

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

Wednesday, July 12, 2007

Room E1.010
State Capitol Building
1500 N. Congress
Austin, Texas 78701

BOARD MEMBERS:

ELIZABETH ANDERSON, Chairman
KENT CONINE, Vice Chairman
SHADRICK BOGANY
NORBERTO SALINAS
GLORIA RAY
SONNY FLORES

STAFF:

MICHAEL GERBER, Executive Director

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P R O C E E D I N G S

MS. ANDERSON: Good morning. I want to welcome everyone to this meeting of the Governing Board of the Texas Department of Housing and Community Affairs, and the first order of business is to call the roll.

Vice Chairman Conine.

MR. CONINE: Here.

MS. ANDERSON: Mr. Bogany.

MR. BOGANY: Here.

MS. ANDERSON: Ms. Ray.

MS. RAY: Here.

MS. ANDERSON: Mr. Flores.

MR. FLORES: Here.

MS. ANDERSON: Mayor Salinas.

MAYOR SALINAS: Here.

MS. ANDERSON: We have six members present; we do have a quorum.

As is our custom in our meetings, we welcome public comment to the board, and you may, at your option, either make comment here at the beginning of the meeting in the public comment section of the meeting, or when the agenda item is presented. We do have a number of people that want to make public comment first thing this morning, and we have enough people that I would ask that you limit your comments to about three minutes, and Nidia will help us sort of keep track of that.

The first witness this morning is the Honorable Warren Chisum

and then he will be followed by the Honorable Aaron Pena. Good morning.

MR. CHISUM: Thank you, Madam Chair and members. First of all, let me thank you for your service to the State of Texas. I know you probably get less money than I do for doing this, but the state government could not operate without the volunteers that we have and who take these difficult jobs and come in and do it, and I certainly appreciate that.

I'm here representing Dalhart, Texas, this morning. Dalhart is not in my district; it used to be in my district but redistricting changes those kind of things; it's in Chairman Smithee's district. And I'm also here representing him, he's in full support of why I'm here and he knows I'm here today representing Dalhart.

But it's just a systemic problem that we're having in rural Texas with the growth that we're having, but Dalhart is kind of leading that growth because they have successfully enticed Hilmar Cheese to come in and build a cheese plant, and you might think that that's another cheese plant. Well, I think this is larger than just a cheese plant. They will produce 500,000 pounds of cheese every day, 1.82 million pounds of cheese a year.

Certainly this business of dairies and cheese is very new to our part of Texas but it's a fast growing industry up there. We have plenty of room and we've seen a lot of land change hands up there at a tremendously higher price than we're used to. We're suspecting that maybe some of the people that's used to paying more for land than we were are coming in and buying land, and that's good. You know, we're happy for that.

They're going to bring in over 100,000 cows. Cows are real

funny, they don't take days off, so when you talk about producing cheese, they do it every day, and they're going to unload 250 truckloads of milk at this plant every day, and that's no holidays, they do it round the clock. They're a huge operation in California and they're going to bring some of that operation to Texas and produce cheese. I think I've heard them say that they produce more than 50 percent of the Colby cheese that's produced in America. We are always reminded, when I'm watching television, I see those California happy cows; they are happy because they're coming to Texas.

So that's the deal we're doing up there, and in order to make this work, we're going to see Dalhart go from about 7,500 to about 12,000 in a very short time. We do not have housing up there, we have a prison unit up there, the state does, it has a lot of slots open in guards up there, part of it is because of housing. We've used up all the housing that's safe and affordable and we need new housing up there, and we hope that you can at least consider Dalhart as you go through this because even the State of Texas put \$5 million out of their Economic Development Fund to attract this Hilmar Cheese, and there's other industries going in up there. Dairies require a lot of employees because they milk around the clock and seven days a week.

So that's our story that's happening up there in rural Texas. And I know this is a long ways off, we're talking as far as you get out there from Austin, it's about 600 miles from Dalhart down here to Austin. So appreciate your consideration and thank you again for the job you do. I'll be happy to answer any questions, Madam Chair.

And by the way, I did give you some homework reading there

so you can read more about it. Thank you very much.

MS. ANDERSON: Thank you, sir.

Representative Pena.

MR. PENA: Let me first welcome the members of the board to our office here, Warren and I. I'm here representing the City of Edinburg in South Texas. I know that Mayor Salinas knows our situation down there in South Texas. I'm here to advocate on behalf of the Villa Estella Trevino Elderly Apartments application.

We have a growing community in South Texas, it is booming. Literally in the Mayor's community, I don't even recognize it. I drove by it the other day and it's just like night and day. My wife came from there and it's incredible the growth. We have that same growth in my hometown of Edinburg, Texas. But the reason I'm here and what we really need is some affordable housing for our elderly.

And Ms. Trevino, who is here, is a good friend of my family's. We had dinner last night and she told me not only about my mother and my grandmother but my great grandmother, and she has advocated in our community for housing, affordable housing, and my city needs quality affordable housing for the elderly, and this application will go a long way to fulfilling those needs. She told me about as we have growth and housing gets to be more and more expensive for our elderly, they get pushed out, and they need affordable housing.

This is a good application. The people who are applying for it are people with a good track record. I would hope that you would see fit to

putting it into your funding category, if you could.

We are community that's growing and want to continue that growth but we will not forget the senior citizens of our community and this is important to us. And so that extent, I'm here to carry the flag for my home community, tell you that we're good folks who just want to see a good state and we want to take care of our seniors, so if you look kindly on this, we'd be grateful

And that's it. I'll answer any questions if you have any. No? I thank you very much, and you know, it's funny to be on this side, I usually sit right there. But please treat my folks nice and we look forward to seeing you in the future. Thank you very much.

MS. ANDERSON: The next witness is Aaron Gibson on behalf of Representative Swinford.

MR. GIBSON: Thank you, Madam Chairman.

"As the elected representative, District 87, the Texas Panhandle, I respectfully request your support for the City of Dalhart's application number 07131 for the Stone Leaf at Dalhart project for the award of tax credits for the 2007 application cycle, or alternatively, in the form of a board commitment for housing tax credits.

"The City of Dalhart is in the midst of a substantial period of both economic and population growth. This growth has been precipitated by the construction of a large cheese plant by Hilmar Cheese and the subsequent dairies that will provide milk for the plant. An economic study done by the Paramount Group estimated approximately 1,700 new permanent jobs locally

for Dalhart and some 11,000 new permanent jobs for the Panhandle region. With so many new jobs, there's already a great demand for housing.

"The Stone Leaf at Dalhart project will be a 76-unit family development that will be a clean, safe and affordable housing option for many. The low income housing tax credit units that will be built will particularly help fulfill the need of housing for those who will be in lower paying, entry level positions.

"In closing, I would like to thank you for your time and your consideration of this matter and also for the great work that you do for the State of Texas. Sincerely, David Swinford, State Representative, Chairman of the House Committee on State Affairs."

MS. ANDERSON: Thank you for your testimony.

Ms. Lauren Presnal will speak for Senator Seliger.

MS. PRESNAL: Good morning, Madam Chair, members of the board, and Mr. Gerber. My name is Lauren Presnal and I'm here on behalf of Senator Kel Seliger. I've given your staff a prepared letter from the senator so I will be brief.

Senator Seliger would like to express his support of the forward commitment for project number 07131 at the Stone Leaf in Dalhart, Texas. He strongly feels that given the growing number of citizens in this region, housing needs must be met. Senator Seliger would like to respectfully request that the board consider granting a forward commitment to Stone Leaf at Dalhart.

Thank you.

MS. ANDERSON: Thank you. I also have a letter from

Commissioner Todd Staples, Commissioner of Agriculture, advocating also for the Stone Leaf at Dalhart project, and encouraging the board to approve a forward commitment to this project. So we thank the commissioner for his letter.

I also have a letter from State Representative John Smithee that I will read into the record.

"Dear Ms. Anderson:

"At the request of local officials in the Dalhart area, I'm writing in support of the application to secure federal housing tax credits for an affordable housing development proposed to be built in Dalhart, Texas.

"Because of several new dairies being constructed in the area and the construction and operation of the cheese plant, the population of Dalhart is expected to increase significantly over the next several years. Based upon the projected growth and the support of local elected officials, I fully support an award of tax credits from the 2007 application cycle or a forward commitment for housing tax credits for 07131, Stone Leaf at Dalhart. The 76-unit family development will provide much needed affordable housing for those who plan to move to Dalhart in the coming months.

"Thank you for your time and consideration on this matter."

The next witness will be Mayor Alma Garza.

MAYOR PRO TEM GARZA: Actually mayor pro tem from Edinburg, Texas. Thank you. Good morning, Madam Chairman, members of the board, Director Gerber. I'm speaking on behalf of TDHCA number 70206. I did bring a letter from our mayor, Joe Ochoa; he asked me to read it to you.

He apologizes for not being present today but he expresses his sincere appreciation for your audience and consideration for this proposed Villa Estella Trevino residence project.

This 168-unit project will provide much needed housing for our elderly. Since 1975, our community has not had the opportunity to provide this magnitude of project for our elderly population. The community is excited and looks forward for your due consideration to fulfill the dream of many of our elderly residents.

We are proud of the 35 years of service that our executive director, Estella Trevino, has given to our housing authority. She has provided excellent leadership and compassionate service. Consistency in leadership and honest dedication to our housing programs has made this community proud of our housing authority.

