

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING
2006 STATE OF TEXAS

Wednesday,
February 15, 2006

Waller Creek Office Building
Room 437
507 Sabine Street
Austin, Texas

MEMBERS PRESENT:

BETH ANDERSON, Chair

VIDAL GONZALEZ
C. KENT CONINE (Vice-Chair)
NORBERTO SALINAS

STAFF:

EDWINA CARRINGTON, Executive Director

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
Roll call	3
Recognition of Edwina Carrington	5
Public comment	17
Item 1 Approval of minutes	19
Item 2 Tax Credit items	20
Las Brisas	20
Villas on Sixth Street	21
Alvin Manor Estates	22
Century Pacific transactions	23
HTC extensions (4)	32
Villas at Bethel TEB	33
Arbor Court	37
North Oaks	39
Bayview Apartments	40
Sea Breeze Apartments	42
Waiver of 60-day rule	45
Executive Session	69
Item 3(a) Oakmoor Apartments	71
Village Park Apartments	72
Item 3(b) Inducement resolutions - Meadowlands	74
Item 3(c) Addition to senior manager list	75
Item 4(a) Report of Programs Committee	79
Item 4(b) Costa Tarragona (denial)	80
Item 4(c) Item HOME waiver	81
Item 4(d) Repeal, adoption of HOME rules	83
Item 5 Investment Report	90
Item 6 Possible activities for TDHCA	93
Item 7 Forgiveness of TSAHC loan	101
Executive Session	113
Adjourn	119

P R O C E E D I N G S

MS. ANDERSON: I want to welcome everyone, and call to order the February 15 meeting of the Texas Department of Housing and Community Affairs Governing Board. Thank you all for being with us today. We are always pleased to have the opportunity to have our various constituencies with us and to have the opportunity to make public comment and to observe our proceedings.

The first order of business is to call the roll. Vice-Chairman Conine?

MR. CONINE: I am here.

MS. ANDERSON: Mr. Gonzales?

MR. GONZALEZ: Here.

MS. ANDERSON: Mayor Salinas?

MR. SALINAS: Here.

MS. ANDERSON: Mr. Bogany?

(No response.)

MS. ANDERSON: The Chair is here. We have four present. We do have a quorum. As is our normal practice custom, we take public comment both at the beginning of the meeting, and/or at the witnesses' option, when an agenda item is presented.

I am going to ask our audience and Board's indulgence to begin the meeting this morning before public

comment though, with the recognition of our esteemed Executive Director Edwina Carrington, for whom this is, sadly, her last board meeting as TDHCA Executive Director.

And we come to honor her today, to praise her, not to bury her.

And this is a bittersweet moment for this Board, and I know for the staff at the Department as well.

And the first thing I would like to do is to call on Mr. Mike Gerber from the Governor's Office.

MR. GERBER: Thank you, Chair Anderson and members of the Board. And it is a very -- it is a day that I have not looked forward to. So many folks in our office have really enjoyed working closely with Ms. Carrington. The Governor has sent a message of greeting to Ms. Carrington, which I would like to read.

It says; congratulations on your distinguished service as Executive Director of the Texas Department of Housing and Community Affairs. TDHCA serves as our State's lead agency responsible for affordable housing and community service programs. The Department's programs address a broad spectrum of housing and community affair issues that include low-interest mortgage financing, emergency food and shelter, rental subsidy and energy assistance.

Throughout your tenure, you have ensured that the Department has served our State's low and moderate income citizens with professionalism, integrity and with an emphasis on delivering results. I am especially proud of your success, working with the TDHCA board of directors to restore public trust, openness and transparency in the Department's programs. TDHCA is a leader among state agencies in efforts to combat fraud, waste and abuse.

Finally, I want to thank you personally for your leadership as our State has dealt with the challenges of Hurricanes Rita and Katrina. TDHCA has demonstrated creativity and flexibility in meeting the housing and community service needs of those impacted by these devastating storms, and you and your staff have done an exceptional job in serving our State's residents in the most trying of circumstances.

Public service is an honor for its foundations in the public trust. Daily government employees earn this trust, demonstrating dependability, initiative and wise stewardship of public resources. I commend you for your commitment to Texas, and for your four years of service as Executive Director at TDHCA.

Anita joins me in sending best wishes for continued success in all of your future endeavors.

Sincerely, Rick Perry. Governor of Texas.

(Applause.)

MR. GERBER: If I could indulge the Board for just one more moment, on a point of personal privilege, I have deeply enjoyed my work with Ms. Carrington during the last year and a half that I have been with the Governor's Office. She has been a tireless and effective advocate for this Department's programs, its clients, as well as the team of dedicated individuals who make up all of TDHCA.

The first call I got when I came to Austin was from Edwina Carrington. And I was immediately put to work. I suspect many folks in this room have equally received those calls and been immediately put to work. But as you may know, I am the father of two small girls.

And I would be very proud if they were to grow up and to have the character, the integrity, form the deep friendships and just the general commitment to helping others that Edwina Carrington exemplifies. And so on behalf of a grateful State and a grateful Governor's staffer, thank you.

(Applause.)

MS. ANDERSON: Thank you, Mike. I would now ask if there are members of the Board would like to make

remarks. Mr. Gonzalez.

MR. GONZALEZ: Edwina, you have been a great friend. You have done a great job for the Agency. You have gone through the reorganization and the move, and all the changes that we have gone through. You have made change an ally.

You are a great example with your leadership, your mentoring of our younger staff, and your working with the staff that you had. And I would say that you used your talents that you have been given very wisely. And we are wishing the best for you and Frank. And if Frank will stand up, we want to recognize him also.

(Applause.)

MR. GONZALEZ: You all are true friends, and we appreciate everything you have done. And I must admit, I am not bashful about admitting that I serve on the Housing Board anymore. So thank you very much.

MR. SALINAS: Well Edwina, I am going to miss you a lot. I know I had the honor of being on the Lien Fee Committee with Mr. Conine and Mr. Bogany. It was a good experience for me.

And I have really enjoyed your work and the way you have treated us, and the work you have done for Texas. And I really appreciate your coming to our community in

Mission and seeing our community.

I am really going to miss you. I don't know if it is going to be the same. But I hope that what we get to do in the next two or three months, we find somebody that can even come close to replacing you.

The people that work for you have been very good. I know Delores is here. I kind of miss her calling me.

But it has been a great honor serving here in the Housing Board, and it is going to be very sad not to see you anymore. But I hope you don't stop coming by and calling on us. Especially my community, who cares for you very much.

(Applause.)

MR. CONINE: As the senior statesman, I guess, of the Board, the one that has been here the longest, this is a very difficult day for me personally. I have seen this Agency cover a wide spectrum of events and issues through the eight year tenure that I have had here.

And before, as Mayor Salinas mentioned, when we put the search committee together to try to find a new Executive Director some four years ago, we did that with the knowledge and understanding that prior to Ms. Carrington getting here -- and this is no disrespect to

any other executive director prior to -- but they didn't stay for much more than 18 months at a time. And that was a little disconcerting to us, I remember.

But in the interview process, I remember it like it was yesterday, she came in thoroughly prepared, notes in front of her, and essentially blew away the rest of the competition at that time. And it has been a wonderful experience since then, not only for me personally, but I know for all of us involved in the affordable housing industry here in Texas, and the affordable housing industry all across this country.

Edwina has made her mark, not only here, but also nationally as well. Gaining recognition from NCHSA and others participating on the board, asking her to participate in various events, and essentially mentor other executive directors in other states all across this country. And I have had the privilege of seeing that on a firsthand basis.

When you think of Edwina, you think of words like thoughtful, gracious, integrity, intelligence. I mean, those are just some of the words that come to my mind. And those shoes will be very difficult to fill.

It has been a pleasure. Thank you for being at my side through a lot of different things. And we have

enjoyed being at your side. And it is our hope that you will continue to come see us.

We know you are going to stay involved in this industry, stay involved in the effort of providing not only citizens of Texas, but citizens all across this country safe, decent and affordable homes to live in. And for that, we are very proud. Thank you very much.

(Applause.)

MS. ANDERSON: In my experience, there are very few people who operate equally well in the internal environment of the organization that they lead, and in the broader external environment of the community of constituencies that that organization serves. That Edwina Carrington is one of those rare individuals who operates very effectively both inside the organization and external to it.

We think about inside the organization, all the progress that TDHCA has made over the last four years, with a very significant reorganization that has proven to be incredibly effective in aligning the services we provide with the constituents that we serve. We went through a sunset process. With her staff, Edwina has managed difficult reductions in terms of full-time equivalents for the Department and related budget

authority for the Department.

She has -- she led the charge to establish some reforms in terms of compensation practices in the Department to achieve some objectives of equity that were very important to the Department employees. And most recently, she led the team that made a move to a much smaller facility that is saving the State significant dollars and worked very hard with the staff to make that as smooth a process as possible.

Her focus on people in the Department is really just amazing to me. Everything from implementing plans to improve the employee communications, to improve the involvement of more Department staff in roundtables, in task forces, in program development activities.

Her focus on security and safety of the employees is something that you don't -- that many of you may not hear much about. But we know as a Board, and the staff knows that that was a huge focus of her effort to make sure that just as we provide safe, decent and affordable housing, that we provided a safe and secure working environment for our employees.

She set incredibly high expectations for honesty, integrity, and professionalism on behalf of every person in this Department. And the staff, I think, has

risen to the occasion to meet those expectations, in no small part because one could not have a better role model for honesty, integrity and professionalism than Edwina Carrington.

Externally, as others have mentioned, she led the efforts to rebuild the credibility of the Department in the eyes of people like those of you that are in the audience with us today. She is a very authentic and genuine human being, and I will miss her greatly.

I have a great amount of affection for you, and an equal amount of respect. Thank you very much for your service, for your friendship. And I wish you all the best in your future.

(Applause.)

MS. ANDERSON: If I could ask the Board members to join me and ask Ms. Carrington to stand up. Two things. There is a flag, as is normal, every day there is a flag flying over the Texas Capitol. And that Texas flag will be given to Edwina in recognition for her service.

So it is flying out there today. You all can take a look. And it will be yours. And then on behalf of the Board, we also have this recognition for you.

MS. CARRINGTON: May I open it now?

MS. ANDERSON: Absolutely.

MS. CARRINGTON: Maybe somebody else would want to hold it up? I am a little shaky. It is beautiful. Would you read it, Mr. Conine?

MR. CONINE: In appreciation for outstanding service and dedication to the Texas Department of Housing and Community Affairs, Edwina Carrington, Executive Director 2002 through 2006.

(Applause.)

MS. CARRINGTON: Mr. Conine, just so I wouldn't disappoint you, I am prepared on the exit, just like I was prepared on the entrance.

MR. CONINE: I had no doubt.

MS. CARRINGTON: And I do have a few things I want to share with you all this afternoon. I have been truly honored and privileged to have the opportunity to serve as Executive Director of the Texas Department of Housing and Community Affairs.

I was hired by the Board four years ago this month, at a board meeting in El Paso. And it has been a rewarding, challenging and very satisfying four years. Serving as Executive Director of any state housing finance agency is a really good job. But serving as ED of the Texas Department of Housing and Community Affairs is the best job that I can imagine.

TDHCA is blessed with true professionals, many of them in this room today. I bet more of you would be here, but you are back at the office working. True public servants who take pride in their work, and understand the importance of what we do in improving the lives of low income Texans. You believe in the mission of TDHCA, which is to help Texans achieve an improved quality of life through the development of better communities.

As I announced my departure now, a couple of months ago, several staff have been in my office saying, you are really going to miss us. And that is true; I am.

On days when things really are working, we really are clicking, we really are resolving issues, we are having great spirited discussions. When I am having people in my office late in the afternoon, sort of just talking about things, I realize how much I really am going to miss you all. Everything changes. Nothing stays the same.

This will be the next stage for TDHCA. I believe that our charge in life is to leave a place in a better situation, in a better position than when we came.

And I truly believe that TDHCA is in a much better position today to be accountable, to be responsible, to be efficient with state and federal funds than what we were

four years ago.

I want to thank the Board for your all's support, and for your leadership. I want to thank the staff for your commitment and dedication to affordable housing community.

And to the affordable housing community, many of you all in this room today, who have challenged us to be better, who have criticized us, who have worked with us, and have given us the space and the opportunity to allow us to make improvements and to grow. And I thank all of you all very much.

(Applause.)

MS. ANDERSON: Okay. At this point, we will proceed with the agenda. And the first item of business is public comment.

Just for the benefit of those of you all in the audience, we are going to take a lunch break which people that are on the later agenda items will be grateful for, because when we are hungry, we can be kind of cranky. And we are going to sort of play that by ear. But I am going to suggest that we are probably going to be at somewhere between 1:15 and 1:30 and take a lunch break, and have our executive session in that time frame as well.

