

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

Thursday, November 10, 2005
Waller Creek Office Building
507 Sabine Street, Room 437
Austin, Texas

BOARD MEMBERS PRESENT:

BETH ANDERSON, Chair
SHADRICK BOGANY
C. KENT CONINE
PATRICK GORDON
NORBERTO SALINAS

STAFF:

EDWINA CARRINGTON, Executive Director

<u>AGENDA ITEM</u>	INDEX	<u>PAGE</u>
	Roll call	3
	Move Update	4
Item 1	Approval of minutes	32
Item 2(a)	Housing tax credit amendments	33
	Extension to close construction loan	35
	South Plains Apartments	38
	Waiver of QAP requirement	41
Item 2(d)	Approve draft of multifamily application procedures manual	42
Item 2(f)	Bayview Estates Apartments (withdrawn) Costa Valencia	46
Item 3(a)	Housing Tax Credit Qualified Allocation Plan and Rules for 2006	49
Item 3(b)	HOME Investment Partnership program	143
3(c)	Housing Trust Fund rules	147
	Real Estate Analysis rules	148
Item 4(a)	Selection of counsel	151
4(b)	Bond	153
Item 5	Rolling Creek Apartments (withdrawn) Coral Hills Apartments	158
5(a)	Public comment	160
5(b)		160
Item 6	Award of HOME rental development funds	
6(a)	Central Texas Housing Consortium	162
6(b)	Award of Housing Trust Fund	173
6(c)	Approval of 12 2005 HTF capacity building awards	182
6(d)	Approval of 2006 regional allocation formula	184
6(e)	Affordable Needs Housing Score	186
Item 8	Executive Director's report	192
Adjourn		197

P R O C E E D I N G S

MS. ANDERSON: I want to welcome you to the November 10 meeting of the Texas Department of Housing and Community Affairs Governing Board. I appreciate all of you being here with us this morning. The first item of business is to call the roll.

Mr. Conine?

MR. CONINE: I'm here.

MS. ANDERSON: Mr. Bogany?

MR. BOGANY: Here.

MS. ANDERSON: Mr. Gonzales?

(No response.)

MS. ANDERSON: Mr. Gordon?

MR. GORDON: Here.

MS. ANDERSON: Mayor Salinas?

MR. SALINAS: Here.

MS. ANDERSON: We have five members present. We do have a quorum. Before we hear our public comment this morning, we are going to take one agenda item, which is a report on the Department's move, out of order, to permit our staff to attend a meeting at Building and Procurement pretty shortly.

So, Ms. Carrington, we are ready for that.

MS. CARRINGTON: Thank you, Ms. Anderson. I would like to ask Trish Randow, who is our Facilities

Director and is coordinating the move, to come give the Board a brief report on our upcoming move.

MS. RANDOW: Well, I am pleased to announce that we have made considerable progress since our last meeting. And the server room and wiring, electrical wiring should be done and ready to go, hopefully by Monday. Our automated attendance system is going to be cut over on November 16. We thought that might be wise than let's test it out and see if it works here instead of that Monday morning. That might be a few less issues.

Our directors' office cubicles have been delivered and are being installed as we speak, and that is a week ahead of schedule. That is one thing that is ahead of schedule. That is really good. The second and third floor law library offices and conference rooms have been taped and floated, and should be finished today and maybe painted tomorrow.

Our staff has done a marvelous job of purging files. You just would not believe all the record retention and just going through files and figuring out what we really need. They have just done a marvelous job. So we are still doing that.

TBPC is sending recycling trucks every day to pick up those items, and so we are recycling too. So and I am sure that is just going to go to the last minute.

TEA has agreed to take 100 of our modular workstations, so that is going to decrease our costs in moving them out of this building, which is a good thing.

And our Policy and Public Affairs Division has done a wonderful job of communicating our move to the public, to the legislators and whatever. I know you all saw the signs as you came in. I think they look really great. And that is pretty much it. Everything is on schedule, so --

MS. ANDERSON: And you are still smiling.

MS. RANDOW: Most of the time. Any questions?

MS. ANDERSON: Thank you for everything you are doing to make it, both to you and to all the Department staff for making this a successful move. I know it is a lot of work, and we appreciate your leadership.

MS. RANDOW: Thank you. Everyone is doing a marvelous job. Thank you.

MS. ANDERSON: Thanks, Trish. Okay, we will now proceed with public comment. As is our custom, this Board takes public comment both at the beginning of our meeting, before we begin the agenda, or at your option, if you wish to make comment at the item, at the time a particular agenda item comes up, you know, you can do it either time.

So this now begins the portion of public

comment before we begin the agenda item. And the first witness is Representative Gary Elkins.

MR. ELKINS: Is this thing on? Hello. Can everybody hear me?

VOICE: Very little.

MR. ELKINS: Is this thing supposed to be on?

MS. ANDERSON: Yes, sir.

MR. ELKINS: Madam Chair and members, thank you all for allowing me to speak this morning. And it is good to see some faces behind some names. It is good to see some faces behind some people that I have talked to in the past. And if you will just indulge me just a few little brief comments, just for educational purposes, for some of our constituents that may not know some of these things.

It is that I want to thank each and every one of you for your service and for what you do for the State of Texas. A lot of my constituents may not know that you are volunteers, and that you are appointed, and that your pay is less than the State Legislature's. And so we thank you for that. And we know that you have a noble goal to give affordable housing to the needy constituents of Texas, and we thank you for that.

As you all know, I am here today to voice my opposition to the Rolling Creek project in northwest Harris County. And I have already filed a letter of my

objections, along with every other elected official that represents that area. We are strongly opposed to this one project. Now, I want to go on record that we are not opposed to low-income housing. There have been numerous low-income housing projects in our district, and to my knowledge, I don't know if there has been one complaint or one objection to those projects.

It is just that this one is very objectionable.

And to kind of give you some background, one of the reasons for the objection is that many of the constituents in this particular area have been traumatized because of massive flooding. Many of the constituents, I have been told that they are not going to testify today, but they will be here on December 13. Many of them have been flooded three times in the last few years.

And of course the last one was Allison that just did tremendous damage. Yes, a lot of activity has been going on. There has been a lot of Harris County flood control. And the State has been working to try to alleviate the problems with the White Creek Bayou right there. But it is still under construction. And it has never been tested since Alicia. I am sorry, Alicia; Allison. Allison, Katrina, Rita, I can't hardly keep up with them.

Since Allison, there has not been a major

flood. So we don't know if what they are doing will work or not. But as you all know, at the last hearing, the public hearing that was conducted in our district, 269 people attended. And 268 were opposed and one just forgot to check the box. And you have a petition of over 2,000 constituents that are opposed to this project.

MS. WOODS: Time.

MS. CARRINGTON: That is okay.

MR. ELKINS: I am sorry.

MS. ANDERSON: Go ahead. I am sorry. We often impose a time limit.

MR. ELKINS: Oh, okay.

MS. ANDERSON: But that is normally when we have more forms than we have. So you may proceed, sir. Thank you. She is just doing what we -- sorry, Susan.

MR. ELKINS: Oh, no problem. We had a -- if you will indulge me for one more second. We had an attorney that came and testified in the hearing a few months ago, against homeowners' associations. You all should thank God that you all don't have to deal with homeowners' associations. This attorney --

MS. ANDERSON: We do.

MR. CONINE: They tend to show up here occasionally, yes.

MR. ELKINS: They show up at the Texas House in

front of our Business and Committee Industry constantly and there is never too many kind words about them. We had this one attorney who went on and on and on. And the Chairwoman is going please, bring your comments to a close. He just couldn't go on. You should watch the video if you need a good laugh, you should watch the video of that comment.

Anyway, sorry about getting sidetracked. It is kind of like my mind wandered off, and hasn't returned yet, you know. We have done lots of analyses, and you are going to get some more. In fact, I know that one of the frustrations that we have, and I would like to ask you Board members to help me try to find the solution to this, is that there is these certain type of bonds require public comments.

And the public gets excited, that if they engage and organize and come out in opposition that their voices will be heard, and that their opposition will mean something. And then we find out that really, their opposition kind of doesn't mean anything, because they are all opposing the project for the wrong reasons. And there is a myriad of reasons why the constituents oppose different projects.

And we find out that in this last one, that really the only objections that are considered for public

comment is objections to the issuing of the bonds and not for all the other reasons that they are opposed to this project. And the public just gets -- the public becomes disenfranchised and frustrated but they do everything they do to try to stop a project and then they find out that they objected for all the wrong reasons.

And hopefully, they will -- we have done research. We have done the education to try to inform them on what they should oppose. And hopefully you will consider that.

But the main thing is right now, and here is the most recent study from the Houston apartment association which was conducted by, I guess, the -- some trade group that they are all members of. And right now in Northwest Houston, you will get a copy of this. It is already in your documents. It is an 83-1/2 percent occupancy rate on a 17-1/2 percent vacancy rate.

This project just does not make economic sense at this time. And you are going to hear in December, and I want to tell you now that I just have been told by some constituents that they have gone around to all of the apartments and done a market analysis of the current rents in the district. And right now, the average rents is in the 67 to 70 cent range for apartments in our neighborhood. And this affordable housing project is

going to be -- at least the proposed rents, are 77 cents.

So it is not going to -- the people will be able to find more affordable apartments in the area.

And I drive around the district quite a bit and it seems like everywhere I go, that there is new apartments being built. So we are almost like the '80s again, being overbuilt. And that is the last thing that I want to see is a repeat of the 1980s.

Thirdly, there are already affordable housing projects within a two-mile radius. And there was one, actually there is two of them on Philippine. One on Philippine close to Beltway 8 and another one on the corner of Philippine and Wind Fern. And there is another one off of Fall Brook. And those are all within two or three miles of the project.

And then with the -- then the other issue that we have is, is that our schools are just busting at the seams. And you all, I am sure are aware, the Cy-Fair school district is now the third largest school district in the State of Texas. And it is one of the fastest growing school districts.

As a result of Katrina, Cy-Fair received additional 1,900 students that we were not anticipating receiving. We were anticipating receiving around 4,000 students this year. And as a result of Katrina, we

received an additional 1,900 students. I talked to Dr. Anthony, the superintendent of the Cy-Fair school last week, and we still have 1,400 students as a result of Katrina now.

And as you see, that the developer has even responded to the school district analysis, you have that.

I think it is on page like 700 or something of that deal -- oh boy, Deborah where is my pages at? Oh here it is right here. Right now the three schools that will be available, that this project would affect would be Frazier, Dean and Jersey Village. Right now, Jersey Village High School is already 115 students overpopulated.

The Frazier Elementary School has a capacity, and it has available 23 students.

And by the developer's information, he says that from the project, that 105 students would go into Frazier as a result of this project which pushes it over, almost 85 people over the limit of the school and then additional 60 to Jersey Village High School, which is already 115 overpopulated. And that is just a big concern that we have, because a lot of us move to the nice area of the suburbs because we want our children to go to nice schools. And quite frankly, we don't want them in mobile homes, which is where they are all at right now; where a lot of them are at these days.

So I am going to kind of conclude my comments there. Those are the main concerns that we have, is that they are already overbuilt. There is low-income rents are really not going to be low-income because they are going to be more than the marketplace already. There is no need for it, because there is plenty of capacity in the area to absorb anyone wanting to move into that area.

And we would just respectfully request that when the time comes for you to cast your vote, you would vote no on this project. And I will be happy to answer any questions, if there is any questions of the members.

MS. ANDERSON: Mayor Salinas?

MR. SALINAS: Is that near the flood plain?

MR. ELKINS: I know that it is very close to where we are going to be retaining a lot of water. It is probably within a half a mile of --

MR. SALINAS: But the project itself is not in the flood plain area?

MR. ELKINS: I don't know the answer to that question. I can find out though. We'll document that for you, sir.

MR. CONINE: I had one question. And this is very philosophical, and since you are a member the Legislature, it is kind of fun for me to ask it. We constantly hear from constituents in a particular area

about the schools being overcrowded.

And my question is how are we to evaluate the local school board, and their effectiveness in delivering and anticipating demand within their school district, and whether their taxing authority is maxed out or not maxed out. How are we as a housing board charged with the issue of putting affordable housing all across the state supposed to react or evaluate local school districts, when it is the school district's board to make sure their school is there, and room for the kids and so forth?

MR. ELKINS: Well, thank you for your question.

I hope that you like my answer. You know, the schools are kind of in an awkward position. They do the best they can. I know that I have talked to Dr. Anthony; that Cy-Fair school district comprises about 90 percent of my district. So I have just a little bit of a couple of others. So I focus on Cy-Fair.

Dr. Anthony, because it is fast filling, they do the best they can to make projections. And they are usually pretty good at it. But unexpected events which, you know, I am 50 years old, and this is the first time in my life that I have actually literally seen a city wiped off the face of the earth that I have visited on many, many occasions.

I mean Katrina was just unbelievable. The

devastation, I mean, just really annihilating a city. We were not anticipating 1,900 additional students. The schools do the best they can at projecting. And then repeat your question? I am kind of --

MR. CONINE: Well, I understand the one-time significance of an extraordinary event like Katrina or Rita. But we constantly as a housing board hear, when you don't have that in effect, the crowding of schools is an issue, or a reason not to approve a project.

And we are sitting here trying to delegate federal resources on an annual basis. And for us to evaluate the local public school system and whether that particular system has provided or anticipated growth and reacted responsibly to growth, which inevitably is going to happen -- how are we to evaluate that?

MR. ELKINS: Well, I think that this -- I am sure that most, at least Cy-Fair I am sure has a project or a development scheme analysis or some kind of projections of what they are doing, because I mean, they are projecting 4,000 students plus for the next five or six years. That is in their strategic planning for developing new schools. So they are trying to accommodate us.

It is just that we are growing so fast in that area, it is just hard to keep up. And the schools are in

kind of an awkward position because the school districts -- and I have had lots of conversations with them. I have tried to get them to oppose this project. The school districts will not oppose projects as long as taxes are being generated. If it is tax-exempt, or if they applying for an ad valorem exemption, then yes, they will oppose that because they need the revenue.

MR. CONINE: Right.

MR. ELKINS: But right now, in the Cy-Fair school district, it take an average home of I think, \$330,000 is the average home needed to pay for one student in Cy-Fair school district. And so when we bring in housing that is way below that standard, it just puts burden on the rest of us.

MR. CONINE: Is that calculated at the buck fifty rate?

MR. ELKINS: That is calculated at the buck fifty rate, which is where we are at.

MR. CONINE: They are at the max right now?

MR. ELKINS: Yes. And of course you know there is everybody is anxiously or un-anxiously awaiting a Supreme Court decision on whether our school finance program is constitutional or not.

MR. CONINE: Right.

MR. ELKINS: And we will have to deal with

that. I know like representatives from San Antonio are begging, please bring us affordable housing.

MR. CONINE: Right.

MR. ELKINS: In San Antonio, they are begging for these projects. And I don't know why the developers are not going where there is a tremendous need, and the Legislature or at least the members of the Legislature are saying come to my district and build an affordable housing project.

MR. CONINE: Our job is of course to respond to demand. We can't generate demand. We respond to it. But thank you for your comments.

I just wanted to engage you a little bit in a dialogue to show you the ripple effect that the school finance issue has on multiple different situations, including affordable housing. And how really important it is, in my viewpoint, that the school finance system and maybe the overall issue of public schools in the State of Texas really needs to be focused on by the Legislature, and hopefully we can provide some relief for these school districts.

MR. ELKINS: I believe that we will be focusing on it, as soon as the Supreme Court gives us an opinion. Thank you.

MR. SALINAS: Is this inside the City of

Houston?

MR. ELKINS: No. This is in the county.

MR. SALINAS: In the county. So you are not regulated by any small city there?

MR. ELKINS: No, sir. I am sure it is probably the Houston ETJ.

MR. SALINAS: So nobody looks at what you are building over there. Nobody --

MR. ELKINS: Well, you know, Houston has no zoning so nobody looks at anything in Houston.

MR. SALINAS: Well, we found that out.

(Several voices simultaneously.)

MR. SALINAS: That is the problem, because every community in the state of Texas has a zoning commission that they go and complain and they stop all of the developments and they find out what needs to be sent to our Board. But when this Board has to be your zoning commission over there in Houston, we have to do almost everything. It is impossible for us to do all that.

MR. ELKINS: Well, you see --

MR. SALINAS: And how many kids you are going to have in this school district, I think you all should have committees. I mean, zoning of some kind, or the County Commissioner's Court, or the City of Houston. You just cannot go out there and build wherever you want to

and then people complain and come to us and say well, don't fund that program.

MR. ELKINS: Yes, sir. And you know it takes a charter change to do that. And the City of Houston has presented zoning three times for public ratification and three times it has been overwhelmingly rejected by the public, because quite honestly, the public doesn't want the politicians controlling the value of their property through zoning laws. And so it has been a big fight and I --

MR. SALINAS: But you do have an appraisal district.

MR. ELKINS: We do have an appraisal district.

MR. SALINAS: Well, those are the guys that control your values.

MR. ELKINS: Well --

MR. SALINAS: Those are the guys we need to control and keep away. And not anybody else.

MR. ELKINS: After the next Legislature, if I have my way, there may not be an appraisal district.

MR. SALINAS: Well, I hope you can do that for us, because it is killing the State of Texas, killing us, and the appraisals. I mean, poor people cannot build an \$80,000 and then find out next year the appraisal district raised it up 25 percent of their values, and then they

have to pay taxes on that.

But there is a problem with you guys in Houston. And I don't know how to -- I don't know how this Board is going to -- part of our problem since I have been here, is Houston, because you don't have anything else.

MR. ELKINS: You sound like the Legislature. We are the City of Houston up here.

MR. CONINE: The Nation of Houston.

MR. SALINAS: It is a problem when you have a lot of kids go into a school district. And I am from the Rio Grande Valley and you can see how many we have that it is a burden for us in the school districts, but we just can't say very much. And we can't just reject anybody.

And we get 1,000 in one school district every year on one school. And they are not from here. They are from Mexico. And I heard in El Paso they give them a bus at the bridge, where they come in and just bus them in. I don't know if it is true or not. But that is just what State Representative Quintanilla said.

But it is a whole -- this is a bigger problem in the border than what you have; about 200 kids. I think the border has a bigger problem. But we have --

MR. ELKINS: I am sure it does.

MS. ANDERSON: We appreciate you being here this morning and engaging in this colloquy with the Mayor

and Mr. Conine. You are a good sport.

MR. ELKINS: Thank you all very much.

MS. ANDERSON: Thank you, sir. Barbara Bozon?

MS. BOZON: Good morning.

MR. CONINE: Good morning.

MS. BOZON: My name is Barbara Bozon, and I am the Executive Director of the Central Texas Housing Consortium. And I am here to address under Item 6(a) on the agenda, which is the proposal to approve an award of HOME rental development funds in a recommended amount of \$797,678 to our agency for an application that we made.

The letter that I am passing out to you was our response to the agency that we just did a couple of days ago. And that was in response to what is being recommended to the Board today. And what I am asking is that the Board, I request to revise the Board recommendation for the application.

This application was submitted at the end of February for renovation of 40 units of USDA property that was built in 1986 in Belton, Texas. And we are asking that the recommendation be revised to award funds as a deferred forgivable loan as opposed to a straight loan that needs to be repaid. The NOFA states that the Department may use its discretion based upon review of the financial feasibility of the development to award HOME

funds as either a loan or as a grant. And our application was to do this as a grant.

And there are several key points I would like the Board to consider as a basis for our request. We feel like the property cannot adequately support the debt that would be done by this additional loan, even with a 26 percent rental increase that would be required immediately. The normal debt coverage ratio should be 1.10 even with the 26 percent increase. We are still looking at a debt coverage ratio of 1.08. And by the end of the term of the loan, it is actually down to 1.01.

And this assumes that the rents can increase 3 percent every single year over the next 30 years, and that expenses will only increase 4 percent every year. I do not feel like that allows an adequate cushion to cover unexpected items such as a possible softening in the rental market in the future, nor does it allow any cushion for spikes in expenses such as the recent surge in gasoline and utility costs that we are now dealing with.

We assumed management of this property in 2002 when the Temple and Belton housing authorities became a partnership. And since assuming management, we have raised the rents over the past four years an average of 5 to 10 percent three out of four years. And we realize that the rents are low, and we would continue to increase

them. However, ten out of 40 households pay the entire rent out of their pocket without any subsidy whatsoever.

So these are low and very low income people who are making \$11,000 to \$20,000 a year and we would be required to immediately increase their rent on a one-bedroom \$65, on a two-bedroom \$82, and on a three-bedroom \$98. This is a dramatic increase for any family. But for a very low-income family, we feel like that is not at all fair to those people.

And the Section 8 waiting list in our area right now through the Central Texas Council of Governments is 18 to 24 months. So they do not have an easy avenue to gain subsidy, even if these rent increases would go into effect. Another point is that our current USDA loan requires that we keep \$114,000 in reserves, and that if we use any of that money, we are immediately required to repay it at a rate of \$11,400 per year. And so with this recommendation that we use \$37,000 out of our reserves, we would immediately have to start repaying that.

The other thing is that over the next 30 years, the property condition assessment does state that there will be continued improvements needed down the line. Of course, this renovation would really improve the property, but in ten to 20 to 25 years, we will have to look at additional improvements totaling a half a million dollars

for such things as new roofs, replacement of wood siding, repainting, et cetera.

And we feel like with the steady rent increases that we could implement, we could build an unrestricted reserve to take care of these items. And then my last point is that the loan to ensure value would be over 100 percent, by over \$200,000, if we had the debt that we have on it now, plus the additional debt that this would create.