I, Joe Ochoa, mayor of the City of Edinburg, and myself, Alma Garza, mayor pro tem, and the rest of the Edinburg City Council, and the community of Edinburg wholeheartedly support our executive director, Estella Trevino, and her housing board for their vision and commitment to provide housing for our elderly population.

Once again, thank you very much for the much-needed project for our community. Thank you for your audience and consideration for this project. And it's signed Mayor Ochoa and it is addressed to you, Madam Chairwoman.

I do have a resolution from the City of Edinburg that I will try to go through real fast.

"Whereas, the Edinburg Housing Authority of the City of Edinburg, Texas, has determined that there is a housing need for elderly citizens within the city of Edinburg;

"And whereas, there is a shortage of suitable housing for the elderly within the city of Edinburg;

"And whereas, the Edinburg Housing Authority has applied to the Texas Department of Community Affairs, a Texas state agency, under the Low Income Housing Tax Credit Program, a program administered by the Texas Department of Housing and Community Affairs, to be utilized to construct a \$14 million complex for the elderly on Mile 17-1/2 between Sugar Road and Crossner Boulevard;

"And whereas, the last complex for the elderly was constructed by the Edinburg Housing Authority in 1975;

"And whereas, the City Council sees the housing need for our elderly citizens within the city limits of the City of Edinburg;

"And whereas, the City Council agrees to assist the Edinburg Housing Authority which was created by the City of Edinburg;

"Now, therefore, be it resolved by the City Council of the City of Edinburg, Texas, that there is a need for the housing of elderly residents within the city of Edinburg, Texas, and assistance shall be granted in the form of in-kind in the form of waiving plotting, building and other fees associated with the construction of the project and the waiving of any sanitation and collection fees, and a potable water line be installed in sufficient capacity to serve the elderly complex, and the city will provide in-kind assistance through it staff and

its staff expertise to staff the Edinburg Housing Authority for the success of the complex. The assistance will only be granted if the complex is approved for funding. The total assistance for in-kind and direct monetary contribution will not exceed \$440,000 which is approximately 3 percent of the total cost of the project."

And it is signed by our mayor and was approved by the city council July 10.

Just one more note, Ms. Trevino is an icon in the city of Edinburg and I'm so proud to represent the City of Edinburg but even prouder to speak on her behalf. Thank you.

MS. ANDERSON: Thank you.

Ms. Trevino.

MS. TREVINO: Madame Chair and members of the board. My name is Estella Trevino, and I've been with the Edinburg Housing Authority for 35 years, I started with the housing authority in 1972.

And we do have an elderly high rise but it's full, and we built that high rise back in 1975; we haven't been able to build any more elderly housing since then. We have a long waiting list of people on the list as far as the waiting list and we have over a thousand people and almost a third of them are senior citizens waiting to be housed. So we do need some affordable housing for them.

It used to be, during my generation, that people owned their own houses, we owned our own homes and we were proud to have the deed in our closet, but it's no longer possible because of the cost of living, and so

most of us have become renters. And since they're all on fixed income, affordable housing would be the answer for their needs. So I'll ask you to please consider our application to fill the needs of our senior citizens.

We're living longer and longer. Just look at me. I'll be 85 in two weeks and I don't know whether it's the water that we drink from the river that makes us live longer and longer, but I'm glad. So we hope that you will consider our application and we're looking forward to working with you.

Thank you so much for allowing us to come before you.

MS. ANDERSON: Thank you.

The next witness is Dean Andrews, and then Pat Patterson.

MR. ANDREWS: Thank you for this opportunity to speak before you. I'm Dean Andrews. I'm superintendent of Liberty Hill Schools. The only criteria that I bring this morning that no one else has brought is that our school is currently the state champion in football, Class 3A, Division 2. So with that, we're a very proud school district, we're a very strong academic school district. We do have needs in our community that we're attempting to address and would like your consideration.

Our school district has 2,400 students; we have 360 employees; we're growing at about 9 percent. We're 30 miles north of Austin, and you would think that we live in the beautiful Hill Country and everything is green and gorgeous, the streams are running and there are no problems. I'm here to attest to the fact that even though the median home site sale for this year in Williamson County is \$250,000, we have many students who are living in substandard housing that have no other place other than overcrowded

trailers with the utilities not being conducive to what you would want for your child.

This morning I'm saying that our children deserve better than what we have and what we've been able to offer. We've been this little sleepy town for a long period of time and we're outgrowing that. When you go from a thousand students in nine years to over 2,400, it means that people are making changes in that community. Today I'm here to talk about the request for housing for Liberty Hill and ask that you give consideration.

I appreciate the opportunity to speak with you. I know your decisions are tough, I commend you for serving on this committee, and if I might be of service to you at any time, please do not hesitate to call. Thank you for your ear.

MS. ANDERSON: Thank you, sir.

MR. PATTERSON: Thank you for the time. I'm Pat Patterson from Liberty Hill, and I can repeat what Dean said, but my interest here is I heard a lot of stories about the incoming low income things, what it will cause, the bad things. As of Tuesday, I've made three trips to Kingsland and to Marble Falls, with the direction of Mark Mayfield, with all of their management with tenants, and honestly, that's the best organization that I've ever had a chance to look at. The appearance is clean, lack of crime. I'm really interested in the one at Kingsland because that is the model that will be used at Liberty Hill.

Our need is tremendous, as I can hear other folks talk about affordable housing. We don't have any in Liberty Hill. We have seniors, we

have young people that's trying to get a toehold in life, we have those in between, and it's an absolute must for Liberty Hill. This will be the best thing that's happened to Liberty Hill in my 28 years living at Liberty Hill.

What I saw is astronomical, what they do, the service, the appearance. Fifteen of us went to take the tour Tuesday and every one of them, when they got through said, Wow, it's way better than I thought it was. What anti person that was bitterly opposed to this that lives next door to the projected site said, Thank goodness I came, I'm selling my house and moving in with them.

So anyway, I just wanted to say what I saw and the importance of this feature for Liberty Hill and our community. All of us are at a state in life that we're trying to help somebody else help themselves, and Mark Mayfield is the leader of that whole gang. He just was awarded the Citizen of the Year at Marble Falls. Well, that tells you enough about that man, spending a lifetime raising the standard of living for many.

Thank you for your time.

MS. ANDERSON: Thank you, sir.

The next witness is Bill Burden and then Mayor Fuller.

MR. BURDEN: Good morning. I'm Bill Burden. I've lived in Liberty Hill for 30 years, and the need for affordable housing is very great, has been ever since I've lived there. I, too, visited the projects in Kingsland and Marble Falls, was very impressed with it, and I have friends that would move in in a second, and I would too, I think that much about it.

I hope that you'll look very favorably on the application because

it's something that's badly needed for Liberty Hill. Thank you.

MS. ANDERSON: Thank you, sir.

MAYOR FULLER: Good morning. Thank you, ladies and gentlemen for your time. My name is Connie Fuller and I'm the mayor of the City of Liberty Hill, and I came to speak to you this morning about our need for the affordable housing project.

Our town used to be a sleepy little town of 1,500 people, and in the last couple of years we have expanded our boundaries. We presently have approximately six miles of frontage on Highway 29, as well as a half mile of frontage on the new Ronald Reagan/Parmer Lane, and we have over 20,000 acres that have come into our ETJ.

Our little town didn't have any sewer to the downtown so it made it difficult for development, but we've acquired an \$8 million loan from the Texas Water Development Board to extend sewer service to all of our city.

So our growth is just exploding. The Liberty Hill Wastewater Plant was opened last year and is currently servicing three communities which have a thousand homes each in them, and right now LCRA and the Chisholm Trail FUD have applications for 25,000 rooftops in our community.

183A and Parmer Lane are coming right to our city limits and so we're accessible to the workplace, to the city, and we have a lot of people that desire to live in our community. We have had a lot of applications for commercial growth and as soon as the sewer is there -- which should be within the next year and a half to two years -- we will have HEB, CVS, McDonald's, Sonic, Mr. Gatti's, Bishop's Chicken are just a few that have

already applied.

But along with this, we have more teachers and firefighters and policemen, service workers in the community as well as in the commercial businesses, we have elderly parents who need housing and there is none, and we have young couples that would love to stay in our community but there's no place to live. You can't rent anything for less than \$1,000 a month and it's very difficult to find resale properties. I'm in the real estate business so I have calls every week from people who want to rent because they can't afford the housing. So there are people who teach our children, they protect our families and they cannot find a place to live in our community.

This project provides the capacity as well as the standards of occupancy for our community. When Mr. Mayfield came to our city, the city council unanimously supported the project, along with the Chamber of Commerce -- we have a morning and noon Lion's Club that endorsed it; we have a senior citizens group, Over the Hill Gang, and the Liberty Hill ISD. So I'm urging you to affirm this application. We need the housing desperately.

And one other thing I'd like to tell you about, I spoke with Representative Dan Gattis yesterday. He had written a letter to you all last month, it was read into the record here, that asked you to check out some allegations against this project. We have had opponents to it, just like many cities do -- I understand it's a very hot topic -- but in speaking with Representative Gattis, he told me that any time a constituent comes to him and they have allegations against the project, that it is prudent to check out those things, and we would welcome that. Everything that we have found

about this project has been excellent. And so I'd like to say that he would not go against a city that supported this, that our city should be able to have what we need, but any time that you have allegations that it is a good thing to check them out, and I urge you to do that.

So thank you very much for your time.

MS. ANDERSON: Thank you.