So we will move as quickly, as expeditiously

through the agenda as possible, but we will be taking a lunch break.

So there is several people who have requested to make public comment. I am going to impose a three minute time limit on public comment for this board meeting. And specifically for people that made comment during the HOME portion, on the HOME rules this morning, all the board members actually were here for all of that comment.

So that is why I am comfortable asking that in your comment on those topics, that you summarize your comments during this formal full board meeting. The first witness I have is Sandy Williams.

MS. WILLIAMS: Good afternoon, Madam Chair, Edwina and the rest of the Board. This is truly a sad day. To have this being Edwina's last day. As Vice-Chair of the Texas Association of Community Development Corporations, I have had an opportunity to work with the Department and particularly with Edwina in different kinds of policy situations and go through all of the machinations that go to make the stew that we call the QAP in the end.

And I can only tell you that the letter that stands out, and the big letter is the I letter. She is

just the pillar of integrity. And we are really -- we really are going to miss her.

But my topic was, that I asked to speak on behalf of TACDC, to extend an invitation to the Board to our conference, which will be held on March 6 through 8, in San Antonio. It is fortuitous that I am the San Antonio representative as well. And you all know that we know how to party. So it will be a good time in San Antonio. So thank you very much.

MS. ANDERSON: Mr. Al Swan?

MR. SWAN: Good afternoon. You are right. You have a very long day. I am well aware of that. I am going to reduce it down.

You asked the question, that you get Affordable Housing of Parker County a lot of money. I am Al Swan, the Executive Director. That is a very correct statement. We have spent every dime. We have finished every contract on time. You are all at lease up.

What I have done in the folder is provided you photos of each project that you funded so that you can see for yourself. Edwina, thank you so very much for all your help.

MR. CONINE: Thank you.

MS. ANDERSON: Thank you, sir. Mary Kay

Thomas.

(No response.)

MS. ANDERSON: Marena White-Harris.

(No response.)

MS. ANDERSON: Mr. Bill Wenson.

MR. WENSON: Good afternoon. Thank you for your time. My name is Bill Wenson. And I am here to talk a couple of minutes about the tax credits as how it relates to the GO Zone legislation, and Hurricane Rita.

I spent a lot of time over the last month or so in Louisiana, and just kind of listening to all the issues that are around that whole topic. And the first comment I would like to make is that we as a state need to be real careful about how we are projecting population growth in the affected area.

It is one of the hot topics in Louisiana -- is how many people truly are going to come back to New Orleans and some of the other surrounding areas. And I just make that comment in allocating the GO Zone credits, that we need to be careful to understand that maybe Port Arthur won't have a big increase in population and maybe Beaumont won't either.

And only time is going to tell. I don't know how you do that, because we are not going to know until it

actually happens. But the reason I am here, is I wanted to talk about the possibility of looking at a set-aside for existing tax credit properties that were damaged by Hurricane Rita, and the insurance proceeds aren't going to be enough to put these units back on line.

Our company itself lost about 460 units at a couple of locations in Port Arthur and Beaumont. And we are having some issues with the insurance companies that we deal with. There are gaps. And we are trying to figure out how to fill those.

My suggestion is that I would like the Board to consider asking staff to research that, and seeing if we could set aside some '07 credits for existing tax credit projects and you know, maybe is it a 5 or a 10 percent set-aside, which isn't a lot. Maybe \$300,000 to \$500,000 is all that is needed. I really don't know. We know what our needs are, but I don't know what everybody else's needs are.

But it seems to get the units that are already existing back online would be real important. Apparently Louisiana has done some research on this, and has found that there is some legal precedence to do this, because that was one of the first questions I had.

I actually asked the Board that question. And

they have done some research on that, and found that they can do it. So from a legal perspective, I think that it can be done. So I would just request that the Board instructs staff to research that opportunity. Thank you.

MS. ANDERSON: Thank you, sir. That is the conclusion of public comment for this portion of the board meeting. There will be additional comment as each agenda item is called. The first item for the Board's attention is Item 1, presentation, discussion and possible approval of the minutes of the board meeting of January 18, 2006.

MR. CONINE: Move for approval.

MR. SALINAS: 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 second item is a series of tax credit items. And I will leave it to you, Ms. Carrington to determine, with the Board's pleasure whether these should be handled individually or

taken as a group.

MS. CARRINGTON: And I would recommend that the first four need to be handled individually. The second group can be handled as a group.

The first one is Las Brisas, which was a 2003 allocation of tax credits. And the material change that they are requesting is a change in the number of buildings in the development. The number of units, the unit mix and unit size did not change.

And this was based on working with USDA in designing an acceptable site plan. And staff is recommending the approval of the change in the number of buildings.

MR. CONINE: Move for approval.

MR. SALINAS: 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 second amendment request for the Board's consideration is the Villas on Sixth Street. This was a 2004 forward commitment. It is located in Austin.

And there was a requirement for changing the site plan, due to some requirements with the City of Austin. It did increase the net rentable area. Utility allowances also changed, and now the units will be individually metered for water, and so that will be charged directly to the tenants. Staff is recommending that these changes, these amendments be approved.

MR. GONZALEZ: Move for approval.

MR. CONINE: Second.

MR. SALINAS: 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 ones for the Board's

consideration are Alvin Manor Estates. In Alvin Manor, the situation is the same on both of these properties.

Reducing the development area, and change the building and unit configuration to satisfy an ordinance requirement. While the City of Alvin or the town of Alvin does not have zoning, they do have some ordinances. And it was originally thought that the development as proposed would meet an existing ordinance.

It was later found that that residential building turned out not to be a tri-plex but was a single-family building. So there was an easement that needed to be granted. And it does also change from 36 one story units to eight one story and 28 two story units in order to create this buffer. And staff is recommending this approval, the amendments.

MR. CONINE: Move approval.

MR. GONZALEZ: 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 group, Yale Village, Kings Row, Continental Terrace and Castle Gardens are a group of four developments that were original tax credit applications in 2002. You all may remember that these were all acquisition rehab transactions. And we still, for lack of a better term, identify them as the Century Pacific transactions.

Those were the transactions that we had initially disqualified the applications. We went to court. We lost in court. The Michaels Development Company, as part of the settlement, did take over the ownership of these four transactions. It is cost certification time now.

And we have outlined to some degree the differences in what was proposed when Michaels took over the properties and what we actually see now at cost certification time. I think probably the most important thing to tell the Board is that it was, I think, determined by Michaels that the original work writeups that were prepared by the Century Development Corporation were inadequate.

And as Michaels did their work writeups and

began the work on the developments, what they found was that there was substantial more dollars that needed to go into the rehab than what had been originally proposed. And that certainly some of the things that were proposed originally by Century Pacific ended up not being done. So there were some tradeouts of some work.

I think the bottom line, and on the writeup, we show you down at the bottom, on the percentage increases and the development costs on each of these, they went up from a total of 19 percent being the lowest and 49 percent being the highest. So substantially more dollars went into these developments than had originally been proposed.

Staff is recommending -- and if you go over to the last page of this section, and it is on Castle Garden, which is the fourth one that is listed -- this is staff's recommendation. While there are deviations between the settled work writeup and the final product, staff believes the requirements were substantially satisfied --

(Cell phone rings.)

MS. CARRINGTON: Who owes the Housing Trust Fund \$100?

MS. ANDERSON: Just a reminder to everyone in the room, cell phones need to be off during the meeting. And that when your cell phone rings during a board

meeting, like it did for Mr. Conine earlier today --

MR. CONINE: Well, that might be my out. It was a Programs Committee meeting.

MS. ANDERSON: All in favor of giving him that out?

MS. CARRINGTON: Okay. Going back. Staff believes the requirements were substantially satisfied, and staff recommends that the Board approve the amendments, the requests that were submitted by Michaels Development, with the following conditions.

The first one, the amenities on Yale Village be made available to all tenants. As proposed right now, there are some of those amenities that are only available for a certain population, and not for all tenants.

And then second, receipt of a certification for Michaels Development that the items identified in the May column of one of your pieces of paper here that are not clearly indicated as reflected in the cost certification have been proven up. And if you go to actually the second page behind this writeup, you will see what we are talking about.

Yale Village, all four of them are listed. We have February, May, and then cost cert. And there are some items that we do not know, because the cost

certification is not detailed enough to tell us that. And so what we are asking for is verification that we know, basically, what we are getting.

And there is a representative from the Michaels Development Company here. I made sure that someone was here in case the Board had questions.

MS. ANDERSON: Ms. Goldman, are you here to answer questions, or would you like to make public comment.

MS. GOLDMAN: I would like to make public comment, and of course, I am here to answer any questions. My name is Ava Goldman. I am a Senior Vice-President with Michaels Development Company.

And let me just say at the outset, that we are very pleased with the staff recommendation. We know that it took a lot of work. And there was some confusion about the scope of work. But we are very pleased with the result. I can assure you that almost everything that says, not sure, we have actually done.

And I just have two requests for your consideration. One is that one of the conditions is that we install what looks like all new appliances in all the developments, which in fact, we have, with two exceptions. We have not installed dishwashers, except in one of the

developments which already had them, which was Continental. And we haven't installed microwaves.

The microwaves is not a problem. We will be happy to install them. The dishwasher, I would just ask the Board's indulgence on this. We tend to try to avoid dishwashers in all of our 30,000 units throughout the country. They are a tremendous maintenance headache. It will cost us about \$300,000 to install them, and they are constantly breaking down.

So with your indulgence, we would appreciate it if maybe that was dropped from the requirements. We have no problems with any of the other appliances, and as I say, with the exception of microwaves, we have installed all new appliances.

The other thing that I would ask your indulgence about is on Yale Village. Yale Village is a development in Houston. That is the one where the multi-purpose building, which is actually fairly large. It is about 5,600 square feet was leased years ago, long before we got involved in the project, to Head Start.

And Head Start actually has, in accordance with the lease terms, exclusive privilege to use all the facilities, and generally use them from about 8:30 to 4:30 every day. It would be extremely difficult, and put us in

a very difficult position to break that lease. The lease is up on February 1, 2007.

So what I would ask the Board to do, is if we can't make an arrangement with Head Start to share that facility in some way, that we would be allowed to go ahead and finish up the cost cert process. Get the 8609s with the understanding that if necessary, that we would go ahead and let the Head Start people know that as of February 1, 2007, that we have to end the lease.

And of course, if that is the approach that you would like us to take, we have a whole supportive service division. We have an award winning program that provides benefits to all of our residents regardless of income, and we would be happy to institute it, once that lease has expired. And so I appreciate your indulgence with this. And I would be happy to answer any questions.

MR. CONINE: Can I ask you a question about the dishwashers?

MS. GOLDMAN: Sure.

MR. CONINE: How many of the four projects, do they all have dishwashers currently? Or did they?

MS. GOLDMAN: No. The only development that had and has dishwashers is Continental. And those we replaced, they are all new dishwashers.

MR. CONINE: Okay.

MS. GOLDMAN: And the other developments which didn't have dishwashers. And where, it is not only a matter of expense and maintenance, it is also a matter of where you put them.

MR. CONINE: Retrofit. Yes.

MS. GOLDMAN: Exactly. That these are small kitchens. These are older developments. Where do you put those dishwashers. And it really is a problem for us.

MR. CONINE: Can I ask staff, was that contemplated in the original submissions, or not? Do we know?

MS. ANDERSON: To clarify, do you mean the original submission from Century Pacific or the original submission from Michaels.

MR. CONINE: Century Pacific.

MS. BOSTON: Brooke Boston, Director of Multifamily Finance. As we went through and did our evaluation, we did it purely from the settlement statement, and the letters in February and May forward.

MR. CONINE: Okay.

MS. BOSTON: Because once we had settled and entered into the agreement with Michaels, our counsel advised us that it would not -- it really wasn't germane

to be looking from a commitment that we had from a prior applicant, basically. So the answer is, I don't know. But the reason I don't know is because we weren't looking at that comparison.

MR. CONINE: But did Michaels originally say they were going to do the dishwashers in those three projects, or not? Where did the dishwasher requirement come from?

MS. GOLDMAN: I saw it in the Board recommendation. It just says, all appliances. That we had signed, and I can't verify this. But it appears as though we may have signed some sort of certification in May 2003, where we said we would provide appliances. I don't know that dishwashers were specifically mentioned there.

MS. ANDERSON: The staff recommendation, above the recommendation, the summary notes also say the settlement agreement was signed and agreed upon in June 2003, without a full determination from Michaels to the Department as to what the complete rehabilitation would include. So it doesn't look like it enumerated what a complete rehabilitation would include.

MS. BOSTON: That is correct.