And so we are requesting that you reconsider the recommendation to the Board and approve award of the funds as a deferred forgivable loan, and that it is our understanding that we are the only applicant for these remaining funds for preservation of affordable housing. And we feel that we have a mutual goal with TDHCA to provide affordable housing of good quality.

MS. ANDERSON: Yes, Mr. Bogany.

MR. BOGANY: I have a question. What are the rents?

MS. BOZON: Right now, they are \$250 for a one-bedroom. \$312 for a two-bedroom, and \$375 for a three-bedroom.

MR. BOGANY: Okay. The second question I had, in this renovation rehab, are you guys using Hardiplank, or are you deciding to go with 30-year roofs versus going

with ten- to fifteen-year roofs?

MS. BOZON: Actually, the renovation at this time, there is not roofing required. That would be something that is in ten to 15 years we would be doing. They are brick buildings, and the exterior is in good shape. We would be repainting the trim as a part of this renovation.

MR. BOGANY: So all you are doing is repainting?

MS. BOZON: We are actually renovating the inside. We are doing new kitchen cabinets, new countertops, new floor tile. We are redoing the bathrooms, which are in poor shape, to include replacement of both the bathtubs themselves.

We are also replacing the windows in the units and that is expensive, because the bedroom windows do not meet current guidelines. They would actually have to be enlarged. We are hard-wiring the smoke detectors. We are replacing HVAC units that have not been replaced so far -- water heaters and appliances.

MR. BOGANY: In the flooring, are you doing ceramic or hard surface versus vinyl, which doesn't work well in this climate actually, in Texas?

MS. BOZON: We have had pretty good luck with the vinyl tile.

MR. BOGANY: Okay. I guess the reason I was asking that question is because long term, if you have got a hard surface, it is going to be a long -- it is not going to shrivel up or get scratched or torn. And so I am just thinking if you are doing a rehab and would cut on costs, why not prepare for the long haul versus the short haul on some of these units. Just a thought.

MS. BOZON: Okay. Well we will certainly take that into consideration.

MS. ANDERSON: Mr. Conine?

MR. CONINE: Ms. Bozon, thank you for being here today. I am concerned, I guess, that your perception of the rental rates is so different from what our staff's perception is, because normally in the process of applications and underwriting, the two minds generally come together. And you are obviously here stating that they aren't together.

So my question for you -- it almost sets a dangerous precedent, if you will, for housing authorities or consortiums which would participate in this program to want to keep the rents low for their residents, yet us having to convert a block of dollars to a forgivable debt versus a repayable debt. And my question to you is, did you go through extensive conversations with staff relative to the rents.

And why are we so far off? The expense side, I understand I think. But on the rent income side, I think I don't understand.

MS. BOZON: From the very beginning, we had asked for this to be a deferred -- for actually a grant. And then in our conversations with staff, they expressed concerns about a grant. It does not allow TDHCA to control the property as well and ensure long term affordability, which is of course, the Agency's goal.

We were understanding that it could be -- instead of a grant, it could be deferred; that a deferred forgivable loan was a possibility. Until we saw the Board recommendation, we did not know that there was going to be a recommendation to increase the rents 26 percent. We did have the discussion with Agency staff along those lines yesterday. But before this was put into the packet, we were not aware that that increase would be that dramatic.

MR. CONINE: So it is your perception that the 26 percent on \$250 is another \$50. So the \$250 would go to \$300 basically.

MS. BOZON: There would be an increase of \$65 for that resident. Yes.

MR. CONINE: Okay. And it is your perception as the Executive Director that the market can't stand that.

MS. BOZON: I am concerned that those residents would possibly vacate, which would create a vacancy for us, which is a problem. And that it would be a problem. I feel, for most people budget their money according to what they have as income and expenses, and do not count on something like that occurring in their life where immediately, they are required to come up with that much extra money every single month.

MR. CONINE: But on the other hand, if you had another low-income person who came in and paid \$325 or \$315 or whatever the number would be -- it is a tough quandary for me to be in.

MS. BOZON: Right. I understand your point. But I am concerned about the residents I have right now, and whether that is fair to them to do that.

MR. SALINAS: Is that San Antonio?

MS. ANDERSON: No.

MR. CONINE: Yes. Belton and Temple. Okay, thank you.

MS. ANDERSON: I have a question. This may be really -- this may be a really dumb question. But as a housing authority, I guess my question is, you are certainly eligible to come to TDHCA and ask for HOME funds for this purpose. But did you go to HUD and ask for capital grant? Do you have capital grant funds? I mean,

did you have other sources of funding?

MS. BOZON: We do have capital grant funds, but that is strictly for public housing. And this is a USDA funded property.

MS. ANDERSON: Okay.

MS. BOZON: It was built with a loan through them. It is considered a rural development project.

MR. BOGANY: What is the cost per unit on rehab that you guys are doing?

MS. BOZON: It is a little over \$20,000.

MR. BOGANY: Per unit. That is a lot of money to do. I guess that just seems like a lot. But I guess you are doing kitchens and bathrooms.

MS. BOZON: Yes. We are basically redoing the entire interior of the units, and to include air conditioning and the water heaters.

MR. CONINE: What was the --

MR. BOGANY: 20,000 per unit.

MR. SALINAS: How many units are there?

MS. BOZON: There is 40 units, and they are duplex style units.

MR. SALINAS: And they are how old?

MS. BOZON: 1986. So they are approximately 20 years old.

MR. SALINAS: Well, we have got some in the

Valley that are 40 or 50 years old that we haven't even touched.

MS. BOZON: Well unfortunately, the management that was there previously at Belton Housing Authority did not do a very good job of maintaining and doing preventative maintenance. These units could be in better shape than they are. There is no question.

MR. SALINAS: So what you are asking is to waive the money that --

MS. ANDERSON: Yes. This will come up on the agenda a little later in the meeting, and the staff will make a presentation. But she asked to speak at the beginning of the meeting.

MR. SALINAS: Those are 20 year old apartments.

MS. ANDERSON: Any other questions? Thank you very much for being here. Bernadine Spears?

MS. SPEARS: Madam Chairman, the Board, good morning.

MS. ANDERSON: Good morning.

MR. CONINE: Good morning.

MS. SPEARS: I am Bernadine Spears. I represent the Odessa Housing Authority. I am here to speak on behalf of Key West Senior Village Phase II in Odessa, Texas. It is a 36-unit development. We are not on the agenda anywhere, but I wanted to again make another

appeal.

I am back again. We are asking for the smallest amount of credits in our rural area of \$179,000.

Our urban area; I am sorry. The housing authority already owns the land so it is not a matter of having to go out and get the land. And which this project, if approved can be built. We are prepared, if need be, to talk to our legal counsel and have a housing authority meeting to do whatever it takes, if you will grant this, in order to get where we need to be.

This is a very successful -- Phase II of a very successful development that is already in existence, a 120-unit development that was built about three years ago.

It is 100 percent occupied. It is viable and it is working in our area. Because I am with the housing authority, I know what HUD requires as far as granting any waivers or any units for that particular area, and we are prepared to go to HUD.

And I am sure that we can get the development and get the units that we need in order to qualify for a development. The housing authority has already donated a 24-passenger van to the development of Phase I. And we use that to transport the residents to wherever they need to go. So for those that cannot afford public transportation, we do have local support from the school

system as well as the mayor and the school district and the county.

And this is a time that I am waiting for, just to hear you say yes, and then I will go about my business.

And I am not up here before you again.

MS. ANDERSON: Ms. Spears, I have another dumb question. Are you here asking for a forward commitment?

MS. SPEARS: Yes, ma'am.

MS. ANDERSON: Okay. Thank you. Any other questions? Question? Thank you, ma'am. That is the end of the public comment for this portion of the agenda.

And so we will proceed. And we have additional people that would like to make comment, and we will call on you as your agenda item comes up. The first item on the agenda is presentation, discussion and possible approval of the minutes of the board meeting of October 13, 2005.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: 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. Item 2(a) is housing tax credit amendments.

Ms. Carrington?

MS. CARRINGTON: Thank you, Madam Chair. The first one for the Board's consideration is Rancho Delano Apartments which is located in Robstown. The Board has looked at this request a couple of times. And basically, there is two requests that involve a material change to this housing tax credit application.

It was a 2001 allocation of tax credits. And what the owner is requesting is that the Board accept rather than 40 two-bedroom, two-bath units, that they accept the 40 two-bedroom, one-bath units that were actually built, and also to decrease the number of market-rate units from 19 to 17 units.

As was requested I believe, at the board meeting two months ago, the Board asked for additional amenities to be considered in basically exchange for not getting the two bathrooms. And the amenities that the owner has agreed to add include improved signage, a swimming pool, pool furniture, gazebo with Jacuzzi, a basketball court, a volleyball court, batting cages, business center with computer station, additional

landscaping and carpet shampooer.

The total cost of those improvements is estimated to be about \$128,800. The letter that we did receive from the applicant did state \$130,000 in their request but 128.8 is what it actually amounts to. And this development has about \$9,900 in credits that basically cannot come back to the Agency. It is too late for those credits to be reallocated.

And so by increasing these additional amenities and the cost, it basically would allow the development to maximize that credit allocation. And we are recommending that the Board does accept these two material changes to this development.

MR. SALINAS: I move for the recommendation's approval.

MR. CONINE: Second.

MS. ANDERSON: Discussion?

MR. CONINE: Could I ask that we get verification that these amenities got installed within a reasonable time frame, and report it back to the Board, please, as an additional condition to this request?

MS. CARRINGTON: Yes, sir. I will do that.

MS. ANDERSON: Any other 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.

MS. CARRINGTON: The next request is an extension to close the construction loan. And this is for the Fenner Square Apartments. This was a 2004 allocation of tax credits. The property is to be located in Goliad, and this is actually a request for a third extension of the construction loan closing.

Most recently, the hurricanes that have happened in the Gulf Coast area has delayed them. And they have received a conditional commitment from RD, and RD has told them verbally that they will be moving forward with this development. The new deadline that they have requested is December 1, 2005, and we are recommending that the close of the construction loan be extended to December 1 of 2005.

MS. ANDERSON: I have public comment on this item. If you are ready to hear that.

Mr. Driggers?

MR. DRIGGERS: I just was available for any questions for the Board if they had them.

MS. ANDERSON: Thank you.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

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. Ms. Carrington, I made a mistake. I neglected to call on Mr. Eric Bonney for Agenda Item 2, and I don't know which portion of Agenda Item 2 Mr. Bonney wanted to speak to.

MR. BONNEY: Hi. I am Eric Bonney. I represent the owner of Rancho DeLuna, MMA Financial. I just wanted to mention that --

MS. ANDERSON: If you are going to -- yes. Thank you. And I am sorry. I saw Agenda Item 2 and I didn't think.

MR. BONNEY: Well, then you moved to pass it, so I just kind of kept quiet back there. I just want to come down here and make sure that everybody understood that given this and some other issues with this property,

that we as the syndicator have gone and removed the general partner. We have taken control of this property.

We do have a commitment to spend \$130,000. The schedule there says 128.8. The schedule needs to be a little bit flexible because we haven't found places for all of these items, but all the major items there are definitely going to be done; the pool, the gazebo, all the things that are attached to that.

I don't know that I can fit a basketball court and a volleyball court, but I am committing to spend \$130,000 on amenities for the tenants, even if a significant part of that, over and above that will be landscaping. There will be a lot of money spent there on landscaping.

We have reevaluated that. And so I just want to I guess thank you for your consideration in approving that. And we will get started with all those amenities immediately. Any questions?

MS. ANDERSON: Mr. Bogany.

MR. BOGANY: Yes. I have just one quick question. If you guys run out of things, can't get the volleyball court, basketball court or whatever, is it possible for you to do the internet in the community, wi-fi?

MR. BONNEY: Well, we are actually planning a

business office. There will be an internet site, located room in the back of the clubhouse. I mean, we are going to do -- the things on the list are things we would like to do. And if the space works, we'll do those things.

But we will spend -- yes. The next thing we do is probably if we run out of items on that list, go back to the tenants and ask them what they want. But I am here to tell you that there will be \$130,000 spent on things that will improve this property for the benefit of the tenants, including most of those items -- all of the significant items on that list, absolutely -- and then the balance of \$130,000 or possibly more.

MR. CONINE: Come back and let us know when it is done.

MR. BONNEY: Absolutely. Thank you.

MS. ANDERSON: Thank you, sir. I am sorry, Ms. Carrington. Proceed.

MS. CARRINGTON: The next item for the Board's consideration is South Plains Apartments. This was a 2004 allocation, and they actually have two requests in front of the Board this morning. The first one is a request that the third extension for the close of the construction loan, and then also an extension of the December 1 deadline for commencement of substantial construction.

This particular transaction involves an

acquisition and a rehabilitation of a property that is located in Lubbock. And as is explained in your writeup, there perhaps is an issue related to the land seller's ownership structure. There was a change of ownership that occurred in 1999.

And so what the developer has asked for is an IRS ruling on whether there was indeed a change of ownership and whether that would create a new placed-in-service date. And so the dates that they are requesting and staff is recommending is a March 31 date for the close of the construction loan, and then a May 31 date for the commencement of substantial construction.

Staff is recommending both of those for the Board's approval. We have outlined for you over on staff's recommendation on the next page, there is actually a couple of scenarios related to this transaction. If the IRS ruling is not received, then that would probably be sometime in 2006, and those credits would be returned to the Department, and the Department would be able to reallocate the credits.

If indeed the IRS ruling is granted, and the transaction moves forward, then we are, and staff requesting that the owner submit the cost certification and receive the 8609s within 60 days of the end of the first year credit period, so that any credits that are not

utilized can then be reallocated to the Department.

And we do -- we have built in a penalty, if indeed that does not occur, if they do not submit the cost cert and receive their 8609s within 60 days of the end of the credit period, and we do have the ability to do that. In our QAP in 2006, we are going to have -- we have built in a penalty for developers who don't do their cost certifications on time, and we lose credits. And so we do have the authority -- the Board does have the authority to put additional commitments on transactions.

And so we are recommending the extension on both the close of the construction loan and the start of substantial construction. But then there are some conditions related to when. They must then submit the final documentation to us.

MR. CONINE: Move for approval with conditions.

MR. BOGANY: Second.

MS. ANDERSON: I have public comment. Ms. Bast.

MS. BAST: Only if there are questions.

MS. ANDERSON: Thank you. 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.

MS. CARRINGTON: The next item for the Board's consideration is to request a waiver of a specific 2005 QAP requirement. This is a transaction, Windvale Park Apartments, which is to be located in Corsicana. It is a 2005 transaction.

And as part of what the Department requires for carryover, our Qualified Allocation Plan requires that the owner purchase the property as part of the carryover allocation. Now, this particular development, carryovers were due to the Department on November 1 of this year, and so they were previously granted an extension to submit their carryover to the Department on December 1, so that has previously been granted.

So what they are asking now -- and they have met their carryover, or they will meet their carryover December 1. But what they are requesting is, as a part of meeting their carryover, that the Board grant a waiver on the requirement that they have purchased their property. They are trying to determine the disposition of a blanket easement. It is taking longer than anticipated.

Purchasing the land is not an IRS requirement

related to meeting carryover. It is a TDHCA requirement in the QAP. And so staff is recommending that this waiver be granted.

MR. BOGANY: So moved.

MR. CONINE: Second.

MS. ANDERSON: Mr. Glockzin.

MR. GLOCKZIN: Available for questions.

MS. ANDERSON: Thank you, sir.

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.

MS. CARRINGTON: The next item for the Board's consideration is Item 2(d), which is approve the draft of the multifamily application submission procedures manual.

Our statute requires that the Board adopt a Qualified Allocation Plan, and then correspondingly, that they must adopt a manual, which is an application submission manual that is for the public that outlines how applicants will submit applications to the Department.

And we do have part of the manual for the Board's consideration today. Since we have not approved the QAP yet, you don't actually have the whole manual, and what you are being asked to approve is a draft, because we won't have that until actually the QAP is approved, and then there are several large pieces of the Qualified Allocation Plan for '06 that actually then become the application submission manual.

I think the important dates for the Board to look at is what our cycle will be for 2006, and this is on page 2. The preapplication and the full application cycle will actually open on December 9 of 2005. The preapplication acceptance cycle closes on January 9 of 2006.

And then the application acceptance period will actually close on March 1 of 2006. So staff is recommending that the Board approve this draft application submission manual, which will be a final once you approve the QAP.

MR. BOGANY: So moved.

MR. CONINE: Second.

MS. ANDERSON: Mr. Barry Kahn.

MR. KAHN: I am sorry. I would rather speak on 3(a). I misunderstood.

MS. ANDERSON: Okay. No problem. Thank you.

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.

MS. CARRINGTON: 2(e) for the Board's consideration is approval of the 2006 housing tax credit rural rescue program. The Board approved, initially approved this rural rescue policy in, or a rural rescue policy in 2003. And the purpose of the policy is to allow USDA transactions that are experiencing foreclosure or loan acceleration to apply for tax credits for a forward commitment if it is not during the regular application cycle.

In 2004, we had four developments that were allocated credits through participation in the rural rescue policy and that totaled about \$185,000. As of October of 2005, we have three applications that have requested rural rescue credits from forward commitment, and that totals \$336,000, actually, almost \$337,000. We did receive a little bit of public comment at the Rural

Rental Housing Association meeting, which my staff went to in August, I think, of this year.

And those comments and the changes that we have made, the recommended changes that we have made to the policy are on the bottom of the first page of the writeup and then the second page. Some of the recommendations that we are making, there is a section that basically was stricken out of the QAP because we now have a section in the QAP that is specifically addressing rural rescue transactions.

Also on the second one, rural rescue applications will be deducted from the rural regional allocation for the following year, but not deducted from the USDA allocation. And then based on feedback we have received from the development community, we are increasing the cap, recommending increasing the cap on the rural rescue awards from \$250,000 to \$350,000.

And we also make a note that the Board has directed us in the past, and not automatically disqualify an application as being eligible for rural rescue just because it might be over the cap. To go ahead and process it, and bring it to the Board, understanding that if the Board so chooses that they can grant a waiver of the cap that has been established. So with those changes to our rural rescue policy -- and we have included a copy of it,

and we have blacklined it for you -- staff is recommending that the policy be approved as proposed.

MR. SALINAS: So moved.

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, please say aye.

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The next item for the Board's consideration is 2(f), and the first development to be considered by the Board was the Bayview Estates Apartments, located in La Marque, Texas. Southeast Texas Housing Finance Corporation was to be the issuer on this transaction. Staff did receive notification yesterday that this transaction had not been approved by the issuer. And so the transaction is being withdrawn from consideration by the Board today.

I would like to note for the record that staff received on Thursday, yesterday actually, a letter from State Senator Mike Jackson who provided us a letter that

said he was writing in opposition to the Bayview Estates Application for 4 percent housing tax credits. So that one is not for the Board to consider this morning, and has been withdrawn.

The second one for the Board's consideration is Costa Valencia. This is a transaction that is located in San Antonio. The San Antonio Housing Finance Corporation is the issuer of the bonds on this particular transaction.

It is 230 units. All of these units would be affordable units.

We note that we had no letters of support for this transaction, and we did have one letter of opposition. That letter of opposition was from the superintendent of the Northside Independent School District. The priority for this particular transaction is Priority 2, which means that 100 percent of the units will be at 60 percent or below area median income, and staff is recommending an allocation of tax credits on this particular transaction, and that allocation recommendation is \$836,663.

On the underwriting report, you will notice that there are some conditions that staff has noted on this particular transaction. We are looking for an acceptable noise study. This development was located fairly close to a highway. And so we want to see a noise

study.

There are some of the -- part of this particular development is going to be in the Hundred Year Flood Plain. We want to make sure there is proper mitigation. Also, we are looking for final reconciliation of the acquisition costs attributable to the land on this development, and looking for a copy of a release of partial liens. With that, staff is recommending the allocation of the credits.

MR. BOGANY: So moved.

MR. CONINE: Second.

MS. ANDERSON: Mr. Counsel, would you like to say something.

MR. HAMBY: Actually, I would like Brooke to say something.

MS. ANDERSON: Okay.

MS. BOSTON: I would just like to clarify the amount read into the record was off by a couple of thousand dollars. It is actually \$838,633. Just to make sure it is correct.

MS. CARRINGTON: Thank you.

MS. ANDERSON: 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.

MS. CARRINGTON: The next item for the Board's consideration is the final Housing Tax Credit Qualified Allocation Plan and Rules for 2006. As will be the case on all of the rules that the Board is looking at today and considering today, we are first going to be repealing an existing rule, and then you will be adopting a new rule.

So as the Board takes action, there will actually be two actions requested and that the Board will need to act on all five sets of the rules that you will be considering today. As we look at the information that has been provided to you on the Qualified Allocation Plan for 2006, there are several things that I would like to point out to you, as we begin this discussion.

You first have a 29 page memorandum that has come from staff. There is our reasoned response memorandum. We had a series of public hearings around the State; there were 13 of those public hearings. We had to reschedule a couple of them and go to different places because of a hurricane. But we did manage to have all 13 public hearings, and we did have hearings in all 13 of our

service regions. We had a total of 97 people that attended those hearings.

So when you see the writeups on all the rules, we tell you the same thing sort of over and over again. And all of the rules are done in the same fashion, and that is we have put the comments together. We have provided those comments for you, and then we have done a reasoned response.

At the back of each of the sets of reasoned responses, we have told you who responded and for the Qualified Allocation Plan, if you want to just flip to page 29 of 29, you will see that we had 31 comments or 31 commenters on the Qualified Allocation Plan. And as you look at our reasoned response, we have a number, and that number corresponds to this chart that you will see on page 29, so that you can flip back to see who made the comment on those particular items. We have done all of the rules this way.