Board members, I have a letter for the record from Ann Lott, who is the president and CEO of the Dallas Housing Authority, supporting Frazier-Berean's application for tax credits. This is project 07101. The letter notes that the Dallas Housing Authority is making a \$60 million investment in the neighborhood in several phases, and Dallas Housing Authority has also sponsored a master plan which contemplates the redevelopment and revitalization of approximately 1,100 acres surrounding the Frazier Courts public housing development and Carpenter's Point which is the name that Frazier-Berean has applied for. Carpenter's Point is a critical component of the Dallas Housing Authority master plan.

So we thank President Lott for her letter.

The next witness is Jay Oji.

MR. OJI: Good morning, Madame Chairman, members of the board, Mike Gerber. My name is Jay Oji, Sphinx Development Corporation. I'm speaking on behalf of project number 07245, Sphinx at Fiji Seniors in Dallas, Texas.

For the record, we're the least scoring project in Region 3 with 161 points. The project lost about 26 points: from community support 12

points, and elected officials 14 points. Interestingly, had we received these 26 points, we would have been tied with the only other Dallas project that Ms. Lott was referring to a while ago, number 07107 with 187 points which is under consideration, yet seemingly noncompetitive to winning the regional projects at 200 points.

Why am I saying all of this? Basically we've not bothered the resources of TDHCA staff by appealing these points for good reasons, and these are my reasons. One, the ruling in this instance is meritorious and consistent with the QAP which, from our experience over the years, this group has maintained their fairness, I must say. The cloud over Dallas ABI investigations has thwarted developers' ability to present, in my opinion, or facilitate what I would consider winning applications, especially for those of us who are involved in the affordable housing market.

The third reason, in the absence of a staff recommendation, we truly believe that if you look at the scoring chart for Region 3, there's no competitive Dallas project, and I'm hoping that the board will -- as it usually does -- reevaluate the merits of awarding one in the city of Dallas that is so under-served and yearning for a project this year.

I'm making a case for Sphinx at Fiji Seniors, and honorable members of the board, I ask you today to consider Sphinx at Fiji Seniors, project number 07245, for a forward commitment. Again, here are my reasons. In my 15 years in this TDHCA program, I must say I'm proud of that, I've never been fortunate, frankly, to receive the amount of grants, soft money, and support to one particular project, and here are very specific examples

which exhibits are there for you to review. The North Central Texas Council of Governments has approved \$2.8 million in infrastructure grants that benefits this project directly.

The City of Dallas, as part of the Council of Governments' requirement, was required to set aside a 20 percent local match, which is \$702,000, which in a city council resolution you will see the City of Dallas has set aside \$702,000 as the local match towards the \$3.5 million that's for infrastructure on this project.

The housing department also, of the City of Dallas, has granted to the limited partnership ownership entity on this project a \$1.2 million CDBG grant for the acquisition and demolition of a truly blighted warehouse that's been a problem in the immediate neighborhood which, again, is the specific site for which Sphinx at Fiji Seniors is proposed. That's the first reason.

My second reason, I'm aware of the housing director of the City of Dallas being here -- I think he was here the last board meeting -- and he requested for your consideration of the Sphinx at Fiji Seniors project. The project scored off the charts to merit all the above grants and has several city council resolutions. The Regional Transportation Council has a resolution that's attached for your consideration. The City of Dallas and the DART, the regional transportation system, also passed a resolution in support of this project, and of course, we have inordinate support from many of you folks. So I've attached all of this for your review.

Finally, as a minority developer in this TDHCA program -- again, for about 15 years -- I find myself potentially out of business near term

because that vision is not extended to this project. Sphinx is a very small company, we're not one of the big boys that has benefitted from TDHCA's program, but we also have an unparalleled longevity as a minority developer and consistent delivery of quality housing developments.

A lot is at stake here, we're talking about \$4.8 million riding on this particular reservation, and again, I'm just asking the board to give due consideration to the amount of money that is being targeted to this project specifically and grant my request and also keep me in business. Thank you very much. Any questions?

MS. ANDERSON: Thank you.

Darrell Jack, and the next witness will be Aurora Lopez.

MR. JACK: Good morning, board members and Mr. Gerber. My name is Darrell Jack and my firm is Apartment Market Data. I've come to you several times over the years to speak to you.

This morning I wanted to give you a quick update on something that I think is important to the affordable housing industry, and that is the status of senior housing in the major metroplexes, primarily Houston and Dallas.

We know that there's a lot of talk within the industry that the senior housing market is being oversupplied with product in the market, so just yesterday in preparation for this I went through our database which currently comprises 8,300 apartment projects across the state, accounting for approximately 1.6 million apartment units.

Pulling out the senior affordable projects out of the database, in

Dallas we're currently serving 25 projects for 3,700 units, and in the Dallas market what we found for the senior projects was that 18 of the 25 projects had occupancies in excess of 97 percent, three projects we found were in lease-up, and that's the difference between the numbers you see on the left of the page and the far right of the page, and only one project out of the 25 appeared to be under-performing and that was Villas of Redmond Seniors opened in 2000 that reported an occupancy of 87 percent.

We found very similar results in the Houston area. There they're serving 33 senior affordable projects with 5,400 units. Out of the 33, 22 of the projects had occupancies in excess of 94 percent, five of the projects were in lease-up, which again accounts for the difference between the left of the page and the right, and two projects appeared like they might be under-performing which was less than 90 percent: Sun East 55-Plus Seniors opened in 2005 reported an occupancy of 82 percent, and Primrose del Sol, also opened in 2005, reported an occupancy of 57 percent.

So overall, I just come to you this morning to report that the rumors that the market is oversupplied and that the properties are struggling don't appear to be true based on what the apartment projects are reporting to us when we surveyed the individual projects.

One of the difficulties, I think, right now for developers, in that these rumors that senior housing is suffering right now, is a more stringent underwriting of senior projects this year. Later today you'll hear from one developer that's having a problem getting a project to underwrite. So I'll leave you with that.

MR. BOGANY: I have a quick question. On the senior projects, are the rents lower than they are on the general tax credit projects?

MR. JACK: Typically, no. What we're seeing, at least in these two markets, is they're able to achieve the maximum rents at whatever level their subsidy is at.

MR. BOGANY: And I guess my thought-process and what I've seen with senior projects lately, especially in the urban areas, is that you're putting them all in one place, you're putting them right next door to competitive general units which those seniors could move there if they choose to if they had openings, and I'm more concerned about the heavy concentration where you go into an area that's already got ten tax credits and the only affordable housing and only living units there is tax credits and then you put a senior project there, and it looks like to me if that senior wanted to live there, they could go to that generally populated complex and also get a place there, and all of them would be 100 percent occupied unless seniors all want to live in the same spot with just seniors and that's not totally always true.

So I'm just concerned more about the concentration of putting them all in one spot.

MR. JACK: Well, what I would tell you on that is my background before I got into consulting was property management and I've managed a number of senior projects over the years, and there is a tendency for seniors to want to live with other seniors and not to be around the kids running around their cars and things go on beyond their bedtime and things, and so seniors gravitate towards other seniors. And the fact that most senior

projects have activities for seniors to get together because they don't have the social opportunities because of health limitations or travel limitations, and so they tend to function within the community.

The second part, though, your concentration issue, I think that's a bigger issue that relates to the QAP rules because, honestly, where developers go is where the program tells them to go, and the function of the financial aspect of a project has largely to do with the availability of land, the zoning of that land, and the cost. And so where you see projects trying to go to areas like the 288 corridor in South Houston, that's a function of land prices and the availability of land. There's a number of QCTs spread all across Houston that could use affordable housing but you have no vacant land, you'd have to tear down existing development to create a site that could be developed and it ends up being cost-prohibitive.

And so that happens across the state. For developers they have a financial model that they have to meet and it doesn't work when they have to go down and tear down another project or the cost of land is prohibitive to development for affordable housing.

MR. BOGANY: If I was doing a regular market rate unit, and you know what's going on in the 288 corridor, my question is would you put that project there if it was just a regular unit and you weren't getting tax credits. More than likely you probably wouldn't because of the competition there.

MR. JACK: Well, you know, apartment development is always a function of timing related to what's being developed in the market, how many units are being absorbed, and those windows of opportunity to come in and

build more. But as you know, there's probably five or six developments along that 288 corridor just in the last few years that I've been watching that continue to spring up. The 288 corridor has been limited, historically, by the availability of utilities, and so now that those are available and projects like the one there at FM 2234 and 288 in Pearland, those are growing, thriving communities that just didn't have all the necessary infrastructure to develop them in recent years.

MR. BOGANY: That's my opinion, Mr. Jack, as I read through it and knowing that area. What I'm concerned about is creating another Fondren Southwest with a whole bunch of apartments and another Greenspoint area where every corner is an apartment complex, and that's what my biggest concern is: the overconcentration of the units, and that's the only concern that I've got.

And I realize that's what it is, that you have no opposition, nobody comes out because there's nobody living over there but warehouses and things and other poor people that are in poor housing already over there, so nobody is ever going to make an issue, but really you're stunting the growth of that area because if you sit right there where all those units are going, there's not one retail outlet going in that area, everything is past the beltway and up, and I'm just concerned about the concentration. And if you don't live it and drive it every day and you see it, every apartment except for two, I think, complexes that are around \$1,000 a month in that area, the rest of them are tax credits. Every sign that's going up is a tax credit and it just seems like we're creating Fondren Southwest again, we're creating Greenspoint again,

and I just can't, in my mind, justify. I understand the numbers and the QAP and all that good stuff but I also think of common sense too because I don't think the QAP is sometimes total common sense.