MR. CONINE: Okay. That is clear as mud. I

think I am okay with it. To go back and retrofit a bunch of dishwasher that haven't been there, and people are living there, and they have been washing the dishes in the sink. They don't have one.

MR. SALINAS: They don't have one.

MR. CONINE: Yes. I am okay with that.

MR. SALINAS: Yes.

MS. BOSTON: And I can't say this categorically, but it is my recollection that in 2002, the QAP threshold did not require dishwashers at that point, either.

MR. SALINAS: Okay.

MR. CONINE: Move for approval.

MR. SALINAS: Second.

MS. ANDERSON: Would you please go back to your seat. Thank you. We are finished with the comment. Well, I thought we were. Mr. Hamby, are you compelled to request for --

MR. HAMBY: I am just getting clarification on Mr. Conine's motion for approval. Did that include not having dishwashers?

MR. CONINE: It is three words. How could you be any more clear? Three words. Move for approval.

MR. HAMBY: Congress shall not pass any laws

that -- okay.

MR. CONINE: Without the dishwashers.

MR. HAMBY: Without the dishwashers, and the leasehold was the one that was open.

MR. CONINE: And the leasehold is fine. Yes. That will work? Through the terms of the lease as --

MR. HAMBY: Either attempt to get a sharing agreement or let it expire February 1, 2007.

MR. CONINE: We have got to make you attorneys happy. I am fully cognizant of that.

MR. HAMBY: Thank you.

MS. ANDERSON: Was the motion seconded?

MR. SALINAS: I seconded.

MS. ANDERSON: Thank you, sir. Discussion?

(No response.)

MS. ANDERSON: Seeing none, or hearing, 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 group for the Board's consideration are housing tax credits extensions for

commencement of substantial construction. There are four of these transactions.

All four of them have the same circumstances. All four of them have the same developer. They were '04 allocations of tax credits. There was a delay in final plan approval with USDA. The plans are now approved by USDA. And the architect has approved the plans.

And there are different extension deadlines on all of these. However, staff is recommending that the extensions be granted per what is in each of the writeups.

MR. SALINAS: 2006, March?

MS. CARRINGTON: The first one. Yes, sir. Their deadline was December 1 of '05. So that would be March 1 of '06. The next one would be April 15 of '06. April 15 of '06. And I think the last one was May 15 of '06.

MR. SALINAS: So moved.

MR. GONZALEZ: Second.

MS. ANDERSON: Discussion?

MR. CONINE: These are all rehab deals. Is that right?

MS. CARRINGTON: Yes, sir. They are.

MR. CONINE: Okay. Thank you.

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 group of items for the Board's consideration is the issuance of determination notice on tax-exempt bond transactions with other issuers. And the first one for the Board's consideration is the Villas at Bethel.

This is a transaction that is proposed to be located in Houston. It is a new construction transaction. It is 177 units. The issuer for this transaction is the Houston Housing Finance Corporation. If you go behind your first goldenrod page -- is that what we call that -- you will see the staff writeup, and the summary of the transaction.

It is a priority two transaction, which means that 100 percent of the units, the rents are being capped at 30 percent of 60 percent. At the very bottom of this page, you will note that staff does disclose to the Board that this was an application that was previously denied by the Board in September of 2005.

And the issues were issues concerning site inspection, the development being built in a flood plain, financial viability, and the lack of commitment for HOME funds from the City of Houston, and a capture rate of 95 percent. The Department's underwriting report, which is included with this summary addresses all of these issues in great detail, and you will find that on pages 2 and 3 of the underwriting report.

I will note that there have been ten letters of support that have been received for this development. And as of the time that our board book went to press and up until today, there have not been any letters of opposition related to this development.

Staff is recommending approval of the development to the Board. And it would be in the amount of -- the tax credits in the amount of \$630,677. And as I said, on pages 2 and 3 of the underwriting report staff has outlined for the Board each of the issues that were of concern at the September meeting, along with mitigation of those issues in this particular evaluation.

MS. ANDERSON: I have public comment on this item. Terri Anderson?

MS. T. ANDERSON: Terri Anderson. Anderson Capital, LLC. I am the consultant for KRR Villas at

Bethel, LP. I would like to read into public comment a letter that we received from Congressman Al Green in the Ninth District of Texas. It is addressed to the Texas Department of Housing and Community Affairs.

It says, to whom it may concern, I would like to express my support for the proposed Villas at Bethel Senior Apartment Community at 4110 Airport Boulevard, which would be constructed by Isikar [phonetic] America, Inc. I am very pleased with their project, and look forward to witnessing their progress.

As a member of Congress representing the 9th Congressional District of Texas, one of the most diverse Congressional districts in the country, I strongly encourage the construction of affordable housing for seniors in our area. And the Villas at Bethel will provide 177 units for this purpose. I am certain that this proposed complex will prove to be a valuable investment for the community.

Please provide full consideration to the developer's application for tax credits. If you require additional assistance or information, do not hesitate to call me. Sincerely, Al Green, member of Congress. And I will present this to the Board.

In addition to that, I would like to just

acknowledge various community leaders who are here to support the transaction; Ms. Bessie Swindell, President of Southeast Coalition of Civic Clubs, and the community outreach liaison for Congressman Al Green; Ms. Margaret Jenkins, first Vice-President of Southeast Coalition of Civic Clubs; Ms. Ann Mitchell, President of South Acres West Civic Club; Frances Thomas, President of Redwood Civic Club; Alfred O'Neal, Vice-President of Redwood Civic Club; Ms. Lula Phillips, CEO and founder of Basic Ministry of Help; Ernest McGowan, former Houston City Councilman; Claudette Singletary, neighborhood consultant to Isikar; and the Reverend Ebert Kirby, President of Isikar America, Inc. and pastor of Sunnyside Missionary Baptist Church.

MS. ANDERSON: Questions?

(No response.)

MS. ANDERSON: Thank you.

MS. T. ANDERSON: Thank you.

MR. CONINE: Move for approval.

MR. GONZALEZ: 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 Arbor Court, which is also located in Houston, Harris County HFC would be the issuer on this transaction. The recommended credit amount would be \$350,478.

This is an acquisition rehab transaction, and it does serve the general population. This is a transaction that was built in 1979. It does have 100 percent, have contract housing assistance payments contract attached to it. It is one and two bedroom units. They are doing about \$7,400 a unit rehab on the transaction.

If you look at the underwriting analysis, which is two pages after your board summary, we have noted in the conditions that as a condition to closing, review, receipt and acceptance of a flood hazard mitigation plan to include in a minimum consideration and documentation of flood plain reclamation site work costs if any, building flood insurance and tenant flood insurance costs prior to the initial closing on the property. And we do identify

those issues also on page 3 of the underwriting report.

MR. CONINE: Move for approval.

MR. SALINAS: 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 one for the Board's consideration is North Oaks Apartments, also located in Houston. This is also an acquisition rehab that serves the general population. The Houston Housing Finance Corporation is the issuer on this transaction. The recommended credit amount is \$469,359.

This is a transaction that was actually built, the property was built in 1976. It is 256 units. It is one and two bedrooms. They are doing about \$15,000 a unit rehab on this transaction. It was previously approved by the Board. However, they did withdraw the transaction, and it ultimately did not close.

And so, it has come back. We note in the writeup that we had received no letters of support and one letter of opposition. I have received, however, since the board book went up, a letter from the Aldine Independent School District, and they have withdrawn their opposition to this transaction. So staff is recommending the allocations of the credits in the amount of \$469,359.

MR. CONINE: Move approval.

MR. SALINAS: 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 one in this group, for the Board's consideration is the Bayview Apartments, located in Baytown. This is new construction. It serves the general population. The Harris County Housing Finance Corporation would be the issuer. It is a recommended credit allocation of \$887,593.

This one was also approved. Bayview was also approved by the Board in 2004, but did withdraw its one, two and three bedroom units. And it is a priority three development. And staff is recommending an allocation of credits of \$887,593.

MR. CONINE: Move approval.

MR. SALINAS: 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 -- let's see. Lindberg Park actually still shows up on you all's agenda, and that application was withdrawn.

The next item for your consideration is the appeal for an application that we have received in house.

Actually, it is appealing a determination of meeting ineligibility for a 2006 4 percent, which is a private activity bond and housing credit allocation.

This is proposed to be -- it is 200 units. It would serve an elderly population. And the property would be located in Corpus Christi.

And we have provided you some background information. A section of 50.12(a)(2) of our QAP says that we must receive a full application, and any outstanding documentation for 4 percent credit applications no later than 60 days prior to the board meeting at which the decision to issue a determination notice should be made.

The Appellant in this case, for Sea Breeze, is requesting that they be considered for the March 2006 board meeting. However, they are not going to have satisfied the 60-day deadline by having everything that is required in house.

And so basically, what you have in front of you today is an appeal, an appeal by this applicant that they be allowed to come to the March board meeting, and therefore the Board would be waiving the 60-day requirement for having all the documentation in house. If you go over to page 2 of 2 on the staff writeup, originally the Executive Director denied the appeal.

Staff is also recommending that the Board deny the appeal of ineligibility for this particular

transactions. And we are recommending that the application actually come to the Board at the may 2006 board meeting, since at this point there is not a board meeting that is planned for April.

MR. CONINE: Move for staff recommendation.

MR. GONZALEZ: Second.

MS. ANDERSON: I have public comment on this item. Mr. Flores.

MR. FLORES: Thank you, Madam Chair, members. My name is Henry Flores and I am here representing the Corpus Christi Housing Authority.

I am joined by a number of individuals that I will take a second to introduce. Mr. Charles Wilson, who is behind me, is the chairman of the board of the housing authority; he is a retired chemist. To his right is William Bonilla, an attorney who has practiced in Corpus Christi for over 50 years, who is the Vice-Chairman of the board.

Sitting behind them are the Executive Director, CEO, Richard Franco, and two of the Senior VPs, Debbie Sherrill and Larry Boutheron [phonetic]; basically all of the executive staff. And we appreciate this opportunity to be here.

I would like to just again, just to state for

the record, the appeal -- and let me indicate that all of us have signed up to speak, to address the Board. Even though Mr. Franco, Ms. Sherrill and Mr. Boutheron are really here just to cede their time if necessary. We are going to try to be very brief, though.

The appeal essentially is again, as this Executive Director termed it, the 60-day submission, rightfully so, the staff has given 60 days to underwrite any bond transactions that are submitted here for tax credits. I think it is an appropriate policy.

But what we have here is a fairly unique situation. I don't think we have a precedent being set. It is a rare occurrence. This is a project that was approved last year. And it was fully underwritten and approved last year.

The bonds were issued by the City of Corpus Christi, and for a number of reasons which I will describe briefly, we failed to close last year. What we are trying to do is to close this year.

You know, I really should thank TDHCA because last year, they were kind enough to award not only those 4 percent credits, but also a 9 percent credit allocation. You know, we appreciate it very much. Ms. Carrington's professionalism and her support of our activities in

Corpus Christi, Brooke Boston, Tom Gouris, there is not a single staff person that we can complain about. We have got nothing but support, and we appreciate that.

The issue is simply this. Having receiving that 9 percent, we grapple with the fact that that is not enough for Corpus; that we never receive enough. But when we would look at the original formula, which I was here when the original formula was created, it is a fair formula. It allocates funds fairly.

The issue is not that Corpus Christi doesn't receive its fair share. The issue is that there is not enough to go around. And even though we get our fair allocation, it is not enough to serve the City of Corpus Christi.

So what we have been trying to do for 18 months now, is create a model that we can use, to issue private activity bonds. As you may know, there has never been a new construction 4 percent tax credit deal south of San Antonio. It is a function of the rents. When you get down to the Mayor's area of the state, rents are so low, it doesn't support a bond deal.

We have a model that works. It is comprised of four components. One, the developer has to be willing to defer half their developer's fee. Not many people are.

PHAs are.

You have to have tax abatement. Again, very difficult to obtain. You have to negotiate with every single entity at the local area. Again, PHAs are capable of doing that. We have done it in Corpus Christi. Everyone has agreed to abate all taxes on this 100 percent tax credit property.

You have to get the land for free. And somehow you have to generate that revenue. In our case, we thought we had replacement housing funds from HUD, and we were going to use those funds.

And lastly, there has to be in a QCT. So we found a site in Corpus Christi that met those parameters, it was in a QCT. We did successfully negotiate tax abatement. The housing authority had lined up HUD for the land. They were prepared to abate half the taxes. Thank you. Again, Madam Chair, I have three members.

MS. ANDERSON: You do.

MR. FLORES: Thank you very much. I appreciate the courtesy. We had those four parameters in place. We issued our bonds. We had such a hard time negotiating with HUD. It was like the worst experience I have ever had in my professional career. We went on and on. The bureaucracy there, as many positive things as I can say, I

can say negative things about HUD.