I would like to note, on the QAP we have provided you the page numbers of the QAP section that this refers to; however, we are a page or two off on each one of these.

MR. CONINE: You made a mistake?

MS. CARRINGTON: The document that I worked from had 65 pages, and my 65 pages got turned into 66

pages, and so then my numbers weren't right, which I discovered about 8:00 last night. So I do have correct page numbers. And so if the Board does want to go to -- if you want to know what page it is actually on in the QAP, I can absolutely tell you that. So we want to make that disclaimer up front.

We also want to tell you that on page 28 of 29 on the scoring breakdown, if you look at Item 6, the range that we have provided on the scoring breakdown is incorrect. It is correct in the Qualified Allocation Plan. In the QAP, it is a range of plus 14 and minus 14.

However, an older number got included in what you have. So on Item 6 on page 28 of 29, where it says range of plus 8 to minus 8, that should be plus 14 to minus 14.

And again, this will not impact what is in the Qualified Allocation Plan, because that actually is a correct number. So with that, I will turn it over to the Chair for the Board's pleasure.

MS. ANDERSON: We have several individuals that would like to make public comment on this, so maybe we take the public comment and then continue our discussion.

Is that okay with everybody? Mr. Mike Dunn?

MR. DUNN: Madam Chair.

MS. ANDERSON: Yes.

MR. DUNN: Members of the Board, Director

Carrington, I appreciate you all's time this morning. My name is Mike Dunn. And I am here this morning on behalf of Capital Consultants Affordable Housing Clients. And I will be real brief.

We just had a few recommendations of things we would like to see in the QAP. The first one, with quantifiable community participation, we believe that this should be amended in order to allow an area with no neighborhood organization to be scored fully and not be penalized for that.

We just in terms of -- we think it is wrong to equate end scoring if you have zero neighborhood organizations and you have on one application, on another application if you have someone in opposition, you basically get the same points. We think that that ought to be amended.

In terms of the -- we would like to see the points for the PHAs, in terms of the scoring boost under the exurban portion to be taken out so that we can level the playing field, and make sure there is points for everyone. We are not opposed at all, for those sort of developments happening, and those applications, but we would like to see a fair process. And I have page numbers as well. And if mine are wrong, I don't know yet.

So -- but the funding by the third one is the

funding by the local political subdivision. We think there is a loophole created there that is problematic in terms of just there are already a lot of issues with policy makers and their ability to get around housing issues and the terminology, without introducing into the equation what the definition of a local political subdivision is. And we would like to see that to be amended.

And as far as their funding by the local political subdivisions, we would like to see that be raised to more of an appreciable level, starting at \$1,000, and have some kind of definition of the in-kind contribution so that people will have an idea of what is there, and what it is worth. Real brief, rural development, we would like to see -- and these are some older issues. A lot of these are older issues that have been battered around for the last several years.

We are looking at what Mr. Elkins had alluded to earlier, is still applicable today in terms of how do we get areas that need the housing and want the housing, and balance that with the areas that think that they have had too much. That is the reason that the exurban term was introduced. It wasn't our idea to do the urban/exurban, but we are dealing with it as best as everybody else.

But in terms of helping alleviate that problem, we think that allowing there to be in those areas that would show greater need, that for housing to be able to go out there, we think they ought to be able to do that. And with that, the rest of them are pretty much self explanatory. I would be happy to answer any questions.

MS. ANDERSON: I have a question. On the funding by the local political subdivision and the definition, the additional definitional language about government instrumentalities that has been added to this draft, help me understand what you mean by a loophole that is created.

What is your -- I mean, I understand from staff why they added that language, because they felt like it wasn't clear that some entities like local economic development corporations, or local housing finance corporations that aren't in and of themselves subdivisions. But we want to count those legitimate local contributions for the purpose of -- so, I don't --

MR. DUNN: I understand that argument from a housing need, and from what you are looking at. But just in terms of people who are trying to put together the policies, and make them make sense, and be -- you know. There is a lot of -- been a lot of criticism of the legislature in this room about policies that don't jibe

with one another.

MS. ANDERSON: Well, what is the loophole? Who have we opened the loophole for?

MR. DUNN: Well, just in terms of -- if you have a definition in your charter that you are not a local political subdivision, but by Department of Housing and Community Affairs standards, just because that is in there, that doesn't necessarily mean it is so. That is -- when we start jockeying terms back and forth like that, I think that is going to be a big problem with people who are looking at how do they put together a policy that makes sense when they don't even know. And they might even say in a bill, let's go ahead and hem in the Department so they can't do that. But then they want to --

MS. ANDERSON: Well, I am just trying to figure out how --

MR. DUNN: But then they want to give flexibility to the Department in order to do their job, but they don't know that the terms that they are using are going to be the terms that you all are going to want to play with. And so I think that is just a basic concern, and that is why we put it forward.

MS. ANDERSON: Okay.

MR. SALINAS: What do you mean by doing away

with political subdivisions? You are actually --

MR. DUNN: No. I am not against -- I am not trying to do away with counties or cities or anything like that. Just in terms of the definition that is being used.

MR. SALINAS: But the definition is very simple. You know, the cities and political subdivisions really know where the housing is needed and --

MR. DUNN: And I think that that is exactly where we wanted to -- exactly the definition --

MR. SALINAS: And why would you want to do away with that?

MR. DUNN: I don't think we want to do away with that. We want to do away with where the definition of local political subdivision says a local political subdivision is a county or municipality, parenthetical city, period. And then delete the rest of it. That is exactly what it means to everybody.

MS. ANDERSON: Let me ask one more question. Do your clients object to using funds from a local economic development corporation or a local housing finance corporation -- as examples, do they object to the use of funds from those sources as local political funding for points for purposes of this title?

MR. DUNN: I think that as long as everyone has equal access to those funds, and there is a level playing

field, I don't believe that people have a problem with doing that. I mean, I would be happy to educate myself with those clients and get back to you and do that.

MR. SALINAS: You have your local political subdivisions that have CDBG monies. Extend sewer systems and lift stations up to where housing is needed. Now, you agree with me that developers need the assistance of those political subdivisions to be able to assist them on preventing the cost coming to you by a city approving monies to help you.

MR. DUNN: And I think there is a lot of developers that they love all the different sources of funds. I think if they had their druthers, they would rather be able to be able to do it with just one source of funding, in terms of putting it together, the development and to have one way to do it. I understand that is not a reality in a lot of different places.

MR. SALINAS: Well, it is not a reality in one place that I know about, but the rest of the State of Texas, you have people that control that system, and we don't want to do away with them, because they are the ones that let us know --

MR. DUNN: And I do not -- I don't know anyone who disagrees with you on that.

MR. SALINAS: Okay. Well then why would you

want to be against what they are recommending?

MR. DUNN: In terms of from a policy standpoint, in terms of putting together a -- helping the Legislature and other stakeholders in this issue come together and working on this issue, that is all we are asking for in terms of -- let's just work with the terms that we have got, the State has with us, and to keep it as simple as we can. And I don't -- I would be happy to put together -- and I apologize. I am not here to debate.

MR. SALINAS: But the Legislature only looks at our Agency here. But we do not want to mess around with the political subdivisions of the cities.

MS. ANDERSON: I think we can --

MR. SALINAS: And the city council members, and the planning and zoning commissions, and people that know where the housing projects are needed. We do not want to do away with that. Now, you might go to Houston and get that done over there, but not in the rest of the state of Texas.

You know, you have people that control where housing is needed. And you have people like the cities that have a big majority of money coming in from Washington that is called CDBG monies, that they spend to take you a sewer line or a lift station that -- but they control the sites of the housing needs.

MR. DUNN: They can also use CDBG money to build housing, but they rarely do it.

MR. SALINAS: Well, let me tell you. That is what I do in the City of Mission. Every bit of money that we get from the CDBG from Washington, we do housing for the poor and 100 percent. We don't get anything else.

MS. ANDERSON: Mr. Mayor, I think when we have -- after we have the public comment, then we can revisit these issues, and get some advice from our counsel and determine how we want to proceed.

MR. SALINAS: Well, the only thing that I can tell us is that you can do away with what the staff is recommending, but the cities are not going to do away with what they want, because it is their political subdivision and they own that political subdivision.

MS. ANDERSON: I think the staff proposed language is in addition to what is already in the QAP which includes local -- they are not trying to wipe out local political subdivisions. They are trying to add some language so that we can include some of these other entities like economic development corporations that technically aren't local political subdivisions. But we will ask the staff when we --

MR. SALINAS: But they are already there, and they are controlled by the political subdivision.

MS. ANDERSON: Right. And I think that is what the staff is trying to get to, to make sure that we can include those things. And we can get some advice from counsel on Mr. Dunn's comments about the language we have used.

MR. DUNN: And to be fair, I think the only thing that we are saying is that that seems like a job for the Legislature and --

MR. SALINAS: Well, the Legislature doesn't really seem to get anything done for us. Let me tell you. I don't mind saying that. I mean, we have had problems and --

MR. DUNN: And I know that everyone in the Legislature appreciates the job of everyone up here, and the staff. I know that they appreciate what you all do very much.

MS. ANDERSON: Any other questions?

MR. CONINE: Yes. I have a question. Mr. Dunn, this is a pretty comprehensive list. When was this particular list generated? When was the first time our staff got a chance to see this? I notice you are not --

MR. DUNN: I think staff could probably use reasoned responses from five or six years ago for most of these on here. And that there are -- these issues have been put forth by Capital Consultant's clients for as long

as I have been with them. And I know that they have had -- they have put these issues into, and we rewrote an entire QAP, and presented it for this Board in 2002 and 2003, that contained a lot of these --

MR. CONINE: No, I am not talking about this list.

MR. DUNN: And to do all these things. I would ask -- before you discount the timing of this, I would ask you to consider that a lot of these were brought forth in the last legislative session and even in meetings that you were in. And so I would say that these items have been out there in the public forum for some time. And I mean that as respectfully as I can.

MR. CONINE: Well, I am questioning it as respectfully as I can. I don't see Capital Consultants listed as one of the respondents in our public hearing process. Why is that?

MR. DUNN: We are trying to deal with the process the best way we know how. And just in terms of making sure that there are a -- that the ideas that are put forth in this forum are given as -- we have had times when we have brought an entire QAP and there hasn't been one question.

MS. ANDERSON: And that is not the proper way to participate in our public comment, and our rulemaking

process in this Department. And excuse me, I am compelled to say that your clients are poorly served when you bring -- some of these things are reasonable ideas, good ideas. Some of these things are things that other people proposed and are rejected for various reasons in the reasoned response.

And your clients, I believe, would be better served if you would participate in the process, because some of these things are probably things that might have been incorporated as a part of that process, and they come to -- they have not come to staff at all. And every year is a new public comment process on the QAP.

MR. DUNN: I totally understand that. I just tried to give you a little bit of the historical perspective of some of these ideas. I don't have any qualms about you all's reservations about receiving them at this date.

MR. CONINE: This is hard for us to sit here and tear up the QAP on board meeting day, when we have had all the public comment period; we have asked -- this Board has asked everyone to participate in the public comment period so staff can evaluate the comments and put them in the QAP based on what they -- on how it affects certain other things within the QAP. And for you to show up with a list like this on November 10 is just asking us to jump

through so many hoops, it is not -- it is impossible.

MR. DUNN: I will say that we weren't sure what changes were going to be made when the QAP came out with the board book, and so the --

MR. CONINE: But the idea was to participate before, so that you would know what was going to come out with the board book.

MS. ANDERSON: And you would be up on the record.

MR. CONINE: And you are not even on the list.

MR. DUNN: I appreciate your educating me.

MR. CONINE: All right.

MS. ANDERSON: Are there other questions?

MR. CONINE: Hopefully, we won't hear any negative comments about this Board and its efforts, because this is a monument of hoops to have to jump through on board meeting day.

MS. ANDERSON: Other questions? Thank you.

MR. DUNN: Thank you much.

MS. ANDERSON: Diana McIver.

MS. McIVER: May I also take John Garvin's time as well?

MS. ANDERSON: Yes, we are not -- so far today, everybody is behaving. We don't have a time limit right now.

MS. McIVER: Oh, okay. Thank you.

MS. ANDERSON: I would much rather hear from you than Mr. Garvin.

MR. CONINE: Second.

MS. ANDERSON: Oh, and it might be John's last hurrah.

MR. CONINE: Oh, was that a motion?

MS. McIVER: Well, thank you. I appreciate the compliment. Madam Chair, board of directors, my name is Diana McIver. And I am president of the Texas Affiliation of Affordable Housing Providers, which represents 150 housing professionals in the State of Texas. And I actually am here with two sets of comments.

One representing the TAAHP membership and another that I would like to address individually, because it is some comments that I have that have not been vetted to the TAAHP membership, so starting with those comments that I have -- I guess it would help if I shared them with you.

MR. CONINE: It would.

MS. McIVER: And what you will be really pleased to notice is I think that it is a positive indication of the way we have worked together on the 2000 QAP that our TAAHP comments have now gone down to two pages and two comments. The first comment deals with

quantifiable community participation. I am backing off all the big comments.

We realize that with conversations with you, and conversations with staff, that really our mission for monumental change in this area has got to be with the Legislature, and we will do that. So our one comment in this area is that we would request that we strike the part on page 38, hopefully numbered correctly, the very last part that says applicants may not provide any projection assistance, and then the example of use of fax machines, the use of legal counsel, or assistance drafting a letter for the purpose of this subparagraph.

And our reasoning here is that when we have that wonderful situation of a neighborhood organization who really wants to support housing, they actually do ask us for that kind of assistance. And when you have to come up with a letter to score the maximum points that has three points in favor, and then the next one down is two points, you know, they do ask us, how do we do this?

And so that concept of helping them draft a letter, we hope you would see it as a positive thing, and I will admit I have helped neighborhood associations draft letters; I have helped edit letters, and even the transportation.

I mean, last year, I know I left a meeting with

a neighborhood organization in another city, and they said, will you take our letter with you? And I did. And someone from my staff hand delivered it to the Agency. So I guess I don't see that as something that we need to prohibit or punish. I think that that is a good thing.

And so our comment is basically, to go along with everything on that item except please let us assist people who want to be a part of that process. Many of them don't have fax machines. A couple of them that I was involved with last year were retired people and, you know, they don't have e-mail; they don't have fax.

So please, if we could be a little more generous on that. Our second one gets to the sponsor characteristics on page 45 of the QAP. Once again, we are a little bit tougher, I think, than you are, or your staff is. We are suggesting under sponsor characteristics that it not be either/or.

And the way it is worded is, A means that you have had good behavior. You have met all of your deadlines. You haven't had a significant delay in a cost certification or meeting a carryover deadline. And B is the one that you do a plan for involving HUBs.

So by allowing an or there instead of an and, it seems like you can get these points simply by the good behavior part, and not having a HUB plan. Well, everybody

ought to have a HUB plan. So we are just saying switch or to an and, and makes us do both for those two points. So those are the two comments that TAAHP has on this year's Qualified Allocation Plan. And I would be happy to answer any questions on those.

MS. ANDERSON: Questions? I guess not. Thank you very much.

MS. McIVER: Okay, now. You thought life would be easy. And as I say, this second issue -- I am still Diana McIver. Here at this point in time, I am president of DMA Development Company. And I have not had a chance to actually discuss this with the TAAHP membership, so it is not that TAAHP has a position one way or the other on this.

But I am still struggling with that idea of how to get meaningful participation by HUBs in this program. And as all of you have figured out by now, I am a HUB. I have got lots of those plaques on my wall. But I have said over and over that I think the fact that I am a female and a female-owned business, I don't think that makes me produce any better housing.

So I don't think you should give me points for being a HUB. I just -- that is not meaningful. And yet, I objected last year, because all of a sudden, you were giving points to inexperienced HUBs. So you were letting

my male competitors set up HUBs with their wives as the principal, and I didn't think that was fair, because why should they get two points that I am not entitled to try and get.

So all that considered, my idea now is to try and create a meaningful way of doing joint ventures with minority-owned businesses to try and get them as active participants in this program. And the reason you don't see a lot of joint ventures now between experienced developers and inexperienced HUB developers is because of the \$2 million cap.

When I, as an experienced developer, do a joint venture with anyone, what happens is, I am the one who does the personal guarantees. I am the one with all the risk. And yet the reward is split. So you are asking one entity to take all of the risk, the financial guarantees, putting up the capital. And yet the reward, which would be developer fees and ownership is split with the inexperienced entity.

So my idea for this, and we are already doing it in the rural joint ventures is to add a clause, and I have outlined the language. It would be on page 14. And to take that section where we have already got the rural joint venture with the split on the cap based, and the way it is actually implemented is based on the split on

developer fee, is to add language to that, which basically provides for the Department to prorate the credit amount allocated for projects, in which an experienced developer proposes to joint venture with an inexperienced HUB.

And to qualify as an inexperienced HUB for this provision, the HUB must be certified by TBPC at the time the application is submitted, March 1, and neither the HUB, its principal, nor any related parties may have received an allocation of tax credits or of private activity bonds previously. This way you are getting very definitely new HUBs and you are not allowing those abuses of any kind of, you know, setting up a spouse as a HUB in order to qualify for that proration of cap.

It has nothing to do with scoring. It has nothing to do with points. It is simply how you look at the \$2 million cap. So that is my suggestion for trying to address what I felt I have heard from the Board and staff on wanting to get some meaningful participation by HUBs in this program. And I thank you for the opportunity to comment. Are there any questions on that.

MR. BOGANY: I would like to make a comment.

MS. ANDERSON: Yes, sir.

MR. BOGANY: Ms. McIver, I am finally glad to see somebody coming up with a solution to something that we have not been able to solve. And I totally can agree

with this, because this is where I see it going, and where I would like to see it, is to get those business in there, and not bring our wives in to do these HUBs.

And I just think the whole point is to build the capacity, as what you just said, so we can get more people in, fresh ideas, give people an opportunity. I noticed that when you are inexperienced, it is hard to get financing. So I see the advantage, if I am a minority, a HUB trying to get in, that I have that financial back, and help me get in the door. And I would like to see them graduate.

I do think that after you have done one or two deals, you are no longer underutilized. I think you now have understood the system. But this is the first time since I have been on this board, that I have seen a solution to something that people have been throwing rocks at since I have been on this board.

And so I have told -- I really agree with you, and I applaud you for taking the time and coming up with a deal that seems fair to me. And I don't see how anybody who is an underutilized business wouldn't think this would be fair. Thank you.

MS. McIVER: Thank you. I struggled and struggled, because I have heard what you have been saying, and I really felt it had to be, not really a point issue.

It really needed to be a capacity building effort. So that is what came into my mind, and I appreciate your frank words.

MR. CONINE: I have a question.

MS. McIVER: Okay.

MR. CONINE: I don't think anyone would ever define you as being historically underutilized. But you want us to --

MS. McIVER: But I have got some plaques that say that on my wall.

MR. BOGANY: My point exactly.

MR. CONINE: This says the Department will prorate the credit amount allocated for the projects. On what basis?

MS. McIVER: What is in a different part, and maybe it is in the manual, but I remember it from last year. What they do on the rural joint venture is if there were for instance, a \$500,000 developer fee, and each party took 50 percent of that, then if you were applying for \$700,000 in credits, 350 would go to your cap of one party and 350 to the cap of the other.

So even though it is not outlined in this section of the QAP, I know that last year in the rural joint venture, that was the test they used. It was truly the split of the developer fee, and that is how the cap

would be split. Am I right, Brooke?

MS. BOSTON: It is proportional.

MS. McIVER: It is proportional. Right. Yes.

MR. CONINE: Yes, because the ownership interest, by the time you get syndicated and everybody else in the game, it is all messed up. And the developer fee goes one way, and the cash flow goes another way, and the sale of refinance proceeds goes another way.

And I am just kind of questioning the basis from which we are going to pro-rate this. And what you are recommending is a disclosure of this particular joint venture relative to the developer fee only.

MS. McIVER: Right. Well, disclosure, participation, yes.

MR. CONINE: Or pro rata.

MS. McIVER: The cap would be pro rata, based on how the developer fee is divided up.

MR. CONINE: I would be interested to hear what everybody else thinks about that, and I appreciate your comments.

MS. McIVER: And we have struggled with that. And that was a working group idea, even when we discussed it as a rural venture. And it is easier to track developer fee than it is some of the ownership splits. But you could also -- you know, you could track the

ownership split as well. But this just became the easiest way for staff to monitor it.

MR. BOGANY: I have a question.

MS. ANDERSON: Yes, sir.

MR. BOGANY: Not more as a question, but as a comment. I truly think it would be terrible to penalize an investor who is trying to build capacity for people getting involved. And I do believe that this is a sense of a solution to encourage investors to bring in HUBs to try to get them to understand the game, so they can play in the game.

And I would like to see -- I don't know legally if we could do this. But I do believe this is the first time we have had an opportunity and why would you penalize an investor for trying to help someone else. We should be encouraging. And the current system that we have now does not encourage them to do that; it actually may penalize them to get involved.

And we need to change that system whether it is through legislation or somehow making it more fair, stretching the rules as what we can stretch them. They should not be penalized for helping someone. I just have got a problem with that.

MS. ANDERSON: Mr. Conine?

MR. CONINE: Again, the way this is worded,

this becomes a one-time shot for the HUB, because after they receive it, they are not going to be a HUB anymore.

MS. McIVER: That is right. You had better get your experience on the first try.

MR. CONINE: Okay. Thank you.

MS. McIVER: Thank you.

