you want to speak at the agenda item.

(Pause.)

MS. ANDERSON: I'm sorry? Hi, Mr. Taylor. I just called your name. Come on up, if you would.

MR. TAYLOR: Good morning. I am speaking on behalf of the Commons of Grace, number 04224. Two things I want to mention. First of all, we constructed our application based on the rules that we had presented to us. And we also have spent large sums of money, trying to get this deal done. I am a leading pastor in the community. I made promises to our senior citizens and to our area, that this would be a vital thing for us and we would be able to get it done, based on the rules that we had.

And now, at the end of the game, midway in the game, some kind of way the rules have changed and to cause our deal to lose a lot of points. That is the first thing. And the second thing is, the City of Houston made an error in their letter to you all, and they immediately corrected it, which caused us to lose 16 points; we lost nine points and because the inconsistency caused us to lose another seven points.

The letter had been already reconstructed and sent to you all, and we want to appeal that, our score now

and hopefully get our points back at our next meeting that we are having. And that is the end. Do I have any questions from you all.

MS. ANDERSON: Questions for Mr. Taylor?

(No response.)

MS. ANDERSON: Thank you.

MR. SANTOS: Madam Chair, we had signed up for speaking when the issue item came up, and we have no problem if the Chair will allow us to make the public comment if there is an appropriate time --

MS. ANDERSON: Okay. I think what we are going to do right now, and we are going to take a ten-minute break. I think it is time to do that. And if you will come up here, and we will pull your forms out and then right when we come back in ten minutes, then you can go ahead and speak then. But if you would come here, so I can know which ones they are.

(Whereupon, a short recess was taken.)

MS. ANDERSON: If you will all take your seats, we will come back to order. Rogelio Santos?

MR. SANTOS: Yes, ma'am. Thank you, Madam Chair. My name is Roy Santos. I represent the Amah Community Development Corporation in Houston, Texas, and we are here in support of project number 04214, Las Villas

de Magnolia. This is for a senior citizens tax credit project.

And our basis, the reason why we are here is to make, to reinforce certain appeals regarding point deductions which we feel are critical, and if restored, and we certainly and we feel that we have ample justification for restoration would put our application in a competitive posture. Where 15 points that are at stake with regard to the TDHCA's treatment of the City of Houston's commitment letter, we got caught up in that. That had the impact of affecting us by an overall score of 15 points. Eight points for the actual letter itself, and seven points because of the 5 percent differentiation between the final score and the pre-application score.

We have formerly appealed that. We are waiting for final determination on that appeal, but we certainly intend come back to the board in the strongest possible terms regarding that particular issue. Our most sensitive appeal has to do with a deduction of six points with regard to late response on a technical deficiency letter, and which dispute here is the fact that your records show that you sent us, you faxed us the deficiency letter.

Our records show that we never received it. We went so far as to trace all of our fax log, because we

were told that the letter was faxed to us, and the fax was confirmed to us by somebody who happened to be in our office. Rather than getting into a lot of hearsay, who said what to whom at what given point, we went back and provided in our June 14 letter of appeal what we felt was ample documentation to justify to show that we never received the letter.

When we did become aware of it, after the fact, we responded to the deficiencies in the letter, within 24 hours. They were easily resolvable. And the reason why I have asked Mr. Peter Clemente, who is the board vice-chair of our CDC, is he happened to be the person that was involved that supposedly gave some assurances that we received this fax. And so rather than you hear it from me as hearsay or as third-party information, we wanted to get you to hear what he had to say about how this situation evolved. Peter?

MR. CLEMENTE: Good morning. I am Peter Clemente, vice-chair of the board of Amah Community Development Corporation. I am speaking today in reference to an application for an award of tax credits and housing trust funds for Las Villas de Magnolia in east Houston, TDHCA 04214. Amah CDC submitted an appeal to Ms. Carrington on June 14, 2003.

In that appeals, Amah CDC objected to the deduction of five points for submitting the deficiency response a day late. Amah CDC claims that it did not receive the deficiency notice until May 12, the day the response was due. TDHCA has a fax confirmation that it faxed a notice of deficiency on April 30. A representative from TDHCA noted that he or she called Amah CDC on April 30 and spoke with me. Amah CDC has produced a fax log that proves that no fax was received from TDHCA that day.

The fax logs shows at least six other faxes that were successfully received that afternoon. As the vice-chair of the board of Amah CDC, I am not involved in the day-to-day operations of the organization. I spent some time in the Amah CDC office in pursuit of my own private development activities that are not related to the activities of Amah CDC.

I remember receiving a phone call on April 30.

I remember that the caller said there was a fax coming. After receiving that call, I did not go to the fax machine to confirm its receipt. I was on my way out of the office for the day, and did not wait for the fax to come in. Indeed, I never actually saw the fax. Thus, while my name was noted on TDHCA's fax confirmation, I can affirmatively

state that I never saw the notice that TDHCA claims it had faxed that day. Thank you for your time and consideration of my comments regarding the appeal.

MR. SANTOS: Madam Chair, to further add to -

MS. ANDERSON: Sir, your time is completed.

You need to wind up.

MR. SANTOS: Okay. Well, we simply want to reinforce the fact, that we are not just simply relying upon personal testimony here, but we are giving you evidence. Our fax log shows that we never received the fax, and it happened unfortunately that when the phone call was received, typically being vice-chair of the board, he was in there for a few minutes, doesn't deal with how faxes are treated, and so it was never that was something that he never got involved in.

We gave you the documentation because we felt very strongly that had we known about the deficiency, we certainly would have they were technical deficiencies that were easily resolvable. We got them back to you. Unfortunately, we got them to you the day after the deadline.

I would also like to add that earlier you heard from the legislative aide of our state Senator Mario Gallegos. He had a letter to produce. We would like to

enter that for the record, as we would also, with the Chair's permission, like to enter for the record a support letter from our state representative from District 143, Joe Moreno.

MS. ANDERSON: Okay. Thank you.

MR. SANTOS: Thank you.

MS. ANDERSON: Okay. That completes the public comment, initial public comment. And we will have additional public comment at each of the agenda items. Moving to item one, which is presentation, discussion and possible approval of the minutes of the board meeting of May 13.

MR. CONINE: Move to approval.

MR. BOGANY: Second.

MS. ANDERSON: All in favor?

(Chorus of ayes.)

MS. ANDERSON: Opposed?

(No response.)

MS. ANDERSON: The motion carries. Item number two, dealing with various housing tax credit items. The first, 2A is an appeal to the board. And I do have public comment on this item, Ms. Carrington, after you make your presentation.

MS. CARRINGTON: Thank you, Madam Chair.

Corrigan Gardens, Limited, 04062 was terminated by the Department on May 6. And it was terminated for failure to present the environmental site assessment and market study to the Department by March 31, 2004. Those two documents were required to be in by that time and we had not received those documents. The application was terminated.

They appealed to the executive director. The executive director denied the appeal, and so they are now following their course of appeal to the board.

In addition, Corrigan is an area that has twice the state average of units per capita, and this is in our statute. There is an exception that an application can get to this provision of the statute, with the city's prior approval and a statement of support from the city. This application has neither one of those documents. Staff is recommending that the board deny the appeal of the termination and this application would remain terminated.

MS. ANDERSON: Do you want to hear the public comment before we have a motion? Okay. Mr. Alvin Freeman?

MR. FREEMAN: Good morning, Madam Chair and board. I am Alvin Freeman here, and I am speaking on item 04060, of Corrigan Gardens. It is true that Corrigan

Gardens applied for tax credit applications, and it is also true, and we plead guilty of not getting our environmentalists and study in on time.

However, Mr. Rick Sims, who was our consultant, coordinator and advisor, and is a citizen of California had decided to hand-deliver that document. In the past, the State of Texas police department had talked to him about his license plates.

The night that he came in on the plane, before he was to deliver the documents that we are talking about, he was picked up by the police and incarcerated for 72 hours. No one with the development knew where he was and did not have any contact with him. However, immediately after he was released, then the environmentalists and the studies was sent to the board by Federal Express. We plead guilty and ask that the board indulge us and give us consideration on item number one.

On item number two, as far as getting the resolution from the City of Corrigan, I would imagine that looking at all of these rainbow groups that come, multi-racial groups from each city asking about tax credits and that cohesiveness and saying we need. But when you look at the Corrigan group, there is no diversity, and that should create a question as to why. In this little town,

in section five, it's the number one in need of housing.

I was born in Corrigan 63 years ago. Moved away for 46 years, and in that 46 years, three houses -- three was built in my neighborhood. That tells you without a doubt there is a need for affordable housing in Corrigan. Then why aren't any politicians here? Why aren't any air-conditioned people here of the majority race? And we need, we want that. It raises an issue that is very ugly. And unless I am compelled, I don't mind calling a spade a spade, but I will do that.

So let me try first, that did not happen, because the city council would not even put it on the agenda. A \$6 million project coming to a city that is more in need of housing than anywhere except Baghdad. But yet, no public figure. It was because of a smear campaign run by the school board president. That he sent letters addressed to Ms. Boston, creating fear that we are going to bring criminals in, drug pushers.

He even went to become so childish as to where are other people going to buy food? And there is a Brookshire Brothers within ten feet of the main right-of-way in Corrigan. There are Sam's 20 minutes to the north, and 20 minutes to the south. And yet, that fear tactic infuriated the upper middle class white section of that

little town.

And then the city council was intimidated, in fear; don't want to be called a nigger lover. Because those services was being brought by a black organization, and in some people's mind, they feel that only certain people can develop and do things. There is a small Hispanic community and believe it or not, there is more black citizens than anything in Corrigan. But at that particular time, there was not a city councilperson or an minority on the city council. And out of fear of being called an ugly name, the city council locked up.

Somebody offering money, and the city officials do not even care enough to talk about it. Nobody cares as to why. Can it work? Failed for lack of motion. Now prior to that last meeting -

MS. ANDERSON: Sir, your four minutes is up. Now maybe one of these other people wants to cede time to you.

MR. BALDWIN: I will give my time.

MS. ANDERSON: And what is your name, sir.

MR. BALDWIN: Franz Baldwin.

MS. ANDERSON: Okay. Thank you.

MR. BROOKS: As well as James Brooks.

MS. ANDERSON: Okay. Thank you.

MR. FREEMAN: I'll try to speed it up. Prior to that final meeting, there were two African-Americans elected to go on city council. Whether they would support the project or not, I don't know. But they refused to see these city council people, in spite of the fact the mayor had written a letter in support. It is in your file. Mayor Grimes. He was threatened and intimidated. We'll vote him out.

So because of that reason, I think that this board and all well-thinking citizens has an opportunity not to step back into the 40s and 50s, but to move forward. So I am here to appeal and beg this board to reinstate that application. I understand that we may not be able to get around city council's approval, but with the new makeup of the board, at least we will be able to get it on the agenda. I have been assured of that.