But in any case, we negotiated. I use that term very loosely. We negotiated with HUD until finally our commitment expired. We issued bonds again, at our expense; issued bonds again.

This Agency was kind enough to allow us to keep our '05 allocation. Negotiate with HUD some more, finally threw up round hands in a fit of disgust, used our own resources, and money from Fannie to buy the land.

We own the land. We are going to lease the land to the housing authority to the project at \$10 a year. This is the kind of commitment you are getting from the City of Corpus Christi. The City is giving us a \$150,000 grant from HOME to help subsidize the onsite development costs. That is how much commitment you have from the City of Corpus Christi.

Nonetheless, we couldn't close it. It rolled into '06. We are trying to close it now. And we do not make the request lightly. We appreciate again, the professionalism of staff. I understand what they are doing and why they are doing it.

Earlier, Mr. Conine made a comment about the four years of tenure that Ms. Carrington had, and what wonderful stability that has brought to this organization.

Well, she broke my record of 3 ½ years. But you are right. When I got here, we had six directors in five years. So I understand the comment.

But we are trying to create a model. It is important to Corpus Christi. It is important to the Valley. It is important to Laredo. It is important. South of San Antonio, we have a model now that works. We have to close.

Well, there is two reasons I think it is an appropriate action to take, because, again, I certainly agree with staff's perspective. One is the deal has been approved already by the Agency, so it is not like a fresh deal being brought in. I think it would be horrific to establish a precedent that the 60-day rule not apply. The 60-day rule should apply every time.

Again, I think this is a very rare situation. We have already been underwritten by the staff. Not to dismiss the task. It is still, it has to be underwritten under the '06 rules. But they have seen it before.

The underwriting hasn't changed. It is the same site, it is the same number of units. It is the same design. Everything is the same. There has been some increase in cost. But that is what we are concerned with, is we are experiencing increases in cost.

The second thing is, there is no April meeting. You know, we could do the 60-day rule if there was an April meeting. But there is no April meeting. It is very rare that you have to deal with an approved application in consecutive years. Even more rare that that would occur when there was no meeting being held in the subsequent month.

If that was not the case, again, if these rare circumstances did not exist, we would not ask for this waiver. We ask half-heartedly, because we have great respect for the staff, and we understand their direction and what their thought process is. But if we try to hold this deal together until May, it will fall apart. Our contractor will walk away.

We had two major delays last year. And again, I will summarize the two major delays. One was the HUD delay.

The second one, we finally find our contractor out of Houston, who is ready to go. And right before, we had a date set to close, when the hurricane hit. We couldn't get casualty insurance for 45 days. Our contractor who had gotten bonded, couldn't get bonded anymore. That was the second delay.

And we have gone from delay to delay. But

again, the critical thing I say to you is we now have a model that will change South Texas. That will provide South Texas access to a resource we have never ever had before.

That is why we think it is important. That is why I am here. Of all the things I have ever been involved in, this is one of the most important things I have ever done in my career. The fact that we find ourselves having to throw ourselves at the mercy of the court, so to speak, is not my first choice, I would rather follow the 60-day rule.

I am convinced that it will be underwritten successfully. But that is where we find ourselves. Again, we have comments being made by the Chair and the Vice-Chair. I think I have probably used up the comments, the time from Debbie Sherrill and Larry Boutheron. But my Chair and Vice-Chair are much more succinct than I. And if they could have just a minute of your time.

MS. ANDERSON: I have a question for you first.

MR. FLORES: Of course. Yes, ma'am.

MS. ANDERSON: If there are no changes, as you have continually emphasized during your remarks, then why couldn't you get the material in on time?

MR. FLORES: Trying to get the contractor in

place, so we could provide the package, because we were negotiating. We had lost our contractor. Kelly Elizondo was the contractor, and was ready to close.

Again, we had a 45-day hiatus on being able to get casualty insurance. He lost his ability to get bonded by the time. Because we are a public agency, unlike most developers -- if I need another contractor, I can have him in four days. As a public agency, we have to go and issue bids.

We have to go through the whole process. A good process. I understand what is in place. But the process, the latest of the part we just rolled into this year, we couldn't submit the package, because we had to have the contractor selected to be able to submit the package.

When we had all the facts that you needed to submit, we submitted it at 50 days instead of 60 days. And then some of the supporting information ten days later. So we actually had submitted everything within 40 days of the 60-day rule.

And again, I suggest to you it is not a good policy to modify the 60-day rule. It is a good rule to have. This is a unique situation.

Without an April meeting, you place this

transaction, and more importantly, the model we are discussing at risk, by going to the main meeting. You know, alternatively, if there is an April meeting, we are happy to wait until April.

MS. ANDERSON: He has a question, Henry. Thank you. Mr. Mayor?

MR. SALINAS: Well, is there any way we could go ahead and waive the 60 days, being that --

MS. ANDERSON: We will debate that as a board after we have finished with public comment.

MR. FLORES: Thank you very much. We appreciate it. Yes, sir?

MR. CONINE: Did I hear you say that it had gotten a 9 percent award in 2005?

MR. FLORES: Yes, sir. That is correct. On another transaction, Hampton Court, which is moving towards closing. Everything is fine there. We had both a 9 percent and a 4 percent deal in Corpus Christi, which is unusual. A PHA this size doesn't usually take that kind of aggressive stance. But we have an aggressive --

MR. CONINE: Oh, but the 9 percent deal was a different deal.

MR. FLORES: Yes, sir. This is a 4 percent deal. Last year, you were kind enough to allocate two

allocations to us, both a 4 percent and a 9 percent.

MR. CONINE: Okay.

MR. FLORES: Again. Thank you very much. The Chair and the Vice-Chair would like to make comments. Mr. Franco has deferred making a comment. He is the CEO. But I would point out that he also has 50 years of experience in this business.

And we have done the very best we can, based on the circumstance. Mr. Franco in fact, is a retired HUD official. He was an area manager for HUD. This is a good organization.

MS. ANDERSON: Thank you, Mr. Flores. Mr. Wilson? Would you like to speak? Or Mr. Bonilla.

MR. BONILLA: If I may, just briefly.

MS. ANDERSON: Certainly, sir.

MR. BONILLA: William Bonilla from Corpus Christi. And I, like probably most of you, sometimes work under a great deal of frustration. Since I became a Commissioner for the City of Corpus Christi in 1998, I have trying to create a development for the low income members that live in Corpus Christi.

And as President Bush said in the State of the Union address the other day, the time of the baby boomers has come. And we are now and have been trying to develop

a program, a development for senior citizens. We haven't had a development built in Corpus Christi since 1994. And it is time that we did our job. And that is to create a development for the people that need housing.

And I urge you to waive the -- it might be 20 days as I understand. Originally, it was ten days. And I came from Corpus Christi with the hope that you would waive those days, to enable us to go forward. Thank you.

MS. ANDERSON: Thank you, sir. Questions for him?

MR. CONINE: A question of staff.

MS. ANDERSON: Wait. Mr. Wilson? Yes, sir. Welcome.

MR. WILSON: Let me first thank you for the opportunity to come before you. And I totally agree with everything that Henry and Mr. Bonilla have said here. And you know, I thought about coming here. And what was the best way to approach this board.

You see a lot of these things on television. So I thought about maybe bringing a senior citizen with me. And then it hit me. You don't need to carry a senior citizen. You are one.

And as a senior citizen, I work closely with a group in our church called the Golden Leaves. And so I

got a chance to visit our senior citizens in their homes.

And I know firsthand what their needs are. And I can tell you that housing is a primary need of the seniors in Corpus Christi.

And whereas I appreciate the position that staff, and understand the position that the staff has taken, I am not certain that I could face our senior citizens without at least having come here and said to you, that the threat to this project that might be brought on by not granting this waiving, that is, the increasing costs might lead to -- might jeopardize the project. I am not certain that I could face our senior citizens without at least giving it a shot.

To come and say, you know, we are -- and I think Mr. Bonilla didn't say how long he has really -- and how difficult this has been for him. We talked. I mean, I got a chance to really hear him. I rode with him up here from Corpus Christi. And he is, as I am, driven by the concern for the people.

And so, that is -- I am not challenging staff. That is just -- that is why I am here. I don't know now we could face our senior citizens if this project was threatened to the degree that come May, it was no longer a viable one. Thank you.

MS. ANDERSON: Thank you, sir. Mr. Franco?

MR. FRANCO: Members of the Board, good afternoon. I just want to take one brief moment. I too, am a senior citizen. And this is going to be my last hurrah.

I have spent over 50 years in this business. And we certainly would like to accomplish this particular development that we are proposing for seniors. So I just will end by saying that I respectfully request your favorable disposition of our request. Thank you.

MS. ANDERSON: Thank you, sir. Maybe Ms. Boston or whoever. Ms. Meyer, because I think several of us have questions. Mr. Conine.

MR. CONINE: This is a contractor fallout issue. This is what they are -- that is where they are coming from?

MS. MEYER: They are stating that their general contractor's contract will run out.

MR. CONINE: Okay. So the other pieces of the puzzle, the HUD replacement housing funds and so forth are all still in place, and will remain in place?

MS. MEYER: As far as we know. We haven't reviewed the application as of yet. So I am assuming that he is stating to you correctly, that everything is still

in place.

MS. ANDERSON: So it has still not been submitted?

MS. MEYER: The application has been submitted. However, it is under a 2006 reservation. It under our 2006 rules. And we have not had a chance to review that. We just received it this last Friday.

MS. ANDERSON: Last Friday? Can I ask two questions? -- because I didn't quite understand what you said to Mr. Conine about the contractor or contract: that their position is that this contractor contract is going to expire?

MS. MEYER: Correct.

MS. ANDERSON: But I thought one of the witnesses said that there was a new -- that they had to negotiate a new contractor contract.

MR. FLORES: That is the one that will expire is the new contract.

MS. ANDERSON: What is the expiration date of the contract?

MR. FLORES: The contract was signed January 31. But we haven't been able to achieve closing as we wait for this application. So we expect that --

MS. ANDERSON: So on January 31 of 2006.

MR. FLORES: Correct.

MS. ANDERSON: And for how long is the contract, your commitment from your contractor good?

MR. FLORES: It doesn't stipulate it in the requirement.

MS. ANDERSON: So it is not going to expire.

MR. FLORES: The contractor has told us that his price is not good for 90 days. That he is prepared to close now. We had anticipated --

MS. ANDERSON: So the contractor contract does not have an expiration date in it.

MR. FLORES: No. But anyone that is in the business now recognizes that --

MS. ANDERSON: Mr. Flores, just answer my questions, please.

MR. FLORES: I will try.

MS. ANDERSON: Okay. The contractor contract that you executed in January, does it or does it not have an expiration date in the contract.

MR. FLORES: To the best of my knowledge, it does not.

MS. ANDERSON: Okay. Thank you.

MR. SALINAS: But the 60 days will help him -- I would think the waiver would help him keep the prices

where they are at right now. Now, if he comes to us in April, we do not have a meeting in April.

But I just don't see why we should not give him the waiver. It is not going to hurt anybody. It would keep that application at 4 percent in Corpus. They have never had one before. And it is something that I don't want to set a precedent here, also.

But I do think they have credibility with what they want to do in the next -- by waiving the 60 days now.

If they are going to do something, they are going to do it in the next 20 to 30 days. And we are going to meet in March.

But I think the rules are there, that 60 days.

All we need to do is just give them an opportunity to, by waiving this 20 days that they need, no longer than that.

MS. MEYER: If I could say one thing. In the past, Mayor, we have actually terminated applications if they did not submit anything in a timely manner. Now we have done waivers in the past, which you have seen.

MR. SALINAS: But they have got an explanation. You have a City Commissioner here. You have --

MS. ANDERSON: I don't think any of those things are at risk.

MR. SALINAS: I know.

MS. ANDERSON: What they are saying is the contractor is at risk.

MR. SALINAS: I know. The contractor is at risk. And I am a developer. And you cannot get the same price. I mean, I know the contractor has got a problem. By engaging to a contract, the prices might go up. All the contractors move on to Jefferson County and Louisiana.

I mean I can understand the contractor having to -- I can understand them by asking for the waiver, because they might lose this contract if they wait until May. They might lose the whole project if they wait until May, because we are not having an April meeting.

And it is just that I don't think it is fair for us not to waive it. If we waive it, it would be entirely up to them whether they keep it or not, I would think.

MS. ANDERSON: If we waive it, this deal is still not approved. If we waive it, then the issue is that -- if we waive it, then they would be permitted to be on the March agenda and not the May agenda. If we don't waive it, they would end up on the May agenda. Ms. Meyer, when does the bond reservation expire?

MS. MEYER: July 3.

MS. ANDERSON: Okay. And the staff

recommendation discusses the cost increases that warrant a full re-analysis. Is that an underwriting analysis?