MR. JACK: Certainly I understand. My clients deal with the QAP every day and sometimes I have to tell them no, that projects don't work, and go find another site.

MR. BOGANY: Thank you very much.

MR. CONINE: Mr. Bogany, maybe you guys in Houston might want to try zoning down there. It works.

(General laughter.)

MR. CONINE: Mr. Jack, I want to ask you about your database. These 5,400 units and 3,700 units, are they TDHCA tax credit properties only?

MR. JACK: They're exclusively projects that use 9 percent and 4 percent tax credits.

MR. CONINE: So when you say a market rate two-bedroom, for instance, in either Houston or Dallas, that doesn't include the real high end senior projects that rent for \$2- and \$3,000 a month?

MR. JACK: No. These are market rate units within the affordable project.

MR. CONINE: Okay, thank you very much.

MR. FLORES: Madame Chair?

MS. ANDERSON: Yes.

MS. FLORES: Mr. Jack, I don't think I heard you, you do

market studies for a living?

MR. JACK: Yes, I do.

MR. FLORES: Did you tell us who your client was that you did all these studies for? It would be nice if you told us that because I don't think you said that for the record, and I'd like the record to reflect that.

MR. JACK: Sure. In Houston I represent NRP --

MR. FLORES: No. Who paid you to do these studies? This required a lot of time and effort.

MR. JACK: No one has paid me for these studies.

MR. FLORES: You did this out of the goodness of your heart for us?

MR. JACK: I do a lot of work like this for the department at no charge.

MR. FLORES: Let me re-frame the question. Who asked you to do these studies? What brings you to us?

MR. JACK: Well, I have been asked on a number of senior projects, as well as dealing with the underwriting department right now on the model for underwriting senior projects, and so there's a number of projects that I'm involved in in the 9 percent round that are affected by the underwriting.

Part of my business activities is to watch for what the trends are in the market and what people talk about. Now, one project that's going to come to you later today, I didn't do the market study for, but it's a project in Krum that certainly the numbers here in Dallas affect the potential of that project. I can't think of any offhand in the Houston area of clients that I

represent that are doing senior projects today.

MS. ANDERSON: Are you the market analyst on Cypress Creek?

MR. JACK: I don't believe so. What city is that in?

MS. ANDERSON: Houston.

MR. JACK: I don't believe so.

MS. ANDERSON: Okay, thank you.

MR. JACK: Thank you.

MS. ANDERSON: Ms. Lopez, and then the next witness is Ruby Gomez.

MS. LOPEZ: My name is Aurora Lopez and I'm here to represent the San Juan Homes and I have a petition for San Juan Square II.

We, the undersigned residents of San Juan Homes in San Antonio, Texas, state that we are interested and are in full support of the complete and entire redevelopment of the San Juan Homes, and in particular San Juan Square II, a proposed mixed income multifamily community.

San Juan Square II is located starting at Calaveras and Brady, traveling south Calaveras to Urestia, traveling east on Urestia to Zula, traveling northeast to Brady, then traveling west on Brady back to the corner of Calaveras and Brady.

We believe the complete and entire restoration of the San Juan Homes and San Juan Square II is the perfect type of redevelopment that is needed for the buildings in our neighborhood.

We have been provided the information regarding the proposed

redevelopment and have had an opportunity to comment. We further express our appreciation for the developer's willingness to meet and work with us, the residents of the San Juan Homes.

Thank you for your attention and I urge you to grant the allocation to make San Juan Square II a reality. And we have a picture of the last time we came and a petition of a hundred names.

MS. ANDERSON: Thank you very much.

MS. GOMEZ: Hello. My name is Ruby Gomez and I'm here as a voice on behalf of the residents that are at San Juan and the reason that we want for this to become a reality for us is because a lot of us are living under poor circumstances. Our houses, our roofs are leaking, our pipes, our drainage on our sewers are backing up into our bathtubs. A lot of us have kids, we don't have a gated community for our kids to be able to go play outside and for me as a parent to feel safe for my kids to be outside, to not be running off into the streets.

There's also like cracking in the walls, our foundations are messing up, the maintenance is always going to our apartments to fix a lot of the stuff because the foundation is messing it up. There's also like a lot of problems with our heating. In the wintertime it gets really cold and we have old heaters like with the fire, so we're not allowed to use those anymore so they gave us electrical heaters. They gave us two for a three-bedroom house and it's an upstairs and downstairs, so two heaters to warm up our whole house, me and my kids sleep downstairs. We're afraid to use the heaters now because one of our heaters we plugged in and the electricity, since the outlets

are old and outdated, our jumpers keep breaking and one of our outlet plugs caught on fire.

And I have four kids so I want to be like a better parent for them and provide a better place for them to live, and I go to parenting classes, I graduated from a program through the San Juan. All we want is a better community for our kids. And the residents there, a lot of them couldn't come because we had a small van, but I'm coming here on behalf of them to ask for you to grant us this and to make this a reality for us and our kids. So thank you very much.

MS. ANDERSON: Thank you.

The next witness is Mark Barineau and then Christine Ramirez.

MR. BARINEAU: Good morning. My name is Mark Barineau, and I'm one of the owners of Reed Park Townhomes, number 98008, the property that would be immediately across the street from the proposed application Cypress Creek, 07291, and I'm here in opposition of that property.

There's a handout -- I don't know whether it's been passed out or not. And again, we've got a problem of overconcentration that's been mentioned this morning a little bit, and I'm here to kind of echo some of the comments that my colleague and father, John Barineau, made back on June 14 at the meeting here.

So we've got basically a problem of overconcentration out there. We have way too many 60 percent units chasing too few 60 percent tenants. The market area, of course, there is South Houston, 288 and the Reed Road area, and we believe Cypress Creek would accentuate a

concentration problem we've already got out there by bringing in more units. And I've got just kind of three facts I wanted to make sure I was clear about this morning.

Fact one is there are 17 tax credit properties already in this market area. That's a little over 3,200 units, and of those 3,200 units, 200 of those units are vacant and 300 of those units are in lease-up. Reed Park has within its two-mile radius almost 1,300 tax credit units -- we've got a bunch down there.

Fact two: Cypress Creek is depending upon 90 percent of its revenue from 60 percent of area median income tenants. Now, this is a very narrow band of tenants and we're not getting them at Reed Park Townhomes, we're not getting them at Scott Street Townhomes, another property I own and operate, and that's project number 01040, and we're not getting it at South Union Place, an elderly property that was a 2004 allocation.

And I've got a little chart down there that shows and I've got them highlighted if you would just bear with me here. Reed Park Townhomes, a 60 percent set-aside, our target was 117 60 percent tenants; we've got 61, we've got a little better than half. Scott Street Townhomes, our target for 60 percent tenants was 40 units; we have 27. And at South Union Place the new property, the elderly property, our target was 60; we have 36. And as you can see, the line above that has the 50 percent of area median income tenants and we're well overleased in those categories.

And my colleague, Christine Ramirez, who is involved in the day-to-day site happenings on a very micro-detail will be talking after me and

she's going to echo some of these same comments I'm making.

And lastly, my third fact is the potential area of growth is insufficient to make up this shortfall 60- percent tenants. TDHCA's own survey that you all conducted and the population group of the income making \$20- to \$40,000 a year is expected to be flat between now and 2010. What is growing in Houston is the 75 and up in income, that group is growing; this narrow band of 60 percent is just not growing. There may be some growth in the lower 30 percent and below.

And for the record, Ms. Anderson, that was O'Conner and Associates that did the market study on Cypress Creek.

Thank you very much.

MR. CONINE: I have a question, Mr. Barineau. How do you develop your target category, how do you have more than 100 percent in a target category?

MR. BARINEAU: Well, like for instance, you take Reed Park, our target which was in our rent schedule, we were underwritten to have 50 50 percent tenants.

MR. CONINE: So that's the actual number of units, not as a percentage.

MR. BARINEAU: Well, and we have 122 of those so we've exceeded that target because that's who's been coming in the door.

MR. CONINE: And they're living in 60 percent units, I guess?

MR. BARINEAU: Right.

MR. CONINE: Okay. Those are actual numbers then; I

thought they were percentages. Thank you.

MS. ANDERSON: Ms. Ramirez, and the next witness is Willie Alexander.

MS. RAMIREZ: Good morning. My name is Christine Ramirez and I'm the operations coordinator for Raden [phonetic] Management, the managing agent for Reed Park Townhomes, Scott Street Townhomes and South Union Place.

And again, just kind of following up from him, I've been out at the properties on a daily basis at South Union, Scott Street, Reed Park, all three located in that general area, and the bulk of the traffic is 50 percent or less, very few 60 percenters. I know last year at Reed Park between June of '06 through June of '07, we moved in 85 people, and of those 85 only 20 were 60 percenters. So the traffic is not there. Scott Street the same thing in the same time period: we moved in 26 people; 6 of them were 60 percenters out of the 26 people in a year's time frame.

So that's been our biggest fear is they're going to come in and have this large target and the few 60 percenters that we do have at Reed Park or Scott Street, our other sister property, well, obviously a new property will come in, they'll have new amenities, whatever the case may be, and we'll lose the few that we do have to the new properties going in across the street. And it's not just the Cypress Creek even, we also have the other awarded property, Reed Road Seniors, so there's two new properties going in, one is directly next door to Reed Park, one is across the street. A senior property, Reed Road Seniors, not necessarily taking 100 percent obviously, because it is

senior, but any seniors that we would have at those properties are in jeopardy of moving to those properties.