MS. ANDERSON: Thank you. Before we proceed, I want to welcome our special guest, Mr. Mike Gerber from the Governor's Office and Mr. Scott Sims, in bright red, from Speaker Craddock's office. Thank you both for being here with us today. The next witness is Stuart Shaw.

MR. SHAW: Good morning, Madam Chair and Board.

I am Stuart Shaw. I am a developer and have done a handful of bond transactions with TDHCA. And I am sure not here to argue or to make anything that was going to -- I don't want to get in trouble. I just can't attend all of the meetings, and I saw some of these, and I just wanted to comment about a couple, and then I will get out of here.

On the quantifiable neighborhood organization issue, I also am concerned about it. I had one application this last year that I thought was a great application, a great project and a great community, where we had community support and no neighborhood opposition.

But we sure weren't going to go around and try

to help them, because that is clearly against the rules to have a neighborhood organization. And there wasn't a neighborhood organization. The people kept saying, are you sure? You know, no. There is no organization.

So we were simply foreclosed from the opportunity to put 180 units in this community, because by not having a neighborhood organization, then we really lose. So we lose enough points that you have no chance of getting into the allocation.

And so anyway, I just wanted to mention it. It seems to me to be not just unfair, but really inequitable. Not just to me, but I think to other people as well. So I just wanted to mention that. And I know that we are allowing 5 percent four-bedroom units again, now -- right? -- in the '03 --

MR. CONINE: Maybe.

MR. SHAW: Excuse me? Maybe. That is right.

MR. CONINE: It ain't there yet.

MR. SHAW: Yes. Okay. It is a proposal. I wanted to say that I am really glad to see that; I support that. We have about 12 of 15 percent, and I don't know all the -- who is for or against that. I am just telling you where I stand.

I have heard a little bit about it, but why I am for it is because we have a lot of families in a

property that I have developed in Cedar Park. It is an exemplary property. I would love for any of you to go see it. It is great. People love it. It is a gorgeous property.

We have out of 236 units, we have 36 of them that are four-bedroom, and that really serves families who are reaching out to us, families. We are not reaching out to single people as much as we are families. And so what I just want to support that, and encourage you all to feel confident about that. But also, I would increase it.

So do what you like, but I am saying that I think it serves our communities. Again, who I am trying to serve is families. That is what I hope to serve. We can't put any prejudice, but we are trying to serve them.

We have a ton of children at this community. And so where are they going to be in their unit? Where is that playroom going to be? Where is the extra room going to be for mom or dad?

And my family, as we were raising children, we always used an extra room for a playroom so that we didn't have to have them out in the middle of the living room floor. So they have their space. And that is for families who don't have a lot of kids.

If they have a lot of kids, where are those kids going to be? So where is a study room? I mean,

there is a million uses for that fourth bedroom, and I just want to thank you for doing that, and encourage you about it.

And lastly, I don't think this is our issue today. I don't know that it is one that you all could address. But it is an issue that I am addressing right now. I think it is a real critical issue, and I just wanted to -- I will just take my time here and do it.

We did in 2003 a bond deal that had 100 percent at 50 percent rents. Remember the Priority One was you qualify 100 percent at 60, but you can only charge rent at 100 percent of 50. And am I being clear, here? Okay. And so 100 percent of our units are being rented at 50 percent rents.

And we can qualify people at 60, which I thought was great, because we have a big net, but we are going to give them a terrific deal. The value on that has got to be really good. And so I am very happy about that, because I thought, again, that was the one in Cedar Park I mentioned to you. And here we are, we are able to give a great value to people, and yet we can still make a profit, and be a business, so it works out.

Well, it didn't work out quite that way. In the last three years, our utility allowance has gone up about 60 percent. And that is before we got into \$3 a

gallon gas, and all the stuff that is happening with natural gas. We spent extra money and put in gas water heating, gas heating and gas stoves, which is an amenity, a really big amenity, and, boy, are we going to pay the price for that.

Whatever happens with the utility allowance next year, I am scared to think about. My rents have gone down, because on a one-bedroom, it is about \$30 or \$40. On a three or four-bedroom, it is \$60 and \$80. And so at a time when we can't control our costs going up, you just never can. It is just the march of time, our maximum rents on a 50 percent unit have gone down.

Now, I have only spoken to a handful of people, because I don't have time to go out and poll the universe.

But this is an issue for other people, in communities like San Antonio, even on a 60 percent deal where that is going down. So I don't know what to do. I am looking into it, and I would just ask for you all to be aware of it, and I hope that you all will help.

But I think that we should say, that if you underwrite a 50 percent unit, a one-bedroom, let's just say at \$575, that we should never be required to reduce the rent below \$575. Now, we may have to by the market, but I don't think we should be required to because of a utility allowance. And I am not trying to hurt people's

economics who are our residents. What I am trying to do is avoid a bankruptcy.

And I think that we have got a situation that could cause a lot of properties -- luckily ours has got extra room in it, and we are okay right now. I am concerned how it is going to fare over the next ten years, when I am supposed to get paid this deferred developer fee, that I am guaranteeing and everything.

And so I am very concerned about it. And I want you all to know that, because I think it is a concern at just the foundation level of what we are doing. That is all I have to say. Thank you very much.

MS. ANDERSON: Thank you, sir. Steven Carriker?

MR. CARRIKER: Good morning. First let me introduce myself. I am Steve Carriker, and of the first of November, I have come on as the Executive Director of the Texas Association of Community Development Corporations.

I know that you are very familiar with that association which represents community development of practitioners, financial institutions, and a broad range of people who are interested in the benefit of underdeveloped communities across the State of Texas. Prior to coming to the Association earlier this month, I

was with a community development financial institution that I helped found. But more importantly, before that, I served for four and a half years as the State Director, Texas State Director of USDA Rural Development.

At that time, I think that we perhaps established a very good working relationship with this Agency, and one that I hope continues today, because there are a lot of programs that each of those agencies at federal and state level have that they can coordinate together to do a great deal more with the resources that we have, than perhaps we might have at one time.

I have only one area that I would like to comment on today, in the QAP. And we are very appreciative of the staff having accorded us the opportunity to comment on the QAPs, and the staff having been very gracious in accepting a lot of the comments that we made and incorporated. And we are very pleased overall.

The only area that I would like to comment on is subsection 50.7(b)(1) which is the nonprofit set-aside.

We had suggested some language in that, that would tighten up the relationship between a nonprofit and for-profit in this program, and we have very strongly supported that marriage of the nonprofit and for-profit developer. We think it is a very constructive way to do

business in many instances.

We have suggested that language and the staff had incorporated that language in an earlier draft. They received some comments that asked for language changes there. And some of the comments we believe may not have understood the foundation of the issue here. And some of the comments indicated they felt it might be that the language that we had proposed might be burdensome or in somehow, discouraging of smaller nonprofits from participating. We do not think that is the case.

But let me point out what the foundation of the issue is here. And perhaps we were remiss in not being clearer as to why we were seeking this language. As I understand it -- and I am certainly not a tax lawyer or an expert on the IRS code.

But as I understand it, nonprofit tax-exempt organizations are required, once they enter into a partnership with a for-profit partner -- and these are often done under a limited liability corporation, or limited partnership or whatever the case may be -- they are required, in order to maintain their tax-exempt status, to remain in control of the for-profit partnership. This is a very important provision and one which is receiving a great deal more attention recently by the IRS.

I think you are aware of some of the things that the IRS has been looking at in regard to nonprofit tax-exempts. And they are becoming much stricter and looking much closer at the arrangements that nonprofits have, when they have for-profit partnerships. We think it is extremely important to protect the tax-exempt status, most especially of a nonprofit which may not have a large law firm to go through with every question about their tax-exempt status and may rely on advice that they receive from such places as the QAP, or what they infer from the QAP, et cetera, or from their for-profit partners who may not be well-informed about the needs of protecting their tax-exempt status.

At any rate, we would hope that you would consider restoring the language in the original draft in order that those nonprofit tax-exempts who participate with for-profits would not find themselves in a situation unintentionally in which their tax-exempt status might be challenged and might ultimately be lost, which would be a loss for all of us. I would be glad to answer any questions you might have.

MS. ANDERSON: Thank you.

MR. CARRIKER: Thank you very much.

MS. ANDERSON: Mr. Kahn.

MR. KAHN: Good morning. My name is Barry

Kahn. I am a developer from Houston. I would just like to touch on the QCP language on page 38, item, it is 2(a)(vi). I would like to suggest to the Board that we revert to last year's language, and put a period after opposition on the fourth line. It seems like the QCP letters worked last year.

MS. ANDERSON: I am sorry to interrupt you. Where are you? Are you in the actual QAP on page 38?

MR. KAHN: Yes. Page 38 of the QAP. It doesn't have the 2(a), but it is the first full paragraph with the little Roman numeral (vi).

MS. ANDERSON: Okay. Beginning with the words, accurately states?

MR. KAHN: Yes.

MS. ANDERSON: Okay. Thank you.

MR. KAHN: And essentially put a period after "opposition" in the fourth line, which was the language from last year. I support everything TAAHP has said, but I would like to go a step further, because I think there is a lot of ambiguity on the definition of assistance.

The Legislature wants all developers to get as much community participation as possible. I think we are kind of precluding some of it. I know the last thing the Board wants is opposition from community organizations. So if we can gear as developers nearby community

associations to support any of these developments, I think it should be encouraged in the strongest possible manner.

Communities and neighborhood organizations are not very sophisticated. This is a very sophisticated program. We need to make things as easy as possible for them to endear them to support these projects. If they get a deficiency letter, they are going to be at a total loss.

I mean, what does this mean about us being able to help them when they get a deficiency letter because they want some clarification. The neighborhood organizations we have always worked with have tons of questions. Their counsel has tons of questions. And my request is that we make this as simple as possible.

Touching on that, with the certification, on page 27, in the fifth line of the -- it is on page 27, in the fifth line of the certification. Again, putting a period after the word opposition. So we are certifying part of it, but not certifying that there has been no assistance provided.

And this whole assistance thing is very ambiguous. I mean, you are allowed to have public meetings. Does that mean you are allowed to bring the caterer to host that public meeting? I mean, you know, the whole thing is not clear. I know it is intended, Ms.

Anderson. But you know, the point of what I am trying to make is the language is not totally clear.

And rather than having a lot of appeals down the road, and trying to make this as simple as possible, and getting as many neighborhood organizations as possible participating, I make the recommendation of putting the two periods as suggested. Thank you.

MS. ANDERSON: Don't go away. I am sympathetic to what you are saying. I also am -- remember it like it was yesterday, that in this round, we had several people turn on other deals in their regions. And in some cases, part of the basis of the complaint was that the developer was helping the applicant.

And you know, we are trying to find some reasonable middle ground with this additional language, because we want community participation, but we want it to be sincere and independent, and not manipulated by -- encouraged, maybe, but not manipulated by developers. So I am concerned about just removing any of the additional guidance.

MR. KAHN: Well, you have got the provisions that there can't be money or gifts, where there is any type of graft or any real impropriety. The bigger issue gets to be, is you have got very unsophisticated people. These are working people. They don't really have time to

deal with this. And they need as much assistance as possible, if we want them to engage and participate in the process.

MS. ANDERSON: But one of the issues we had last year was in one particular case, one of the allegations was that it wasn't a real neighborhood organization and that, you know, the developer, you know, had written the letter for them. And that it wasn't a legitimate neighborhood organization.

MR. KAHN: Well, I mean, I don't have an answer for 100 percent. But if it was only one out of all the applications, then that one is a pretty small percentage as far as something working. And I think what we are trying to do is to make a process work as smoothly as possible.

We aren't going to have everything be 100 percent all the time. I mean, there is no way that anybody is that clairvoyant in writing the QAP in a reasonable manner. So you know, the real underlying purpose of this QCP information is to avoid having groups of 20, 30, 40 people coming in and complaining.

And I think what the Department and the Board should really focus on, is how do we get the participation rather than discouraging it? And I think you are really discouraging it with this language.

MS. ANDERSON: Any other questions?

(No response.)

MS. ANDERSON: Thank you. Did you have a question?

MR. BOGANY: No.

MS. ANDERSON: Thank you.

MR. KAHN: Thank you.

MS. ANDERSON: Sarah Anderson.

MS. S. ANDERSON: Good afternoon already. My name is Sarah Anderson, and I am here representing several developers that I work with. And specifically, there is one scoring item that I wanted to bring to your attention.

This is an issue that I brought up at the beginning, in June, I think, when we started the QAP process and again brought forward in public comment period. Unfortunately, the item -- the response from staff was that while they believed that the issue had merit, that it needed more research.

And so in some ways, while I am not here necessarily to try and get a change for this year's QAP, I suppose I will be the first person on the record for the '07 QAP on this item. And it has to do with scoring item 8, which has to do with the cost per square foot, and the way the calculations are done. Right now, you have -- it is a ten-point scoring item, so it is rather significant.

And without being able to come in under those costs per square foot, you are not going to score, and you are not going to get your deal. Right now, it is differentiated between costs for family deals and costs for elderly, and elderly are higher.

And there are actually two types of elderly types of development that are going to be done. You are either going to be doing for more mobile people, which are going to be duplexes, four-plexes. And the costs that are reflected right now make sense for that.

The problem is when you have less mobile populations, and you are doing the larger congregate type of development, you have a significant amount of common area. And the problem is that in the way that the calculation is done on a cost per square foot, you are taking all of the development costs, and dividing that by the net rentable area.

The problem is, in some of these larger types of development, you have upwards of 28 percent common area that is being calculated into the cost, but it isn't taken out when you are doing your net rentable. So that type of elderly development tends to be significantly more expensive. And the amount of cost per square foot, it is just not doable at \$80.

And so I would like to propose a couple of

different solutions. One that you prorate out in the calculation, all common areas, so that you are only looking at apples to apples.

You can do this with the family also. I mean, generally in the family deals, you are only talking about 1 percent common area, anyway. So you can either prorate out when you are doing the calculation, or differentiate by the type of elderly development you are doing, and say, if you are doing duplex, four-plex style, this is the cost per square foot. Or if you are doing larger or congregate, which has more common area, \$5 more, upwards, maybe \$85 a square foot.

Another item related to that has to do with the tier one and tier two differentiation. Right now it is \$2 a square foot. And I think that what we are seeing is that in the hurricane zones, and the engineering, and the development costs, there is a larger difference between tier one and tier two than a \$2 per square foot.

And I would love to see staff research and maybe have those costs based a little bit more on data than -- I don't know what it is determined by right now, and that is it. Any questions?

MS. ANDERSON: Questions.

MS. S. ANDERSON: No? Thank you.

MS. ANDERSON: That is the end of the public

comment on this agenda item. At this point, we are going to take a 15-minute break and let everybody stretch their legs a minute, and then we will come back and have Board discussion on this item. Thank you.

(Whereupon, a short recess was taken.)

MS. ANDERSON: Okay. We are on Agenda Item 3(a), which is presentation, discussion and possible approval of the rules. Item 3(a) is the Qualified Allocation Plan for 2006.

MR. CONINE: I am going to move that we repeal Title 10, Part I, Chapter 50 of the 2004 Housing Tax Credit Program Qualified Allocation -- is that correct? -- 2004?

MS. ANDERSON: Yes. That is correct.

MR. CONINE: The Qualified Allocation Plan and Rules.

MR. BOGANY: Second.

MS. ANDERSON: 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.

MR. CONINE: Now, I guess let's get on the floor for discussion the adoption of new Title 10, Part I, Chapter 50 of the 2006 Housing Tax Credit Program Qualified Allocation Plan and Rules.

MR. BOGANY: Second.

MR. CONINE: Now, for discussion --

MS. ANDERSON: Discussion? Questions.

MR. CONINE: I guess it would be appropriate to ask Ms. Boston to come up maybe, and Ms. Jennifer or somebody to come up and let's talk about a couple of issues. Ms. McIver put forward a HUB definition that is different from what we have in the past. Can I get your thoughts related to her proposal?

MS. BOSTON: Sure. Actually, prior to her proposal, we had been working on some language with Mr. Bogany, or on behalf of Mr. Bogany, Kevin and I had. So we have some similar language that basically addresses the comments of Ms. McIver, but that we feel like is more accurately placed and better tracks with statute.

MR. CONINE: This is language that has been crafted since our board book was put together.

MS. BOSTON: Since about 20 minutes ago. Yes.

MR. CONINE: Can you just read it off for us, maybe? Or is it written somewhere?

MS. BOSTON: Sure. And I actually had made a handout anticipating some possibility, and then we have revised the handout. So I will give you the handout and then -- and I apologize, if there aren't enough. Kevin and I keep writing on them.

MR. CONINE: We will share.

MS. BOSTON: We would propose several changes. This is Paragraph 20. And under selection criteria, we would first propose the Paragraph A, which was relating to the -- kind of not proceeding with carryover would just be stricken and we could keep it purely about HUBs.

Then what had been Paragraph B, which was having a plan in place, would be recrafted as Paragraph A. So that is your first option. Someone can come in and do the plan, and get the points.

Or alternatively, you could do Paragraph B. Paragraph B is essentially last year's language, then we would make some additions. And this is the part that is not on your handout, so I will kind of just read straight through what Paragraph B would look like.

It would say, an application will receive these two points if there is evidence that a HUB, and this is a new addition, that does not meet the experience requirements under 50.9(g), and that is the portion of the QAP that is our threshold for experience. So what we are

saying is these HUBs would not, on their own, even be eligible to compete under our minimum standards. Then you would continue with, as certified by TBPC, and I won't read the whole rest, because everything else we have added comes at the very end of that paragraph.

After the last sentence, where you would still have the graduation process, with the 8609s, we would add two sentences. They would say, additionally, to qualify for these points, the HUB must partner with an experienced developer as defined in 50.9(g). Again, that is the threshold requirement for experience.

The experienced developer as an affiliate will not be subject to the credit limit described under 50.6(d) which was the language that Ms. McIver referenced for one application per application round. The point of that restriction was to keep experienced developers from trying to come in through this point section and doing a ton of deals and do \$4 million in credits. And then we also add a sentence that said, for purposes of this section, the experienced developer may not be a related party to the HUB.

One additional change we would need to make, to be sure that this tracks off the QAP appropriately, is a change to the definition of affiliate, at 50.32 of the QAP. The reason for this is that the limitation on the

credit ceiling is statutory, and it refers to the definition of applicant.

Then if you go to the definition of applicant, which is statutory, it refers to the definition of affiliate. The definition of affiliate is in the QAP, but is not in the statute.

So our suggestion is that you would revise the definition of affiliate. And at the end of that definition, you are describing all the entities that would qualify as an affiliate. And then you would say, unless the entity is an experienced developer as described in 50.9(I)(20)(b), which is this HUB subparagraph.

MR. CONINE: I think I follow most of that. Does that language satisfy the issue that Mr. Carriker brought forward related to the IRS definitions of what a nonprofit can be or not be?

MS. BOSTON: No. Mr. Carriker was referring to the definition we have for nonprofits. And he was specifically relating back to the percentage of the developer fee that the nonprofit would be eligible to get. And it is entirely separate from the HUB discussion.

MR. CONINE: All right. Which then brings me to the issue, if it needs to be an 80-20 deal, where the nonprofit would get 20 instead of 51 percent of the developer fee for the partnership to be made, we couldn't

get there with the way this is currently proposed. In other words, I don't want to go --

MS. BOSTON: Well, you are talking about nonprofits or HUBs?

MR. CONINE: I don't want go dictating what the developer fee split should be between the nonprofit and the for-profit. I don't think that is any of our business.

MS. BOSTON: And as recommended in your board book for November, that is what is the case. In the board book in August, we had said that the split, at least 80 percent needed to go to the nonprofit for them to compete in the nonprofit set-aside. And then based on public comment, we have taken it out in your recommendation today.

MR. SALINAS: It says 51.

MR. GORDON: That is ownership.

MS. BOSTON: That is ownership, not developer fee. And in the November board book for you all right now, we do not address the nonprofit's developer fee at all. We just have the requirement that we have always had that the IRS requires that to be the nonprofit, you have to materially participate and have ownership.

MR. CONINE: So the way you have proposed it, versus the way Ms. McIver proposed it, is you get to hook

up one time with a HUB, and the for-profit guy doesn't get dinged with credits, with any credits, where she was recommending a pro rata, you are saying any credits, but you only get it a one time shot.

MS. BOSTON: Right. That is the difference. We were just saying, you wouldn't prorate. But unlike her proposal where in theory you could do this multiple times, we are saying the experienced developer could only show up on one app per application round.

MR. CONINE: Per round, right.

MR. SALINAS: Per round.

MR. CONINE: I like that.

MS. ANDERSON: Why did we take out the first -- why are you proposing to take out Paragraph A?

MS. BOSTON: Just for simplicity. As we talked more about adding B back in, it just seemed like to have A, and B, and C, and because with A, we had talked through the idea a little bit, that because A is more of a penalty, you wouldn't want people to say oops, well, because I got the penalty under A, I will just qualify under B or C.

So if we did it, it would almost want to be like a threshold. Like if you haven't ever had this happen, then you could get points under A or B. But we are talking about very few -- I mean, maybe one or two

deals a year if that -- that fall in this category.

MR. CONINE: Could -- I have more questions for you. But I would like to follow up with Ms. McIver, if I could, just for a second.

MS. BOSTON: Sure.

MR. CONINE: If she is still around. She is so underutilized. Does what Ms. Boston propose, do you see any issues related to that? I mean, does it help get you to where you wanted to be?

MS. McIVER: Yes. I actually think that is a good solution. And the only thing I would question, as it seems that we do need to make certain that the HUB developer shares in the developer fee. And I guess I didn't read this --

MS. BOSTON: Right. We have been silent in the past about the HUB developer fee, including in your proposal, I think. Right?