So in my most humble way -- 700 people sent signatures in. United States attorney, a congressman, Jim Turner, Dan Ellis. But those 700 signatures are the citizens in that little town that was without a voice. I ask you to listen to their cry for their youngsters to have a comfortable place to live and a safe environment to grow up in, should not be because somebody is in fear of being called a nigger lover. Or should not get being

caught up in politics from the school board. Says he's going to have to build a new school.

The idea that criminals are going to come in, I don't understand that. But he sent the letter, addressed to a Ms. Boston and published it in the paper. He created fear in that little town. That is why city council did not want to talk about it, or they were afraid to even put it on the agenda. But I ask that Corrigan Gardens should be given at least a third strike.

Please reinstate the application. We must do what is right. I heard someone quoting Harry Truman. Let's follow in the footsteps of Lyndon Johnson, Barbara Jordan, people who loved this town, and do the right thing. Reinstate the application for Corrigan Gardens, please.

MR. SALINAS: Is this, Region 5 is in the area?

MR. FREEMAN: Pardon?

MR. SALINAS: I'm sorry. Region 5?

MR. FREEMAN: Corrigan is in Region 5.

MR. SALINAS: Region 5. What is happening with your mayor and city council? The easiest way is not repudiate it and answer some of the allegations that you have going in your community, but I think that this board has nothing to do about how you apply for this tax credits

here. And I think something that happens in your community has to be approved by your community and your city council.

And one of the things that is interesting, one of the things that I have always fought for is that we all follow the rules. And apparently here, whoever was helping you with the application did not follow the rules.

You know, I am one of those people that like to help get everybody in a good housing unit, and I am sure that if you find somebody else, and you go back to your community and talk to your mayor and your people there, it all starts at home.

It has nothing to do with us here. And the easiest way for me is not to rebuttal what you said, because we are not about that here. But I would suggest that you go back to whoever did your application and you come back and this board, since I have been here, has been very helpful to everybody in the State of Texas, even where I come from, south Texas. And I don't think that they would do anything that would harm your community.

I am speaking on my behalf, but I know these people here. But I think that when you fail to do something, and you don't follow the rules, and there are so many. I don't know if you have seen the list here of

all the people that want tax credits. And I am so happy that a lot of people are applying now, because we didn't have this participation before, and it is hard for us and hard for our staff to not consider the people that follow the rules.

But I understand how you feel, but I would like for you to probably get back with our staff at a later date, and maybe you can apply at a later day. But what I am hearing from our staff is that your application is no longer in contention right now, but it could be later on.

MR. FREEMAN: I understand that the application has been denied, and we were extending a right to common appeal, and I was exercising that right. And hopefully that appeal will not fall on deaf ears.

MR. SALINAS: It won't, I'm sure.

MR. FREEMAN: Then you have to vote your conscience and the board will have to do that. But once again, I offered some information in order to try to make the board understand it was not just because we were negligent, but it is a very difficult thing to exercise your rights and options in a democratic society, when you are not represented.

And it seems to be, I explained Mr. Rick. He paid his dues, and hopefully he has a better understanding

of what it means: Don't Mess with Texas, about the environmental. But in order to get that resolution from the city, it was just almost impossible to do. Even you should have some concern, some curiosity as to why would nobody even put it on the board to talk about it.

MS. ANDERSON: The difficulty that this board has though, is that the requirement to get the letter from the city, because of the number, the two times per capita tax credits in Corrigan, it is a statutory requirement that the Legislature imposed on us. We do not have the option to waive that rule.

MR. FREEMAN: I read that with an awful lot of fear. The appeal process is denied, and I think we will know what to do.

MR. SALINAS: Yes.

MR. FREEMAN: Once again, I thank you for your time.

MR. SALINAS: Thank you.

MS. ANDERSON: Bertica Thomas. Is she with your group, sir.

MS. THOMAS: Can I allot it to Mr. Baldwin, my time?

MS. ANDERSON: Yes. That's fine. That's fine, Mr. Baldwin.

MR. BALDWIN: Good morning. Madam Chair, the board. My name is Franz Baldwin. I am the former Mayor of City of Corrigan, Texas. And I am here today because I feel the citizens have been misrepresented.

In order to have the proper documentation that we needed for this application, we have to be allowed the chance to get the proper documentations. We were not allowed that chance. The Council would not even hear our motion. Would not even put it on the agenda.

Now, I understand that the paperwork has been terminated. But I am saying that I feel you should take this under consideration. We tried. We followed the proper steps. This is a necessity, this project in our community. We need it. As we said, Region 5 is one of the number one regions in Texas that needs affordable housing. We are doing our best to provide better families for our children, better environments to raise better families. And we need this housing.

But without the support of the city, I mean, if they would have just did some investigation, just listen to us. That is all we ask. They wouldn't even do that. So how can we get a resolution? We followed the steps and I understand your procedures, but I am saying that I feel the board should take that in consideration and reconsider

us on that point, for that particular item. And I thank you.

MS. ANDERSON: Thank you, sir. Okay, that is all the public comment that I have on that item? What is the board's pleasure?

MR. SALINAS: I vote that we go ahead and take the recommendation of our staff.

MR. CONINE: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are ready to vote. All in favor of the motion, say aye.

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 2B is a report item on quantifiable community participation. Ms. Carrington?

MS. CARRINGTON: Thank you, Ms. Anderson. What the staff has done is provide information to the board and to the public on how we approached the scoring of the letters for quantifiable community participation. This was a new requirement in our legislation this year. This was the first time that we were required to implement

scoring of letters for quantifiable community participation in our qualified allocation plan.

And in the list of criteria that the Legislature said the Department would use to score and rank applications, quantifiable community participation is the second highest criteria in our legislation and also in our qualified allocation plan. The Department spent quite a bit of time talking to the public, and internally looking at the legislation and determining how we would implement the legislation.

There were two parts of it that were very clear, that were in statute, and that was that the neighborhood organization was required to be on record with the state or the county, so that is statutory. We have no ability to waive that, to not comply with that. The other requirement that was given to us in the legislation was that the neighborhood organization's boundaries had to be in the boundaries of the development site. So those were the two knowns. Those were the two givens.

The rest of the interpretation for scoring of the letters for quantifiable community participation was put in our qualified allocation plan. The Department held a facilitative meeting in December of last year, over at

the Thompson Center, and had about 50 to 60 people invited at that meeting, legislators, developers, lenders, advocates. We tried to get a broad representation of participants, not only in affordable housing, but also in the tax credit community.

I think that one of the things that certainly came out of that facilitative meeting was that we found that many people had many different ideas about scoring of letters for quantifiable community participation. So I think the Department perhaps had looked and had hoped maybe that more direction would come out of that meeting.

I think we heard a lot of good ideas. We heard a lot of good comments, but perhaps not as much direction and consensus as we would have liked.

We did develop guidelines for the scoring of letters for quantifiable community participation. Those guidelines were put on our website in February of this year. And we then as a staff, as an executive award and review committee, we had 182 letters that we reviewed for meeting the requirements of quantifiable community participation. The EARAC group, which we call it, executive award and review committee met for five days for 3 1/2 hours each of those five days. And it was the same people at that meeting every day.

We felt like we knew, we didn't feel like we knew that consistency was going to be extremely important as we looked at this very important scoring criteria. So that was why we had the same staff there every day, looking at letters. This was after our staff had spent many hours in reviewing the letters, and basically presenting them to us in stacks, of letters that they felt like did not qualify, letters perhaps did qualify, letters they thought would qualify.

So there was a lot of work that was done preliminarily by staff before the EARAC committee looked at these letters. It was a very difficult task for us. Probably the criteria that we struggled with was what is a neighborhood organization? We found that many people had many different ideas about what constituted a neighborhood organization.

Since the Legislature did not give us a definition of neighborhood organization, we went to our dictionary, and what we found was, thanks to my general counsel, neigh means near. So we considered neighborhood organizations groups of people living near one another. That that was our interpretation of neighborhood organization. We have provided for the board on pages 2 and 3 an outline. Obviously, this was also posted on our

website.

We have provided an outline of how we approached this. And I think I said there were actually 182 letters; there were not. There were 234 letters we received that gave input on 75 applications. We had 220 of those 234 letters that did not satisfy one or more of the submission requirements, either the legislative requirement or what we had outlined in the qualified allocation plan. The remaining 14 letters were scored, and those letters received points from, per the legislation, a plus 12 to a minus 12.

One of the things we determined early on, as we were discussing internally how we were going to handle this, was that we were going to attempt to not give gradations of is this letter a three, is it a five, is it a seven? So that we looked at the scores of zero, and we all had to remember our elementary school math to remember that yes, zero was a score. So we had zero, one, six and twelve. We actually had one application that received letters for positive points that qualified, an application that received letters for negative points that qualified, and so that is one that ended up, I believe with an eleven, because it was combining the positive points and the negative points.

I think that one of the things that was very encouraging for staff, we had no idea what these letters were going to read like before we started receiving them.

I think that one of the things that was very encouraging for us, was that most of these letters were letters that were in support of the developments. There certainly were a few that were letters of opposition, but I think that we had thought probably the majority of them were going to be opposition letters, and that just was not true.

It was from a variety of groups in the communities, saying we need this affordable housing and telling us why they need the affordable housing. So that is the process we went through to score the letters for quantifiable community participation. I know that the board has heard this morning some appeals related to the points on quantifiable community participation. All of the applicants are in the process now of appealing to the executive director, which is the first appeal process that they can go through.

If they are not satisfied with the appeal to the executive director, then their next avenue is to appeal to the board, and the board will be hearing those appeals at the July 8 board meeting, and I would also imagine some of those appeals also, there will be other

appeals that will be at the July 28 board meeting. So we are certainly still in the appeals process time.

The reason that you don't see any of the appeals on the agenda today for quantifiable community participation is because those letters went out and they had a time period to appeal and we are still in that time period. The second part of what the staff did, in our qualified allocation plan, we built in a provision that said we wanted to somehow be able to even out or level the playing field for those applicants who did not have neighborhood organizations within their area, and for which there were no letters received, and so we said that we would give the average number of points for those letters.

If you were an applicant that didn't have a neighborhood organization, that no letters were received, and that you certified, you had to certify to the department that you knew of no neighborhood organization that was on record with the state or the county. And we have provided you a scoring of how we did that on page 3 of 3. We ended up with total applications of 182, and that was of the tax credit applications.

There were 13 applications that we scored. So we subtracted those out, then we subtracted out those that

were going to receive the average, and we ended up applications receiving zero points, and I may need Brooke to help me on this, but basically, those that submitted to us, they knew of no neighborhood organization and we didn't get any letters and they also certified to us, got the average number of points. Which, when you do our calculations, it was .91. So they ended up with 1 point.

So that was our best shot, per what we had put in our qualified allocation plan to at least give those applications who had no neighborhood organization, who we had no letters submitted, and they certified to us of those couple of facts. So I would like to ask Ms. Boston if I did okay on that explanation. Or does the board need a little more help? Okay. I think I maybe wasn't as clear as I should have been, so Ms. Boston?

MS. BOSTON: Brooke Boston, director of multi-family finance. She actually explained it very accurately. Are there questions?

MR. CONINE: Tell me about the zero, six and twelve again?