I know Park Yellowstone, located in that same corridor is a tax credit property built in 1997 and they had to lower their rents by \$100 to keep the 60 percent tenants from moving to a new bond property that opened up, Parkside Point, in 2005. That's kind of scary to have to lower your rents to keep your tenants from moving to new properties and certainly a financially scary thing to do. And I know Mark, being the developer-owner, if he would have come to me and asked me to lease up a new property of 130 units of 60 percenters, I'd tell him in that area there's no way we could do it. I would think it would be financially feasibly impossible to rent in a normal lease-up period. Maybe you could lease that many units in two, three or four years, and then financially I don't think the property would be able to make it.

That's all I have. Thanks very much.

MR. CONINE: Ms. Ramirez, can I ask you a question?

MS. RAMIREZ: Yes, sir.

MR. CONINE: Well, first off, I see you have roughly 325 units, I guess, amongst the three projects. What sort of vacancy do you have there now?

MS. RAMIREZ: I'm sorry?

MR. CONINE: Vacancy in your three projects there?

MS. RAMIREZ: South Union Place is still in lease-up, I think they have 13 or 14 at South Union; Scott Street has nine currently; and Reed Park, I think they have ten, maybe 12.

MR. CONINE: Vacancies?

MS. RAMIREZ: Uh-huh.

MR. CONINE: And are you getting maximum program rents in all three of those projects, or not?

MS. RAMIREZ: As far as the different set-asides?

MR. CONINE: The 50s and the 60s?

MS. RAMIREZ: No, sir.

MR. CONINE: You're not getting maximum, so the folks who are supposed to be in a 60 percent unit that are falling in a 50 percent income range, you're dropping the rents in order to attract them there?

MS. RAMIREZ: Yes, sir.

MR. CONINE: Okay, thank you.

MS. ANDERSON: Thank you.

MR. BOGANY: Madame Chair -- and this is just for the board's information -- one of the things about this particular area, the only new stuff in the area are tax credits, and there's no such thing as shopping anywhere nearby, you have to go to Pearland to get to that point, and so when you look like on Cullen and on the map it may look far away, but if you go to Belfort or Cullen, there's units all around there, and the mayor has got this area designated in Houston as a HOPE area where they're giving \$30,000 to people to buy homes in the area and they're still not loading the area up with people.

So I'm just sharing with you from a purpose of knowing that area and being in that area, the only thing you can get in there is apartments,

even the single family homes are not growing in that area. It wouldn't be designated a HOPE area if they didn't have any problem trying to move the properties.

MS. ANDERSON: Mr. Alexander, good morning.

MR. ALEXANDER: Madame Chairperson, my name is Willie Alexander, other members of the board. I am an owner in Reed Park Townhomes, Scott Street Townhomes, and South Union Place.

I want to follow up on my partner's comments about the overconcentration, and what I will share with you is just based on research. While conducting our research on the overconcentration and reviewing the application, we found out that the proposed projects do not have sewer service.

In 1998, when we were allocated the Reed Park Townhomes project, we had to put in a separate septic tank in order to service our townhomes, and now we found out that the current tax credit that's being proposed does not have sewer service and that they have applied to the City of Houston for HOPE funds, once for \$2.2 million and here again recently for \$4.25 million.

So I just want to be on record as saying that the application does not have sewer service, and I don't know if a market survey was done or not. I guess not.

MS. ANDERSON: Questions?

(No response.)

MR. ALEXANDER: Thank you.

MS. ANDERSON: Thank you, sir. The next witness is Sue Fielder and then Bernadine Spears.

MS. FIELDER: Madame Chair and honorable members of the board. My name is Sue Fielder and I am the director of the Area Agency on Aging in the Permian Basin, and I really would like to thank you for this opportunity to express our full support of Odessa's request for first consideration for an allocation of approximately \$237,938 in tax credits or for a forward commitment.

As you might be aware, the United States is witnessing sweeping and fundamental transformations in the way that we think about and deliver healthcare and long term care in our country, and that's all at a time when we are experiencing unprecedented growth and diversity in our aging population. And some of us already know this because some of us may already be there, but in 2006 the very first wave of Baby Boomers turned 60, and so the pyramid continues to rise.

Under the Older Americans Act under which we are funding, Aging Services Network which is across the entire United States is charged with the responsibility to promote development of a comprehensive and coordinated system of home and community-based services, and these services are to be designed to allow our seniors to live as independently in their own homes for as long as possible. There is now a focus to the Older Americans Act amendment on keeping seniors healthy and active.

So how does that fit into housing? Well, a safe and affordable home, as you know, is the cornerstone to achieving that independent lifestyle,

and older individuals continue to contribute well to our society and they make our communities better places to live.

As you're aware, the housing authority of the City of Odessa proposal for Key West Senior Village Phase II will provide a 36-unit living facility and it already offers the amenities which are solidly in place. There's the 24-hour emergency service, a fitness center, access to the internet and computer classes, monthly medical services, transportation for shopping and doctors' appointments which is very critical out in Odessa.

I'd better hurry up because one of the main things that I wanted to tell you is -- and this you may know -- in the Permian Basin, business is great. The cash flow that is coming in through oil is being spent on recreation, automobiles, homes, all sorts of things, so our unemployment rate is extremely low, and Odessa's has been the lowest in the state for a couple of months.

Now, that's really good news to have a vibrant economy, but for those who don't have an option to get into a piece of the action of the oil business, it's not so good.

MS. ANDERSON: I need to ask you to kind of wind it up.

MS. FIELDER: Median home prices have gone from \$102,000 to \$150,000 in just a matter of months. I was listening to our radio recently and it said there were only approximately 171 homes available and the majority of those cost over \$150,000.

So with all due respect, because Midland-Odessa area is growing faster, particularly in its aging population, than Abilene, Lubbock, San Angelo, that you give first consideration to Odessa for these additional units.

Thank you very much.

MS. ANDERSON: Let me ask you one question because I got distracted at one point. Does the Triple A do congregate meals in the existing phase of Key West Senior Village, or do they bus them to the senior center? Or do you do congregate meals? I guess that's the first question.

MS. FIELDER: Right, we do have vendor contracts for congregate meals but individuals do go to the senior center.

MS. ANDERSON: And how far is the senior center from Key West Senior Village?

MS. FIELDER: It's probably less than a mile.

MS. ANDERSON: Very, very close. Thank you. Ms. Spears. Anybody on this board want to admit to being 60 years old?
(General laughter.)

MS. ANDERSON: I didn't think so.

MS. SPEARS: Madame Chair, members of the board and staff. I'm not quite 60 but I'm working on it, and the more I come before Austin, the grayer my hair gets, but it's okay, I'll be here until you bust me.

I'm standing before you asking for your consideration of the 36 units at Key West Senior Village, Odessa, Texas. I recognize that you have a great task before you and that there are lots of deserving communities in our region as well as in other regions, but anybody that's rejecting the money, they don't want it, we'll take it.

We have congregate meals in the current facilities. We also have a pavilion where they can provide their own meals in community-type

meals if they want to. We have Meals on Wheels as well as the Southside Senior Citizens that deliver to those that are not able to get out. The housing authority has provided a transportation service so they don't have to worried about being bused on the local bus system, but we actually take them to where they want to go. We have shopping runs, we have doctor runs, we have medicine runs, we have movie runs, and all of that stuff is available for our residents at Key West Senior Village.

So again, I'm standing before you asking for consideration of an allocation of tax credits or a forward commitment, whichever you see is best for our community. And I thank you for your time and I'll see you next time. Thank you.

MS. ANDERSON: I have three witness statement and three witnesses on a development in Dallas. I'll briefly summarize these written statements. The first one is from William Snell who is director of security for several high rise office buildings and a member of Frazier Baptist Church and a member of the Frazier-Berean Group, describing the community services that Frazier-Berean Group provides in the neighborhood and advocating for the consideration of the Carpenter's Point Senior Housing which is the development sponsored by Frazier-Berean Group.

I have another letter of support for this development from John Wiley Price, Dallas County Commissioner, District 3: "The purpose of this letter is to register positive support for the development. This product, along with the proposers, have a stellar reputation for delivering quality. As commissioner for this district, I implore you to make this project a reality."

Also, a letter from State Representative Terri Hodge. They handed me this letter so I'm going to read it into the record: "In response to your request for a letter of support for the development of Carpenter's Point Senior Housing in my district, while I wish you great success on this much needed project for senior citizens, unfortunately I must decline your request at this present time."

Then we have three witnesses on this development and we'll start with Mr. King, followed by Mr. Wiley and then Mr. Shirley.

REV. KING: Good morning. Again, I thank you all for allowing us the opportunity to come before you. I have a letter from Board Trustee Ron Price from the Dallas Independent School District who wasn't able to come, and in this letter it reads:

"It is indeed an honor to write this letter in support of the development, along with Reverend George King and the Frazier-Berean Group, towards the development of Carpenter's Point. The development represents the cornerstone for further development of the entire neighborhood. Reverend King, pastor of the local Frazier-Berean Church, has been providing services to this community for more than 20 years. The development of senior housing is the manifestation of his dream and in line with the critical housing need in that local market.