MS. McIVER: Yes.

MR. CONINE: It would be my hunch that somebody wouldn't participate with a HUB unless they got some of that. And it is just a hunch on my part.

MS. McIVER: I would hope so. Yes. No, I would hope that the HUB would be educated enough to demand a piece of the developer fee.

MR. CONINE: And if they are not going to get

dinged for it on the credit side, on the \$2 million cap, they would be more apt to participate with a HUB.

MS. McIVER: Oh, I think definitely. I think by removing it, and I don't think it becomes a point issue, because it is not like a developer can take his two points on every single application. It only affects this one time application.

MR. CONINE: Right. A one time shot.

MS. ANDERSON: One per round.

MS. McIVER: But would it be fair then, if the developer found a HUB and then said okay, I am going to take -- I am the experience. I am going to take 100 percent of the developer fee. You are getting nothing because you are just getting experience.

MR. CONINE: We don't want to get into the art of negotiation, I don't think.

MS. McIVER: Okay.

MR. CONINE: That is a little too dictative for me, anyway. But you know --

MR. BOGANY: Well, and if it doesn't work, and we get issues, we change it next year again.

MR. CONINE: All right.

MR. BOGANY: Okay. We just revisit it.

MS. McIVER: That is right. But yes. No, I think it is great. And I think you will find that it will

encourage more joint ventures because of the removal from the cap. And obviously, it is easier to administer.

MR. CONINE: Madam Chairman, I am going to move that we amend the QAP to reflect the language that Ms. Boston read with the change in the HUB language and the definition of affiliate language. And I think with that sort of motion, we should be able to get there.

MR. BOGANY: Second.

MS. ANDERSON: Discussion on the amendment?

(No response.)

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The amendment carries. Yes, Mr. Bogany.

MR. BOGANY: I wanted to talk with you a little bit, Brooke, about Mr. Kahn's suggestion, and I think Ms. McIver suggested it too. That I don't see anything wrong with the developer helping the neighborhood organizations put together letters, fax them, bring them up here. And it seems as though we are bringing in a group that is unsophisticated.

We made them a part of this system. And most of those are volunteers. They do the work when they can, when they get off from work. Will you have deadlines, the developer have deadlines, when they need to have things done.

And I would like Mr. Kahn's suggestion of putting a period at that point. I highly don't believe they should be throwing parties for them, giving them gifts and money, but I do believe being able to facilitate this trend, and make it better, and make it smoother, we ought to relook at that, and audit and try to tighten it up. I think you are going to still get people pointing fingers. But I have no -- I think about in my business, when I sit down and do a loan app, and fill out information, and because I know that buyer is going to be forever sitting up there doing that loan app. And I know it. And I can go through it. And I would encourage us to take Mr. Kahn's suggestion and put that period there. And I think it would make the process go smoother.

MR. SALINAS: You are saying that the developer should help the homeowners' association?

MR. BOGANY: Yes. I think the neighborhood organizations, Mayor, being able to fax things, write a letter. I am willing to bet the Representatives got a letter from a developer, he signed it on his letterhead

and send it to us. And will you write it and just tell me what you want me to say, and I will put it in. I mean, let's get real here. And you have got unsophisticated people getting involved in a sophisticated situation. And to be able to fax a letter, or have them go pick it up, or run it up here, to me shouldn't hurt our process at all.

MR. SALINAS: Well, it doesn't hurt the process. But it really would have a lot of associations that aren't doing anything, but the developer doing everything for them, you know. It is like having a quorum with our meetings here. You know, if you don't have -- what -- you need four here.

It is like giving Ms. Beth the authorization to go ahead and run the meeting without us. You know, I don't know about the rest of the State, but you know, where I come from, I think the association has to be responsible for their meetings, and keep the developer away from them as much as possible.

And this is my own, the way I believe, and I need to say this, if they really want to have an association, let them get together by themselves. I really believe that there is a lot of associations where I come from that really don't exist. And I think you all believe that, also. That is why you are doing what you are doing. And it might not be happening anywhere else.

But I really think that just to go out there and gather people and put them together, and I do have -- I am a developer myself. And I do have associations. But they have got to take care of their associations as far as the gated community.

You know, if they want to -- it is their own streets, their own lights. And they don't want their lights shut off, they just are going to have to pay for it. The developer cannot continue paying their light bill and cutting their weeds and stuff like that. I feel the same way about this.

MS. ANDERSON: What is --

MR. SALINAS: I mean, this is my sole way of thinking, you know. And if you let the developers do this for them, then it is not going to be an association. It is going to be developers doing it together so they can qualify for this program.

MS. ANDERSON: We haven't had an opportunity to hear staffs explain in any detail you know, why this additional language. And so I think maybe it would be good if you could do that for us, Brooke, to help us understand y'all's thought process.

MS. BOSTON: Sure. When we first released the draft in August we had said that you could not give any assistance. And we were trying to address the concerns

that had come up during some of the allegations we had last year, where it was gray. It was hard to tell how much assistance certain organizations had gotten.

We got significant public comment, indicating that any assistance was much too restrictive, and that they were concerned, applicants and public commenters were concerned they would not be able to even hold a meeting, give handouts, you know, ask for feedback on renderings. And so we, in this draft that you have today, had added some clarification about what could and couldn't come in to us. We do say that they can give assistance relating to education, information sharing, so that they can work to try and get support. Or I guess, opposition.

We gave examples of hosting a public meeting, providing our information packet which we release a packet each year for the neighborhoods that has a template letter, a Q and A, excerpts of this language so that they can understand what the deadlines and requirements are. We then also go on to add, in the new revised language, that they cannot provide production assistance, which examples were, using the fax machines, use of legal counsel, or drafting the letter. And that was to try and at least clarify for the applicant community where we felt like a line might fall.

MR. BOGANY: What was the point that Mr. Kahn

had brought up, if you put the period in where he wanted it done. Could you give me that same part?

MS. BOSTON: Yes. If you put the period where he had requested it, you would basically strike all of the language about assistance. And instead, what you would have, is what we had last year, which limits -- it prohibits the organization or any member from accepting money or a gift to cause them to take their position of support or opposition. And then that is it.

MR. CONINE: So a homeowners' association consists of three or four people. Let's say board members, you know. And all they are worried about is crime in the neighborhood, flowers in the front entryway. And boom, here comes a developer that wants to build a tax credit deal next door, and needs their participation.

What you are saying is, he can educate, he can explain. He can tell them to go to our website, and there is a draft of a letter that he needs from the homeowners' association.

MS. ANDERSON: He can print out the draft of the letter -- right? -- I mean, the template?

MS. BOSTON: He can give them the packet.

MR. CONINE: He can just basically spoon feed them. But he can't actually write the letter, provide legal assistance, or fax it back to the Department.

MS. BOSTON: Correct. As crafted right now, that is what we mean.

MR. CONINE: But we, the staff has gone to the effort of making it as user friendly for the homeowners' association as possible on our website, or somewhere.

MS. BOSTON: Yes. And you have actually implemented an 800 fax number as well, just recently, that is in effect already.

MR. CONINE: So now it doesn't cost them to fax anything.

MS. BOSTON: Correct.

MR. CONINE: Okay.

MR. BOGANY: I just believe that maybe the organizations, in working with them, they are just not going to get involved, because there is really no advantage to them. And when you have deadlines that need to be applied to, they are going to do it when they have got time to do it.

They are not going to take the time to go out and get those letters, and download, because it is work. It is, I am a volunteer. I will do it when I get ready. I don't care that I have got to have it in by March 1. I will get to it when I get to it. And at least having the developer to fax it, maybe not writing the letter, but at least faxing it, or having a runner go pick it up and get

it up here, because he is trying to meet his deadline, I see no problems with that.

MS. ANDERSON: Well, Mr. General Counsel wants to weigh in on this?

MR. HAMBY: Actually, I desperately don't want to weigh in on this one, because this is going to be lawyer playing lawyer. The question of a gift could easily encompass all of those questions; legal counsel fees, fax fees.

In other words, I am not sure that the just put a period at the end addresses what you were talking about, Mr. Bogany. Now, it may address what Mr. Kahn was talking about, but I don't know if it talks about what is yours.

And I think a lot of the language that follows is a clarification. Would a ten cent fax from Kinko's be a gift? I don't know. But it is certainly open to interpretation that if the developer is providing the fee, if you do a limo ride up from Houston to drop off the letter, is that a gift, or is that transportation?

MR. BOGANY: Okay.

MR. HAMBY: You know, so it is open-ended. But it may not solve your particular problem by doing what Mr. Kahn suggested.

MR. BOGANY: Okay. So what would be the suggestion to make it easier for the neighborhood

organizations to get this? I know what you have done from a staff-wise. We have got all the affordable housing programs that we have on the internet right now. How many of the public actually go to that site and download that stuff, and go out and use these programs?

I am just saying in the real world, it just doesn't happen. And maybe if we can craft some sort of language that would make it easier for the developer, the neighborhood, to pick it up, the letter. Send it to us. Whatever, include it in this packet. I just think we are being so tight right there. And I see nothing wrong with the developer taking the application and going through it with the neighborhood organization and filling it out.

And if I am representing my neighborhood organization, I take responsibility by signing them, whether I wrote the letter or not. I have taken responsibility with my neighborhood that I am representing my neighborhood. And it just seems like we ought to smooth it out a little bit better.

MR. SALINAS: Well, let me tell you, and I agree with you on certain areas. Maybe in part of the State of Texas. But creating an association only to benefit a developer to apply for tax credits, as far as I am concerned, it is not right. Going to the county clerk two days later, not going to the right people, people not

knowing what they are doing, simply just to have an association.

And I think you know where I am coming from, creating -- I would understand an association that has been in existence for ten years. But an association that was created only for a developer to go ahead and apply for some tax credits and create that associations, do everything for them, take that association, get it registered with the county clerk, or we'll get it registered with the people in Austin.

And I think I saw that happening last year. I just kept very quiet about it, but I know that it was happening. And I think some of those changes came about because of that. But now, if an association has been in existence for ten years, and they have their regular minutes. Or five years and they meet every month, and you have everything in order, I can agree with somebody like that.

But when you create some just to get where you want to go, and then forget about them all, I am sure that if you go back to some associations that we talked about last year, they have never met. They probably don't even know about the association.

And if you go to them and ask them for some minutes, they don't have any minutes. They never have any

records of getting together. It only happened that moment when they were trying to do that application. And I think Ms. Boston knows what I am talking about.

MR. BOGANY: Could I ask a quick, just one last quick question of Ms. Boston? In regards to -- I think it is some language in there that states that it has to be on file, the organization has to be on file. And everything, all of that has to be in place. What I am speaking of, in being able to get the information from them to us, and helping them in that process.

I guess I am more talking about, and I agree with the Mayor. Not to create anything. But we have got that already in the language, that it has to be registered and all that. I remember when we did the Six-Eight down in Houston. We had these superneighborhoods, and people were complaining, well, they are not really in our neighborhood. And they were really not.

And then we had the issues in the rural areas where we were trying to get neighborhood participation and you really didn't have one. The Lions Club was the closest one that you could call, quote. And I am just trying to define it a little bit better, that makes it work smoother for the developer and that neighborhood organization to participate.

MS. BOSTON: And just to clarify your

statement, they don't have to be formed until March 1. And so the developers or applicant or consultant community could easily be going to work or trying to create an organization. And I am not saying they will. I am saying conceptually, they could before March 1, and it would still meet all of our requirements. And so I think some of the Mayor's concerns are valid.

MR. BOGANY: Concerns is valid. Okay.

MR. SALINAS: You create one, and then after that, it doesn't happen, I think I can correct myself on one association that came to fight another housing project here that was created. But it really wasn't the association, as I found out later. It was just the other developer.

And I think -- we can deal with that, we can talk about that and not say any names. But I saw it happen. I just kept my mouth shut. But I just didn't believe in it, because it was wrong.

MS. BOSTON: Although that one did accurately meet all of our requirements, interestingly.

MR. SALINAS: Exactly. And it was not fair. But if you go back right now, and try and see how many meetings they have had, since that happened, they probably don't even know about the association. That is what I am saying. And I respect everything you do, but --

MR. GORDON: I am not sure that the language that you are going to see in the QAP is going to stop that from happening. But I think I have kind of gone back and forth on this issue, and there was some abuses that I think we are trying to stop.

And maybe the best solution would be to go with the language the way it is now, and see how it pans out after a year. This is an evolving thing. And I agree with Shad. We want to get participation. But we also want to stop a lot of the abuses.

MR. SALINAS: And then you have different areas, like El Paso, have a lot of nonprofits. And they have a lot of people meeting on other issues like water and sewer and colonias, because we have done a lot of appropriations to a lot of nonprofits. And I have never seen so many nonprofits in my life, more than El Paso. But they are active, because I have been there and met with them.

And there is a lot of people meeting. But they are constantly meeting on changing contract-for-deeds and stuff like that. Now, those are associations that meet almost every 30 days.

Now, when somebody like that opposes something, or supports something, now you have a real association. But in other parts of the area, the State, especially

mine, they don't. You know, so I think dealing with what you have already proposed would be a good solution.

MR. CONINE: Could I get a quick refresher course on the scoring of the letters in both the urban and the rural areas, real quick? On the zero, nine and 18? Can you refresh my memory on what is happening there?

MS. BOSTON: As crafted now, we are doing a -- it is a zero to 24 range like it was last year in the 2005. So zero is the maximum opposition. 12 is no letter and no neighborhood in your area, whatever that requirement is. It is basically like, the equivalent of zero.

MR. CONINE: A neutral.

MS. BOSTON: Yes. And then a positive 24 is the maximum number of points for support. And then we have a couple in between. So if you have one reason, you would get positive 13, which is one point above neutral. If you have two reasons, you would get positive 18. And then if you have the maximum number of reasons, you would have a positive 24. And then a similar scoring goes reverse from 12 down to zero for opposition.

MR. CONINE: And the sample letter on the site coincides with those 1, 2 and 3s you just --

MS. BOSTON: The template letter on the site does not -- it tells them, here is where you need to list

your reasons. So for instance, we go through all the requirements of this section that they need to be on record, that it needs to include the development within their boundary site. Whatever our documentation requirements are, bylaws, whatever. We say all that in the letter.

We point out to them that they actually need to attach these things, and then for a certain part, we just say, name your reasons here. Now, elsewhere in their packet, we have a Q and A. And we do explain to them, if in the reasons section, you give us one, you will get this. If you give us two, you will get this. So as long as they look at the packet, which we have purposely done a lot of review, tried to get feedback on it to make sure that it is understandable and straightforward.

MR. CONINE: And so two applications in the same town. One has a homeowners' association next door and the other one doesn't. What are the scores going to be?

MS. BOSTON: Assuming that the first one got a letter of support, and that letter was eligible, then the score would be 24, and the one without a neighborhood would get a 12.

MS. ANDERSON: If they gave three reasons.

MS. BOSTON: Yes. Thank you.

MS. ANDERSON: Otherwise, it would be like, plus 13 and plus 18?

MS. BOSTON: Correct.

MR. CONINE: And is that a statutory requirement, or is that one that we crafted? The scoring requirement?

MS. BOSTON: The requirement to score for quantifiable community participation where the development is included in the boundaries, and it is on record with the county or state is a statutory requirement. The additional language of how we have said we are going to do that is a Board policy.

MR. CONINE: I am a little uncomfortable with that huge point differential.

MR. SALINAS: Why don't we do away with the associations?

MR. CONINE: When there is no association. You are creating a motivation to establish an association by having that.

MR. SALINAS: Yes. That would take out the whole problem. We just have people dealing with people.

MR. CONINE: But we can't on a [inaudible]. We don't have it -- if a project in the same town that doesn't have a homeowners' association --

MS. ANDERSON: It can only get twelve points

under the current language.

MR. CONINE: Under the statute or under our language.

MS. ANDERSON: Under our scoring --

MS. BOSTON: And the statute requires that it be the second highest scoring item. So it has to have a lot of oomph. And for us, and we are not allowed under statute, in our interpretation to give points if you don't get the support. So if you make that spread closer together, it won't have second highest value, in our interpretation.

MR. GORDON: So you are saying, so if there is not a homeowners' association, there is nothing to say that we could give points just because there is not one. That may violate statute, is what you are saying.

MR. HAMBY: Yes. If you look at the Attorney General's ruling last year, in this case, although it seems counterintuitive except maybe to lawyers, that twelve is zero. In this case, twelve is zero, because there is no one.

MR. SALINAS: You can see why the developers are trying so hard. It is twelve points.

MR. HAMBY: Sure.

MR. SALINAS: And trying to create associations, and trying to bring them up. I mean, do we

have to have them?

MR. HAMBY: Yes. That is the policy set by the -- it is in the statute as a policy decision by the Legislature that it is not only required, but it is the second most required issue. They even put the community groups ahead of themselves in the ranking of importance,

MR. CONINE: We certainly need to -- in my opinion, we certainly need to consider asking them then to fix this problem, because it is really not fair.

MR. HAMBY: Well, and that -- when we have had that question brought up to us, we have made the comment back to people that that is a statutory fix, and not anything that we can do, because we are limited by what we can award.

And the only -- and I haven't discussed this with Brooke, so she would freak out with this. But the only other thing we could do, if you are talking about your, can they fax versus not fax. We might be able to put a de minimis clause and a de minimis gift, and put a maximum on that.

So if you have a \$50 maximum gift, they certainly couldn't pay an attorney to organize, do the LLCs and the other questions that the Mayor brings up. They certainly could fax. They could probably even Federal Express. But if you assigned secretarial time to

drafting a letter, it may not fall under the \$50.

So they could require the people to do some more. My fear is, if you start going down the road of what is allowed and what is not, is that you are creating a list that becomes -- again, it goes back to, is a limousine ride up here and dinner and hotels --

MR. CONINE: Well, there is a huge difference between something you have to pay a third party for, and a homeowners' association is a volunteer association in most cases. And volunteer time generally doesn't have a price to it.

MR. HAMBY: Well, most of these things would have a -- well, if a volunteer is doing it, that is not a problem at all. It is a question, the way it is worded, if we did and went back to the other way, where it put the period, and struck the new language, the way it is worded, it is money or gift that would change the people's mind.

But you would always argue that very few people will say, I got the money, and I decided I would do this.

I mean, it is not one of those confessions that people normally jump up and say.

So you end up with a question of how do we value that? And if you do a de minimis kind of question on it, you may be able to limit -- I mean, no one would consider a \$2,000 legal bill to create an LLC and register

them with the Secretary of State is a de minimis gift. Whether or not it would change their mind or not, that wouldn't even be an issue anymore.

MR. BOGANY: Could we put the de minimis gift in this QAP?

MR. HAMBY: I don't know why not.

MR. BOGANY: With the stipulation of the language that is already there. I just think to penalize somebody for faxing something up, I just think it is --

MR. HAMBY: What you are asking -- this is probably a Brooke question and not a Kevin question in this case.

MR. BOGANY: Okay.

MS. BOSTON: And I would just say, I think the solution would be that we would still do it through the certification.

MR. BOGANY: Okay.

MS. BOSTON: The neighborhood would have to certify to it, and then earlier in the QAP, where we have the applicant certify about their role in this, we would make them certify the same thing, that it doesn't exceed the de minimis, and if we wanted to do the value, he suggested \$50. I would want it to be clear that it wouldn't necessarily be something staff was researching, unless we potentially got an accusation.

MS. ANDERSON: Yes. I mean, I don't want you all to have to go get invoices from Kinko's on how much somebody paid for a fax.

MS. BOSTON: I am with you.

MS. ANDERSON: You know, and the development community has put us in this position by deciding they are going to turn around and be ugly to competing applications in their region and try to knock somebody off the list. And so the development community to some extent has created this quandary that we are in.

I always like to remember what our former Chairman, Mr. Jones said; you know, you have got to apply some common sense somewhere. But I have to say, I think -- I understand these are volunteer. But I think if a neighborhood association leader doesn't have the wherewithal to go fax something -- I mean, the developer can give them the packet.

And you know, walk them through how to do the letter the right way, and you know, and so forth. But if the neighborhood organization doesn't have the wherewithal to fax a letter, then I question their capacity to make an informed decision and write the letter. And I just get very concerned about where we draw the line here. And I know that you all have tried to address drawing a line with your language this year.

MR. BOGANY: Personally, you know, I agree with -- I agree with Beth too. But I think that Pat made a good point, Mr. Gordon, that let's see how it goes the way it is. And we can revisit it next year.

MR. SALINAS: They can revisit it.

MR. BOGANY: And take a look at it and see how the game plays. I do have a couple of concerns with what Mr. Conine said. And there should be a way to fix this, where if I don't have any neighborhood organizations, I have got a great spot for a community, that may even create some neighborhood organizations, them getting less points -- because just where I am, you almost are forcing them, the developers to go to certain spots with those.

And there ought to be a way to fix this issue.

And I hope the development community take another challenge and go to your legislator and fix it.

MS. ANDERSON: I think there is some understanding that that is an issue for the 2007 legislative session.

MR. BOGANY: Okay. And including the points being able to also give the points second priority, I think that creates -- if it wasn't a second priority deal, where we had to include that as second priority, I think that would help us a lot too, because it is not as important.

The other, my last point on the QAP that I didn't see. Last -- this year, we had a situation where there was a community -- and I will use New Braunfels -- that has never got a project. Never got one. We ended up, I don't know, I don't remember how we did it, but it worked for them.

But there are other communities out there that has never gotten a project. And is there anything in the QAP that addresses that issue, to be able to get this done? -- because I didn't see it when I read through it. I may have missed it, though --

MS. BOSTON: Not specifically. We continue to have exurban points. The Board continues to have discretion to make changes at the board meeting. We did not, as you may recall, we were trying very hard this time to not make significant changes.