MS. BOSTON: As we discussed first, how we were going to go through the process, we felt it would be very difficult to differentiate between a letter that was a

three-point letter and a four-point letter. Our staff had prepared a checklist with the first two items on the checklist being the two statutory requirements. Are they on record with the state or the county, and does the neighborhood organization, are their boundaries included in the boundaries of the development site?

So we had a one-page checklist that we looked at as we looked at all of the letters and all of the backup. Then was we looked at the other items on the checklist, and as we decided early on, and this how we were going to score them of course, was certainly a big discussion at the December facilitative meeting. And I believe that that was one -- well, I know it was one of the things we talked about.

But we just felt like it would be impossible for us to say this is a three-point letter and this is a four-point letter. This is a seven-point letter, and this is an eight-point letter. We felt like we could be much more fair if we said that this is a letter that meets all the requirements and is an neighborhood organization, but they don't describe their process in great detail of why they would be supporting the development, so we said it is a one-point letter, plus and minus. It is a six-point letter, plus minus. It is a twelve-point letter, plus,

minus.

And there were two letters that I believe received a zero because we felt fairly strongly as a staff that the positions that were articulated in those letters from the neighborhood organization where they perhaps had not meant it to be taken that way, appears to be violations of fair housing. So those were the two letters that received zeros. All the other letters either received plus minus one, plus minus six, plus minus twelve, if they were eligible to be scored. And there were 14 that we determined eligible to be scored.

MR. CONINE: And I think that is really the point that needs to be made here, is that the exercise that all of us have been through, it sounds like it has been a colossal failure. Because anytime we ask somebody, and when I say we, meaning either us, or the state legislature ask the community to do something and it is not clear as to what if we have 234 people trying to do what somebody has asked them to do, 220 of them failed, we have a colossal failure.

And I think it is incumbent upon everyone here, within your sphere of influence, whether it is the state legislature, or whether it is us, or whether it is our staff, to fix the problem. It is not good for us to go

through a round, at least in my opinion, to have 14 letters to judge all the scoring on. It is not a good representative sample. Of whether you get six or twelve or zero, or whatever the case may be.

I don't know what we can do about it now, other than listen to all of the millions of appeals that are obviously come forth, because of the some of the decisions we made, and because of some of the decisions other people have made. But we need to fix the problem.

MS. ANDERSON: Does the board have any questions for Ms. Boston on that?

(No response.)

MS. ANDERSON: Thank you. Okay, Item 2C is the board review of recommendations of Department Staff for the housing tax credit program. Ms. Carrington? And of course, I have lots of public comment when we get to that point.

MS. CARRINGTON: In our 2004 round of tax credits, the agency received 264 pre-applications. We had full applications of 182. 149 applications are currently competing for an allocation of 2004 low-income housing tax credits. There are five forward commitments that the board recommended last year, or that the board approved last year, so we actually have a total of 154

applications.

This year, our credit ceiling totals \$40,366,280. And the allocation, the regional allocation of these dollars is outlined for the board on page 2, on our discussion of regional allocation formula and set-aside. What we have provided for the board in the board book and also on the website is four items, which is the cumulative recommendation list, which shows only those applications being recommended.

Recommendations for the nonprofit set-aside, and that nonprofit set-aside is 10 percent, and that is a federally mandated set-aside, and that is the only set-aside in the 2004 allocation round that is a set-aside that we applied statewide. So we do not apply the nonprofit set-aside on a region-by-region basis. It is applied statewide. In other words, we will take the highest scoring nonprofit transactions regardless of where they are in the region.

There is also a recommendation list by region.

There is also a summary report, per development, that is provided in development order for all active applications.

Staff is not making any recommendations on forward commitments. We are not making recommendations on the waiting list at this meeting.

This meeting, the list that the board will approve today meets the statutory requirement that says the board will approve a list 30 days prior to making the final recommendations for credits. So your meeting today to approve the list of recommendations meets that statutory requirement, and then the board meeting on July 28 is the board meeting in which the credits will be allocated.

We have several set-asides in the tax credit program. The 10 percent set-aside is a federally mandated set-aside. You all will remember that we have 13 service regions around the state. For the first time this year, we implemented, again, new legislation that says those 13 service regions will actually be further divided into 26 regions -- not 26 regions, but 26 allocations of funds. Within each region, you will have an urban/exurban allocations, and within each region, you will have a rural allocation.

We have an at-risk set-aside which is state legislated that requires that 15 percent of every region's allocation be awarded to the at-risk set-aside. We also have the rural allocation, which says that 5 percent of every region's allocation will be awarded to rural developments. On page 2, you have the 13 service regions.

The regional allocation, the rural allocation, the urban/exurban. Add the two together, they give you the regional allocation. The USDA for the region is a portion of that rural allocation, and then the at-risk is, as I have already said, 15 percent of that region's allocation or set-aside for that region.

On page 3, development evaluation. I think it is worth pointing out to the board, those of you that have been on the board for a year or two, you may be thinking that we are having more appeals this year than we have had in years past, and we would attribute that to a variety of factors, but if you look at the bottom of page 3, one of the things that we did in the qualified allocation plan this year was spread out the time frame when documentation could be presented to the Department. Rather than all of the requirements being presented being required the day the application was due, we created some intermediate milestones and basically said once the applications were due on March 1.

We are giving the development community some additional time to submit additional documentation to us.

And some of those -- there are actually five of them. One of them, you heard about earlier in an appeal. We said the market study and the environmental site

assessment must be to the Department in full on March 31.

The preliminary zoning approval on April 1. Input from neighborhood organization for quantifiable community participation by April 30. Letters from elected officials and local resolutions by May 31, and several types of evidence, including construction loan closing on '03 awards, that would, if deadlines were not met, they would be penalized, and that deadline was June 14.

So, as you can see, there has been several milestones that we created within the round, allowing the development communities to submit additional information to us. I believe it has certainly created some issues for us, because we have not known as a department which are the highest scoring transactions, who is going to lose points, who is going to gain points, and so it has made it very difficult to send the applications to our real estate analysis division and to start underwriting, because the points and the scores have continued to move and will continue to move, really, between now and July 28. So, at least on an internal basis, and I know at our last QAP working group meeting, about three weeks ago now, we certainly talked about this, and discussed the fact that we probably are not going to have these kind of intermediate steps and milestones.

At some point, the Department has to know, and you the development community must know which developments look like they are going to move forward and which ones aren't. I think there has been a great deal of uncertainty for the development community. Certainly some uncertainty from staff. We do not have the capacity to underwrite all of the applications we received, and so we really have to work to see which are going to be the highest scoring transactions, and those are the ones that go to real estate analysis.

Interestingly, or maybe not interestingly, we did not hear a great cry from the development community, because I think you all would like to have the certainty, too of which transactions look like they will be moving forward and which ones won't. We also created a ten-day period for curing administrative deficiencies. Prior to that, it had been three days. So, I think we learned some things this year, as we worked through not only our new legislation, but implementing some new provisions in the QAP.

With that, we will note that there is a revised list that I trust everyone did pick up this morning, when they walked in. We did have that list out front. And that list is a reflection of and reflective of the

Attorney General opinion that we received on Thursday of last week, Wednesday of last week, which said one provision of our qualified allocation plan where we had interspersed some criteria in the list of nine, the Attorney General has issued an opinion that says the Department did not have the ability to do that.

And so what we have done as a staff, was work with the Attorney General's opinion, work with our scoring criteria in our multi-family staff, and have come out with revised recommendations that are reflective of the scoring criteria as outlined in the Attorney General opinion. I would like to note that there are many several regions, I am looking at this. We have taken our 26 allocations and noted for you that eight of the 26 allocations have recommendations that are different than what appeared on our website, and what was in the board book.

I think certainly, from a department standpoint, we understand that if you are one of those that were impacted, that it is certainly a huge impact for you. I think from a department standpoint, we have worked to create a minimal impact, applying the requirements of the AG opinion. We have outlined the 13 regions for you and indicated if there were any changes to that region, and if there were changes in transactions.

There were 14 applications that were affected. Not all of them negatively. Some moved off the list, some moved on the list. So it was positive for some. It was negative for some. We have also provided you, behind the first sheet of this, the scoring breakdown and descending order of points which reflects the adjustment for the Attorney General opinion. And I will be asking Ms. Boston to go over this with the board in just a moment.

Then what the board has, is a list of developments per region and these are divided into not only region, but UE is urban/exurban and R is rural. And then at the top of each one of these, we do have the region. We indicate for you how many credits were available for that region, and then also what the requirements were for meeting those set-asides in each of the regions.

And as Ms. Boston goes over this, she can go down through the legend for you, but if you look to the left hand side, beside your application number, if you see an A, that means it is being recommended for an award. If you see an N, that means that it is not being recommended for an award. So with that, I would like to turn it over to Ms. Boston to go over the adjustments in the scoring

criteria.

MS. BOSTON: Thank you. Perfectly done. On the second page of your handout from today, the title is, Scoring breakdown in descending order of points, final 2004 QAP reflecting adjustment for AG opinion, you will see five rows that have grey in them. Essentially, this is a depiction of all of our scoring items. The first batch that are above the line, so to speak, there is a page, like a line break, kind of partway down the page, those are the nine highest scoring items, consistent with the legislation.

The only change in that one is we, as the QAP had been originally released, the leveraging points were not in the proper order within the nine, and so they were one of the nine, they just were out of order. So as we got the opinion, we adjusted that, and made sure that the total number of points being awarded for leveraging was consistent with being the fifth highest scoring item. To do that, originally, the leveraging points had been a range of three, six or nine points. And so we adjusted it to four, eight or 14 points.

So basically, someone who had already been awarded for this item six points, we went into our computer system, and basically just gave them an eight.

And so that is how we went through and did that item. Then the middle portion of your page are four items that originally had been interspersed within the top nine. And because of the Attorney General's ruling, they had to be removed, and made lower than the ninth, basically, the lowest of the nine. Because the lowest of the nine, you will see, was supportive services with a score of eight, anything else that we put below that had to be seven or lower.

For the four items are transitional housing. That originally had been, you could get either 22 points for doing 100 percent of the units as transitional or 15 points for doing 25 percent of the units as transitional.

We moved those to seven and five, so that they were the five basically is a proportional amount that the 15 had been, of the 22 points. And so we went in, and basically made that adjustment.

I would like to note that this is probably the most substantial change in terms of scoring adjustment and only one transitional development actually had their recommendation status changed from this. The ones that weren't recommended originally remained recommended, and the ones that were recommended, with the exception of one, stayed recommended, so I just wanted to point that out.

The next item is the housing needs score. Originally, this had been a range of anywhere from one to 20 points. Because we had to make sure that it didn't exceed seven, we basically went in, and this is actually an Excel spreadsheet, and because it had started out with a 20 for every city in the state, we kind of tell it that it is working from a base of 20, and it goes in, based on the formula that is consistent with the affordable housing needs formula and the regional allocation formula and kind of calculate that. And so all we did is go into the same Excel spreadsheet and enter a seven as the new base number, and it reassigns a new number. So in this case, everything is still proportional. Someone who had gone into a community because it was higher scoring for a needs score, it still is a higher score for needs score, proportionally, just on a smaller range.