"As you might imagine, capitalization of development in emerging low to moderate income markets requires some form of subsidy in order to match rents with local residents' income. In today's environment, low income housing tax credits represent the most powerful form of subsidy for the

production of affordable housing and an award from the Texas Department of Housing and Community Affairs for the Carpenter's Point development is absolutely critical. Tax credit equity will represent more than 75 percent of this project's final capitalization, enabling the property to subsidize its rents to a point as low as \$296 per month for a one-bedroom unit.

"By approving this request, you are contributing to the revitalization of this neighborhood. If any additional information is needed, please do not hesitate to call my office. Sincerely, Ron Price."

MS. ANDERSON: Thank you, sir. Mr. Wiley.

MR. WILEY: Good morning. My name is Charles Wiley. I'm here on behalf of the Frazier-Berean Group, and as we said before, we are here looking for funding for the Frazier-Berean area.

As you know, Frazier Courts is a part of an enterprise zone that was classified by our own Governor Perry as an enterprise zone because of the low income area it is, and we're here to make this a reality for the seniors of the city of Dallas in the Frazier area.

The decisions that you have to make are very difficult, I'm sure, but we would implore you to please give it your best consideration when looking at all of the things that you have before you and what we have presented to you, that this will be a worthwhile project, not only for a dream or vision of Reverend King and the senior citizens of Frazier Courts, but for reality that they can have a better life. Thank you.

MS. ANDERSON: Thank you, sir.

Mr. Shirley.

MR. SHIRLEY: I'm Steven Shirley from Dallas, Texas, the Frazier-Berean Group.

For the last 20 years it's been a great honor to develop friendship with one of my good friends, Tyler Cooper, and how we all came to in being, I was a counselor at a camp in Missouri, and from that relationship, over the years later, his father, Dr. Kenneth Cooper, has been one of my doctors, and not only that, Tyler is a good friend of mine. She dedicated Cooper Aerobics Center and Dr. Cooper is an amazing man and just at a time when he had come into my life.

When I took on this task with Frazier-Berean Group and he knew it was a humongous task in relationship, and he said something to me, he said, God is going to bless you, and whatever I can do, I will do to help fulfill this dream. And I was talking with him yesterday and he said, What's going on in your life? And I am amazed how every time he gets with a patient or someone he looks deep and says, What's going on? And he's a very busy man all over Dallas.

And not only that, he also came to me with a decision and said, What do I do, I'm up for surgeon general? And he would give up his whole practice for years. And he tossed and turned and he decided to stay in Dallas and his son has joined the practice.

The reason I say this, he is dedicated to seniors and to help, and that's what we're facing in Dallas, so many seniors that in their age and health factors is enormous. And over the 4th I walked the halls where my mom is in a nursing home and seeing the seniors there and what they do is

amazing and it brought my heart back saying I'll help fulfill their dreams. And the dream of the Frazier community is to see this project fulfilled.

And thank you for your time and find it in your grace, as the newspapers graced Lady Bird's flowers, that you will grace Frazier-Berean with tax credits.

MS. ANDERSON: Thank you.

I believe that concludes the public comment for this portion for the board meeting. The other witness affirmation forms that I have are from people that want to speak to particular agenda items.

I also want to welcome this morning, Amanda Arriaga from the Governor's Office. We appreciate Amanda's support and appreciate her being with us this morning.

We are going to take a ten-minute break and then we're going to come back and proceed with our agenda. Thank you.

(Whereupon, a brief recess was taken.)

MS. ANDERSON: If I could ask you all to sit down, please.
Thank you.

I would direct the board to agenda item number 1 which is the Consent Agenda with the minutes of the board meeting of June 14.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

Item number 2 is the presentation, discussion of the Fiscal '08 Operating Budget and Housing Finance Budget.

MR. GERBER: Madame Chair, could I ask your indulgence and go first with the emergency posted item that we have?

MS. ANDERSON: Yes.

MR. GERBER: Thank you. Sorry it doesn't appear on the agenda. We did post an emergency action item on July 9. This was because, as many of you know, many parts of our state have experienced severe flooding, this has been some of the most extensive flooding in the state since 1957, and while not every portion of Texas has been hit, approximately 50 counties have experienced some degree of flood damage, and as would be expected, that flood damage has had a real impact on the homes of people in those areas.

In eleven of the most impacted areas, approximately 1,000 homes have been substantially damaged or destroyed, according to local officials, and although overall damage has not yet been assessed yet, we continue to be an active part of the state's emergency disaster response, working with the state's Division of Emergency Management.

Individuals displaced by flooding are, of course, experiencing housing challenges and/or homelessness. We expect to be looking in the future, and want to put the board on notice, that staff will likely be bring

forward a number of HOME Disaster Fund applications when locals bring those forward to us, and we're working with them on that as we speak. But because there is an imminent health and safety threat that was reasonably unforeseen, the department is able to take the unusual step of putting forward an emergency agenda item.

The department has already received one request from an impacted community requesting that Section 8 housing choice vouchers be made available to address the immediate housing needs of up to 47 families who were displaced by flooding. Several the areas most impacted by the flood are within our Section 8 Program jurisdiction. Staff anticipates that we will need to provide prompt assistance to many other impacted communities in the area who have experienced this disaster recently.

Currently the department's Section 8 program does not have a preference identified for disaster relief victims, and therefore, any voucher request would have to be placed at the end of the existing waiting list that would delay support. The board can address this emergency need by instituting a preference for families in communities that are impacted by disaster which will include, but not be limited to, communities with the disaster declaration or documented extenuating circumstances such as imminent threat to health and safety.

If approved, this preference will allow the department to provide existing available vouchers promptly to individuals and families impacted by these and future disasters who have been displaced from their homes. The program would cover only the areas where the department currently has

oversight of the Section 8 Program and would require that the families otherwise qualify for these Section 8 benefits and would require that the request be made within 60 days of when the emergency is declared. A community or individual could make the request for the preferential allowance of a voucher where appropriate in those jurisdictions.

Once the voucher is issued, it would be treated as any of our other vouchers, and just a reminder, we currently have funds available that are equivalent to approximately 300 vouchers.

HUD has indicated that the board has the authority to establish this preference, however, HUD has not waived the requirement that the department take public comment for 30 days on this proposed new preference. Therefore, with approval today, staff is also requesting authorization to post this preference to obtain public input. Staff will be able to promptly release this announcement and we anticipate that by the middle of August, after the 30-day period, we would then be able to begin the release of vouchers for this preference population.

It should be noted that in the case of one request we've received, the community will be able to take applications and evaluate eligibility for individuals and families during the 30-day window so that the delay in assistance would be minimized.

So the staff is recommending that the board adopt a preference in our PHA plan that we submit to HUD that would allow the department to respond to declared disasters that have impacted communities causing displaced persons and allowing them to receive Section 8 vouchers.

MR. CONINE: Move staff's request.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

MR. BOGANY: I have a question. If we pass this, is it retroactive to a couple of months since we have to put it out for 30 days? Can we go back and pay a couple of months' rent if they meet the criteria?

MR. GERBER: Mr. Farris, do you want to come forward and address that issue?

MR. FARRIS: Good morning. Eddie Farris, director of the Community Affairs Division.

I'm not certain about the answer but I think the answer is no. I think the answer is that we would be able to pay the rent at the time that we determined eligibility.

MR. BOGANY: Because we've got to put the 30 days out so there's nothing we can do about the time frame?

MR. FARRIS: The individuals that we would be assisting wouldn't have back rent, they don't have housing now, so I'm not sure that it's a relevant question to ask about back rent, but as soon as their eligibility is determined, then we can find replacement housing for them.

MS. ANDERSON: Can we proceed with screening families for eligibility during this 30-day public comment period?

MR. FARRIS: That's correct, yes, ma'am.

MS. ANDERSON: Thank you. Any other questions or discussion? Hearing none, I assume we're ready to vote. All in favor of the

motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

Before we go on to the budget, I made a commitment to Mr. Jack that he could come up and clarify something from the public comment period. Thank you.

MR. JACK: Thank you.

Again, Darrell Jack with Apartment Market Data.

MR. CONINE: A market analyst is going to correct something?

(General laughter.)

MR. JACK: Believe me, we make plenty of mistakes but we know to go back and correct them when we know. Mr. Flores had asked me a question, and for the life of me, when he asked it, I just drew a blank. There are, as I can recall now, four 9 percent senior projects that we did market studies for. One was in Missouri City, one in Humble, one in Friendswood, and one in Halbert, and as far as I know, three of the four have already gone through underwriting, the fourth is being underwritten right now. But none of those, as I'm aware, is coming before the board with any controversy for you today. That wasn't the purpose of me providing you information.

And certainly, as Mr. Flores put it, sometimes I am the hired gun and you can usually tell when Tom Gouris and I are battling each other over a specific property and how hard we fight. But in this case, as with many

of the projects that I've done for underwriting and some that I did earlier this year with Capture 8 issues to the board, no one has paid me for the information that I've provided for you today, I don't expect any payment.

Thank you.

MS. ANDERSON: Thank you.

Back to the budget, Mr. Gerber.

MR. GERBER: Thank you, Madame Chair and board members.

Presented for discussion today is our draft 2008 Operating Budget and Housing Finance Budget. Note that this is for presentation purposes only and the budget will be brought back again at the July 30 meeting for actual approval. The Operating Budget represents our operational expenses distributed among the department's divisions and includes a 2 percent cost of living increase to all employees that's effective September 1 of 2007, as was authorized by the legislature.