We wanted the applicant community to feel comfortable with the QAP, having some consistency from last year. And we did not feel that coming up with an entire set-aside, or something that may have addressed that concern was -- we found that to be quite significant, and it would have been a big shift for the applicant community. So, no.

MR. BOGANY: Okay. So it is still up to our discretion that we get to a point, and we see that

something is out of kilter, that to make a decision and say hey, this is where we are going to go.

MS. CARRINGTON: I might comment. One of the last items on the agenda is the approval of the Affordable Housing Needs Score and the regional allocation formula. And part of that Affordable Housing Needs Score does take into account areas that have greater need. In other words, no resources of TDHCA's have gone into those areas. So it is not directly in the QAP, but it is a component of what developers look at, and how their score is put together, as they do look for sites.

MR. CONINE: Just to piggyback Mr. Bogany's comments, though, I think you could justify or -- every community in Texas has a need for a site at some level. But there is a difference between a need and a first-time project in that municipality, either city or county. And for us to have some scoring points for a community getting one for the first time, is a reasonable concept to me, because the program has been around for 16, 17 years now.

And there has been plenty of activity across the State, but there still are communities in Texas that haven't had one yet. And for those people trying to get one in a community that hasn't had one, I think we should consider that.

MS. BOSTON: Well, and we do. I guess my

clarification should be, we did not make any significant changes this year, based on the New Braunfels issue. Aside from the exurban points that we have historically had, we do have points already.

Four points if you are in a census tract where there has never been a tax credit property. So we have made efforts over the past few years to try and address issues like that. There just wasn't anything significant this year.

MR. BOGANY: Can I ask you one question. I just came up with an idea. I don't know if it is an idea. But anyway, what you said you get 17 points for the neighborhood organization because it has to have the second highest score. Am I correct?

MS. BOSTON: It was 24 points.

MR. SALINAS: 24.

MR. BOGANY: Okay, so you have got twelve and 24. Why couldn't you give some points from that 24 toward being in an area that has never gotten a project before, which would close that gap between that twelve and that 24. Still keep it the second highest ranking, but close that gap by creating that area that has never gotten points.

MS. ANDERSON: Mr. Hamby?

MR. HAMBY: Because the Legislature has

somewhat defined what the quantifiable community participation is. And it would not be that.

MR. BOGANY: Okay.

MR. HAMBY: That is for the public input side of it.

MR. BOGANY: Thank you.

MR. HAMBY: And to answer some of that, you have to remember that because of the rankings and the Attorney General opinion and the decisions of the Legislature, any points for this sort of thing would have to be below the line.

MR. CONINE: Right.

MR. HAMBY: Below the line. So you are not having huge impacts, even if you insert those questions.

MR. CONINE: Max is seven points and we have got four already sitting there, basically.

MR. BOGANY: Okay.

MR. CONINE: I have -- do you have an issue?

MS. ANDERSON: I have a question about the same general area.

MR. CONINE: Okay. Go, because I am going to change the subject.

MS. ANDERSON: Well, no, actually it is not about the gift business. But we don't have a motion on the floor on that. We have just been talking about it.

There is no motion on the floor on that. But around QCP, I have a question about the notion that, and I understand why we put things in the QAP a couple of years ago that if you did one reason, you got X number of points, and two reasons, you got more points, and three reasons.

And that was because the first year, you know, we got 200 letters and we rejected 180 of them. And so people said you didn't listen to the community. So we tried to spell it out there, with these one, two or three reasons.

But I, and I don't know if there is a different way to do the math. But the fact that you get twelve points if there are no neighborhood organizations, because that is the best we can do with the statute, but if a letter has one reason of opposition, the developer still gets eleven points.

So there is like almost no penalty to the developer for getting a letter of opposition that has one point. I mean, is there any way to address that, to make, if you get a letter with one reason of opposition, you get dinged a little worse?

MS. BOSTON: You could make it a three point increment instead. So let's say if you had one reason of support, you would get a 15 as opposed to a 13, which is still three points less than two reasons. And then do

that in reverse, so you would get nine for the opposition.

And I mean, that would just require revising one sentence and would add a little bit of differential there.

MR. CONINE: We are creating an unwieldy power for homeowners' associations, in my opinion. You know, when cities have someone, a landowner putting a gun to their head, they have what is called eminent domain. For affordable housing, we don't have that tool with homeowners' associations if they oppose us.

And this is just getting a little out of control for me personally. And for a developer to have to go to a homeowners' association saying the State Legislature says I have to have your letter. You have to have approval, and I can't give you anything for it, what is the motivation for a homeowners' association to say yes to affordable housing? There is none.

And we have got to be real careful here in getting this thing too layered and too complicated. We know we have a chance to fix it in the '07 Legislature and I think all of us are going to work toward that end. But to keep messing with the penalty side of this, with a hammer, is just a little disconcerting to me.

MS. ANDERSON: I agree with you, but I will note that I am not just messing with the penalty side of it. I am messing with the benefit side of it also,

because instead of getting 13 points, I am talking about giving you 15. So just understand that it would work both ways.

MR. CONINE: Right.

MS. ANDERSON: That said, I totally understand your comments. I am just trying to explore ways to mitigate the pain. Next topic?

MR. CONINE: You can make a motion if you like.

MS. ANDERSON: You don't hear me doing that. I just threw it out for discussion.

MR. CONINE: Okay. All right. I agree to some extent.

MS. ANDERSON: Okay. So next topic?

MR. CONINE: Four bedrooms. You knew that was going to come up.

MS. CARRINGTON: We were waiting, Mr. Conine.

MR. CONINE: It happens to be on my list.

MR. GORDON: We concede that. Right?

MR. CONINE: To show you what an open mind I have, I have at least -- I still do not believe that four-bedrooms are of a tremendous benefit to the apartment community. On the other hand, I continue to hear from everybody in the world that they need to be able to do them. And I am going to acquiesce to, I guess, to a 5 percent change in the ineligible, however you describe it?

The ineligible building type.

But I don't want to do it open-ended. I think there ought to be some evidence that there is demand for four-bedrooms in that community. And the only way I can see to do that would be through the market study. By them, by asking the developer if he wants to do four-bedrooms in a particular community to provide evidence that the four-bedrooms that are in that community already are rented up at a competitive level.

And I don't know whether 95 percent occupied is the right number, but that is the number that comes to my head, because that would, to me, be evidence that, number one, the private sector and the conventional sector had seen the need for four-bedrooms previously and decided to go ahead and build them.

And secondly, that the demand side had actually responded to those units being in place. If there are no four-bedrooms in the community already, then that tells me that the private sector has already kind of taken a hard look at that, and they have established that in the last 50 years, or however long, that there had been no demand for four-bedroom communities. So I think the issue of the fact that there are not being any four-bedrooms would kind of take care of its own self.

So I would propose an amendment to the QAP that

would ask for the market study to include a specific occupancy -- what is the word I am looking for? Analysis, if you will of the four-bedrooms in that community. And that we -- maybe 95 percent is too high a number. Maybe it needs to be 90 percent occupied. You know, I would be interested in staff's perspective on that.

MS. BOSTON: It might be helpful to ask Mr. Gouris to comment on that as well. The other thing I would just ask is that we get the clarification of whether when you say community, if you mean all units, or if you just mean affordable, as we look for the four-bedroom.

MR. CONINE: No, I would say all units within the demographic area that the market study encompasses.

MS. ANDERSON: The sub-market, or the --

MR. CONINE: Whatever the area. I don't want to get into that. We already have requirements for the market study and how far they can go out and I don't want to mess with that.

I just want to know -- you know what I am trying to get. I want to know if the four-bedrooms in that community that are there already are full, before we dump a bunch of more four-bedrooms in that same community.

MR. GOURIS: Tom Gouris, Director of Real Estate Analysis. In the market study guidelines we already require them to discuss the unit mix and if it is

appropriate or not. We don't have set guidelines to say, if occupancy for one-bedroom should be, three-bedrooms isn't 90 percent or above, it is not appropriate.

But we do ask them to opine on the appropriateness of it. We can look at that, and comment on it in every report. We can set the standard to be 90 percent which is what we usually use for stabilized occupancy for other issues.

MR. CONINE: Okay.

MS. ANDERSON: Just for the fours.

MR. CONINE: Just for the four. I don't want ones, twos, and threes. That gets too --

MR. SALINAS: How much is the rent for those four-bedrooms?

MR. CONINE: Well, I would presume that the rental rates have already been addressed in the underwriting side.

MR. SALINAS: But how much would they rent for a four-bedroom.

MS. ANDERSON: It depends on where it is in the State.

MR. GOURIS: That actually would be a factor that would need -- I mean, they could --

MR. SALINAS: But anything. Just an idea.

MR. GOURIS: Okay. And the other question I

would have for you, is how do you address single family rentals that are four-bedroom units. The market analysis might justifiably be able to say hey, this really should be included in the comparison, because this is what is renting at four-bedrooms, because there aren't any other multifamily four-bedroom units in the market.

MR. CONINE: My hunch is that would help them, but getting that information might be tough.

MR. GOURIS: Right. It is going to be extremely --

MR. SALINAS: \$500? \$600?

MS. ANDERSON: It totally depends on -- where the weights are set.

MR. CONINE: It depends on the income and the county.

MS. ANDERSON: Yes.

MR. SALINAS: Well, say it is \$600. How much would it take you to buy a house. I mean, that is -- if you are going to be competing with the first time home buyer.

MS. ANDERSON: I think that is part of Mr. Conine's --

MR. SALINAS: Why would I want to go rent a four-bedroom when I can buy a house, especially with the Lone Star program.

MS. CARRINGTON: Credit issues, Mr. Mayor, mobility issues.

MR. GOURIS: It may cause a conflict, more conflict for underwriting --

MR. CONINE: That doesn't bother me.

MR. GOURIS: We would gratefully take on the challenge to assure that we look at that issue specifically. And if we feel that the unit mix isn't appropriate, based on what is in the market study we would reflect that, and not recommend it.

MR. CONINE: Is there a tool readily available, and it is across the State of Texas for the market analysts to get that information?

MR. GOURIS: On single-family?

MR. CONINE: No. On four-bedrooms in general.

MR. GOURIS: No, I wouldn't think so. On what the occupancy rate for four-bedrooms --

MR. CONINE: Right.

MR. GOURIS: Not one, two. I think you could look to each market, and you could look to each -- you know, the data that is out there by the different firms, to see what occupancy rates are. But in the smaller markets in particular, I think that would be very difficult to get outside of the market analyst doing an independent survey. There is not a uniform information

available like that.

MR. CONINE: All right. Then the way to do this would be for the market analyst then to opine on a four-bedroom, and ask for that specifically in their market study.

MR. GOURIS: And technically, they are supposed to provide that already. And we can pursue that and enforce that to a higher degree, with the rules that we have already.

MR. CONINE: Okay. I am done.

MS. ANDERSON: I would like to -- where is Mr. Hamby?

MR. CONINE: He went to the bathroom.

MS. BOSTON: While we are waiting, I have a couple of corrections.

MS. ANDERSON: Yes. Good.

MS. BOSTON: On page 6 of the QAP, it is in the definition for an eligible building type. Under Paragraph G, we kind of made an error, parenthetical. Two parentheses and commas that makes it a little hard to read.

So I would ask that in Paragraph G, if you look at the second line, it says that additional units, open parens, and then about halfway through we have a comma and another open parens. What I would ask is if that we could

strike the comma, add the word and, and take out that second parentheses. And that kind of -- that is what we were after.

MS. ANDERSON: So it would read, other than a qualified elderly development and other than certain specific types of -- I think that is a change that is administrative in nature.

MS. BOSTON: Okay.

MR. CONINE: We'll make them.

MS. ANDERSON: But do you want a formal amendment for that?

MR. CONINE: Move for an amendment to the QAP.

MR. BOGANY: Second.

MS. ANDERSON: 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. The amendment passes.

MR. CONINE: Another one.

MS. BOSTON: Okay. And there are a couple more

I promised.

MS. ANDERSON: Okay.

MS. BOSTON: The next one is on page 37 of your QAP, at the very top two lines. Inadvertently, when we added, restructured the state rep points from eight back up to 14, we did not adjust the max total points at the top of the page. So we're the minimum now.

So the minimum would now be 125 points, as opposed to 122. And the max would be 209. So I just would like to make that. Again, that is what the points total up to now. We just forgot to fix it here.

MR. CONINE: Move for amendment.

MR. GORDON: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: 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 amendment carries.

MS. BOSTON: Last one. And I think because we have already taken care of the HUB language, this is a moot point. But there was a part in your blackline on page 46 where we had shown new language for the HUBS at

the very top.

And then we had old language. And it starts with evidence that -- I just want to be clear that based on the changes we made earlier, that paragraph will also be stricken. And then we'll just go with it.

MR. CONINE: Move for amendment.

MR. SALINAS: What is this?

MS. BOSTON: Yes.

MR. CONINE: The second paragraph.

MR. GORDON: Second.

MS. CARRINGTON: Beginning with evidence and ending with tax credits.

MS. ANDERSON: Discussion?

(No response.)

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The amendment carries. I have a question for Mr. Hamby and Brooke. This is about the comment that was made, Mr. Dunn made earlier about the change to the -- or the expansion or whatever you want to call it about around the definition of a local political

subdivision, and our addition under the government instrumentality's creating statute states that the entity is not in itself a political subdivision.

You know, I want to make -- I believe the staff made this change to be very clear that economic development corporations and housing finance corporations and like bodies would be eligible if they put money into these, they can get the points for local funding. But I also appreciate Mr. Dunn's position, and we don't want to just create language that confuses things. So I would like for you to address that for us, if you would.

MR. HAMBY: Well, and I will start by saying that I have this from the people who worked on this, because I obviously was not here last year when this was being done. But the logic indicated that because you would end up, the people should not be subjected to just random legal interpretations, I might have interpreted it differently than someone else had.

And the point of adding in the other additional quote, or the other additional definition was to clarify as much as possible. Not create new rights, but clarify as much as possible what the existing rights were. And so reasonable minds could read it and say that it is redundant and unnecessary, and other people could say it clarifies where I wanted to be.

So I mean, certainly, as long I am here, I don't think you are going to have a harm if you pull it out. If I am not here, then it could be that the next person reads it completely differently whenever they are doing those interpretations that staff brings up. So I believe the goal was to give that as tight a definition as possible.

And I, like other people, do not like to create new terms, especially terms of art, because then you are limited in what you can do on anything else. But in this case, there was enough concern in the community to where it was asked to be addressed. And enough concern by the staff, so that they were not -- every single issue was not a legal discussion to try to determine whether or not they would be qualified under those points.

MS. ANDERSON: So we had comments during the cycle, or during the public comment period from entities that asked for clarification about whether or not they would be considered for purposes of funding and the points associated with that funding?

MS. BOSTON: Correct. During, before the application cycle started, and then even once they were turned in, whenever it was something that we had any concern that we weren't sure about at the staff level, we would send it up to Legal and ask Legal to give us kind of

a definition so that we knew.

And he would make, that staff attorney at the time would make a determination and tell us, yes they are okay or no they are not. So I think he was just trying to make an effort at getting that done up front as across the board for people.

MS. ANDERSON: Thank you.

MR. SALINAS: What is the deal?

MS. ANDERSON: I just wanted to understand. I am not proposing to change the language from the way the staff has drafted it. I have, but I do have an amendment for the Board's consideration. And this is concerning Item 50.360, definitions of persons with special needs. And the amendment, the proposed QAP language expands the definition of persons with special needs this year to include "and populations identified as impacted by federal or state declared disasters."

MR. CONINE: What page are you on?

MS. ANDERSON: I am sorry. I am on page 4 of 29 in the reasoned response.

MS. CARRINGTON: Page 7 of the QAP.

MR. CONINE: Okay. Thank you.

MS. CARRINGTON: Item 60.

MS. ANDERSON: And you know, we are all acutely aware of the recent events with Hurricane Katrina and

Rita. But the reason that I am proposing an amendment to remove that clause about federal or state declared disaster is, this is a point item. And so to me, everyone will apply for those points.

Everyone will get those points. And so it doesn't create a differentiation in a scoring system where we are trying to get differences in scores. You know, we don't want to encourage ties. So I don't think it is justified as a policy position on that basis.

And what I am particularly concerned about then is the downstream affect on the other section of the QAP that says that developers have to hold open -- and I think it is 5 percent. I can't remember what percentage of the units it is.

MS. CARRINGTON: Ten percent.

MS. ANDERSON: Ten percent of a 250-unit deal, you have got to hold 25 units open. And while I am perfectly willing, I mean, and in support of holding units open for people with special needs as we have traditionally defined them, I think to ask a developer to hold 10 percent of his stock open like waiting for the next disaster, it harms the deals financially. It stops them from getting their revenue stream up.

And so my amendment is to remove the language: and populations identified as impacted by federal or state

declared disasters. And now I will see if I get a second.

MR. CONINE: Second.

MS. ANDERSON: Discussion?

MR. SALINAS: I agree with you.

MS. ANDERSON: Discussion? Questions?

(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. Anybody have anything else? Any other discussion on the main motion?

MR. GORDON: Did we approve the language that Brooke came up with on the HUBs?

MS. BOSTON: Yes.

MR. GORDON: The amendment?

MS. ANDERSON: Yes.

MR. GORDON: We approved that language?

MR. CONINE: We did.

MR. GORDON: Okay. All right. I'm done.

MS. ANDERSON: Good. Then we have a motion, and it has been seconded. Hearing no discussion, I assume

we are ready to vote on the motion. All in favor of the motion, please say aye.

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Thanks to staff. And I want to thank all of the development and the rest of the stakeholder community for your comments during the public comment period for the 2006 QAP.

MS. CARRINGTON: I would like to also echo my thanks to the 97 folks who showed up at the public hearings, most of them to speak about the Qualified Allocation Plan. Staff, for holding those hearings, and also for the work on the 2006 Qualified Allocation Plan.

MR. CONINE: Are we going to eat lunch or what is the program here? Are we going to go to about 1:00 maybe? 12:30?

MS. ANDERSON: I think we are going to be finished pretty quickly now.

MR. CONINE: Okay.

MS. ANDERSON: I don't have much more public comment and I think we ought to just --

MR. CONINE: Blow on through. Okay.

MS. CARRINGTON: The next item for the Board's consideration is the set of rules -- it is 3(b) -- for the

HOME Investment Partnership Program. And again, two actions for the Board's consideration, and one is to repeal the 2005 HOME rule, and then also the adoption of the 2006 HOME rule.

I first would like to read into the record a statement related to our HOME rules and a further investigation or a further look at these HOME rules. So with the Board's indulgence, I would like to read a statement that our General Counsel and Multifamily Director have crafted for me.

And it reads as thus: staff realizes that some concerns regarding the single-family component of the HOME program may exist. In recognition of that, we propose to review the Single-family HOME Program at the December Programs Committee meeting. Today however, it is important for the Multifamily Program that a 2006 HOME rule be adopted.

The Department is statutorily required to have a uniform funding cycle, and due to the timing of the tax credit preapplications and the uniform multifamily workshops that will occur at the end of this month, the HOME rental notices funding availability, NOFAs should be released in the next several weeks. If this 2006 HOME rule is not approved today, the 2005 HOME rule will govern the 2006 HOME NOFAs because the rule in effect at the time

a NOFA is release is the rule that governs that NOFA.

This is problematic for the Department and applicants because the 2006 HOME rule as proposed to you today for adoption has revisions that ensure consistency between the HOME and housing tax credit programs for 2006 related to ineligibility, processing and ineligible building types. All important issues in the housing tax credit process for layering proposals.

Therefore, staff recommends that the Board approve the rules as proposed in your board book, with the understanding that the Board will see these rules again as they relate to the Single-family HOME Program before any NOFAs are released. The rules will be used for the multifamily HOME rental NOFA being released to coincide with the housing tax credit cycle.

The Department will return to the Board with proposed modifications or alternatives for the Single-family HOME Program. These changes may be reflected primarily in the guidelines and manuals for that program, but to the extent necessary, may further revise the rule under a new round of rulemaking. Only with Board approval of newer revisions to the rule and to the program guidelines will the Department proceed with a single-family NOFA.

This recommendation allows the Board the time

it needs to further research the Single-family HOME Program while enabling the Multifamily Division to proceed with a consistent uniform cycle for the HOME and housing tax credit rental programs.

End of statement to be read into the record.

With that, what we have for you today, again, in the same kind of format as we had for the Qualified Allocation Plan. You may remember when the draft rules went to the Board in September, that 53.53(k) was language that was added into the draft rules at that time. And this is language that addresses services provided by third party organizations, including contractors and consultants.

And it also addresses matching funds available to smaller and poorer communities. That was new language, but you saw it in the draft when it went out. It was drafted to address some of the issues that we had in the 2005 HOME cycle. We have provided you a reasoned response.

The commenters on the HOME program are on page 5 of 5. We had 21 comments related to various provisions of the HOME rules. And with that, basically, on the comments that we received during the public hearing cycle, there are no changes to the rules that are being proposed as a result of public comment. And staff is recommending

the repeal of the '05 rules and the approval of the '06 rules.

MR. CONINE: Move to repeal the 2005 HOME rules.

MR. BOGANY: Second.

MS. ANDERSON: 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.)

MR. CONINE: Move to adopt the 2006 HOME rule as presented.

MS. ANDERSON: Discussion.

MR. BOGANY: Second.

MS. ANDERSON: Thank you. 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.