The next item is development location. And these are what we had affectionately called the exurban points. We had originally given ten points for a development that was in what we deemed to be exurban, which was not rural, but had a population of less than 100,000 and did not develop more than 100 units. This had been ten points, and we just moved it down to seven, to make sure that it was below the nine items.

And then the last item was mixed income. We originally were awarding a range of points which had been two, four, six or eight points for developments that did different portions of the units as market rate. And to try to minimize the harm from the change here, we reduced that top one, the eight points to seven, but then left the other three the same. So the range is now seven, six, four, two. Basically, as I described, we just went into our computer system and anyone who had each of these types of points ahead of time, prior to the AG ruling, we just went in and changed the number, and then it recalculated the scores.

After that, we went through and reevaluated the list consistent with the methodology that we had used when we first prepared your board book, and that basically resulted in the changes that Ms. Carrington has pointed out to you all. Would you like for me to go through the regions a little bit, or how to proceed here?

MR. BOGANY: We have a letter from Mr. Garvin earlier. Have you had an opportunity to see this?

MS. BOSTON: I have.

MR. BOGANY: How does that compare to how you viewed it and what is your thoughts on that?

MS. BOSTON: Let's see. I know that I read it,

but I don't know that I have it up here with me. My recollection is that his first item was, I want to say, the -- do you just want me to address each of his issues?

MR. BOGANY: And whether or not you think it is better than what you did, or maybe there's something that you can recommend or just get your thoughts on each one.

MS. BOSTON: Okay. His first issue, issue one was a request that we have more proportionality in the revisions to the scores. And this item is particularly addressing Exhibit 13 and 14, which deals with low-income targeting and leveraging. We had originally structured the QAP; it was done in a way, as I have mentioned, where leveraging was not properly placed within the nine of nine items. We also, at that time, had purposefully made low income targeting for units at 30 percent of area median income, higher than leveraging. And we had done that on purpose. Because you had to have leveraging funds to do the 30 percent units, we wanted to say, if you have got the money, we want to see you do the 30 percent units, so we are going to give you a few more points for that. Unfortunately, that was part of the inconsistency. So when we went back and revised, we bumped up the points for leveraging; however, we didn't proportionally go back and also bump up the points for low-income targeting. I can

see their point, which is that people who went for low-income targeting points at 30 now are somewhat disadvantaged over people who went for leveraging points.

However, we talked about this quite a bit internally, as we were trying to identify what parts, how much we were going to change things for the Attorney General opinion, and we felt like if you start trying to figure out proportionality amongst everything, you could basically pick apart every scoring item that we have and readjust them all. And so we made a decision that we did not think that that was the wisest thing to do, and we only adjusted the five items that we actually had to change to make us consistent with the opinion. That was our logic on that.

The second example he gave had to do with mixed income. And this was the one I mentioned where I said originally, we had a range of eight, six, four and two points, and our proposed revision was just to go seven, six, four and two as our range. They are suggesting that for proportionality it be seven, five, three, one. And interestingly, we ran it both ways, and the impact would have only changed one development's scoring placement.

So interestingly, doing it this way really is a

very minimal impact, and we felt like it actually creates less harm, and is more consistent with what people applied under to keep it as seven, six, four, two. Because the people who got either the six, the four, or the two are actually still getting their original amount of points.

The last item, affordable housing need, they had suggested using quarter point increments. Just as an administrative process, in running our system, it can be done, but it is just very difficult and it is kind of nitpicky, and as I mentioned, because of the way we handled this, the affordable housing needs score is an Excel spreadsheet, it had a base of 20. We went in and gave it a base of seven. So everyone has proportionally been adjusted, the exact way that they were originally, it is just with a different base number.

So, I feel like it is still very equitable and is consistent with the original QAP and the reading of it.

It is just, basically, all we shifted was the base number. And then the last one was, his last issues was regarding potentially giving forward commitment and obviously that is at the discretion of the board.

MR. BOGANY: Thank you.

MS. ANDERSON: Would you all like, what is your pleasure? Would you like to hear all this public comment

before we have a motion on the floor, or -

MR. CONINE: Are you hungry?

MS. ANDERSON: We are going to take a lunch break, just for the information of everybody that is with us, in about 15 minutes, Mr. Conine, if you can wait.

MR. CONINE: Oh yes. I can hold out that long.

MS. ANDERSON: Okay.

MR. CONINE: I'm more concerned about you, than me.

MS. ANDERSON: I'm not cranky yet, I hope. So if we can, I think we will have some public comment. Quite a bit. I will remind you all that we, due to the amount of public comment, we are limiting public comment to two minutes per speaker, and the first speaker is Prentice Gary.

MR. GARY: Madam Chair, other directors and executive staff. My name is Prentice Gary. I am managing director of Carlton Residential Properties, and we are working in coordination with the Denton Housing Authority for the development of the Renaissance Courts development.

150 townhouses located in Denton, Texas. And that is TDCHA number 04151.

In terms of where we stand today with respect to the recommended list, it looks likes we are still in

the hunt; however as for Region Number 3, we are the last one on the list with an N, which I now understand what it means, is in front of our development, which means we need some help. And my appeal this morning to you all is to really find a way to help us get an allocation of tax credits for the Renaissance Courts, either some way through the current allocation, or at least a forward commitment.

This is an outstanding project. It is well supported in the community, both privately and from the public sector. We got a total of 20 letters of recommendation in connection with this development. Half were from the government leadership, from top to bottom. The other half, were approximately from about ten, what we thought were, qualified neighborhood organizations.

This is an important project for the community. What stands there today is a real eyesore in a community that is turning around. 100-and-some-odd units called the Phoenix Apartments. This redevelopment would totally take those down and build 150 new townhouses and really be a cornerstone to help this community revive. So thank you for listening and I hope we can work on some formula that would get us back and get an A in front of this development as opposed to an N. Thank you.

MS. ANDERSON: Thank you. Any questions?

(No response.)

MS. ANDERSON: Okay. I have several people that want to speak to tax credit development 04074. There are five people. The first name I have is Margarita James. No?

MS. BENAVIDES: Madam Chair, members of the board, and executive director Carrington, Ms. Margarita James is allowing me to go first. My name is Susana Benavides, and I represent Congressman Charles Gonzalez, District 20. I was here, and this is regarding application 04074. I was here June 10, and since that time, the application has been denied. But an appeal has been submitted and Congressman Gonzalez wants to continue his support and reiterate his support for this application. And he is asking that all due consideration be given for forward commitment to this application. Thank you, and I yield to Ms. James.

MS. JAMES: Good morning. I would like to thank the board for allowing me to speak. My name is Margarita James and I am here to speak on the behalf of application 04074, Las Palmas Garden Apartments in San Antonio, Texas. I have lived there at the apartments for approximately eleven years. And like all my fellow

residents, I ask for your consideration for the awarding of the tax credit.

While the apartments have been kept up in good condition, there are certain amenities that we still do without. For example, central air and heat. While it is a basic amenity for almost everyone, it would be a luxury for us at Las Palmas. Our maintenance does a great job with the daily repairs, but the property, being nearly 40 years old, major repairs are needed. We could also benefit from an energy efficiency appliance. Ceiling fans, carpeting, new plumbing, and most of all, the amenities center that will house our computer lab. As of this time, we do not have a community center, so we would greatly benefit from the center, that will provide us with educational, social and recreation services.

We also benefit for the larger laundry facility. Also, our youth would really benefit from this center, because as of now, they have no place to go after school for activities other than just the apartment. We would like to keep our kids safe, and keep them being responsible community members, and that would really help us with our youth right now. So thank you for allowing me to speak, and again, I ask you to consider this awarding the tax credit for our apartments. Thank you very much.

MS. ANDERSON: Thank you.

Are you Ms. Barrientos?

VOICE: No.

MS. ANDERSON: Oh, well you can go. Whatever.
Okay.

MS. BARRIENTOS: Good afternoon. My name is Avelina Barrientos, and I have been the manager at Las Palmas Garden Apartments for five years. And I am here to ask the staff and board members to consider the TDHCA application number 04074. Las Palmas Garden Apartments in San Antonio, Texas, for funding. I have worked with these families and consider myself a part of the community. My family and I have lived there -- for back in the late 60s, so I have been a part of the community and that is why I consider myself very involved with these people.

The owner of Las Palmas Garden Apartments, Urban Progress Corporation developed and have maintained these apartments for 39 years, and will continue to work to better our residents' environment through improving the condition of the apartments and adding a facility that provides our families with services. Many services that have been mentioned already, the amenities like the educational, recreational meetings and things like that. Having efficient appliances, fans, carpeting, floor and

other amenities.

We humbly come before you, for you to consider the rehabilitation of Las Palmas Garden Apartments. Our residents would be grateful for such an environment to raise their families. Thank you very much.

MS. ANDERSON: Thank you. Yes.

MS. MARTY: Rosario Marty.

MS. ANDERSON: Yes.

MS. MARTY: Yes. Good afternoon. My name is Rosario Marty. I am here to speak on behalf of application 04074, Las Palmas Garden Apartments in San Antonio, Texas. My family and I have lived here at Las Palmas Gardens for 20 years. Las Palmas Garden Apartments is over 39 years and does not have the basic amenities that many of the new properties have.

We like the area, and my children have done well in school, but I feel that they would do much better in rehabilitation of the apartments. At this time, we do not have a facility for our children and residents to meet in the afternoon, or on the weekends to do homework, socialize, or just have fun. Our families would do much better with an onsite community center that houses a computer lab and other educational, social and recreational activities that come along with the

rehabilitation.

Our children think that the swimming pool is very good idea also. I ask for your consideration on funding the rehabilitation of our apartments. Thank you very much.

MS. ANDERSON: Thank you. Mr. Roque.

MR. ROQUE: Good afternoon. My name is Joe Roque and I am here to speak about Las Palmas Garden Apartments, 04074 in San Antonio, Texas. I have lived there for 13 years, and me and my family, my children, and we are very happy with the apartments, but I think it is time to rehabilitate the apartments. It has been almost 40 years. Thank you very much.

MS. ANDERSON: Thank you, sir. Bonita Williams?

MS. WILLIAMS: Hello. I am Bonita Williams, and I am here to speak on behalf of my application, which is application 04072, Nacogdoches Senior Village. It is located in Rural Region 5. And we are also chasing that elusive A on the list here. When you look at Rural Region 5 today, and look at our application, if I can flip over to it, you might see what seem to be, well, what is in fact, a discrepancy in score between some of the higher scoring ones and ours.

And Chris, I know these scoring categories lead applicants in the direction that the Department and the Board feels affordable housing needs to go. But what you end up with there, is sort of a one size fits all for the whole state. And I would like to take you through some of the logic we used as far as our application and why we scored it in the manner that we did.

In Nacogdoches, there are right now, in the City of Nacogdoches, there are two senior housing developments and one in a smaller town out in the county.