The 2008 draft budget is \$22.5 million, or an increase of \$1.3 million. The increase is primarily due to the creation of the Disaster Recovery Division. This new division includes \$1.3 million in funding with 12 FTEs responsible for the administration of CDBG Disaster Recovery funds and FEMA funds that are associated with temporary housing.

A couple of other points in the budget I'd like to highlight. The legislature adopted a 25 percent increase to our out-of-state travel budget which has been spread across the respective divisions. There's also an additional realignment to the HOME Division. Various parts of the HOME

Division that deal with set-ups and draws and also providing additional technical assistance have been moved from Portfolio Management and Compliance to the HOME Division, and this realignment will provide more clarity regarding the separation of duties and responsibilities.

A new legislated allocation of \$120,000 is provided to conduct housing market studies and provide information on affordable housing, and there is, of course, in our budget a continued commitment to retain a skilled workforce by investing in competitive salaries, wages and professional development for staff.

Finally, included in the board packet is our draft 2008 Housing Finance Operating Budget. The Housing Finance budget is \$11.6 million and is representative of the Housing Program fee revenue that supports the department. David Cervantes and Bill Dally are both here to answer questions that you may have on the budget.

MS. ANDERSON: Mr. Gerber, I understand this is a draft budget for our initial consideration and then it comes back to us. Is that correct?

MR. GERBER: That is, and no action is requested today. It will be finalized at the July 30 meeting. And as the board has a chance to review the budget over the next couple of weeks, if there are thoughts and concerns, we certainly would welcome that input.

MR. CONINE: We're easy today; in two weeks we'll be a little tougher.

(General laughter.)

MS. ANDERSON: The next item concerns presentation, discussion and possible approval of Real Estate Analysis items, specifically tax credit appeals of credit underwriting reports. Mr. Gerber.

MR. GERBER: I'll ask Tom Gouris, our director of Real Estate Analysis, to come forward and present those.

MR. GOURIS: Good morning. I'm Tom Gouris, director of Real Estate Analysis for the department.

With me today are Diamond Thompson and Cameron Dorsey, also Lisa Vecchietti and Raquel Morales, and they helped to underwrite these deals and they're going to help me a little bit with the appeals today. Actually, shortly I'll have a couple of our interns that have been working with us, and if I see them, I'll introduce them as well.

Our first appeal today is with regards to a proposed 76-unit, all two-bedroom seniors development in Krum which Krum is located just outside of Denton, tax credit number 07272.

The issues with this appeal are that: one, the appeal has not pointed out any errors in the actual underwriting; two, the applicant is requesting that the board rely on new information, including a new market area; three, the development contains only two-bedroom units which, four, makes it very difficult for single- person households to be able to live in this development; and five, this results in a concentration of housing that exceeds the board's policy with regards to putting too many developments in one area at the same time.

The first issue is that the applicant just disagrees with the

outcome of the underwriting but does not address any specific miscalculation or error in the analysis. Therefore, frankly, the grounds for the appeal regarding the application satisfaction of underwriting criteria have not been met. Instead, the applicant has provided new information for you to consider which conflicts with one of the rules in the QAP -- which you have the ability to waive -- but it says the board's review of an appeal is based on the original application and may not review any information not contained or filed in the original application.

I'm going to speak to the new information in a minute on the maps, but I want to point out kind of the big issue here for us, and that is that the development contains only two-bedroom units. While two-bedroom units in seniors developments are a popular accommodation these days, especially for more affluent transactions, they are the most difficult units at 60 percent for a seniors development to lease in an affordable transaction, and they provide little opportunity for single seniors to live in them, and again, this project has all two-bedroom units in it.

The single seniors have to spend 40 percent or more of their income on rent to afford to live in a two-bedroom unit, and therefore, the proposed development would be out of reach for many single senior households which make up over half of the senior households in this market and in most markets.

So let me tell you a little bit about our initial concern with regard to this transaction which had to do with the market area. As you can see from our map here, this was the original market area and consisted of the city of

Krum which has about 2,100 residents and part of the city of Denton but it was cut off by Loop 288 at the eastern and southern boundary here, and that's important because it excluded a couple of projects that should have been included. One is withdrawn but the other is still there and is on the verge of opening with 100 affordable senior units that we approved two years ago.

MR. CONINE: Wait a minute. Are you testifying that you think that project outside the loop is going to affect that project in Krum?

MR. GOURIS: In the rules that have been approved by this board for a number of years, the inclusive capture rate requires us to consider concentration of existing unstabilized units which would include those 100 units and any other units that haven't been stabilized for 90 days or more.

MR. CONINE: Outside the primary market area.

MR. GOURIS: Within the primary market area.

MS. ANDERSON: That's why he drew the line where he did.

MR. CONINE: That wasn't in the color.

MR. GOURIS: That's correct, but we had a concern about that because this is the city of Denton and the city of Denton is not that large, and that project is in the city of Denton, the project being proposed is in Krum and they were claiming most of the city of Denton but not the area with that project, so we had a problem with that.

MR. CONINE: All right.

MR. GOURIS: We asked the market analyst to go back and just take a look and say can you find a market area that both of them would fit in so we could get some more comfort level with it because had some other

issues associated with the market area as well.

So the market analyst originally said, yes, we'll do that, and subsequently, after about a week, they decided they would rather sit with the market area they had because they felt uncomfortable providing a new market area.

So the underwriter completed the report based on the information as provided originally in the application and we could not recommend the report. There's no way that the underwriter could consider information that was requested but not provided since the analyst told us that information was not going to be forthcoming.

Subsequent to the underwriting report being filed and posted, the applicant did convince the market analyst to go back and look at the larger area, and we have a map of that as well, it's a much larger areas. We're working on better presentation materials, we'll do better as we go, but we figure a picture is worth a thousand words.

MS. ANDERSON: Wait a minute. That orange thing is now the market area?

MR. GOURIS: This is the original market area. The new market did what we asked for, we got the whole city of Denton, but we also go the cities of Krum, Hickory Creek, the city of Corinth, parts of Lewisville, Flower Mound, Ponder over the west and Sanger to the north.

This would have been an acceptable market area had they presented it originally as far as how big it is. One of the issues that we have with our market areas is that they can be this big. But regardless, they did go

and get us this information and they included the 100 units that we were concerned about. The problem is that even in this revised report there is an error in that report that was with regard to how they calculated the demand from growth and they overestimated that demand and they acknowledged, at least by phone, that they did so, and that puts them over the 75 percent capture rate. When the right [indiscernible] were considered, the capture rate exceeds 75 percent, it's 78.9 percent, based on their calculations, and that's a problem with both market areas.

So staff doesn't recommend granting the appeal because: one, the applicant didn't provide any error on our part that we did --

MS. ANDERSON: So technically there are no grounds for an appeal.

MR. GOURIS: They have grounds for an appeal because they can appeal and ask you to consider anything, but yes, I think that there's a rule in there that says they cannot provide new information but you can waive that rule. The property only has two-bedroom units, all two-bedroom units, which makes it difficult for seniors that are single to live in the property, and that results in a concentration of affordable housing that's in excess of your policy.

If you'd like, we've got some more cool charts, how the single household things works and can talk to you a little bit more about the elderly turnover rate that was used and some issues regarding that. We can also tell you a little bit about the property that was excluded that I mentioned, or I can just answer questions if you have any other questions.

MS. ANDERSON: And we have public comment. We might

want to hear that and then probably have you come back up here. Thank you.

Mr. Byron Ballas.

MR. BALLAS: Good morning. I would like to thank the board for this opportunity and I want to also tell you that I am representing the developer, Plantation Valley Estates, which is your project number 07272.

I'm also here to familiarize you with Krum, Texas, the dynamic city of Krum, Texas, which is in northern Denton County, and as such, I need to tell you about the support that we have within the community which, of course, is our congressman, our senator, the city itself, we have groups in the town, the Kiwanis, the Lions, the Masons, and non-profit Meals on Wheels that support our project.

Our project, we feel -- which is on Highway 1173 in Krum -- is a result of dramatic growth in the Krum area. Krum enjoys a growth which has blossomed up Highway 156, up Interstate 35 East and West, and is now projected all the way to the Oklahoma border. The city of Krum, if I were looking at this from 1974 when I was very privileged to work on the North Texas State Music Hall, I would have seen the northern section of Denton to be bounded by Bonnie Brae on the west and Highway 380 on the north. Today Denton is across the street on Masch Branch Road from Krum. We're talking about virtually the same city anymore.

The new loop around the city, 288, will be expanded within less than a quarter of a mile of our new project. The growth north of 288 has been increased dramatically within the last year with the completion of a 36-inch water line which has been brought out of the city of Fort Worth specifically for

this area. The platting of single family homes in the north 288 area is over 1,500 lots since that time.

Krum has a brand new high school, it has a brand new middle school, it has a relatively new elementary school, and the second elementary school will be across the street from our project. Of course, as we all know, the schools are not a major factor with a seniors project, however, as reported by the Dallas Morning News, Channel 8 and Channel 11 in the Dallas-Fort Worth area, we have now been given the designation growing over 55 market in the state of Texas, and we are experiencing dramatic growth.

We are extremely happy to have this opportunity, we think the market is there, the other people that are in the Denton County area are nine miles away, they're on the south side of Denton, almost in Lewisville, they're in Trent.

MS. ANDERSON: I'll have to ask you to finish up, sir.

MR. BALLAS: Yes, ma'am. We don't feel like, as we originally looked at it, that all the information was pointed towards that direction. We have several people that will be addressing you. Thank you very, very much.