MS. MEYER: We have to go through the full -- we are now into a different program year. So they would have to come under the new 2006 QAP. The new 2006 rules. So anything that changed from 2005 to 2006, a full review has to be done again.

MS. ANDERSON: Okay. So and it was received on February 10. So the March board meeting, currently set for March 20 would make that 40 days after receipt of the application.

MR. SALINAS: 20 days.

MS. ANDERSON: Rather than 60.

MS. MEYER: Correct. And I am assuming we have all of our third party reports. Like I said, we haven't --

MS. ANDERSON: Are those subject to a 60-day -- are those supposed to be in 60 days ahead also?

MS. MEYER: Yes, ma'am. That was one thing we are trying to check on right this second. Like I said, it hasn't been under review, so we don't know what the deficiencies would be at this time, or what is actually missing in the application. We haven't had a chance to go through the application.

MS. ANDERSON: But you are checking to see. So we don't know today that the application is complete, but you all are trying to find that out.

MR. SALINAS: I think we will all be in good shape. I think we will know by the March meeting, if we would waive it.

MS. ANDERSON: Mr. Mayor, the issue is whether the 40 days, the reason we ask for 60 days is to give the staff time to do --

MR. SALINAS: Yes.

MS. ANDERSON: And then it is analysis. And so now, we know that we got part of the application in 40 days ahead. What you all are trying to determine is whether we have the complete application in house today.

MS. MEYER: That is correct. And what deficiencies are still outstanding.

MR. SALINAS: But they have had it since '05.

MS. ANDERSON: No, but it is under a different set of rules.

MR. SALINAS: I know exactly what you are --

MS. MEYER: They have had to submit a completely new application under the 2006 rules.

MR. SALINAS: I know.

MS. MEYER: Sir, it is all new information.

MR. FLORES: Madam Chair, there seems to be some question about --

MS. ANDERSON: Would you please be seated while we have a staff discussion? What we are trying to avoid is having the Board debate a witness, or the witness debate staff. So I will give you another opportunity in just a minute. Okay. Ms. Boston?

MS. BOSTON: I was only going to say that the applicant would know if he has turned in the market study or ESA at least, because those are substantial significant documents. So we could at least get that from him.

And if he says he has turned it in, then I believe it is in. And whether that is sufficient or not, and whether there is outstanding deficiencies, obviously, we would still need to do a full review.

MS. ANDERSON: Okay. Mr. Flores.

MR. FLORES: As I was going to say, all the reports have been submitted. We submitted everything we could 50 days ahead. And then the market study and the ESA were submitted ten days later.

MR. CONINE: I presume you got the same third party guys, but they were updated.

MR. FLORES: But actually because of the rules, they had to be brand new reports.

MR. CONINE: Right. Okay.

MR. FLORES: So we had to actually -- but they are from the original vendors, and they did certify that there is no environmental issues. And the market demand still exists.

MS. ANDERSON: I have a question for the General Counsel. I know I did that at my own peril.

MR. CONINE: I don't know if he is the right guy or not. We will see.

MS. ANDERSON: And maybe I didn't need to get you up here. But my thought process is this. If we grant -- if we were to grant this waiver, provisionally, subject to the staff having the 40 days being enough time to do a review, and still give the staff the option to bring it on the May -- what I am trying to do is, give the Applicant the benefit of the doubt, and grant the waiver.

But if there are problems in this application package, you know, and we are now 38 days out. Then I want those deficiencies to fall to the detriment of the Applicant, because we are not going to -- it doesn't kill the deal to move it -- from our perspective, to move it to May, because what we are focused on is the bond reservation.

So could -- is there a way to you know, we want

to have a board vote on it, but to make a motion that we would grant the waiver, but we sort of give the staff, if there are deficiencies in the application, that it doesn't have to come to us. We can grant the waiver without knowing today whether it is going to come in March or May.

MR. HAMBY: Kevin Hamby, General Counsel for TDHCA. Madam Chairman, I believe, one of the things we want to clear up fairly quickly is our statutory language requires that anything be posted seven days in advance of a board meeting. So that shortens it by seven days. So you are into 31 days.

In addition to that, our Executive Director, usually, we have a new acting Executive Director coming in. But I assume that he would expect the same courtesy that we have given Ms. Carrington, to give her at least 24 hours to review it before it goes up on the board book, before it goes up on the web page, and make sure that he is in agreement with the process.

So if you just take 24 hours, which in reality is probably pushed back a little bit, you are really talking two weeks. So now we are cut down to actually 24 days, out of the 38 days that is available. To more directly answer your question, this Board can waive the 60-day requirement --

MS. ANDERSON: Without guaranteeing that it is going to be on the March agenda?

MR. HAMBY: Well, you can waive the 60-day requirement, and staff, the Applicant would take the chance that staff would recommend disapproval, because they didn't have sufficient time to analyze the information, or were unable to meet the needs, or meet the requests of this Board that they do a full analysis.

MS. ANDERSON: But that is better off than where they are today.

MR. HAMBY: It is certainly better. Well --

MS. ANDERSON: Because today, if we don't waive it.

MR. HAMBY: It would probably -- I would assume that most applicants would prefer that you have -- that they not be recommended against on a board meeting. So they would probably work out some sort of agreement. But yes, it would. You could do it.

But you are really talking about staff, assuming that they left this board meeting and went immediately to work on it, having about 20 days. And that includes weekends. So you take out the three or four weekends, and you are really 15 days.

MS. ANDERSON: Which is why we have a 60-day --

MR. HAMBY: Which is why you have a 60-day rule. And especially since we will be, March 1, reaching one of the peaks of our season.

MS. MEYER: If I could kind of piggyback on what he said, we do have a full multifamily agenda in March. We have ten local issuers, and TDHCA bond issues that you will see in March. So we have a full workload up in between now and when we have to post to the Board. If the Board would so consider that.

MR. HAMBY: In addition to that, we will also be having single-family, presumably, we will be having single-family applications coming in from our Hurricane Rita issue. And we will also as we have later in the agenda, have some discussions or work centered around the additional funds supplied by Congress through HUD, the \$74 million that will also impact this period of time. So it is not small task, meeting the statutory deadlines, and what we already have out there for some of these same people, will have to be doing reviews.

MS. ANDERSON: Well, I guess, and I am not making a motion, but my thinking would be, I would be willing to grant a waiver, but only subject to -- if the package isn't pretty pristine, then you know, the time that you have suggested that is left isn't enough to clear

all that up by the March meeting. So I guess the Applicant would take their chances on how clean the package is.

MR. HAMBY: And of course, Madam Chairman there is already a motion on the floor to approve the staff recommendation to deny the waiver.

MR. CONINE: I withdraw my motion.

MR. HAMBY: And I believe that Mayor Salinas was the second on that.

MR. SALINAS: Yes. I withdraw my second.

MR. HAMBY: So now you have no motion on the floor, and whoever wants to do whatever can do so.

MR. CONINE: If I am a betting man, my assumption would be that we are going to have an April meeting. But I hear what Mr. Flores has said. I understand that in the construction business, what he is up against. I do believe there are a bunch of people in that same situation out there.

And I am concerned about precedent. But they have gone with the effort to demonstrate to us that they would like a shot at it. And it is really up to staff and their workload, and their recommendation, and the package, and all that sort of stuff. So, I will go ahead move that we grant the waiver.

MR. SALINAS: Second.

MS. ANDERSON: Discussion? May I ask a clarifying question on the waiver?

MR. CONINE: Uh-huh.

MS. ANDERSON: And maybe this is just implicit in the granting of the waiver. But we're granting the waiver of the 60-day rule. We are not guaranteeing a place on a particular board agenda.

MR. CONINE: Nor are we approving the project.

MS. ANDERSON: Correct. 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. We are going to, mindful of when the Capitol Grill Club closes, we are going to take a lunch break, and the Board is going to take its executive session during this break.

MR. HAMBY: 45 minutes?

MS. ANDERSON: 45? That was --

MR. HAMBY: Four five.

MS. ANDERSON: That was 45 minutes until 2:30.
Thank you. Oh, and I need --

MR. HAMBY: Yes. You have to read the whole package.

MR. CONINE: Do we need lunch first?

MS. ANDERSON: Yes. Go get lunch and come back. Okay. I am reading for the record, if I could ask you all to leave the room quietly. On this day, February 15, 2006, the regular meeting of the Governing Board of the Texas Department of Housing and Community Affairs held in Austin, Texas, the Board adjourned into a closed executive session, as evidenced by the following.

The Board will begin its executive session today, February 15, 2006 at approximately 1:45 p.m. The Board may go into executive session and close this meeting to the public on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code Chapter 551.

The Board may go into executive session pursuant to Texas Government Code 551.074 for purposes of discussing personnel matters, including to deliberate the appointment, employment, evaluation, reassignment of duties, discipline, or dismissal of a public officer or

employee, or to hear a complaint or charge against an officer or an employee of TDHCA. Consultation with attorney pursuant to Section 551.071 of Texas Government Code with respect to pending litigation styled Hyperion et al, versus TDHCA, filed in state court; with respect to pending litigation styled TP Seniors II, Limited versus TDHCA, filed in state court; with respect to pending litigation styled Gary Traylor, et al., versus TDHCA filed in Travis County District Court; With respect to pending litigation styled Deaver versus TDHCA filed in federal court; with respect to pending litigation styled Ballard versus TDHCA and the State of Texas, filed in federal court; with respect to any other pending litigation filed since the last board meeting. Thank you.

(Whereupon, the Board met in executive session.)

MS. ANDERSON: The Board has completed its executive session of the Texas Department of Housing and Community Affairs, February 15, 2006 at approximately 2:55 p.m. I hereby certify this agenda of an executive session, Governing Board, Texas Department of Housing and Community Affairs was properly authorized pursuant to 551.103 of the Texas Government Code.

The agenda was posted to the Secretary of

State's office seven days prior to the meeting, pursuant to 551.044 of the Texas Government Code, that all members of the Board were present, with the exception of Shad Bogany. And that this is a true and correct record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code.

In the executive session, we had a discussion about salary for the acting Executive Director. And I would entertain further discussion or a motion on that topic.

MR. CONINE: Madam Chairman, I would like to move that we elevate the acting Executive Director, Mr. Bill Dally's salary to the maximum allowable under the category of the current Executive Director is in. And to make that effective February 15, 17?

MS. ANDERSON: First?

MR. CONINE: 21st. February 21. Tuesday. That is not a holiday. February 21, 2006, for implementation at that time.

MR. GONZALEZ: Second the motion.

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. 3(a), Ms. Carrington, I believe.

MR. CONINE: Don't spend it all in one place.

MS. ANDERSON: He has a daughter in college, Mr. Conine. You know. He isn't spending it at all.

MS. CARRINGTON: The next two items for the Board's consideration are issuance of multifamily mortgage revenue bonds with TDHCA as an issuer, and housing tax credits. And the first one to be considered is the Oakmoor Apartments.

It is to be located in Houston. It is new construction. It would serve a general population. It is 248 units. The bond amount would be \$14,635,000. The recommended credit amounts are \$765,655. It is one, two and three bedrooms.

There was one person at the public hearing. There is no opposition on this transaction. And staff is recommending the approval of Resolution 06003 for the issuance of the bonds, and the allocation of the tax credits.

MR. SALINAS: Move for the approval.

MR. GONZALEZ: Second.

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 for the Board's consideration is the Village Park Apartments in Houston. This is an acquisition rehab. It serves the general population.

The total number of units on this particular transactions are 418 units. The bond amount would be \$13,660,000. The tax credit recommended amount is \$574,490.

You will note that this is over the amount of units than what you typically see. And there is a provision in the Qualified Allocation Plan that allows if a transaction is rehabilitation, that it can exceed that

amount of 250 units. This was a transaction that was built in 1972. It is about 93 percent occupied.

And staff is recommending the issuance of the bonds, and the allocations of the credits. There are some environmental issues that we have identified in the underwriting report. However, they are basically not any different or any more unusual than environmental issues you would see in a property of this age. The resolution number is 06004.

MR. GONZALEZ: Move for approval.

MR. CONINE: Second.

MR. SALINAS: 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 Item (c). And this is the approval of -- I am sorry. It is (b). Sorry. Inducement resolution

with an intent to issue multifamily housing revenue bonds for one development that would go on the waiting list, would apply over to the Texas Bond Review Board for program year 2006.

And this is behind Tab 3(b). And this would be a priority three application. And the name is Meadowlands. It is a general 236 units. And the amount of the bond allocation, I am sorry. The inducement for the bond amount would be \$13,500,000. And it is also proposed to be located in Houston.

And we are recommending approval of this authorization for filing with the Bond Review Board. And it is Resolution 06005.