Now the first one of these is Pine Lake Estates. It is an older, it's a HUD 221(d), and they have a housing assistance payment there. And these apartments have a fairly lengthy waiting list. The second housing development in Nacogdoches serving seniors exclusively is Northway Landing and that is 56 units and it is a HUD 202, and it is owned and operated by Volunteers of America. This unit is 56 units and it serves the low and very low income levels.

The third one is in Chireno, which is a little smaller community outside the City of Nacogdoches, and they have a USDA 515, which serves the low and the very low. And then of course, for your market rate, they have the opportunity to go anywhere. Their income levels allow

it. And there is one senior development in Nacogdoches that is currently adding on that is market rate units, and their rents start at \$850 and go up from there.

So, as we look at Nacogdoches we saw a gap there. We had these units that were serving the low and very low, the 30 percent. And we had your people at market rate that can go anywhere. So we saw this gap there, at the 50 percent mark, which was what we were trying to fill. But when you go through the scoring method -- well, if you already have units that are serving these 30 percent people, then you don't get the points for that, if you don't add any of those. And when you come down to mixed rate, or mixed income, you don't get the points for that if you are going totally affordable, so that is how we ended up with a score of 121.

And also, in wrapping up, I would like to speak to a problem that there continues to be with another application in Rural Region 5, and that is -- what is the number on that. 04066, Piney Woods Community Development.

I know this was discussed at the last meeting. An appeal was brought up before the board, and it was reinstated. And I would like to submit to you now that there is still is problems with zoning with that.

And I have sent a letter indicating not only a

problem with that, but with some other things. I sent a letter to Ms. Carrington and Ms. Boston. I don't know if they have had the opportunity to look at this or not. And I have some copies here with me of that. But I think this application -

MS. ANDERSON: Your time has been up for a while, so if you would finish up. I hate to interrupt people.

MS. WILLIAMS: I'm sorry. Okay. I'll end up. No, that's okay. This application I think needs to be looked at again, concerning the accuracy of the application and does it meet threshold requirements. Thank you.

MS. ANDERSON: Thank you. Okay. We are going to adjourn for lunch, for about 30 or 35 minutes. And I am going to read you here something in just a second, because the board is going to do this. The board is going to go into executive session. I want to thank Senator Estes, because he made possible our use of this room today. We really appreciate that. I also want to thank Scott Sims from the Speaker's office and Don Jones from Representative Mercer's office who -- I see Don here. I am not sure if Scott is still here, but we appreciate their participation.

Okay, so we will reconvene in about 35 minutes, and now I need to read this. On this day, June 28, 2004, a regular meeting of the governing board of the Texas Department of Housing and Community Affairs held in Austin, Texas; the board adjourned into a closed executive session as evidenced by the following. The board will begin its executive session today, June 28, 2004 at 12:20.

The subject matter of this executive session is consultation with attorney pursuant to section 551.071 Texas Government Code on 2306.6710(b)(1)(B) Texas Government Code and the 2004 qualified allocation plan and rules, Section 50.9(g)(2) concerning quantifiable community participation from neighborhood organizations on record with the state or the county in which the development is to be located and whose boundaries contain the proposed development site. Appeals and the 2004 qualified allocation plan and rules. If permitted by law, the board may discuss any item listed on this agenda in executive session.

(Whereupon, a short recess was taken.)

A F T E R N O O N S E S S I O N

MS. ANDERSON: The board of the Texas Department of Housing and Community Affairs, and that meeting concluded at approximately 1:00. Action taken was none. I hereby certify that this agenda of an executive session of the governing board of the Texas Department of Housing and Community Affairs was properly authorized, pursuant to Section 55.103 of the Texas Government Code.

The agenda was posted at the Secretary of State's office seven days prior to the meeting, pursuant to Section 551.044 of the Texas Government Code, that all of the board members, members of the board were present, with the exception of Pat Gordon, and that this is a true and correct record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code. We will now continue the public comment on agenda item 2C. The next witness affirmation form I have is for Margaret Starkey.

MS. STARKEY: Good afternoon. My name is Margaret Starkey. I am the executive director of Seton Home, and I am also the applicant for our application. And thank you for the opportunity to speak on behalf of the Seton Home Center for Teen Moms, number 04149.

Seton Home provides housing and support

services for homeless pregnant and parenting teens who wish to keep and raise their children. They have no source of income and pay no rent. They come from abusive backgrounds and have themselves been physically or sexually abused, and have lived with domestic violence, substance abuse, and even criminal behavior.

Without our intervention, this cycle will continue with their own children, and these teens will not have a chance at learning the skills they need to lead productive lives. Seton Home serves all of south central Texas, and we have demonstrated a clear need for our project. We have received overwhelming public support.

I was very happy to find out this morning that our project is still recommended for funding, even though we lost a great number of points, including the 15 transitional housing points. I hope that the board will also recognize the need for our project, and will issue an award to Seton Home. Thank you.

MS. ANDERSON: Thank you. Tamea Dula.

MS. DULA: Ms. Starkey said everything I would like to say.

MS. ANDERSON: Okay. Thank you very much. Henry Gail, maybe? From Corpus? L.U.L.A.C. Village Park?

MR. GAIL: I'll pass, Madam Chair.

MS. ANDERSON: Thank you. Robert Joy?

MR. JOY: I'll pass.

MS. ANDERSON: Scott McGuire.

MR. MCGUIRE: Pass.

MS. ANDERSON: All right. Thank you. Let's keep this going. Mark Luft.

MR. LUFT: Madam Chair, I will make this presentation less than one minute. My name is Mark Luft.

I am the executive director for the City of Converse Economic Development Committee. I am a staff member of the city. I report to the council and to the economic development board.

I am asking you for your concurrence on a review process of an appeal for our city council minutes.

In the process that you have asked us to do, we do not transcribe the minutes. We just review them, according to the tape. We did submit to your self the actual tape itself, as well as the minutes certified by the city, the Secretary of the City of Converse. And therefore, I ask that you consider our application for appeal at this time.

We are not the developer. But let me also mention, for the record, that this development project is adjacent to our city council chambers and our court system. And so it is desperately needed and there has

never been an affordable housing project in our city, and it will also will help us expedite the economic development for it. And we are asking you all to consider our application.

MR. CONINE: What is the project number?

MR. LUFT: Excuse me. It is project number 04218. We are approximately 12,000 population. We are adjacent to Randolph Air Force Base in the San Antonio metropolitan area. And we are the City of Converse. Thank you.

MS. ANDERSON: Gene Watkins.

MR. WATKINS: Good afternoon, Madam Chairman, members of the board, Ms. Carrington. My name is Gene Watkins. I am here representing two projects. These are two small senior developments in Region 7. They are numbered 04182 and 04183. Both of these developments received the highest score for Region 7.

But for the fact there was a forward commitment, basically 75 percent of this year's allocation, these two projects would undoubtedly have been recommended. We support forward commitments, and we would request that you would consider forward commitments for these two projects. Thank you very much. Do you have any questions?

MS. ANDERSON: Any questions for Mr. Watkins?

(No response.)

MS. ANDERSON: Thank you, sir.

MR. WATKINS: Thank you.

MS. ANDERSON: Anthony Bertucci?

MR. BERTUCCI: Hello. I am Gene's partner.

And there are several things good about these projects. They are down on Montopolis Drive. There is a lot of families down there that probably would like to have their older folks living around the area. And also we have the clinic that is very close to our project, within a half a mile, the VA clinic. I really feel there is a lot of good things to say about this site and the project. I hope you can do something about it. Thank you.

MS. ANDERSON: Thank you, sir. Horace Allison, with the Housing Authority of the City of Houston? Mr. Allison?

(No response.)

MS. ANDERSON: Neil Rackleft?

MR. RACKLEFT: Good afternoon. My name is Neil Rackleft. I am the general counsel for the Housing Authority of the City of Houston. On behalf of the Housing Authority and our residents, I want to sincerely thank you for your support. We have experienced some

opposition in the community, and there has been some effort to indicate that that has been overwhelming, but that really has not been the case. I noticed that there were a little over 600 expressions of opposition indicated on your summary of community involvement.

We have, in the last week, gone out and secured 242 signatures on a petition in support of the Oxford Place redevelopment, together with 606 letters of support, which is a total of 848 expressions of additional support.

We have those to give to the board at this time, and enter into the record. And again, would very much appreciate your support and we'll be happy to continue to work with you in the future.

MS. ANDERSON: Any questions?

(No response.)

MS. ANDERSON: Thank you very much. Brenda Takahashi?

MS. TAKAHASHI: I'll pass.

MS. ANDERSON: Thank you. Denise Joshua.

MS. JOSHUA: No comment at this time.

MS. ANDERSON: Is Mr. Horace Allison here?

MR. ALLISON: No comment.

MS. ANDERSON: Oh, okay. Fine. Thank you, sir. And I have a form for Emmanuel Glockzin, but I think

he spoke this morning. Okay. All right. That is the extent of the public comment. What is the board's pleasure? Well, there's no motion thus far.

MR. CONINE: Move to accept the conditional list of low-income housing tax credits.

MR. BOGANY: Second.

MS. ANDERSON: Discussion? I have one question. And it is a question for the developers here. It is a question for Bill Fisher. Can you come up so I can ask a question about your development?

MR. FISHER: Hi.

MS. ANDERSON: Hi, good morning or good afternoon. We have summaries on all these developments and I am confused by something I saw for yours, the Provident at UT Southwestern, which is that the supportive services are being provided by the Housing Authority of Brownsville, Texas?

MR. FISHER: No, that is not correct.

MS. ANDERSON: That is what is on this sheet.

MR. FISHER: Sorry, New Horizons, which is a nonprofit partner that works with us on any of the private developments does the supportive services in Brownsville.

The Brownsville Housing Authority does their supportive services, and we had an application in Edinburg with the

Housing Authority, and they do their own supportive services. So New Horizons is our nonprofit partner in UT Southwestern.

MS. ANDERSON: Okay. If I can just let the record reflect, I would like staff to check on that in the application. Okay? Thank you.

MS. CARRINGTON: Okay.

MS. ANDERSON: Thank you, Bill. Any discussion or other questions on the motion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are ready to vote. All in favor of the motion, please say aye.

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 3A is forgiveness of the Housing Trust Fund pre-development loan for the City of Orange. Oh, I'm sorry, I certainly did. 2D. Amendments. Sorry.

MS. CARRINGTON: We have one request for an amendment to a change in a 2003 tax credit application. This does constitute a material change, and that is why it is coming to the board today. There is a site plan

change. There is no change in the number of the units or the net rentable area.

This development is located in Midland and the board had previously approved a dedicated right-of-way that was done at the request of the city, and real estate analysis has reviewed this. Basically, no impact to the original allocation, and the staff is recommending that this amendment that constitutes a material change to Sterling Springs Villas, 03145 be approved.

MR. BOGANY: Second.

MR. CONINE: How about you motion and I'll second.

MR. BOGANY: So moved.

MS. ANDERSON: Any discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are ready to vote. All in favor of the motion please say aye.