MS. CARRINGTON: Item 3(c) is the repeal of the 2005 Housing Trust Fund rules and the approval or the adoption of the 2006 final Housing Trust Fund rules. There are no changes at all related to these Housing Trust Fund rules.

There is no difference in what the Board approved as a draft in September and what staff is recommending for approval. And on the second page of your writeup, you will see that we did have three comments related to our Housing Trust Fund rule.

MR. CONINE: Move to repeal the 2005 Housing Trust Fund rules.

MR. BOGANY: Second.

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.

MR. CONINE: Move to adopt the proposed 2006 Housing Trust Fund rules.

MR. BOGANY: Second.

MS. ANDERSON: 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. CARRINGTON: The next item for the Board's consideration is the Real Estate Analysis rules and guidelines; again, adoption of a repeal of existing rules and then adoption of a new title of the 2006 Real Estate Analysis rules. We have divided these comments actually, into two sections, beginning on page 2 of 30 of the reasoned response.

There were a couple of substantive comments related to the REA rules. There were no changes related to those. And then we also have some administrative clarifications and changes beginning on page 3. And these are administrative changes and clarifications, but they are different than what the Board did look at, at the draft that went, that came to you in September of this year.

We had a few commenters on the Real Estate Analysis rules. That was on page 8 of 30. We actually had three individuals who did comment on the REA rules, and I am sure that Mr. Gouris would be happy to come up

and talk about any of these administrative changes or clarifications or not, as the case may be.

MR. CONINE: Move to repeal the 2005 Real Estate Analysis rules.

MR. BOGANY: Second.

MS. ANDERSON: 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.

MS. CARRINGTON: The last set of rules --

MS. ANDERSON: We have got to adopt the new ones.

MR. CONINE: We have got to adopt the new ones.

MS. CARRINGTON: We are just doing so well here.

MR. CONINE: Tom would really go crazy. He is already crazy enough.

MS. CARRINGTON: Sorry, Tom.

MR. CONINE: Move to adopt the 2006 Real Estate Analysis rules.

MR. BOGANY: Second.

MS. ANDERSON: 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.

MS. CARRINGTON: The last set of rules for the Board's consideration are the Portfolio Management and Compliance rules. Adoption of a repeal of the current rules, and then adoption of a new title for the rules for 2006.

While there are no changes that are being proposed in these rules based on public comment, we did receive what we thought was a very good public comment related on our REA rules, and that is on the second page of the writeup. And it addresses training for managers, for onsite individuals who are submitting information through our compliance monitoring and tracking systems, CTMS, which is a system that we have created internally. And it is used by the Department to gather information on properties.

So we are putting together a training program that we will be making available for onsite personnel to be able to use this system. So we think that was a really good suggestion, and we appreciate that.

MR. CONINE: Move to repeal the 2005 Compliance Monitoring policies.

MR. BOGANY: Second.

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.

MR. CONINE: Move to adopt the 2006 proposed monitoring policy.

MR. BOGANY: Second.

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.

MS. CARRINGTON: The next group of items for the Board's consideration is this Item 4, and it will be Item 4(A) and then 4(b). Item (c) has been withdrawn from

the agenda.

Item 4(a), the Attorney General requires every two years for state agencies to put out a request for proposal for various legal services. And in the Department's situation, we put out an RFP for outside bond counsel, and outside disclosure counsel also. Both bond counsel and disclosure at this point had been -- the AG's office does also allow us to extend the contracts, and so both of them are working now under a contract extension.

We did publish the RFP. We received three proposals, two for bond counsel and one for disclosure counsel. And actually only one proposed to be bond counsel; the other actually proposed to be named as a co-counsel. And what staff is recommending is that Vinson and Elkins be named as bond counsel for the Agency, and that McCall, Parkhurst and Horton be named as our securities disclosure counsel.

MR. CONINE: Move for staff recommendations.

MR. BOGANY: Second.

MS. ANDERSON: 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.

MS. CARRINGTON: The next item for the Board's consideration is 4(b). And I always feel better when Mr. Johnson kind of makes his way up to the front.

Thank you, Mr. Johnson.

What we are asking for in 4(b) is a resolution authorizing the use of TDHCA's single-family mortgage revenue refunding tax-exempt commercial paper program to manage the remainder of our volume cap for 2005.

We have about \$47.9 million in volume cap authority that is remaining. And TDHCA actually first authorized -- the board first authorized the use of commercial paper back in 1994. And we really use it for two purposes.

We use it to recycle mortgage prepayments and recycling of unexpended bond proceeds. And then we have also created this use for being able to actually manage our unused volume authority.

And so what we are requesting from the Board today is the ability to use our commercial paper program to manage the unused volume cap authority under single-family. And if the Board grants this authority today, then we will be going to the Bond Review Board -- is it

next week?

MR. JOHNSON: Next Thursday.

MS. CARRINGTON: Next Thursday to ask the Bond Review Board to increase our amount eligible or available under the commercial paper program up to \$200 million and to approve the use of the commercial paper program for the \$47.9 million.

MR. CONINE: So moved.

MR. BOGANY: Second.

MS. ANDERSON: I just have one question. What is the current balance in the CP notes program?

MR. JOHNSON: Byron Johnson, Director of Bond Finance. \$75 million.

MS. ANDERSON: Well, I mean, that is the ceiling that we are allowed right now. Right?

MR. JOHNSON: That is the maximum outstanding we are permitted by the Bond Review Board.

MS. ANDERSON: And what is our actual outstanding to date?

MR. JOHNSON: \$75 million.

MS. ANDERSON: Okay. So we are at, we have bumped our heads on it.

MR. JOHNSON: Yes, ma'am.

MS. ANDERSON: Okay. Thank you. Hearing no discussion, I assume we are ready to vote. All in favor

of the motion. Oh, we need the resolution.

MS. CARRINGTON: Resolution number 05090.

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.

MR. JOHNSON: Thank you.

MR. CONINE: Can I ask a question Ms.
Carrington? Not necessarily of Mr. Johnson, but --

MS. CARRINGTON: I am sorry, Mr. Conine. Would
you reask your question, please?

MR. CONINE: Well, I haven't even asked it yet.
But it occurs to me that we have an unusual phenomenon in
the multifamily bond capacity this year. And is there a
similar sort of execution we could do to preserve
multifamily bond cap?

MS. CARRINGTON: Is bond counsel still around?

MR. CONINE: Ms. Rippy. Knew we would put you
to work, once we hired you.

MS. CARRINGTON: We still are going to
negotiate the rates, Mr. Conine.

MR. CONINE: Okay.

MS. RIPPY: Elizabeth Rippy with Vinson and

Elkins, bond counsel. Thank you for extending our contract. We appreciate that. And there is not a similar -- well, let's see. There is a way to apply for volume cap. You can apply for carryforward. It requires the Governor's Office's approval -- the Governor's Office approval on any application.

You have to have identified specific projects so the development community would have had to have submitted specific multifamily projects that they want to obtain carryforward of 2005 allocation into future years.

As far as just -- you know, if what you want to do is just say, we are going to set this aside for multifamily, but you don't have identified projects, the current statutes in Texas do not allow you to do that with respect to multifamily.

MS. ANDERSON: With the Governor's waiver of a number of statutes related to Katrina and Rita, I would be hopeful that those waivers somehow would apply to -- if we didn't have specific deals identified for carryover, but we could identify specific counties to which we wanted to apply the carryover that are the Rita-affected counties, that they might -- I certainly am not speaking for them. But I would hope that if the waivers of statute permitted them to do that, that they would look favorably on that.

MS. RIPPY: We can have those discussions.

That will be a determination by the AG's office.

MR. CONINE: I have got a little broader indigestion, in that the multifamily bond cap isn't treated the same way single-family is. Is that in -- you are telling me that is in statute?

MS. RIPPY: It is statutory.

MR. CONINE: We need to get that on a list to go try to fix. I mean, that just doesn't quite seem fair. Thank you.

MS. RIPPY: Noted.

MS. ANDERSON: Do we --

MR. CONINE: Yes. We voted on that one.

MS. ANDERSON: That was 05090.

MS. CARRINGTON: Yes. The next item, 4(c) has been withdrawn. We were able to work out our arrangements with the current liquidity provider, so there is no need for discussion on that item. The next for the Board's consideration is --

MR. SALINAS: Did we get the resolution voted on?

MS. ANDERSON: Yes. We voted on it. She gave us the resolution number right before we took the vote.

MR. GORDON: She did.

MS. CARRINGTON: The next group of items for the Board's consideration is Item 5, the Rolling Creek

Apartments in Houston has been withdrawn from the agenda today. So the other item for the Board's consideration is Coral Hills Apartments, located in Houston.

TDHCA is the issuer on this particular transaction, for an issuance of \$5,320,000 in tax-exempt bonds, and tax credits in the amount of \$214,140. This is an acquisition rehab property. It was built in 1974. It consists only of one- and two-bedroom units. And the resolution number on this transaction is 05087.

At the public hearing there were actually a number of people who did sign up initially at the public hearing. And when you read the transcript, basically, those who came to oppose, after they had the discussion with the developer, there was no one that did speak against this development.

There are some conditions. This on page 2 of your underwriting report. We are looking for a property condition assessment, a revised PCA that would outline for us the reasonableness of the planned repairs and their costs, along with a 30-year pro-forma. We are also looking for a revised permanent loan commitment on this transaction and an increase in the debt of up to about -- by about \$315,000.

It is a very dense development. It is about 40 units per acre. Again, it is an existing development.

Staff is recommending both the allocation of the tax-exempt bonds and the allocation of the tax credits. And that is resolution 05087.

MR. BOGANY: So moved.

MR. CONINE: Second.

MS. ANDERSON: I just -- before we vote on this, I just want to tell Mr. Jackson. I haven't forgotten you. And you will speak in just a minute, if you are, I assume, you are still in the room. I didn't want you to think I have forgotten you.

Okay. So we have a motion on the floor. I have Jon Killough here for Coral Hills if anybody on the Board, if anybody has a question. Is that really the purpose of your being here?

MR. KILLOUGH: I am available for questions.

MS. ANDERSON: Okay. Thank you. Discussion 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. Now, I have

public comment on 5(a). As we know, that is being deferred to December. But I have Mr. Charles Jackson here to speak on that agenda item.

MR. JACKSON: Chairman, Fairbanks entered a partnership --

MR. CONINE: You need to come to the microphone.

MS. ANDERSON: Thank you, sir.

MR. JACKSON: Charles Jackson. And knowing that this item had been moved to December, I came here to answer any question that might have arisen from the large binder of information that we had submitted in writing. So if there are any questions on that binder, I would be happy to address the Board on those. Thank you.

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

MS. CARRINGTON: 6(a) -- no, 5(b). Right. Okay, moving to 5(b), we have -- the agenda had a total of ten developments listed. We actually have a total of nine developments that are requesting inducement for both a combination of the 2005 waiting list and also for 2006 for private activity bonds. The development that has been withdrawn is the Residences of Sunset Point Apartments, which is a 2005 development.

So if you look at the board writeup, pages 1 of

2 and 2 of 2, we actually have two resolutions that we are asking the Board to approve today. Seven of those resolutions relate to applications that will be 2005 volume cap authority.

There is still approximately \$300 million that is available for 2005 for the program year. And that is very much what Mr. Conine was alluding to just a few minutes ago. And the resolution number for the '05 transactions is 05088. And then there are two applications or inducements for 2006, and that is 05089.

And as is our practice, we have included for you two pages. It is a spreadsheet behind the brief introduction about these developments. It tells you how many units, whether it is serving the general population or elderly, what is the anticipated bond amount, and information on the developer. There is actually one of these transactions, and it is one that is a 2006 application waiting list that is going in as an intergenerational development.

So that is a term that we have coined over the last several months, basically at the request of the Bond Review Board. It is also a definition now that is in our Qualified Allocation Plan. And so we have elderly, we have general, and now we have intergenerational. And staff is recommending the approval of both of these

resolutions.

MR. BOGANY: So moved.

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, please say aye.

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: Moving now to Item 6(a). And this item concerns --

MR. CONINE: Before we move on, we had a discussion about the multifamily bond cap. And Ms. Anderson brought up the potential of looking at designated certain counties.

I would like also for the research to be done on converting the multifamily cap to single-family and what the consequences of that might be. For the next meeting -- not now but for the next meeting. She is probably going to tell me I can't do that either, but I would just like to hear it one way or the other from staff.

MS. CARRINGTON: Can I tell you that it is in statute in the Bond Review Board's rules on how that cap is divided up?

MR. CONINE: All right.

MS. CARRINGTON: It is statute as to how much goes to what set-aside.

MR. CONINE: Okay. Then I think Ms. Anderson's suggestion of looking at the waivers the Governor has put forward is a good one.

MS. CARRINGTON: Item 6(a) is a two-part request from staff. One of them is to make an award of \$797,678 in the form of a zero percent loan for a term of 30 years to an application that was placed with the Department and the Central Texas Housing Consortium in March of 2005. And they did apply under the HOME open cycle NOFA.

The second action that we need on this is that initially when our HOME rules were put out, when our HOME rules were adopted, housing authorities were not an eligible -- public housing agencies couldn't own or lease properties and be eligible under the HOME program. HUD then changed their rules. And now, housing authorities are eligible, can be owners, can apply.

And so basically, this is really a two part. We need first a waiver of our 2005 HOME rules that have

determined that housing authorities, public housing authorities cannot own or lease projects, which our rules are now inconsistent with HUD's rules. So we need to waive that.

We have fixed that for '06. So our HOME rules for '06 are consistent. And that is a waiver of 53.564 of our HOME rules that you just repealed. And then an award of \$797,678 in the form of a zero-percent 30-year loan.

MR. CONINE: Okay. I am going to move that we waive the 2005 HOME rules for the purposes of consideration of this request.

MS. CARRINGTON: Okay.

MR. BOGANY: Second.

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.

MR. CONINE: Now -- well, let's get the motion on the floor. Let's move the approval of the request for \$797,678 for the Central Texas Housing Consortium.

MS. ANDERSON: As a zero percent?

MR. CONINE: Let's get it on the table, and then we'll discuss amending it.

MR. BOGANY: Second.

MR. CONINE: I'd like to hear from staff, you know, how the discrepancy of the income side was -- how it came about.

MR. GOURIS: Tom Gouris, Director of Real Estate Analysis. A couple of things. We had communications with Ms. Bozon before we finished our report. We didn't describe to her specifically that we were recommending exactly a 26 percent increase in the rents, in the basic rent level.

There are a couple of things that I think are illustrative of what this market can bear. And one is the market study. And if you will look on our underwriting report, the market study exception says the estimated market rents for this area, for the one-bedrooms are 405 compared to the 250 that they currently have as a basic rent. 500 for the two-bedroom compared to 312, and 600 for the three-bedroom.

So the market rents as established by the market analysis are considerably higher than the rents that they are charging at this; the basic rents that are there. In addition to that, this property is a USDA property. And as with all USDA properties, they have a basic rent that they charge. If they charge above the basic rent, those funds above the basic rent go back to

USDA.

And in this case in fact, they are charging above the basic rent on a number of the units, to such an extent that the projected rents, their own projected rents provide an effective gross income that is just one percent less than what we would be recommending with a 26 percent increase in the rents.

So they are in fact charging a considerably -- for a number of their units, they are charging more than the basic rents already. And that money is just going back to USDA as additional interest payment. Our proposal was to try to capture some of that difference and use it to repay our debt, and restructure the basic rents so that that would be achieved.

We have explained that to the applicant, but I think she is -- I think they are looking for relief for other reasons. I think they are just concerned that it is a tight deal like all USDA deals. It is a very tight deal, and they would just like to have the luxury and freedom of having it not being so tight with it not being a loan.

MR. SALINAS: What if they don't do the project at all, period?

MR. GOURIS: The project already exists. And it is already operating. And it is pretty well leased at

the present time.

MR. SALINAS: I mean, the repairs?

MR. GOURIS: I am sorry?

MR. SALINAS: The repairs?

MR. GOURIS: We went and inspected the property. And it is in need. The interiors are in need of some repair. I think if they didn't get this approved now, they would come back or try to find another source to do the repairs over time.

MR. CONINE: Are the repairs proposed to the interior of the units of a nature where the current resident is going to have to move out in order for those repairs to be done?

MR. GOURIS: I think in a couple of units that might be the case. I think that what they were going to do is move them temporarily, especially if they are replacing cabinetry and stuff like that. They move them out and then move them back in. And there is enough room in there --

MR. CONINE: Is there a time limit that these funds have to be expended?

MR. GOURIS: As far as how fast they have to spend these --

MR. CONINE: I mean, yes. If you have got a couple of vacant units in a 40-unit project, it takes a

while to work through all that.

MR. GOURIS: Yes. Two years. I guess two years to do this.

MR. CONINE: Two years. Okay.

MR. GOURIS: We also have talked and are trying to increase our communication with USDA about this and other properties like this that we have been funding and we are funding. And are trying to improve our partnership with them, because they are going to want to look very specifically at the need assessment as well, and make sure that the property can support and needs to take on this additional debt.

So one of the major features of this report, and future reports is going to be a heavier reliance on USDA also approving the transaction, and what we are doing so that we can build that partnership a little bit better.

MR. CONINE: You know, we had had that, Ms. Carrington, on our list of things to do at the Board. Have somebody from USDA come over and address the Board on an educational workshop session if nothing else. Where are we at with, since I am going to deviate for a minute, where are we at with that?

MS. CARRINGTON: We certainly can do that. I mean, staff has been meeting with USDA employees in Temple, and the rural rental housing as Mr. Gouris says,

to try to improve our relationship and communication. We can certainly extend an invitation to the State Director if you would like, at the December meeting, or at some future meeting, to come address the Board.

MR. CONINE: Yes. I would hope that we would schedule that fairly soon. It doesn't have to be December, but --

MR. BOGANY: I have a question. Go ahead.

MR. SALINAS: What this lady was asking for is a grant?

MR. GOURIS: Initially she was asking for a grant. I think now she is asking for a deferred forgivable loan.

MR. SALINAS: Can we do anything like that?

MR. GOURIS: Yes, you can.

MS. ANDERSON: Have we done -- I mean, I am concerned about the precedent and expectation setting. You know, we do this for this one, and then everybody is going to come in and want a deferred forgivable loan, and we get no recycling of the HOME funds that way.

So have we done this before for other applicants, where we gave them a grant when they -- rather, has the Board overturned a staff recommendation before, where you are asking for a zero percent amortizing loan and the applicant asked for a grant? In the last

couple of years, have we --

MR. GOURIS: I don't recall.

MS. ANDERSON: So this would be the --

MR. CONINE: We may have, in a situation where it underwrote at a higher level than the rents, than the market study said the rents could provide. Here we have a market study that says you can get more rent. And the crux of the issue as I see it is, you are going to go spend 20 grand a unit to fix it up, and they are not expecting to pay any more rent. And I don't think that is even a reasonable request.

MS. ANDERSON: Right.

MR. CONINE: So the motion. I think we have a motion.

MS. ANDERSON: Yes. Well, we have to vote on it. We need an amendment.

MR. CONINE: The staff's recommendation is a zero percent --

MR. GOURIS: Thirty-year --

MR. CONINE: Thirty-year --

MS. ANDERSON: Okay. And that was the intent of the motion you made when you got it up on the floor? Okay, fine.

MR. BOGANY: I have a question. So if they agree with the 30-year, zero-percent, how much would that

raise the tenant's rent? Is that the 26 percent that we were --

MR. CONINE: Right. Yes.

MR. GOURIS: Yes.

MR. CONINE: After the improvements are done.

MR. BOGANY: Okay.

MR. CONINE: And I think it is up to the applicant, if we approve it as staff recommends, it is up to the applicant whether they want to close it or not.

MR. SALINAS: They might not want to close it.

MR. CONINE: Right.

MR. SALINAS: I think this has gone -- I think this is going to leave it on the table and not accept your proposal. Apparently, they cannot afford any more rents, whoever is there living in that complex. I think that is what she was trying to get across to us.

If you are not going to give her a grant, don't give her anything. I mean, let them move somewhere else, find them somewhere else to live.

MS. ANDERSON: But if we approve it the way staff recommends it, then we put that decision back in her hands.

MR. GORDON: It is their choice.

MR. SALINAS: Why don't we table this until you get together with the USDA? No?

MR. CONINE: Have you already -- and you have already spoken to them?

MR. GOURIS: Yes, we have. And while they didn't give us any written commitments to move forward with this, we told them what our thought process was, and they seemed to be open to it. And so we were going to work together to try to move this forward.

I think there is a good chance that we will be able to get it moved forward. And if the applicant decides this isn't what they want to do, because they don't want to take on that additional debt, then that would be up to them to make that decision.

MR. BOGANY: And the funds go back in and we move it to --

MR. CONINE: We recycle it somewhere else.

MR. BOGANY: Okay.

MS. ANDERSON: Any other 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.

MS. CARRINGTON: The next item for the Board's consideration is Item 6(b). And this is consideration of an award of Housing Trust Fund, a predevelopment loan. And what staff is -- the development is called Acres Homes. It is located in Houston. It is Acres Homes Community Development Corporation.

And this was a loan that came to us through Texas Community Capital. You all may remember two years ago, three years ago, we hired a third party to administer \$500,000 predevelopment loan program that came out of our Housing Trust Fund. The Board did direct us back in April of this year to bring all future awards to them for your all's consideration. You have previously awarded \$158,200 to three applicants through this program, Texas Community Capital.

And we have three more that will be coming, that are being processed by staff right now, that will come to the Board in December of 2005. And if the Board approves this today, then that will be a total of \$208,000 that has been awarded under this contract.