MR. SALINAS: Move for approval.

MR. GONZALEZ: 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: Now moving to Item 3(c). This is requesting the approval to add a senior manager for the multifamily senior manager list. You may remember that we do add firms to this list through an open request for qualifications.

And Stephens, Inc., which is a firm in Little Rock, Arkansas has applied to be added to that list in the role of senior manager. And they are doing that because they are on a multifamily transaction that the Board will be seeing in the next month or so. And we are recommending that Stephens, Inc. be added to the investment banking firm for multifamily transactions.

MR. GONZALEZ: 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.

MR. CONINE: Ms. Carrington, could I make an

editorial comment right quick? Everything we have passed today, or most everything is down in the Houston area again. It looks like Houston is kind of cranking itself up again.

And I just want to raise the red flag about concentration policies and the like. Granted, I understand the effect that Katrina and Rita had on the Houston multifamily market down there, and the perception that you know, all the units are full. But I just in my gut feel like the train has left the station.

And I want to make sure that staff is cognizant and aware that all these deals that come through, as they get put online, are going to create a glut of apartments again in the Houston market, if we are not careful. And I want to make sure that at least from this board member's perspective that we pay close attention to that as we move forward this year.

MR. SALINAS: Well, you know how I feel about Houston. But there are rules, flood plains.

MS. ANDERSON: And just as a point of information from the Board, you all will recall that in the budget for the current fiscal year, we allocated some money to commission our own study, market study of the Houston market, and sub-markets therein.

And it is my understanding that that market study, which was commissioned with us as a customer is going to be released and available for board review and discussion in the not too distant future, in the next month or two. And so we would look to wanting to have an agenda item and be able to look at the conclusions of that market study when it is available.

MR. CONINE: Do we know when that is coming?

MR. GOURIS: We hope to have a presentation for you at your March meeting.

MR. CONINE: Fairly soon.

MS. CARRINGTON: The document is actually in house. We are in the process of analyzing it.

MR. CONINE: Okay. Great.

MS. CARRINGTON: And if I might, Mr. Conine and Madam Chair, two or three thoughts of course, occurred to me as I was reviewing the agenda for this board meeting. And that is, it gives, I think, some additional legitimacy for the carve-out of Harris County, as we looked to allocate our dollars on the Rita and Katrina disasters.

We did receive some criticism for carving out Harris County, Houston and Harris County, because, indicating there was a need there, the Board chose not to do that, and chose to allocate it to those 21 counties, as

opposed to the 22 counties. So I think what we see here is that there is definitely development continuing in the Houston area.

It is also fairly encouraging to me that at least three of these, I think, are acquisition rehabs as opposed to new construction. And the third editorial comment I will make is that it makes our calculation of capture rate, and the data that we receive, and the market study, along with the supplemental data very important for us to adhere to.

MR. CONINE: I am a big fan of acquisition rehab, as most people know, because it doesn't affect the market all that much relative to total number of units. But the new construction does. And I hear also through the grapevine that we are having a lot of bond deals not getting converted from construction to permanent, because they are not meeting their income NOI tests and/or other factors.

Some is estimated as high as 25 percent of bond deals done in the last couple of years aren't converting, and that is a concern to me. So for us to be dumping more units in a market that has trouble converting already, we had better be darn sure that the underwriting is done correctly, and the market studies are done correctly to

determine need in those areas.

MS. ANDERSON: And need at the income level at which the rents are proposed for the --

MR. CONINE: Right.

MS. ANDERSON: Because there may be need at one income level that these units don't actually target.

MR. CONINE: I will get off my soap box and come back down.

MS. ANDERSON: Item 4 is a report from the Program Committee.

MR. CONINE: The first item the Program Committee took up this morning was the policy on intergenerational housing. We had quite a bit of public comment and testimony -- do we have any other public comment -- this morning at the meeting. And the Program Committee debated the policy.

We had several questions we asked staff to come back on. And it was the Programs Committees' recommendation to the Board is that we table this until the next meeting to again, provide further input. And so, I would so move.

MR. SALINAS: Second.

MR. GONZALEZ: 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: Ms. Carrington, do you want to handle 4(b)?

MS. CARRINGTON: Item 4(b), the Programs Committee recommended that they take the staff recommendation which was to deny amending the terms of a loan, the Housing Trust Fund loan of \$170,000 to Costa Tarragona Apartments.

MR. CONINE: I will make a motion that we move to deny.

MR. SALINAS: 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: On Item 4(c), this was a request to waive a certain provision of the HOME rules, which says an application can only stay in one phase for 65 days. There were certainly extenuating circumstances with this particular transaction in Ennis. And staff did recommend, and Programs Committee is recommending for this particular application with the extenuating circumstances that the waiver of the 65 days staying in phase two requirement be waived.

MR. CONINE: I so move.

MR. SALINAS: 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: Okay. 4(d) was a discussion and

review of the existing, repeal of the existing HOME rules first. So I guess we should go ahead and probably do that. I would move that we repeal the existing HOME rules, Title X, Texas Administrative Code, Part 1, Chapter 53.

MR. GONZALEZ: Second the motion.

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: Second action that the Programs Committee took was on the publication of the final 2006 HOME rules, Title 10, Texas Administrative Code, Part 1, Chapter 53. After a lot of discussion, we agreed to recommend to the Board that we approve doing that, subject to a couple of amendments. And if I remember correctly, one of the amendments was to establish a report back from each of the cities that received HOME awards at the twelve month interval.

MR. SALINAS: Every twelve months.

MR. CONINE: And this 18 month cycle, it has been proposed so that we can -- the Department can be apprised of the progress of that particular HOME award. And secondly, under the deferred loan provision, we recommended to amend the policy to go acquire a before and after appraisal on the subjects home, deducting 10 percent of the new appraised amount as closing costs, selling costs, and coming up with a net equity position that would then be deducted off of the HOME award and placed on the property as a deferred forgivable loan or a deferred loan, whichever the case may be under the income requirements.

Was there anything else that we changed? I can't remember anything else that we changed. And I would make that in the form of a motion to approve as amended.

MR. SALINAS: You all talked about five years.

MR. CONINE: There is two. Under 50 percent AMFI, there is a five years deferred forgivable loan.

MR. SALINAS: But they were good at the end of five years.

MR. CONINE: Right. And over 50 percent median income would be just a 30 year non-interest bearing note, due upon sale or refinance.

MS. ANDERSON: And it would, the over 50

percent would have the same condition about only to the extent that the sale amount exceeded the original appraisal amount and the 10 percent for the costs of sales.

MR. SALINAS: Yes.

MR. CONINE: Cost of sales.

MS. CARRINGTON: Right.

MS. ANDERSON: That one applies on both sides.

MR. GONZALEZ: Second.

MS. ANDERSON: Discussion? I have one other thing I forgot to mention this morning that I would offer for the Board's consideration.

MR. CONINE: Sure.

MS. ANDERSON: The proposed rules do reduce the award amount across these HOME programs, not just in OCC, but across the HOME programs from \$500,000 to \$275,000. Which I support the motion that is on the floor to do that.

But in the home buyer assistance award, if we have entities, as we do, that serve more than one county, then my proposal would be for home buyer assistance. That we could leave the award at not to exceed \$500,000 if the applicant entity serves multiple counties.

MR. SALINAS: Three or four counties, like

South --

MS. ANDERSON: Like Southeast Texas HFC, or there might be others that are HFCs that want to be in the home buyer assistance program that serve multiple counties. And if we have it at 275, that means they can do 27 loans. And while that might be appropriate in one county, if they are serving multiple counties --

MR. CONINE: Are you talking about a particular city that would be located within two counties?

MS. ANDERSON: No. I am saying if there is a multi-county entity that applies for and scores high enough to get home buyer assistance funding from the Department to do down payment assistance --

MR. SALINAS: Just like Duval? Jim Hogg? Starr County. District judge service those three counties, because there is not enough population in these counties, so they combine three counties together, and they have the -- say, like the HOME program would operate out of one city and provide services for the three counties.

MS. ANDERSON: I'm just talking about home buyer assistance. Not OCC.

MR. SALINAS: And then you have Cotula and all that area close to Laredo.

MR. CONINE: In essence, you are trying to say that the 275 goes on a per-county basis?

MS. ANDERSON: For a home buyer, no, because a multi-county entity could serve ten counties, and I am still saying no more than \$500,000.

MR. CONINE: Oh. You are putting a cap on it.

MS. ANDERSON: I am putting, instead of -- because we have said that we are going to do 275.

MR. SALINAS: Per county.

MS. ANDERSON: Per applicant. And I am saying that I am okay with that, except in home buyer assistance, where we have some entities that do home buyer assistance in multiple counties. I just want to raise the cap for that situation only, from 275 to \$500,000.

MR. SALINAS: It is like the Rural Economic Assistance League in Dallas serves over three counties.

MR. CONINE: Okay. I hear you.

MS. ANDERSON: So that is my amendment that I offer.

MR. CONINE: I will second that.

MS. ANDERSON: Okay. Are we ready to vote on the -- I am sorry. Mr. Pike.

MR. PIKE: I just need a quick clarification. On the loan amount, would a prorated percentage of that be

forgiven each year over the course of the five years, or would it --

MR. CONINE: Yes. As stated in staff writeup. That is the way it is in staff writeup.

MR. PIKE: Okay. I just wanted to get clearance on that. Thank you.

MR. CONINE: We are okay with that.

MS. ANDERSON: Okay. So we have an amendment on the floor about this raising the cap to \$500,000 for multi-county entities for home buyer assistance only. Is there any more discussion on the amendment? We need to vote on the amendment.

(No response.)

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The amendment carries. Now do we have discussion on the main motion, which is the new HOME rules, as amended, as described by Mr. Conine. 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. And I had a bunch of public comment on that item, but I don't think any of those people are still here.

MR. SALINAS: Can I ask about this Cotula, LaSalle County. They have had a grant for \$520,000. They haven't drawn any money out of that grant. And they only have about six months left. I mean, this was given to you all this morning.

MS. ANDERSON: Right.

MR. SALINAS: Are they going to be able to keep it or lose this grant?

MS. ANDERSON: This is not on the agenda.

MR. SALINAS: No, it is not on the agenda, but it was discussed this morning.

MR. HAMBY: Mayor Salinas, anything that is not on the agenda, the Board can't take any action on it. If you would like us to put that on the next agenda, we certainly can.

MR. SALINAS: Please do, because these people

are going to lose their funds.

MR. HAMBY: Okay. And I assume there is --

MR. SALINAS: I think they discussed that this morning.

MR. HAMBY: I assume it is at a level where they can go to the March 20 agenda.

MS. ANDERSON: Or you have the option just to meet with staff, and get your concerns satisfied, and only if they are not satisfied, would we need to put it on the agenda.

MR. SALINAS: Okay. I will.

MS. ANDERSON: Okay.

MS. CARRINGTON: And Ms. Trevino is still in the audience.

MR. SALINAS: Yes. Well, the letter was written by Lucy.

MR. HAMBY: Madam Chairman, I also need to just for the clarification of the record, on Item 4(b), which was the 170,000, Mr. Conine's motion was actually to deny.

And it was to approve staff's recommendation to deny, is that what you meant?

MR. CONINE: I think that is what I said.

MR. HAMBY: No, you said to deny. And that is why we had the question about it. Just wanted to make

sure that you meant to approve staff's recommendation of denial.

MR. CONINE: Yes. That is what I meant. And I think that is what I said. But you are welcome to go back and check the transcript and see.

MR. HAMBY: We can worry about that. I just want to make sure the staff got it.

MR. SALINAS: I think the motion was meant to deny.

MS. ANDERSON: I think we are ready for Item 5.

MS. CARRINGTON: The next item on the agenda is the first quarter investment report. I will ask Mr. Dally to come up.

MR. CONINE: Oh, boy.

MR. DALLY: Good afternoon. I did add for this particular report, I translated what have usually done in the way of talking points, and put them as a summary of the report, because in past meetings, it has always been just exactly that the Public Funds Investment Act asked for.

In this particular instance, I did add these talking points. It shows you the mix on the portfolio. It then goes on to show you the activity. And what I generally highlight in the activity is to show you what we

had in new mortgage backed securities of \$57 million. And then as you look on the second page, you can see that we have had a real strong year.

If you look across that first line. Those are our loan originations. So we have had a very strong year.

And then the line below that says maturities. Those are typically your refinance, the loans going away. And that activity again, has been dropping off. So we are not seeing near as many refinances.

The market value did decrease \$17.7 million in the portfolio over this quarter. That is reflective of the fact that the mortgage rates went up during that quarter. And so interest rates are up. The price of our bonds are down.

I then added one paragraph at the end of this description, because the Public Funds Investment Act is a little bit limited in the information that it gives you, because when you ask well, how are we really doing, it really doesn't address that very well. And what I have added, and then there is a second page.