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Now, item 3A, forgiveness of Housing Trust Fund pre-development loan for the City of Orange.

MS. CARRINGTON: Thank you, Madam Chair. We

are bringing this item back to the board. You did review it earlier this month at the early June board meeting. The circumstances surrounding this request for the forgiveness of the pre-development loan concerns the redevelopment of an area in Orange called the Navy Park Addition, which was a 254-unit housing development that was built in 1941, as a result of the need for the Navy to have housing in that area.

We funded this pre-development loan in March of 2003. The funds for the pre-development loan were used to develop a neighborhood redevelopment plan. As part of this neighborhood redevelopment plan, what the City has determined and the researcher has determined is that they have a need for economic development, for small business, but that there was not going to be any new construction involved with the redevelopment of this area, and the City of Orange is requesting forgiveness of this loan.

We did go back and research at the board's request where the provision for forgiveness was provided in the document, or in the NOFA or in the trust fund rules, and what we found was in Section 51.62 of the Housing Trust Fund rules that were in place at that time, provided that the pre-development loans were to be repaid, but the board could waive repayment of the loan, in whole

or in part, if there are impediments to project development that the board determines are reasonably beyond the control of the applicant. Staff is recommending that the pre-development loan to the City of Orange, in the amount of \$50,000 be forgiven.

MR. BOGANY: So moved.

MR. SALINAS: Second.

MS. ANDERSON: Questions? Discussion? I take a pretty dim view of this, and so I am going to be very focused on the Housing Trust Fund rules as they come before us later in the year, that we are very clear about what the intent of these things are. Because I think that we have very little Housing Trust Fund money, and at times, pre-development loans are very critical to bringing a development forward.

But as I look at the rules and as I look at the applications, I will be looking for evidence that we have at least enough concept on the ground that the use of the money has a higher likelihood of successful use than it did in this case. Any other discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are ready to vote. All in favor of the motion, say aye.

(Chorus of ayes.)

MS. ANDERSON: Opposed? No. The motion carries. 3B, the strategic plan. Ms. Carrington.

MS. CARRINGTON: Thank you. This is the approval of the Department's strategic plan for fiscal years 2005 through 2009. You were provided the draft of the strategic plan at the June 10 board meeting. As we discussed at that time, this is a plan that is prepared for the Governor's Office of Budget and Planning, and the Legislative Budget Board.

It is a very prescriptive document in the format. We utilized information from other planning documents that we have within the Agency; the state low-income housing plan, the consolidated plan. It also includes information from our performance measures. There is no public comment period that is required on this plan, however, because it went to the board at the early June board meeting, it was made available on our website from June 3 to June 17, and through that process, or through that period of time, there were no comments received on the strategic plan.

There are a couple of things that I might like to point out, that I would like to point out to the board, and that is on page 127 of the plan, there is, as we are talking about the agency overview and the workforce plan,

very complimentary to this board, a sentence. It said a new board was appointed who brought a refreshing perspective and credibility to its customers in support of the initiatives that the Department was implementing. So there is certainly acknowledgment of work that you all are doing.

And I think it is important in these times in state government to also point out to the board what the turnover rate at our agency is, and what it is at the state. I received an email last week from -- the Comptroller's Office, I think, who tracks this -- no, state auditor's office, I'm sorry -- that was talking about that the turnover rate at the State is about the highest it has been in quite a while, so overall, it is 17.4 percent.

Now however, you all may remember at the end of August last year, there certainly were incentives made to state employees to take retirement, so some of that is the result of retirement. Also some of it is a result of involuntary RIFs. When you look at TDHCA's turnover rate, taking out the involuntary RIFs that occurred in the Manufactured Housing Division, and our retirements, our turnover rate would have been about 5.2 percent for FY '03. We are a little bit higher than that, so far, in

'04. But we certainly are below the state average as far as employees who leave this agency on a voluntary basis.

And I think that is a very good statistic to report to the Board. Also, if you would look at pages 130 and 131, and again, this comes from the workforce plan, this gives you a profile, or this provides a profile of the demographic information on the personnel at TDHCA.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Questions? Discussion? I have a couple of things. First, I want to commend the staff for this report, because it is very well done. It is, as you say, Ms. Carrington, it is prescriptive. I mean, there are certain things, you have to be reporting on certain things, but it is I think a very fine product. I have several, just are edits, that are technical corrections and so forth that I won't bore you, where we have got mixed fiscal years and stuff that I understand, but I won't bore our audience with.

But I did have a couple, I had to question a couple of comments that perhaps need to be aired in this forum. I was very interested in the results of the survey that was done last fall. I am on page 73. The attitude survey? And I think that on the whole, for everything

that this agency tries to accomplish and for all the change in the agency in the last several years, I was very pleased with these ratings that came out of the employee survey.

And I had a question on the least favorable area, which was the fair pay area, and our score of 273, I am just wondering if you all have any data about how that compares to the score in other state agencies on that topic. Do we know?

MS. CARRINGTON: I don't think we know how it compares to other state agencies, but we know that this is an issue, and a concern internally at the Texas Department of Housing and Community Affairs. So probably about three or four months ago, we started talking about compensation. How do you compensate employees? How do you know if you are compensating them fairly? What do we mean by pay equity?

And in February of this year, we had a meeting that was facilitated by the State Auditor's Office for directors and managers, talking about the whole compensation philosophy at the state. Career ladders, career planning. Workforce development. And we are now in the beginning stages of we have established a pay equity committee, and that pay equity committee is working

internally to look at these issues.

MS. ANDERSON: Okay. On page 132, under the middle of the page. Anticipated increase, decrease in number of employees needed to do the work. There is a comment about as the Agency acquires more responsibilities, we will have to ask for additional FTEs.

And I would -- that comment gave me a little pause. If I understand correctly, the FTE ceiling is 313, and we are staffed at about 291 now.

MS. CARRINGTON: Correct.

MS. ANDERSON: So, we have 22, I don't know if those are considered vacancies, but we are not at our ceiling today. Is that accurate?

MS. CARRINGTON: That is correct.

MS. ANDERSON: Then, I would ask that that statement be removed from this report until this board is given information by the staff on why we would need additional FTEs.

MS. CARRINGTON: If I may add sort of an addendum to that, one of the reasons that we are below our FTE count, of course, is lack of funding to be able to support those FTEs.

MS. ANDERSON: Right. I mean, it's less an FTE issue maybe, if you really peel it back, then an overall

funding issue.

MS. CARRINGTON: Correct.

MS. ANDERSON: So, again, I ask that we remove that language.

MS. CARRINGTON: We will remove it.

MS. ANDERSON: But I am very -- I want to really commend the staff on this. It is a very good document.

MS. CARRINGTON: Thank you.

MS. ANDERSON: So there is a motion on the floor, and it has been seconded to approve the strategic plan. Any discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are ready to vote. All in favor say aye.

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item number 4 is the multi-family revenue bond rules.

MS. CARRINGTON: This item is asking for the approval, the final approval, of the multi-family housing bond rules. And these are the 2005 bond rules. You saw the draft at the May 13 board meeting. And after that

board meeting, we did hold three public hearings around the state. Dallas, Austin, Houston. We had two people who attended those hearings, and we did not have anyone at the hearings who spoke. We did have some written comments provided to us.

Let me kind of walk you through the use of these bond rules. Our application submission date is August 30 of '04. So that is application to want to be considered for private activity bonds out of the 2005 allocation, must have submitted an application to us by August 30 of 2004. Those applications will be scored and ranked, and this document does outline the scoring and ranking for those applications. The board will then induce the applications at its October board meeting, and those will be in order of highest points to lowest points.

The bond review board who allocates the private activity cap in the State of Texas will have their lottery late in October, and then reservations for 2005 will actually be available January 1 of 2005.

There have been fairly minor changes in these 2005 bond rules from the 2004. The chapter number was changed from chapter 33 to chapter 35. We have added, we have actually the language that Elizabeth Rippey at Vinson and Elkins included is language that was currently in our

rules, but we have moved it to another section of the rules. And basically, what this language says is, that if there are changes to an application from the time of scoring to the time of receiving the reservation, that the department will terminate the application and return the reservation to the bond review board.

There are a couple of exceptions, with the exception of changes to deferred developer's fees and support or opposition points, we are saying that we will allow substitution of amenities as long as the overall score is not affected. So, the developer has proposed amenities that are equal to six points and for some reason cannot deliver those amenities as six points, then they will be allowed to substitute other amenities for the same number of points.

And we also have a staff administrative change related to tenant services. And what we are recommending is some language in 35.6(d)(4) quality in amenities. This is a maximum of 34 points. It says application in which developments provide specific qualities in amenities at no extra charge to the tenant will be awarded points. So I think what we have found is that amenities are being offered, they are getting points for offering those amenities, and yet we are finding that there is a charge

to the tenant for those amenities.

MS. ANDERSON: Covered parking?

MS. CARRINGTON: Yes. Garages, et cetera. Or social services -- no social services?

MS. BOSTON: It's just on amenities.

MS. CARRINGTON: Just amenities. Thank you.

So what we are recommending is to get points for those amenities, that there not be a charge for the provision of those amenities. That's pretty much it.

MR. CONINE: Can we get rid of the lottery?

MS. CARRINGTON: That's not in our statute, Mr. Conine.

MR. CONINE: All right. Well, move for approval, then.

MR. GONZALEZ: Second.

MS. ANDERSON: We have -- Mr. Fisher would like to make public comment on this topic.

MR. FISHER: Good afternoon, Madam Chairman, board members, Ms. Carrington. I just had one thing that I would like you all to consider perhaps in the rules. And it is something that we are encountering in the marketplace. Virtually everything done in the bond round, as you know, is new construction. And as we go into these communities, we deal with school district opposition and

other concerns.

The first thing we hear as we did in a neighborhood earlier in Houston, which is, would you please tear down the 30-year-old property first, before you build something new. And I think the board is aware of the issues involving acquisition rehabs and the fact that many of them, these properties are so old, that it is really better to rebuild them than it is to really rehab them. Because there are very tight constraints.

I think underwriting will tell you what really meets a rehab in the Internal Revenue Service Code definition. So I would be asking you all to consider a point addition for preference to acquisition rehabs of perhaps ten points, so that there would not be any net new housing, but that would involve redevelopment projects. I think that raises the acquisition rehabs farther up your scoring list. They will get bond capped first.

That is an issue too, because as you can imagine with an operating property, it is difficult to get the property owner to contract for the property and hold it literally for -- what happens sometimes, throughout the year, until bond cap reaches, which is what happens with the current lottery system. And that the definition of acquisition rehab allow demolition new construction on the

identical site, so long as the number of units is equal to or less than the current number of units in place.

We have a preference for the 9 percent round for the preservation acquisition rehabs. We expand that for demolition, new construction involving housing authorities. To make sure, perhaps, the community is behind it as a redevelopment project, adding a caveat to that, that perhaps it would be required some type of local funding commitment to distinguish it from just an acquisition rehab, but to allow those developments that would actually be redevelopments to move up this list and get cap earlier in the year, and be allowed to go forward, which I think you will find is of interest to many of these cities and communities. And that is it.