This is a nonprofit that has been around 1990. What they are asking for is \$50,000 that would be used for engineering reports to be able to get the final commitments. So this is a predevelopment. It is a predevelopment loan.

And it would be used for 21 units that would be leased to families who are at or below 80 percent of the area median family income. But it is not money that is being used for construction. It is for predevelopment costs. It is for costs related to, as I just said, engineering, on getting the project to move forward.

On page 2, we described some of the financing sources on this development. And they do have -- they have a Congressional appropriation for \$400,000, where we have seen a copy of the mock check for that. They are looking for funding through the City of Houston's contract participation program. And they are also going to be applying to the City of Houston for HOME funds.

And we have verified with the City of Houston Housing Department that they have cleared up their issues with HUD and they are going to be processing the applications. Basically the applications that had been put on hold are going to be moving through their process.

And they are also going to be in the process of taking new applications for both CDBG funds and for HOME funds.

And staff is recommending the award of \$50,000, a loan interest rate of zero percent. And the repayment on this loan will be due in full upon closing of the permanent financing or two years from the date of the predevelopment loan closing, whichever one comes first.

MR. BOGANY: Are they selling these, or are they leasing these homes?

MS. CARRINGTON: They are for sale homes, Mr. Bogany. They are actually going to do a total of 42 units. But this \$50,000 would actually be going to the 21 units that will be developed that are for families at or below 80 percent of area median family income.

MR. BOGANY: What is the price range of those homes? Anybody know?

MS. CARRINGTON: I don't know that we know that. Mr. Danenfelzer, do you have any idea what the price range is? Has that been in any of the information they have provided you?

MR. DANENFELZER: David Danenfelzer, Multifamily Finance. We have not gotten that information. When their application was originally made, they did have a price range of approximately 85 up to \$125,000. But originally when they made that application or when they came up with those numbers was over a year and a half ago.

And they have asked not to really request that they keep within that range, because of price increases for the neighborhood. So they haven't nailed down the specific sales prices yet, with the City of Houston and their programs.

MR. BOGANY: And the reason I am asking,

because I know if you are applying this money to the low, the medium income, 80, 50, 60 percent. Even at 85, 90, unless they are getting a huge grant from the City, those people are still not going to be able to qualify for those houses.

MR. DANENFELZER: Yes, but --

MR. BOGANY: And so I am -- is anybody here from that project? Can she come up and speak?

MS. CARRINGTON: Yes, sir. She can. Please come up and fill out a witness affirmation once you have spoken, if you haven't.

MS. ANDERSON: She has one. Brenda.

MS. LAKEY: Good afternoon. My name is Brenda Lakey. I am the Executive Director for Acres Home Community Development Corporation. And yes the homes are for sale. The price we are at is probably going to start in the low 100s. There are some issues that are coming up in our area, where we have had Katrina and Rita.

So as we are negotiating now with our builders, we are still able to stay at that mark. That is kind of critical at this point, so we can move past engineering. So we can confirm our pricing. The City has moved their affordable sales price to 135 as a minimum. But that is not where we want to go with these 21 units, because we have -- we want it to be a mixed-use community -- mixed

income community.

So we do have the new rates for the City also.

They increased their down payment assistance from a range of \$10,000 to \$19,500. And coupled with that, we are still looking at some additional sources to come in and grant funds to complement that.

MR. BOGANY: Okay. In this process, when you guys get these houses built, do you have homeowners, potential homeowners wanting? Or are you going to put them out there on the market and just kind of take whoever comes into the door? How are you guys going to market them and what is going on?

MS. LAKEY: We are marketing them now.

MR. BOGANY: Okay.

MS. LAKEY: You know, they are just waiting on us to get everything together to do the product. We have done projects before; 90 percent of the time we actually have a -- we don't do spec housing; we actually are building for the qualified buyer.

But we are still working with some additional partners to see how we can be more aggressive in selling those. But we have got to get past the engineering piece to actually answer those questions.

MR. BOGANY: Okay. All right. One last question. Are you guys working with realtors in this

situation to help market those houses?

MS. LAKEY: Yes, we are. We have built us a commission. It is low, but we have built a commission.

MR. SALINAS: One percent.

MS. ANDERSON: One percent.

MR. BOGANY: The reason I am asking is that -- and I am for your project, and I know where the City funds are and all that good stuff, but one of the things that always bothers me about CDCs is that you come up with a product. You want it out there. You come to us and ask us to help you fund it.

But then when you get ready to sell it, you don't use the experts to do that. You do get experts on engineering, all the way through the game, where you could probably get somebody to volunteer those engineer plans, if you really -- and I am not suggesting that. I am just saying that a key to getting it done is getting them sold. That is where you hit your home run and get your sale.

And I just wish you guys in the CDC community would realize how important the realtors are. They are not going to come with a low commission. They are just not going to do it. And then when you get it set at the \$100,000 range and Acres Homes has been doing phenomenal as far as growth and all that good stuff.

But then, if I am a consumer that can afford

one of your homes, why would I come to Acres Homes, when I can go down the street and quote a homogenous community where everything is new, and amenities and things of that, and buy it. And that is why I think the marketing side has got to be so important to you guys to help this work.

And I am in favor of it. I am just trying to get a -- because I don't want it to fail.

MS. LAKEY: We understand that. Actually, I am a realtor also, so I understand the business. And we have a realtor partner; she is working with us. The key, where a lot of that comes in, is when we are forced to keep the house sales price down so low, if we don't have the other funds we need, and where does the commission come from? And that sometimes becomes a challenge with the CDCs.

MR. BOGANY: Well, but it is built in there, because the CDC that nobody ever -- they get a fee for per house. So when you are trying to really do something good, everybody should share in that to make this deal work.

MS. LAKEY: Everybody should win.

MR. BOGANY: And I am just -- I encourage you. I am glad you guys are doing it. I hope you use our Lone Star Program in the process to make this work. But I am in agreement with you. I just -- I am concerned that when we give a \$50,000 loan that you have the right people in

place, so you have success, so you can do your next project.

MS. LAKEY: Okay.

MR. BOGANY: Okay. And that is the only thing I am asking. Thank you.

MS. ANDERSON: I just have one question. The application from Texas Community Capital says that once 11 homes are presold, City of Houston will reimburse Acres for 100 percent of the engineering costs, which is about \$120,000 under the contract participation program.

And then, the application implies that that is how you repay us once the homes are -- within 180 days of that. Is that \$120,000 reimbursement, is that a conditional commitment to you all today? Is that a firm commitment from the City today?

MS. LAKEY: Well, part of the problem with -- it is not in writing. We talked to them. We actually have the mayor who has endorsed this particular project. However, there are some engineering things that have to be done in order for them to do a written commitment which we haven't completed yet, because we are waiting for the funds for that.

MR. BOGANY: That is what the \$50,000. So everything --

MS. ANDERSON: I am just asking her how we are

going to get repaid so we can relend it.

MS. LAKEY: The City can't put it in writing until we finish the engineering piece that says, that they can finalize that. They know about it. They endorsed it.

Planning has worked with us from day one on this. But we just are kind of on hold until we can past that next step.

MR. BOGANY: What if the City -- we loan you the money, and you do it. And the City determines that they don't want to -- it doesn't meet what they want to do. How would we get paid back on that? I am sure you would go on with your project, because you still have got some other funds available. But how would we get paid back on that? Is there any contingency on that?

MS. LAKEY: Even in the project it says as we sold units. So whether or not it is reimbursed by the City or not, those units are still being sold. So yours will come back from the proceeds on those units.

MR. BOGANY: Thank you.

MS. LAKEY: Any other questions?

MR. SALINAS: I move for the approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion? Thank you very much for your testimony. 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.

MS. CARRINGTON: The next item for the Board's consideration is Item 6(c), and this is requesting approval of twelve 2005 Housing Trust Fund capacity building awards. We issued a NOFA in August of 2005, and what we had available in that NOFA was \$500,000 for capacity building.

Eligible activities under this NOFA include the hiring of a consultant or staff to conduct initial planning necessary to plan an affordable housing development that was not currently being undertaken by the nonprofit. So this had to be a new activity, a new initiative for the nonprofit. We had 15 applications that we received.

We are recommending approval of twelve of those applications. That amounts to a total of \$417,850. We had a minimum score that each of the applicants had to achieve. And that minimum score was 25. There was a total amount of points, of 37 total points.

And the kinds of activities that can be

conducted, the kinds of information we need, they have to produce some reports to fulfill their commitment to us. A housing needs study or a market study that affirms the need for that proposed development in that target community, a site feasibility study, and also property tax reports that details communications with the local taxing entities.

We are also requiring that they file with us quarterly reports and attend at least one approved affordable housing training session. And then provide to us a final report detailing the progress on their activities. This NOFA was made available on a regional basis in all 13 of our service regions. We actually had six regions that we had no applications in.

So some -- those seven regions that we did have applications in, several of them have more than one application. If this is awarded, if the \$417,850 is awarded, then that leaves us a balance of \$82,150 that will be returned into the Housing Trust Fund for 2006 and it will be made available under that funding cycle.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: 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.

MS. CARRINGTON: Okay. Item 6(d) is approval of the 2006 regional allocation formula. And just like I always feel better when Mr. Johnson starts coming to the podium; I always feel better when Mr. Schottman starts coming to the podium -- Steven Schottman, who is in the Division of Policy and Public Affairs.

The regional allocation formula is required by statute. Our statute requires us to use a formula to regionally allocate HOME, Housing Trust Fund and housing tax credits. This regional allocation formula did go out for public comment as a part of the consolidated public hearings that we had around the state. And the purpose of the regional allocation formula is to allow the Department to objectively measure the need and available resources per region.

So we do that within the 13 service regions. And then further, to allocate those resources to rural and to urban/exurban. We have four attachments for you A, B, C and D. Attachment A is a summary of the revisions.

Attachment B is the public comment. Attachment C is the funding distribution. And then Attachment D is a methodology that is recommended for Board approval.

So with that, I will let Mr. Schottman come a little closer to the podium. They don't bite. And see if the Board has any questions on our regional allocation formula and methodology for 2006.

MR. BOGANY: This gets into the final Housing Needs Scores as part of that same thing, Ms. Carrington?

MR. SCHOTTMAN: That is the next item. It is sort of related, but this is a separate issue.

MS. CARRINGTON: This basically outlines using this formula, Mr. Bogany, how many dollars of HOME, Trust Fund, tax credits will go into the various 13 service regions. And actually of course, you don't -- if you look over at page 2 of 2. Actually, 1 of 2 and 2 of 2, these of course are charts that many developers are very interested in.

It is like, how much is going into my region in availability of funding. And the first one we provide for you, is the housing tax credit regional allocation formula. So it shows you by region how much. And this is based on a \$42 million estimate of credits for next year.

I noticed in a publication the other day that credits are now up at \$1.90 per capita. And so that will

actually probably put us close to about \$43 million or maybe even a little over \$43 million. But it shows you how much will go in the region. And then further refines that into how much will go into rural. And then how much will go into urban exurban.

MR. CONINE: Move for approval.

MR. BOGANY: Second

MS. ANDERSON: 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.

MS. CARRINGTON: The next item, 6(e), is the one that really accompanies the regional allocation formula. And while the regional allocation formula is mandated, the Affordable Housing Needs Score is not mandated. This is something that we have done to provide a comparative assessment of each area's level of need.

And while it is not mandated, there are a couple of directives that we look to. One is an Internal Revenue Service requirement in Section 42, that selection

criteria used to award Housing Trust Fund must include housing needs characteristics. So that piece comes from Section 42.

And then also, of a previous report, of the State Auditors Office and Sunset findings that basically directed the Department to use objective need-based criteria, as we look at where our funding will go around the State. So we have provided this in the same way as the previous one, in that there are four attachments.

Attachment A is revisions to the methodology. Attachment B is public comment. Attachment C is the methodology for Board approval. And then the last one, D, is actually the Affordable Housing Needs Scores for each of the communities around the State.

MR. SCHOTTMAN: I might just make one comment.

I am Steve Schottman of the Division of Policy and Public Affairs. During the QAP discussion, it was mentioned that this particular item might be able to consider giving a slight scoring benefit to place that haven't received awards previously.

And you can kind of see on page or Attachment A kind of how that would work. Under the 1 of 1, between the time that we did the draft and then the time that we got the final, we got some more update information for some developments that were made in a few particular

cities.

And you can see in those cases that their scores changed slightly. And it is not going to be a huge difference. It wouldn't stand alone, as like if you were trying to target places that had never received an award of credits. But it does make some consideration of the amount of activity we have to push towards certain areas.

MS. ANDERSON: Which goes to Mr. Bogany's comment of earlier.

MR. SCHOTTMAN: Right.

MR. CONINE: Steve, I see the columns here of rental development, tenant based, rental assistance. So does that particular column indicated where the tax credits and Affordable Housing Needs Scores would fall, when it says rental development?

MR. SCHOTTMAN: That is correct. The one you are looking at there would be for the HOME program. Yes. If it was a rental development, that would be the score that they would be using. If you are making a HOME application with tax credits, that's --

MR. CONINE: Right. With tax credits. That would be the place they would go. And --

MR. SCHOTTMAN: Actually, I shouldn't say that. For tax credits, they would use the tax credit score. But for, if you are making a home -- if a CHDO was making

a rental application, that would be the -- for the HOME award, that would be the score that they would be using.

MR. CONINE: We have a separate chart for tax credits?

MR. SCHOTTMAN: Yes.

MR. CONINE: It is somewhere else. Okay.

MS. CARRINGTON: It's right in there.

MR. CONINE: It is in here.

MS. ANDERSON: We have got three separate charts in here, blue paper, one for each of the programs.

MR. CONINE: All right. And a low number means -- a two means that there is a tremendous need or a less need?

MR. SCHOTTMAN: A less need.

MR. CONINE: Okay. And a six means there is more need?

MR. SCHOTTMAN: Right. Seven is the highest. There aren't a whole lot of those, but seven is the highest and I think it goes down to -- I don't think there is zeros. I think the one is the lowest it would go.

MR. CONINE: Well, let me just -- I just happened to flip over to my home community of Frisco. And I am still at the HOME thing. Okay? And it says -- and I recognize it says 2000 census population of 33,000. But then you go on over, and it says, the place is located in

a PJ county.

And I think there -- Frisco has applied. You know, their population is now over 75,000, and they have applied to HUD to be a PJ. And I don't know whether they have gotten that or not. Would that be picked up on this?

MR. SCHOTTMAN: According to HUD, HUD is -- the most recent information that we have gotten from HUD, HUD has told us that they are not participating with the county, with regard to HOME funding.

MR. CONINE: They are not.

MR. SCHOTTMAN: They are not.

MR. CONINE: Okay.

MR. SCHOTTMAN: Now we have been told in the past that that might not be accurate. So we added a note this year that says if you are participating in a PJ county, you need to make sure to write us with documentation from the City that says that, because we don't want them to go through the whole application process and find out at the tail end that HUD's list is wrong.

MR. BOGANY: The six, in each column, is that highest score?

MR. SCHOTTMAN: If you are looking at the HOME award? Is that, I guess, which --

MR. BOGANY: Actually, I don't know.

MR. CONINE: You have got to go to the top here.

MS. CARRINGTON: Look up at the top. The first chart, Mr. Bogany, on Attachment D is 2006 HOME Affordable Housing Needs Score.

MR. BOGANY: Okay.

MS. CARRINGTON: So is that the one you are looking at? Okay.

MR. BOGANY: Yes.

MR. SCHOTTMAN: So basically for each activity, there is a separate score, because, for example, for owner-occupied rehab, you would look at owner housing need data as opposed to a rental development; you would look at rental need data. So that is why we have different scores for different activities.

MS. CARRINGTON: It does so happen though, that some of the scores are the same all the way across.

MR. SCHOTTMAN: Right. That is true.

MS. CARRINGTON: Like if you look at Abernathy, it is a six for rental development. It is a six for home buyer assistance. And it is a six for owner occupied. But then some of the others do vary.

MR. SCHOTTMAN: Right. They typically don't vary a whole lot, but there is some variance.

MR. BOGANY: So seven is the highest score.

MR. SCHOTTMAN: That is correct.

MR. BOGANY: Okay.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: 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.

MS. CARRINGTON: There is no information to report to the Board under Item 7, or no request to make to the Board under Item 7.

MS. ANDERSON: We are not going to have an executive session.

MS. CARRINGTON: We are not going to have an executive session, and so then we have an Executive Director's report. And I will briefly address some of these items. You have outreach activities for the month of September, as we have been providing for you all. Conferences we attend, workshops, summits.

We have a -- we are working on a chart on

implementation of legislation from the 79th session. Those of you who were around for Senate Bill 322 may remember the multiple page chart that we used to show how we were doing in implementing the various provisions of Senate Bill 322.

The legislation from the 79th session was not nearly that voluminous. However, there are several bills that we do have some statutory requirements and provisions to implement. And so we are in the process of putting that chart together and making sure that everyone has their assignments, so that we can have that properly done.

We have provided for you yet another copy of the House Committee charges on -- the House Committee on Urban Affairs, which is our oversight committee. We did e-mail a copy of this to all of you all. However, another copy of it is provided in your board book. There are seven charges on here. There is basically one charge and that is Charge 7 -- actually there is eight charges. But there are seven charges that apply directly to the Agency.

And we are anticipating that probably hearings on these interim charges will most likely be sometime in the spring, probably March, April, in time to have a series of hearings, to get the reports written. And typically those reports would come out in October or November, before the beginning of the next legislative

session. And we would be happy to answer any questions you all might have on that.

We have been very aggressively marketing our Lone Star Mortgage Program. And Mr. Bogany, we appreciate all of your mention of that program today multiple times.

And we are continuing to be hopeful about the program. The origination is still very slow. The origination is still very slow. I know that Mr. Pike came to Houston and was on your radio show a couple of weeks ago, and we always appreciate that opportunity.

MR. CONINE: How did he do?

MR. BOGANY: He did great.

MR. CONINE: Did he?

MR. BOGANY: He was all set.

MS. CARRINGTON: Right. And then staff gave me a couple of articles this morning that have been published in trade association magazines. So we are out there with the realtors and the builders and doing articles for them and with the Asian realtor community and trying to make this program be a success, as is CitiMortgage, because they are continuing to attempt to bring in new lenders, to train and bring in new lenders on that program also. We have provided you a brief report that came from the Community Affairs Division.

We had a visit related to our emergency

services block grant program from the General Accounting Office and that was in October of just last month. And it related to reviewing our faith-based and community initiatives. So we have given you a brief report of that.

I think the GAO is coming back again in December to look at CSPG? Is that correct Mr. Dally, or do you know? Another one of the programs of Community Affairs.

MR. DALLY: I think that is correct.

MS. CARRINGTON: We have been invited to testify, I think six agencies have been invited to testify at a hearing in Beaumont next Thursday, and it is a hearing that has been called by Senate Finance Committee.

And the initial charge that we got when we got that invitation to testify was to talk about expenses related to -- Agency expenses related to hurricane efforts, related to Katrina and Rita.

I did have the very fortunate opportunity about two weeks ago to be in a meeting with Commissioner Michael Williams who is the Railroad Commissioner. And Commissioner Williams is basically the Governor's czar, I think. That is what some people are calling him, anyway, related to disaster relief.

We actually meet with Commissioner Williams every two weeks, on Monday at 11:00. About six agencies.

It is basically the same six agencies that have been

involved in all the disaster relief efforts since the beginning. We meet with him every two weeks.

MR. SALINAS: Tell him not to forget the Valley on TxDOT funding.

MS. CARRINGTON: I will make sure that I mention that to him, sir. But he did invite me to attend a meeting with HUD Secretary Jackson.

MR. SALINAS: I can go with you, if you want me to.

MS. CARRINGTON: And our meeting with Secretary Jackson was probably about half an hour, and basically talked about really not many particulars, except how HUD and FEMA desperately need to be communicating as they relate to various kinds of programs, they are creating to provide rental assistance, and yet HUD and FEMA aren't communicating. And I found out in that meeting of course, that the Commissioner and the Secretary have known one another for years and are very good friends. So it was kind of an interesting meeting to be in.

And then the last was a very good article that we had published in the November Affordable Housing Finance Magazine, related to TDHCA's efforts on hurricane relief. And we did provide a copy of that for you all. With that, I might say that we need -- we would like to move the December board meeting to the 13th of December as

opposed to the 8th of December. So we will be polling you all. Susan will be polling the board members related to that change in date.

MR. SALINAS: Is that a fast --

MS. CARRINGTON: And this is the last board meeting in this room, folks. This is it. Oh no, you will see them all again, Mr. Bogany. You just won't see them in this room. They are not going anywhere.

MR. CONINE: Kind of sentimental for me, since I have been here a long time.

MS. ANDERSON: Is this the room with all the TV cameras and the bodyguards?

MR. CONINE: Yes. We had all of that. We could never get a picture of the Lieutenant Governor on the wall, but we got all that.

MR. SALINAS: Really. You need a picture of the Lieutenant Governor there.

MS. CARRINGTON: They provide that for us, and they have never provided it.

MR. SALINAS: We are going to have to call them.

MS. ANDERSON: Thank you for your report, Ms. Carrington.

MR. SALINAS: Not anymore. We are not going to be here anymore.

MR. CONINE: Good luck on the move.

MS. CARRINGTON: Thank you.

MS. ANDERSON: There is no more business to come before -- except maybe monkey business -- to come before this Board today.

MR. CONINE: Move for adjournment.

MS. ANDERSON: We stand adjourned.

(Whereupon, at 1:25 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: November 10, 2005

I do hereby certify that the foregoing pages, numbers 1 through 199, 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) 11/16/2005
(Date)

On the Record Reporting
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