This is a report that Byron's group, the Bond Finance group has done, probably over the last four or five years. And what it does is actually look indenture by indenture.

And it does sort of a balance sheet analysis that says where is the parity? Do we have more in assets than we have in the liabilities. And so when you have parities over 100 percent, then in that instance, you do have strong parity, what is called a strong parity.

The second set of analysis is just the interest expense, our bond expense, versus the interest income that comes in off the investments of the mortgage-backed securities. Here again, you are looking for a positive in net interest.

The final analysis that I guess is the most relevant and the most important for our bond indentures are the cash flows that are done as we issue new bonds. And that looks at the entire indenture under several scenarios of which it tells you the strength, and whether those bonds will be paid off over that time. And that is an analysis that neither the balance sheet or the income statement are going to give you.

Because you have got to look and see, under various scenarios, whether over the next 25 years, the bonds will repay. And that is the most important analysis. And that is what is done every time we open up a new series and an indenture. And with that, I will close. Are there any questions?

MS. ANDERSON: Questions? I appreciate this extra, taking the opportunity for the quarterly investment report to provide some additional information to the Board about the health of the indentures, and I appreciate your doing that.

MR. DALLY: One question I would have is, would you like to have a separate report from the Public Investment Act, along the lines of where we look at the indentures? Or is this satisfactory if we do something along this line? Okay.

MR. CONINE: This is plenty for me.

MR. DALLY: Okay.

MR. CONINE: We'll have a lot more questions for you next month.

MS. ANDERSON: So do we need to take any action?

MR. CONINE: No. I don't think so. It is not an action item, is it?

MR. DALLY: It is just a report item.

MS. CARRINGTON: Okay. Thank you. And Mr. Dally, if I could ask you to just go ahead and stay where you are. Item 6 on the agenda is a discussion of possible activities for TDHCA. And this would be related to an announcement of \$74,523,000 in CDBG funds that is going to

be coming to the State of Texas under HR 2863.

On December 30 of last year, President Bush did sign into legislation additional appropriation of \$11.5 billion in disaster relief. And this disaster relief does go to five Gulf Coast states with Texas being one of those five states.

You can see the breakdown of the funds that will be coming to Texas. And those dollars are \$74,523,000. Using some data sources from HUD, HUD has calculated, HUD actually did the calculations for each of the five states. And it was based on unmet housing need, defined as uninsured homeowners and low income renters whose homes had major or severe damage and concentrated distress defined as the total number of housing units with major or severe damage.

HUD has also developed a formula that looked at the basically the allocation of these funds. How these funds would be divided among activities. And basically, their formula has determined that about 55 percent of the funds would be allocated toward unmet housing needs. With this 55 percent, that means that the Department would receive about \$41 million. About 41 million would be available for housing needs in the State.

And I have asked Mr. Dally to stay for any

questions the Board might have. Bill is the one who has been working very closely with the Governor's Office and the Office of Rural Community Affairs in discussing what our strategies would be for the activities and for the allocation of these dollars.

MS. ANDERSON: I have a question.

MR. DALLY: Okay.

MS. ANDERSON: Has HUD released its NOFA for guidance on these funds?

MR. DALLY: Yes. They came out Monday.

MS. ANDERSON: Okay.

MR. DALLY: It is at the same time that we had a meeting with the Governor's Office and ORCA, and the people from HUD. And it came out that very day. And where we are now is, we need to develop the State's action plan.

I think we propose to do that with ORCA as a collaborative effort. That will then go to the Governor's Office. They will look at it. It will be a menu of activities, and where we see the need.

And then that is submitted to the -- it will go both to the regional office of HUD there in Fort Worth and also up to Washington, D.C. And the promises that we got Monday was that it would be looked at very expeditiously,

so that we can turn around and get these funds out to Southeast Texas.

MR. SALINAS: What is the timetable for the monies to get to Southeast Texas?

MR. DALLY: Well, we will need approval. The Governor will have to approve our action plan. It will go forward and be approved by HUD. And then they will turn around and create a grant agreement. And then upon our signature of that grant agreement, then the funds would be disbursed.

One thing, I guess, to highlight in this, is that they are looking for unmet housing needs. There is the situation described in the HUD deal was for the first priority being those that were uninsured. I think we will probably seek some clarification.

I should add that we signed on to some generic waivers just immediately with the CDBG funds. But we have a opportunity as we refine and look at our needs, and we take the public input that will be part of this process to make some other waiver requests of HUD on this.

And then I guess time line, we are just our thinking was April, May, something like that, that we would get moving on this. But this is a very high priority. I will remind you that it is to some degree it

is pancaked on top of our tax credit cycles and other things. That we are in HOME cycles that we are doing.

But we have got a very committed staff. And I think we have stepped up since the hurricanes have it. And you are going to continue our efforts to bring relief to that part of Texas.

MR. SALINAS: We had down here the county judge from Jefferson County. Was he the one that came to speak to us the last time.

MR. DALLY: Yes. Several, and practically the representatives and senators from that area.

MR. SALINAS: Would you notify him of what is happening. Can you call him and tell him?

MR. DALLY: Oh, yes.

MR. SALINAS: Notify him that --

MR. DALLY: In fact, they are going to be, I am going to be in that area next week.

MR. SALINAS: Okay. Good.

MR. CONINE: Bill, if I understand you correctly, 55 percent would go towards quote, unmet housing needs.

MR. DALLY: That is correct.

MR. CONINE: The other 45 percent would go to what I would call traditional CDBG activities?

MR. DALLY: That is correct. What I would use in one term would be the infrastructure damage that would have happened in the cities. In my trips over there, what has happened, is a lot of the debris removal, and some of those issues, FEMA kind of quit on the cities and they weren't completely done with some of that work.

And so this will actually allow, it goes back to the date of the storm. And to some degree, I think the city and the infrastructure stuff will be addressed on a reimbursement basis, whereas some of our housing activities and what we launch off on is going to take more time.

But I think it makes sense to address both of those things. I mean, even though we don't have enough funds here to handle all the housing. That is our problem. We just don't have enough here. But I think it makes sense to have some to the communities and their infrastructure and get them sound, along with helping their residents on their homes.

MR. CONINE: And I heard you use the word uninsured. That goes for again, these traditional CDB activities, I would presume?

MR. DALLY: Yes. I would think that is a -- that would be a blanket issue, in other words. If the

locality has some infrastructure. Yes. They are going to have to show what they have recovered in insurance proceeds. And it will be the gap, is what this is directed to.

There is also a lot of language about accountability. And that there not be -- our first test is to see what private insurance and FEMA have already paid, and see if there is a gap to be filled in. And I think certainly, this Department, everything we do, every dollar we do, every program we do, at some point, there is an audit later on.

MR. CONINE: Can you help us reflect, or talk about the staff load to be able to accomplish this? I know we still have probably some CDBG pros on the staff.

MR. DALLY: We do. And that is one of the first resources that I am tapping on this effort. And because they already, and I refer to Ruth Cedillo, and some of her staff, and Sandy Moore on stuff.

And they are so familiar with the folks up there in Fort Worth, that I mean, we can pick up the phone, and we can get some answers. And I think we will be able to move forward on our action plan so that we can get the time line moving forward.

MR. CONINE: But they are already doing other

things. And I guess my question is, are they -- are we going to have to add temporary staff, or can we do it with existing staff?

MR. DALLY: As we have looked it. We are just not sure yet, I think is the answer. We just don't know yet. This will be a situation though -- this is not -- this is a disaster CDBG grant, a portion of which will come to the Department.

And so, you know, I see having a time line of a year and a half, two years probably to get these contracts closed out. And it is going to put a load on staff to kind of have this pancaked on top of everything else we do.

But we will bring it forward as we -- if the holdup is we need resources, we are going to find some resources and get it moving. We won't let that hold us up.

MR. CONINE: Got it. Do we need a motion? Move that we encourage staff to proceed in discussions with the Governor's Office in getting this allocation done.

MS. CARRINGTON: Busy day.

MR. HAMBY: This is not an action item. It is a report. It is a discussion so that you would be

provided an update on the current negotiations and conversations with the Governor's Office, because it is actually a Governor's Office proposal, and they will tell us --

MR. CONINE: Okay. Withdraw the motion. All right. Sit down.

MR. DALLY: I am sorry if I misled you. This is a report.

MR. CONINE: Just trying to give you a little encouragement, Bill, and he won't let me.

MS. ANDERSON: Thank you, Bill.

MR. DALLY: I appreciate that.

MS. CARRINGTON: The last item on the agenda is an action item, Mr. Conine.

MR. CONINE: Oh, good.

MS. CARRINGTON: So you are not through yet.

MR. CONINE: I am an action kind of guy.

MS. CARRINGTON: And the request in front of the Board this afternoon, is a request from the Texas State Affordable Housing Corporation, TSAHC to forgive a \$500,000 loan to the Corporation. That was a loan that was made by TDHCA. And the background information, we have provided for you the origin of this loan, in 1995 and 1996, the Corporation received about 5.5 million in HOME

funds from the Department. We allocated those funds to him.

And the TSAHC, the Corporation then used those proceeds to provide down payment and closing cost assistance in the form of second lien, non-amortizing, non-interest bearing 30 year notes to first time home buyers. And when the funds were awarded, '95, '96, the Corporation did not have any staff. And basically, the activities of the Corporation were staffed by the Department.

Also, HOME rules at that time required that the subrecipient provide the initial cash outlay to fund the project, while TSAHC was the subrecipient. And so TDHCA then made a \$500,000 loan to the Corporation for them to basically be able to fund the down payment assistance and closing costs up front.

When the promissory note was executed, there was language in the promissory note that said that the Department could waive or forgive principal, repayment of the principal of the note, before or on maturity. And this note has been extended. The maturity date right now on the note is February 28, 2006. And staff is recommending that the loan be forgiven under certain conditions.

And those certain conditions are that the Corporation, that TSAHC uses this \$500,000 to leverage the approximately \$22 million they have available to them in private activity bond funds, to target some new construction in the affected Gulf Coast area of the state.

And that, basically, it would be to provide gap financing for those dollars.

They have this 22 million available to them now. It is part of their private activity bond authority that they received directly from the Legislature.

And we have also included in your information, a copy of the Corporation's request for proposals that went to their Board on, I believe, February 10, which basically would be the document that they would be providing that developers who were interested in applying for and utilizing this available private activity bond cap, then they would do so through this mechanism that has been outlined by the Corporation. So staff is recommending that the \$500,000 loan be forgiven, with the stipulation that the 500,000 be used to leverage their available private activity bond cap.

MS. ANDERSON: I have public comment on this item. David Long?

MR. LONG: Thank you, Madam Chair, members. I

guess what I would do is to offer up any opportunity to answer any questions you might have. The narrative that is in front of you regarding the request for Board action is something that we have worked with Department staff on.

And the other thing I might add is, is that in addition to the 500,000 from these loan proceeds, the Corporation, understanding that trying to serve some of these rural communities that are in the impacted areas by the hurricane, probably need to have additional funds, in addition to the 500. So the Corporation at its board meeting on the 10th, the Board agreed to commit an additional 500,000 of its funds available to make a million dollars available to leverage the 26 million.

Actually, Ms. Carrington, it is about 26 million. 26 million we have available in private activity bond cap. And with that, we believe that you would be able to get one of these deals to a situation where they could reach financial feasibility. Whereas, with just the 500, we are not certain that we can get there.

MS. ANDERSON: Thank you.

MR. LONG: Uh-huh.

MS. ANDERSON: Questions? Thank you.

MR. CONINE: My understanding is that these were HOME funds, right. So if they repay the loan, what

happens to the money on our side?

MR. LONG: No. These are not HOME funds. These were originally some bond residual dollars that were a warehouse line that allowed them to go to a closing, do a deal, and then they submitted to the Department, and we would draw down on HOME funds.

So once all the HOME loans were made, that \$500,000 of bond funds was there for the Corporation. And they have had the benefit of that for the ten years at zero percent.

MR. CONINE: Sounds like a sweetheart deal to me. So back to my question, forget that I said HOME. What happens when they pay the money back to us at the end of February?

MR. LONG: Then we have \$500,000 that the Board could use in a similar manner.

MR. CONINE: But they go back into the bond fund pool? Where do they go? You know, you kind of silo everything.

MR. DALLY: They would go back into -- well, they are not appropriations. So they are repayment from a private source.

So they would go back into the Safekeeping Trust Company. And that is the source of funds, where we

keep our fees and those sorts of things. I would anticipate that if we had that coming back to us, that we would turn around and want to use it probably in a similar manner, or another manner.

MS. ANDERSON: It would be pretty flexible money.

MR. DALLY: It is very flexible.