MR. CONINE: Why would you say, equal to or less than. Why would it not be equal to or greater than?

MR. FISHER: You know, I would be happy with that. The reason I said less than is generally lower density is the trend today.

MR. CONINE: Right.

MR. FISHER: So, for example, if there is a project on ten acres in Arlington, it's typically an old conventional deal. It's 30 units to the acre. And for practical purposes, I am not sure that we could actually

get the same density under the new codes, but I just put that in there really just as an issue, so that we would at least be getting units on the identical site in some relationship to what it had been in the past.

MR. CONINE: Well, my fear would be that you take a 250-unit project and put three units on it.

MR. FISHER: Well, remember, we're developers. So we put 249 on, Mr. Conine, if we were allowed. Equal to or less than. But no, again, that is not an important issue. The issue that I wanted to bring to the board's attention is, it is difficult to do a bond acquisition rehab. These communities are having more and more difficulty coming up with land, accommodating new housing. You hear that from these local officials many times, which is can't you tear down the stuff that is 30 years old first, before you build something new?

And this would put us in a position to tie them up. It's really more an issue of getting the cap earlier, than it is necessarily of giving them a preference, but I might be able to hold a land site under an option for a year. You just cannot do that with an operating property.

So just something to consider again. Ten points for an acquisition rehab. Most important thing is, allowing for a demolition new construction on the identical site in

that definition. Thank you.

MR. CONINE: I don't have a problem. I would like to hear staff's response to the idea.

MS. BOSTON: Brooke Boston. We were just chatting about it. We don't have a problem with it at all. We think it is a good idea.

MR. CONINE: Is ten points too much, too little? I mean, I don't know from a waiting standpoint. You are more pros with that than I am.

MS. CARRINGTON: Well, in looking at the points, many of them are one point or five points, so most likely, ten points, and my guess is that Mr. Fisher has probably looked very closely at the scoring criteria.

MR. FISHER: You know that.

MS. CARRINGTON: It looks like tenant services at \$10 per unit is currently at ten points, and that is the highest scoring item that we have. So I would imagine that the ten points on an acquisition rehab, and allowing it to be a rebuild on the site, would be sufficient.

MS. ANDERSON: Can I ask the general counsel a question, please? I almost hate to ask, you know. I am wondering if we could get your advice about whether this is a substantive enough change to the bond rules that they would have to go back for public comment, or can we -- the

developers need to be making their plans for this August 30 deadline, and so I am trying to -- can we do this? What are our options?

MR. WITTMAYER: Your options are to either accept the amendment or not. It has to be done today. I wish we had more opportunity to consider this comment, because I understand from staff, this is the first that we have heard it, and whenever we make a change based on public comment, either during the period, or right at the end, it really is an issue of whether or not it is a change that should go out for further consideration by public comment.

If we did that, that would remove any risk, but we don't have that opportunity to do it now. So it is just a question for the board as to whether or not they want to implement this proposed change now in these rules or if we want to consider it for our next change to the rules next year.

MS. ANDERSON: Well, if we decided that we wanted to put this change into the rules, then couldn't we repost the rules, and then bring them back? How long do they have to be posted? They have to be out for 30 days?

MR. WITTMAYER: Thirty days minimum.

MS. ANDERSON: So then we couldn't vote on a final rule until August 13, or whenever that board meeting is.

MS. BOSTON: Yes. And actually, just as a technicality, because of how long it takes from the time we turn something into the Register, to how long it actually posts, it is about a two-week window. So, we definitely wouldn't have time to do this and have the rule be in place for the applicant pool.

MS. ANDERSON: Are there any reasonable arguments why someone would oppose this change to the rules. Brooke?

MS. BOSTON: Obviously the people who are doing new construction who see them as basically equal opportunity would say that you shouldn't give the preference. Unless perhaps you are going to go with the idea that its an at-risk, which means more like in keeping with the tax credit definition where it is at risk of losing a subsidy. But if you are just comparing rehabs to new, I would think folks who are doing new construction would say that there shouldn't be a preference.

MR. CONINE: You can't make a new car out of an old car, and you are taking a fresh bond allocation and putting it towards one that is already 30 or 50 years old,

as opposed to something brand new.

MS. ANDERSON: Well, if they are going to tear it down, effectively -

MR. CONINE: Well, no. I think his -- now, correct me if I am wrong, Mr. Fisher, but you included any old rehab in your comments, did you not?

MR. FISHER: Yes, sir.

MR. CONINE: It wasn't a full teardown and replacement. There is a difference there.

MR. FISHER: It is indeed. The reason that I would say that it is not a substantive change, is it is just a clarification of the definition of acquisition rehab. Acquisition rehab is defined in the QAP. There is no definition in these rules for acquisition rehab. So the only issue that is a change is the number of points. And that is also the reason we stuck to ten points, because that is a point total that has been consistent, and the QAP gives preferences today for acquisition rehabs in the 9 percent rules.

So, you could argue either side, but as far as the definition, my point is, I am looking for the opportunity to do what the community is asking me to do, which is to do demolition, new construction on the same site, so that there aren't a whole lot of additional

units, that they are getting rid of an eyesore, and if they are saying, look, if I have got to put money into it to show this board that it is a community project, I will do that. And to allow some latitude for that, I think it is well within your purview, since acquisition rehab has already been defined.

MR. CONINE: Do we have anything like substantial rehab? Or in other words, getting past the 5- or 6- or \$7,000 a unit but into the 40- and \$50,000 a unit? Do we have a definition in there for that?

MS. BOSTON: Right now, we don't specify at all. I mean, we don't have a definition, technically for rehab and on the credit side, which therefore is applicable on the bond side as well, we do have a minimum dollar requirement of hard costs per unit. But other than that, we don't really define it.

MR. CONINE: I lean to be supportive of his suggestions just simply because it's a ping-pong ball. You have got to get lucky anyway. So, the chances of that happening are maybe slim to none, but I don't think -- I move that we try it for year or two and see how it works.

MS. ANDERSON: So did you -

MR. CONINE: I made a motion but nobody seconded it.

MR. BOGANY: Second.

MR. CONINE: There's a second.

MS. ANDERSON: And now -

MR. CONINE: Now it needs to be amended.

MS. ANDERSON: Now it needs to be amended. And you made the amendment?

MR. CONINE: Yes. I'll accept Mr. Fisher's motion that we add ten points for acquisition rehab in the rules as an amendment to my motion.

MR. SALINAS: It would mean that there would be a new project.

MR. FISHER: And allowing that definition demolition new construction on there.

MR. CONINE: Yes.

MR. SALINAS: Did you all have public hearings concerning this?

MS. CARRINGTON: Yes, we did. We had three public hearings. Dallas, Houston, Austin.

MR. SALINAS: You know, this is what I mean, not that he agrees but you recommend it to us. But you want us to change the rules at the very last minute, and we had three public hearings. And I agree with what you are saying, but it is kind of difficult for the staff to have three public hearings and here before we leave here

in about another 30 minutes, we want to change the whole rule.

MR. FISHER: Again, Mayor, I would defer to the board.

MR. SALINAS: Do you know what I mean?

MR. FISHER: It is, but I think the board is also, this comment is out there. You are hearing this every time you get opposition to a bond project, it is why don't you do the urban renewal project first. So it really is just a suggestion that I think is along the lines of things that you have been hearing.

MR. SALINAS: No, I just said that I am sick of exception and we discussed about following the rules and here we just about an hour away from what we just had, and we are ready to break rules.

MR. FISHER: Well, actually Mayor Salinas, no. That is why we have public comment on the day.

MR. SALINAS: We had three public hearings on what you want to do here.

MR. FISHER: With all due respect, my public meeting was the same day as your board meeting, on the 14th.

MR. SALINAS: I know. But you know what I mean.

MR. FISHER: Well, I understand. But comment on the day of the item would then be moot if that is the position you are going to take.

MR. SALINAS: What would the staff want to do? What would you want to do? I mean you are -

MS. BOSTON: It is the will of the board.

MR. SALINAS: That is very easy for you guys to say that. We just had some discussion about an hour ago, and said well, we wish you all would stick to what we want. We are the ones running our office. And at least that's what I heard, now we are here saying well, it's up to the board now. What would you recommend to us that we have three public hearings and how much money did we spend on the three public hearings?

MS. CARRINGTON: Mayor Salinas, may I respond to that?

MR. SALINAS: Well, somebody say something.

MS. CARRINGTON: I would take the advice of our general counsel.

MR. SALINAS: Who is our general counsel?

MS. CARRINGTON: Our general counsel is sitting right there. I think from a policy standpoint, staff is supportive. We did have two public hearings, three public hearings. They could also provide us comment in writing.

I believe that this is a fairly substantive change that other developers have not had an opportunity to comment on. And while I am supportive, I am concerned about us doing it at the last minute, approving a rule that other developers who are going to be impacted are not having an opportunity to comment.

MR. CONINE: That being said, we still have a motion.

MS. ANDERSON: We still do have that motion. We have an amendment. And was the amendment seconded?

MR. BOGANY: Second.

MS. ANDERSON: Any discussion on the amendment and the content of the amendment, Mr. Conine's amendment is to add Mr. Fisher's suggestion.

MR. SALINAS: And general counsel was going to comment on it.

MR. CONINE: He said it was okay.

MR. SALINAS: He said it was okay?

MR. CONINE: Did you say that it was okay to do that?

MR. WITTMAYER: I think the executive director very clearly stated my position and I concur with her. We don't always agree.

MS. ANDERSON: Well, I mean, you can also make

the argument that the other developers, how many comments from developers did we have on these rules the whole time they were posted for public comment?

MS. CARRINGTON: None.

MS. ANDERSON: None. So, to me, that argues that the development community, and they are not here today. They left when they heard the previous agenda item 2C. So, I mean, I guess what is the worst thing that can happen if they don't like it?

MR. BOGANY: 2006.

MR. SALINAS: This is for 2006?

MS. CARRINGTON: No. This is for 2005.

MR. SALINAS: 2005.

MS. ANDERSON: Any other discussion on the amendment from the board.

MR. CONINE: We have a clarification at the microphone.

MR. WITTMAYER: I am not sure if the board chair was asking what the worst thing that could happen is?

MS. ANDERSON: I was sort of thinking out loud, but I don't want to hear it. I would just as soon not know your viewpoint on that. We might get to test out our ADR processes. So any more discussion on the amendment.

(No response.)

MS. ANDERSON: Hearing none, I assume we are ready to vote. All in favor of the amendment say aye.

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

MR. SALINAS: Aye.

MR. GONZALEZ: Aye. Two. Two and two.

MS. ANDERSON: And I vote aye. So the motion carries. Okay. Now the main motion, which is on the body of the rules.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Any discussion?

(No response.)

MS. ANDERSON: All in favor of the motion, please say aye.

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 5.

MS. CARRINGTON: Oh no. Item 5 was deferred.

MS. ANDERSON: Item 6.

MS. CARRINGTON: Item 6 is the approval of --

MR. CONINE: Item 5?