MR. CONINE: So we have the same, I guess -- I guess my concern is that we have the same sort of problems on our side of the fence, on the bond allocation proceeds, and deals working or not working, as they do. I am sure. Especially in the affected areas on the disaster.

And we are all scratching our heads trying to figure out where to get some more money to leverage whatever programs we have that can go down in that area. And nothing against TSAHC, because I used to be a board member over there at one time. But I suspect that our need is almost as great or greater than their need is, relative to that \$500,000.

And I guess, unless there is something on our side that prevents us from using it as quick and as expeditiously as they could, I guess I would tend to be more of a tough lender, and say let's go ahead and get the money back on our side, and use it in a myriad of

different ways. I would defer to staff to come up with those ways.

MR. DALLY: Well, my thought was that, I wanted to -- I saw this as an opportunity to bring them in to be a collaborator, and to help us in Southeast Texas to get them in the game. And I think because they have added the additional \$500,000 beyond what they are asking to be forgiven, it probably makes some deals maybe more viable.

On our side, we might could look to see what -- you know, if we found what was needed beyond \$500,000, we could probably come up with some funds too. But this is a way to bring them into this process, and to be part of helping down there in Southeast Texas.

And yes, we have bond cap unused. But I just saw it as an opportunity to kind of bring them in.

MR. CONINE: No, I hear you.

MS. ANDERSON: And I think that is fine, as far as that goes. We are working very hard to put every penny we can toward disaster recovery. And we know that the CDBG monies are nowhere near what we need. We need to rebuilt housing and infrastructure in Southeast Texas. Nowhere near.

So my thinking would be that even if, should the Board approve this, potentially approve this use of

this 500,000, with a commitment from them that they put another 500,000 in and apply it. And you know, the deal is their bond cap. If that deal didn't come together, then I would not support using it for down payment assistance, because that \$500,000 needs to be dedicated to disaster recovery.

So I would ask the staff an informational question. Should the Board decide to let this proposal for disaster recovery in those counties move forward, what is a reasonable deadline to give TSAHC to get that deal closed, if which deadline is not met, then the money comes back to us? Because I don't want to make an open-ended commitment to disaster recovery multifamily.

MR. DALLY: I am going to need a multifamily expert.

MS. CARRINGTON: I am looking at Robbye Meyer, I would think would be the best one.

MS. ANDERSON: I mean, their RFP talks about a deadline for submission of April 7, which is almost two months away. Then they talk about a board meeting with oral presentations. Then they talk about a TEFRA hearing. So the sequence is a little different than what I am used to.

MS. MEYER: On volume cap, we do have the

August 15 collapse. So I am assuming that the money would collapse with the rest of the bond funds, on August 15. And therefore, they would lose that opportunity for this year. However, you would still have volume cap coming up next year also, so.

MS. ANDERSON: But we need to get that money out the door though. Do they have to induce this? If they got some applications, would they then -- I mean, do they have to then go induce it?

MS. MEYER: They have to go through the same inducement process.

MS. ANDERSON: Let me ask my questions of my staff okay, and then I will give you all an opportunity.

MS. MEYER: They have to go through the same inducement process that we do.

MS. ANDERSON: Okay. So and at what point in the process, given your expertise in this area, expect that they would go for inducement that would start a 150 day clock running?

MS. MEYER: It would depend on when they received an application. If they had one right now, and they induced, and I mean, their cap is available right now, then that 150 day clock could start immediately. Assuming they don't have any other applications in process

right now. Do you?

MR. CONINE: Yes. How quick could we use it, I guess would be my next question. Do we have something in the pipeline? That we could -- that he is tearing up on the underwriting side?

MS. MEYER: We still have about 80 million that is not committed at this point.

MS. ANDERSON: Okay. But in terms of the 500,000 and using it as gap financing or something for deals. If we were oversubscribed in the 3.5 million tax credits for example.

MS. MEYER: If someone submitted an application to TDHCA, they could have an inducement quickly, and receive an application just as quickly as TSAHC would be able to, in answer to your question. We would have the same opportunity to use it, if we received --

MS. ANDERSON: And we wouldn't have a competitive process, because we just sort of have an ongoing --

MS. MEYER: Ongoing. They compete against each other on a monthly basis. We don't have any current applications for that particular area. So, just to let you know.

MR. CONINE: Right.

MS. MEYER: And it is difficult. So the gap financing would help either one of us.

MR. CONINE: But the other, here is the other thing, though. We have approved many other uses, other than gap financing for bond, tax-exempt bond deals we have -- we could just take that money and go take a direct rifle shot in 30 to 60 days. And rather than investing it in multifamily rental properties, we could invest it in a subdivision to rebuild new homes, or any other uninsured issue that may be down there.

And I just think that unless there is something I am missing here, I think there is a lot more use, there is a lot of other uses for those dollars that could be made on a direct basis, and a quicker basis than what is being proposed here. Mr. Long, David, why don't you come back up and let me ask you, I guess, a couple of questions.

MR. LONG: Yes, sir.

MR. CONINE: Is there any deal that you know of that is in your shop, in the pipeline now that these funds would be targeted toward? Or does it have to be --

MR. LONG: WE have to go through the RFP process. We are required to go through that process to use our private activity bond authority for multifamily.

MR. CONINE: Right.

MR. LONG: What we proposed, and is outlined in our RFP is that we would -- we have mirrored the counties that are being impacted and designated for hurricane assistance. And we believe that by doing this type of a project, where we use both sets of 500,000 for a million dollars worth of leverage, it allows us to leverage the available bond cap we have. Where, if you split the money up, you may not get those deals in the rural communities.

And we are also suggesting that we could probably do one of these with a pooled deal. Where you would have, in a smaller community, you might have more than one project to get funded.

In a pooled transaction, there you would do one transaction and get multi-asset transaction going out of that one bond transaction. The other thing is, is that I think that the corporation can move quickly in the sense that we have got a time line. Our board is fully behind this, and supportive of it.

The other thing is, is this won't be a burden on staff at the Department initially, because we will be the ones trying to manage the front end of getting the RFP out, getting the project selected, and coming back to you for the purpose of credits. But in the meantime, it

wouldn't be a requirement of your staff to initially work on underwriting the transaction on the front end, because on private activity bond, we are going to be looking at it from our standpoint.

MR. CONINE: All right.

MR. LONG: So there is a win-win there for everybody, too.

MR. CONINE: Do you have the money to pay us back?

MR. LONG: Oh, certainly.

MR. CONINE: Okay. Just curious. I didn't know if that happened to be is a timing problem.

MR. LONG: No. I think one of the things that I would like to reiterate is the fact that the Corporation has worked with staff on this proposal. And we really appreciate the fact that Mr. Dally and a lot of the staff members had worked for this to come to this conclusion, is a good resource for us to put these monies together to leverage the money that we do have available. I realize as Robbye said, you guys have bond authority yourselves. But at the same time, I don't know that you know, not putting in a additional \$500,000 towards this money to make a million dollars worth of leveraging new funds towards the 26 million we have available, I think it is a

very good use of funds. And I think that it certainly allows a much better opportunity for us to put together a multifamily deal in these areas. I understand what you said about the 500,000 just shooting it right down there.

But again, impacting a certain number of housing residents that are impacted, I think the Governor's Office put together an analysis that showed how many units were actually impacted in Jefferson and in Orange, it is in excess of almost 4,000 units that were severely or had totally destroyed, or had severe damage.

MS. ANDERSON: Across the region, there is a lot more single-family damage than multifamily damage, from a per unit perspective. I am going to move to table this item briefly. Okay. So I am going to move to table it, and that motion is not debatable.

MR. GONZALEZ: Second.

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: And then I am also going to read an announcement and call the Board into executive session.

Do I have to read all this stuff again?

MR. HAMBY: Just Item A.

MS. ANDERSON: Okay. The subject matter of this executive session deliberation is as follows: the Board may go into executive session and close this meeting to the public on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code Chapter 551.

Okay, so we stand in recess, in executive session for about five or ten minutes. Thank you.

(Whereupon, the Board met in executive session.)

MS. ANDERSON: I call us back to order. I am supposed to read something here. I certify that this agenda of an executive session of the Governing Board, Texas Department of Housing and Community Affairs was properly authorized pursuant to 551.103 of the Texas Government Code.

The agenda was posted to the Secretary of State's office seven days prior to the meeting, pursuant to 551.044 of the Texas Government Code, that all members of the Board were present, with the exception of Shad Bogany. And that this is a true and correct record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code.

The Board completed its executive session on February 15, 2006 at approximately 3:55 p.m.

MR. CONINE: Madam Chair, can we move the Item 7 back up on, from the table back on the agenda?

MS. ANDERSON: Do I have a second?

MR. SALINAS: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries and the item is removed from the table.

MR. CONINE: And now what question do I have. I guess, Mr. Dally, my view of the world is that this is a laudable concept, so to speak. But it kind of -- to me, it short circuits our normal process, which would be for, if TSAHC has got a good idea, they would submit an application for some money, and we would go through the normal channels, rather than saying, don't pay us back a loan, and we will just re-divert that money into other

channels.

So from my viewpoint, I think I would like to keep a deal a deal. And let's go ahead, I assume. I guess I do have one more question for Mr. Long before I move on down the road.

I assume that the original use of the \$500,000 which I think was for funding the down payment assistance that you had. And then in essence, being able to pay yourself back through the HOME funds.

MR. LONG: It was essentially \$500,000 for advancement of HOME funds to assist in those projects that were ultimately being funded through HOME funds. Kind of like an operating line.

MR. LONG: That is exactly what it was. Exactly.

MR. CONINE: So the use for that is no longer needed by TSAHC. You have got your own.

MR. LONG: There hasn't been for quite some time. The whole portfolio of loans and all that stuff has just been transferred back to the Department.

MR. CONINE: Okay. All right. With no disrespect to TSAHC or anything else, Mr. Long, I think my mood is just to let's go ahead and get the money back over here into a de-obligated pot that we have a lot of

flexibility with, based on Mr. Dally's testimony.

And then if TSAHC wants to submit an application for these funds, using this particular type program, we can entertain it at that time. But to confuse the two into some sort of merging, I don't think is appropriate at this time. That is this board member's view. I guess I would make a motion then, that we would deny, or we would --

MS. ANDERSON: Not forgive.

MR. CONINE: Not forgive the loan and deny the --

MS. ANDERSON: Ask for repayment.

MR. CONINE: Deny the staff recommendation, because staff recommendation was to do the exact opposite.

MR. GONZALEZ: Second.

MR. SALINAS: Second.

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: Madam Chairman, may I request on the Executive Director's report items, since there is a pressing engagement --

MS. ANDERSON: Yes.

MS. CARRINGTON: Maybe these just be deferred until the March board meeting.

MS. ANDERSON: Okay. And I have one other point of personal privilege. We have a very special guest in the audience this afternoon, that I would like to call on, to make brief remarks. Cindy Leon, who is the regional administrator of HUD is here with us. Hi, Cindy.

MR. CONINE: Hi, Cindy.

MS. LEON: I just came all and drove down from Fort Worth today. And Luz Day here is our director of our San Antonio office. We are so happy to be here to honor Edwina Carrington.

I could talk hours about Edwina, but I will save that for later. We just wanted to be here for this great occasion. And her reputation throughout the country, from the Secretary, the Assistant Secretaries throughout the nation, to the Fort Worth Regional Office has been fantastic. And I am just so proud of her. And she is going to be sorely missed.

We love her. We honor her. We respect her. And she has taken this agency, of course, from HUD's perspective, we had some issues when she came on board. And she cleared them all up. And this agency has a renowned reputation.

She has a fantastic reputation. We are just really sick, let's say, personally, that she will be leaving. But that is why we are here today, to honor her. And I was at that meeting, by the way, the \$74 -- the \$74 million.

MS. ANDERSON: You were right the first time. Just teasing.

MS. LEON: I know that is how you feel. But I made a commitment at that meeting, that I would check in with the state once a week, at least for five minutes a week to see how you are progressing, and to see how we can help you.

So we will continue the great relationship with TDHCA, with or without Edwina. But I am so sorry she is leaving. But I am happy for her. But it is a real hole that I know you all will fill with some great person. And we love her. And we are so happy to be invited today. Thank you very much.

MR. CONINE: Thank you.

MS. ANDERSON: Thank you.

(Applause.)

MS. ANDERSON: I believe that is the end of the business of this board meeting.

MR. CONINE: Move for adjournment.

MR. GONZALEZ: Second.

MS. ANDERSON: We stand adjourned.

(Whereupon, the meeting was adjourned.)

C E R T I F I C A T E

MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: February 15, 2006

I do hereby certify that the foregoing pages, numbers 1 through 125, 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 & Community Affairs.

(Transcriber) 2/22/2006
(Date)

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