MS. CARRINGTON: Item 5 is deferred until July 8, and asked to come back.

MR. CONINE: Okay. All right.

MS. CARRINGTON: Item 6A is approval of the 2005 draft operating budget for the Department, and this is for our fiscal year, September 1, 2004, through August 31, 2005. After considering the draft today, the final will be brought to the board for approval at its July 8 board meeting. And we have Bill Dally, who is our chief of agency administration to present the draft operating budget for the Department.

MR. DALLY: Good afternoon, Madam Chair, board members, Ms. Carrington. Behind Tab 6A is the operating draft of the Department's operating budget. I first want to thank our directors and managers and David Cervantes and David Aldrich for putting together this draft budget.

As you know, our process is that we solicit input early on, I think about the first of May from all of our directors and managers bringing their requests for the budget. We started this effort a little bit earlier. This is a little earlier, about a month earlier than we typically do. One, we kind of wanted to get ahead of the July 28 meeting with tax credits. We also are

anticipating bringing the LAR to you in August. So it helps to have this one put away.

But today, I just wanted you to look at this draft and solicit your comments and see what, if additional information you may want to have for the July 8 meeting when we seek approval. The operating budget here, is of course the second year of the Appropriations Bill that was passed. This would be the 2005 appropriations and that total bill was \$151 million. So this operating budget doesn't reflect those federal and state grant monies and pass-throughs to subrecipients. It does show the operation expenses distributed among the Department's divisions by expense categories.

If you will turn to, and there is several pages here before you get to page two, we have got some organizational charts and contents and stuff. But if you get to page two of 34, you will see a side-by-side comparison of last years operating budget, and this year's. In that third column, it shows you the variances, line by line from the objects. The bottom line is that this budget is \$442,000 less than last year. The majority of that is the professional fees, the \$400,000 that was a part of that Senate Bill 1664, which where the bond review board collected fees with those multi-family applications;

however, the appropriations committees did not give us authority or the bond review board authority to spend those funds.

So they have been collected into the Treasury, but we didn't get the authority to spend those, and until we have a special session or a regular session to take care of that, that money is not available to us. So we had built it in, on the idea that it was going to be available to us. But as we went to the LBB and Governor's Office, we found out that we couldn't use it. So we're pulling that off of this budget.

The other thing, and I think this has come up earlier, you will see on that organization chart, that we have actually got, up at the top, a line that says 313 FTEs. If you flip back. That is our authority from the Legislature. However, when we crunched the numbers, after we had done all the budget savings off of the last session, we are more and more relying on our own local fees to support ourselves, because the general revenue has been removed and the federal revenue funds are fairly static.

So as a consequence, and chiefly in the area of manufactured housing, which is combined in that bill, they lost about a million dollars in funds. And so we had to

reduce our staff, and they had a reduction in force last August. And so, the bottom line is, we don't have the funds at this moment to support that 313 FTEs, and particularly in the manufactured housing division. Our particular numbers have declined some, but not much for the rest of TDHCA.

In fact, there is a chart, page 3 will then show you, these are the budgeted FTEs. These are the ones that we have put in our budget that we have gotten money for. And that total down there is 291, including about 62 from Manufactured Housing Division. And you can see respectively where they are associated.

Then I want to bring you a little bit of an update. There was a handout of a couple of sheets. There is a graph, a pie chart, and then the first page will show you where we are, and our expenditures at this moment for 2004. We are projecting that we will underspend this budget this year. So we will have some of those funds, some of that cash will be available then to carry forward into this budget.

Our estimate at this point, our projection of about \$2.9 million, out of this year will remain unspent.

And then if you look at that pie chart, that graph, it will show you the makeup of the methods of finance of this

operating budget. The largest area is appropriated receipts. \$11,214,757 or 56 percent of our budget. The federal funds then come in at \$6.9 million or 33 percent.

You then see that the remaining, there is 5 percent of what we call pure general revenue, and then there is some earned federal funds, which for purposes of appropriations, is also considered an earned revenue for the State, are both 5 percent. A little under a million dollars each. The total of these sources amounts to \$20,141,640.

You will also note that we have additionally added. We have a source. We have an administrative agreement with the Manufactured Housing Division. They will provide \$492,892 to our central support areas in the Department. We also have some comparative schedules. And then you will see the large change in the interagency contracts. That again is the removal in 2004, we had an anticipation from bond review board, \$400,000. That is removed. So the current interagency contract that we have is with the Office of Community and Rural Affairs, ORCA.

I am going to pause here. Are there any questions at this point?

MS. ANDERSON: Questions. I have a question.

MR. DALLY: Okay.

MS. ANDERSON: When you came before us last year, you talked about what the expenses were against our revenue forecast, and last year you said that we should on September 1 of last year, would likely have an opening balance of 4- to \$5 million, at least as a piece of paper from last year. And so this handout that you handed us today, I am drawing the conclusion that sort of the opening balance, if you will, for September 1 of 2004 is this approximately \$2.9 million that you have forecast here. Right?

MR. DALLY: Right.

MS. ANDERSON: But based on the revenue forecasts for next year that you think we are going to have with the bond fees and the federal funds, et cetera, will the revenue forecast support the operating expenses of the Agency, or will we be spending this \$2.9 million?

MR. DALLY: We will need to use some of our fund balance that we begin the year with, to cover, because we have got and I am fixing to come down here to our revenue projections for the coming year. It looks like across our housing fees, it will be between about 9 1/2 and \$10 1/2 million in 2005. And then this together with the projected surpluses of between 2.3 and \$2.9

million would give us a net total balance of approximately 11.8 to \$13.3 million.

But our revenues from our housing programs, like I say, are coming in, and we are projecting about 9 1/2 to \$10 1/2 million. We are asking to support this operating budget at \$11.2 million from those sources. So we are having to use -- it is not an equal equation, revenue to expenses, which will mean that we will need to look in the coming years at our fees and stuff and say, we have got to probably raise some of those fees.

Now where it has fallen off the most in our housing fees is in our single-family indentures. The fact that we have refinancings coming in, lowering those bond balances, and we're paying off those bonds, a lot of our computation is off to those balances. So that reduction.

And until we get the originations of some of our newer programs. You know, we had some rate differential, which we think we are working on in getting down and so I would say a year or two out, the revenue picture will improve.

But in the interim, we may need to look at some of the tax credit and multi-family things and compliance fees, because that is another area which we are growing in our costs on our compliance fees, because our portfolio continues to grow year after year, and we have to add. We

have made some FTE shifts. While we haven't grown in total, we have made some FTE shifts in that area, and so we maybe need to look at maybe raising some fees there. If there is something more that I can provide more concrete for you, but -

MS. ANDERSON: I just have one other question.

And this is like I read it in the paper, and I should have saved the article, but I didn't. Did the Speaker or the Legislative Budget Board or someone write a letter to all the state agencies asking you all to be prepared to do some sort of 5 percent? Is that the right number? Have you been through that exercise, just as an exercise?

MR. DALLY: That is relevant to the -- it is for our legislative appropriation requests, so when we bring it to you in August.

MS. ANDERSON: Oh. The next fight.

MR. DALLY: So that will be '06, '07. And what we will bring in, is show whatever our actual expenditures for general revenue are in '04, as we finish. and our budgeted amount in '05, that by a factor of 95 percent, will be the baseline request that we will bring in. So as opposed to it being just a flat baseline, 100 percent, they want 95 percent. There is also some provision that we talk about what we would do if they restore that 5

percent.

MS. ANDERSON: How we would use it.

MR. DALLY: Yes. What we would do additionally. So it does not affect this '05 operating budget. This was in the last appropriations. But that 5 percent will be for the '06, '07.

MS. ANDERSON: Other questions? This is just a report item this month, correct?

MR. DALLY: That is correct. But if there is anything that you -- and if you want to email me or call me and let me know if there is some things. Because I will want to put together something for your approval and it will need to be up on the website this Thursday.

MS. ANDERSON: I have to tell you, I thought it was a good package. I don't know what I would suggest that you add.

MR. DALLY: There is a second item. There is a housing finance budget under Tab 6B. And that is where we spell out the revenues that we are projecting with this budget from our fees at \$11.2 million and where it will be utilized. Are there questions on that?

MS. CARRINGTON: And the reason we break this out like this, is because our statute requires us to.

MR. DALLY: That is correct.

MS. CARRINGTON: We will have the operating budget for the agency, and then we will break out the housing finance budget.

MR. DALLY: So both of those pieces will come to you next month.

MR. CONINE: Good job.

MS. ANDERSON: Very good job.

MR. DALLY: Thank you.

MS. ANDERSON: The report is from the executive director.

MS. CARRINGTON: The first item is the Biennial Operating Plan, and the legislative appropriations request process. The Biennial Operating Plan, affectionately called the BOP, looks at our information systems needs for '05 and '06 fiscal year, and we are working on that now, and have been for the last several months. It must be consistent with the Agency's legislative appropriations request and once the budget board approves our BOP, the information systems will then be developing capital expenditures that will occur for the next biennium.

So, I wanted to let you know that that those are a couple of things that are going on within the Agency relating to our budget for the next biennium. I did have a speaking engagement on June 14 at the National

Association of Real Estate Brokers in Houston. It was an event that I missed. On the morning of, Michael Lyttle went in my place and delivered my speech.

I thought who better to deliver my speech than the gentleman who had written it? And so Michael did attend in my behalf. Gordon Anderson was there with a booth for two days, and one of the multi-family staff was also there talking about tax credits.

And if I am correct, Mr. Bogany, this is the largest African-American real estate association in the country?

MR. BOGANY: Yes.

MS. CARRINGTON: Is that correct? And I think the oldest also. It was about a 2 1/2 day workshop. They are very interested in getting involved in the tax credit program, and they were extremely generous to those of us who attended and those of us who didn't attend. And Michael came back with this proclamation from the Governor thanking us for being there. So we appreciate that very much and obviously accept as many of those opportunities as we receive to speak to a variety of different groups.

I am scheduled to go to Washington on July 14. There is a national advisory group on state allocating agencies. It is about a half a day meeting. They have

invited three or four of the directors from the largest allocating agencies to go and to make a presentation. And then the last item is our next urban affairs committee meeting.

And at least as of right now, I do not know when that next meeting is going to be. I see Mr. Rothschild in the audience.

Beau, do you by any chance, have an idea of when that meeting is going to be?

MR. ROTHSCHILD: July 16, I think.

MS. CARRINGTON: July 16. As we find out that date, board members, we will certainly let you know as soon as we find out and as you all know, we certainly encourage you to participate. Thank you.

MS. ANDERSON: I believe that there is no other business to come before the board, so I would entertain an appropriate motion.

MR. CONINE: Move to adjourn.

MR. GONZALEZ: Second.

MS. ANDERSON: Hearing no objection, we are adjourned.

(Whereupon, at 2:20 p.m., the meeting was adjourned.)

C E R T I F I C A T E

MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: June 28, 2004

I do hereby certify that the foregoing pages, numbers 1 through 157, 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) 07/02/2004
(Date)

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