MR. BOGANY: I have one question. Why didn't you do any one-bedroom units?

MR. BALLAS: I've been very fortunate in my lifetime, I've worked for some extremely large developers, and in the last 12 to 15 years the trend amongst those developers has been more and more to build nothing but two-bedroom units for seniors. I've done 71 projects in the last ten years and over 100 in the last 15, and the trend almost exclusively has been to all two-

bedroom apartments, two-bedroom, one-bath; two-bedroom, two-bath. And these are people that are over 55 that are now empty-nesters, people that are looking to simplify their lifestyles and enjoy the same camaraderie with people of the same age, wonderful clubhouse facilities, pool, all the things that you look for. We have a hospital within two miles of us, the dramatic Razor Ranch growth is a 480-acre development --

MS. ANDERSON: Sir, do you have anything else to say that would answer his question about two-bedroom units?

MR. BALLAS: That's why, it's been a trend amongst the people I've worked for.

MS. ANDERSON: Thank you.

MS. RAY: Madame Chair, may I ask him one more question on this same subject?

MS. ANDERSON: Yes, Ms. Ray, you bet.

MS. RAY: You mentioned all the development experience that you have and the trend is going toward two bedrooms. Could you please respond how many of those developments were targeted toward the affordable senior community as opposed to market rate?

MR. BALLAS: Every one of them, they were all tax credit projects.

MS. RAY: All two bedrooms?

MR. BALLAS: Yes, ma'am. Everywhere from Michigan, Indiana, Illinois, Iowa, Nebraska.

MS. RAY: In Texas?

MR. BALLAS: In Texas, Florida, Oklahoma, Arkansas, Missouri. That is the trend with the people I work with.

MS. RAY: Thank you.

MR. BALLAS: Thank you very much. Anything else?

(No response.)

MR. BALLAS: Thank you very much.

MS. ANDERSON: Mr. John Cole. And Nidia, one person has yielded time to Mr. Cole.

MR. COLE: Good morning, ladies and gentlemen and members of the board. My name is John Cole. I'm a manager with Novogradic & Company in our Austin office, and I supervised the original market study as well as the supplemental analysis that was requested by the TDHCA on the demand for this property in Krum.

Based on the most recent underwriting report that I received from Tom, he raised some concerns about the demand for this property, specifically relating to the inclusive capture rate. Based on their internal underwriting, they were coming up with an inclusive capture rate slightly over the threshold.

I was notified of these discrepancies late last week, I believe on Friday, and on Monday I opened up the series of dialogues, via e-mail as well as over the phone, with Tom to try and reconcile some of these discrepancies and see if we can't come to some sort of consensus and data-sharing so that we can come up with a number that we both feel comfortable with. At this point we have not had a chance to finalize this process or this dialogue, so I

respectfully request an opportunity to complete this process with Tom.

If all the parties involved conclude that the capture rate is slightly over the threshold, we'd like an opportunity to consider some supplemental sources of demand that analysts regularly consider in inclusive capture rate analysis. Some of these supplemental sources of demand can include a small percentage of senior income qualified homeowners in the area that may transition into renters. We might also consider a certain percentage of one-person households occupying the two-bedroom units. There's also the possibility of including Section 8 housing choice voucher tenants in the demand. We can evaluate different turnover rates and also demand from outside the primary market area. And that last point is something that I believe Darrell Jack is going to speak to here in a few moments.

In the end, I think each of these additional supplemental sources of demand, if considered individually or in conjunction, would show a significant amount of additional demand that has not been identified yet, and we'd just like an opportunity to have that dialogue with Tom and finish this process. That's all I have.

MS. ANDERSON: Thank you, sir. Darrell Jack. Are there questions for this witness?

(No response.)

MS. ANDERSON: Thank you.

MR. JACK: Thank you.

Darrell Jack with Apartment Market Data again. Just for clarification, this time I am the hired gun, but not related to necessarily

disputing the way the numbers fit together between the underwriting department and the market analyst. This was one market study that I did not do but I was asked to come and talk to the board about some research that we did last year on a senior project in Terrell, Texas.

Right now there's a great disconnect between the underwriting model that TDHCA uses for senior projects and what happens in the real world. In the past the multiplier that the underwriting department has used for turnover allowed for enough fluff that deals still go through, but I think because of concerns of how markets are doing in senior projects, that multiplier has gone down considerably which means that there less demand to justify new projects.

But I want to tell you about Terrell Senior Terraces. Last year we did a detailed unit-by-unit lease audit of the project to find out where the seniors came from, and in that audit we found that one-third of the project was occupied by people that owned their home immediately prior to moving into Terrell Seniors. That's demand that the underwriting model doesn't consider. We also found that another 17 percent of the residents were living within another household, for instance, senior living with a family member because they didn't have the opportunity to live in an affordable senior rental project. Once Terrell Seniors opened, a home was afforded to them that wasn't available in the market otherwise.

We also looked to see exactly what zip code the residents came from and we found that only 50 percent of the residents came from within Kaufman County that the city of Terrell is located in, 16 percent came

from adjacent Dallas County, and another 30 percent of residents came from other Texas counties, 4 percent of the residents came from outside of the state. So in the end, you have another 50 percent of residents that were never considered in the demand calculation and demand from other sources that's not considered in the underwriting model.

One of the questions with this project is the reasonableness of all two-bedroom units, and that can be debated either way, but what I will tell you about Terrell Seniors was that when we did the audit we had an unexpected result that showed twice as many one-bedroom households lived in two-bedroom units as did two-person households.

So in conclusion, I just want to bring to the board's attention this disconnect between what actually happens out there in the real world as far as the sources of demand for these projects and the underwriting model as it is applied today. Thank you.

MS. ANDERSON: Questions?

MR. CONINE: Yes, I have a question.

The market analysts that are looking at these senior projects around the state, how come they're not using the same underwriting guidelines or model, as you said, that Tom and his staff are using? How come there's such a disconnect there?

MR. JACK: Well, it comes down to what number do you use for the rate of turnover, and this year the department has come up with database information on other senior affordable projects. We were never privy to that during the underwriting process -- or through the market analyst process, and

it's still not public information today.

What I would tell you, Mr. Conine, in most cases in the past -- and I've been doing this for eight years now -- I can generally tell a developer whether or not he has a chance of a project making it through underwriting, at least as far as the market study is concerned, because we know the realm that we're operating within. But now with the change this year, I can't tell a developer on a senior project whether he has a chance or not. I mean, it's really the luck of the draw as to what information is going to come out of the TDHCA database.

For instance, this year I've seen turnover rates below 16 percent, I've seen one at 24, 35, 41 and 48 percent. And naturally, the numbers are going to vary depending on what area of the state and particularly the availability of a supply of affordable senior housing, because if you don't have a large supply, naturally you're not going to have very much turnover because people don't have alternative choices, they're going to hold onto that unit like my grandmother did down in Corpus for as long as they possibly can stay in that unit because they don't have another choice to go to. So the turnover demand would naturally be lower in a case like that based on limited supply.

We really need to work on this the next year, if for no other reason than to give developers a fair chance of knowing whether or not they should proceed and spend upwards of \$50-, \$60-, \$70,000 to go forward with an application because I no longer can tell them if they should even proceed on a senior project.

MS. ANDERSON: I have a question. When you were talking about Terrell, you said the unexpected result, was Terrell all two-bedrooms?

MR. JACK: No. Terrell was both one-bedroom and two-bedroom, they had 77 one-bedrooms and about 73 two-bedrooms.

MS. ANDERSON: And so your comment, if I understood it right, was more one-person households came in and took those two-bedrooms than what you would have expected.

MR. JACK: Exactly. The exact number was we found 48 one-person households, we found 24 two-person households, and we found one three-person household in the project.

MR. CONINE: And as far as you know, in the underwriting model that TDHCA is using, are they allowing credit for any of the one-person households occupying a two-bedroom unit?

MR. JACK: Well, the problem that you have is that you have an upper limit that a one-person household can earn and live in a two-bedroom unit, can earn to live at the project, and so when you only have two-bedroom units, you have a very thin layer of income-qualified one-person households, you have a much thicker layer of income-qualified two-person households. And I think that's part of the problem that Tom was describing in the case of this Krum project.

MS. ANDERSON: Any other questions?

(No response.)

MS. ANDERSON: Thank you.

MR. JACK: Thank you.

MS. ANDERSON: Sarah Anderson.

MS. ANDERSON: Good morning. My name is Sarah Anderson and I'm with Sanderson Consulting, and after the underwriting gave their presentation, had I not been on this side, I would have had the same reaction that you did, but I think with every story there are two sides. And first I'd like to address the original market area that was presented.

I'm obviously not a market analyst. Our analyst chose that area according to the guidelines that TDHCA laid out, and those guidelines are that you follow major roads and natural boundaries, and the original market area did so as it took the major loop around Denton. So it didn't even seem to me to be that odd.

And when Tom contacted us that he wanted to have an additional property looked at in the demand, his first comment to me was there's technically nothing wrong with the original market study, we just want to see what happens when you include these units. Based on discussions, frankly, from Tom, the second market area was based on his comments of where we should be taking demand. So the market area that looked so large and odd was actually based on Tom's recommendation to us where we needed to pull our demand figures from, and I would say that it was very similar to the property that he wanted included in our demand, the one that was outside the loop. The market area that we used was almost identical in size and shape to that market analyst's area.

So while I realize if you're hearing from the other side, it seemed very odd, looked like we tried to cut something out and then looked

like we tried to go huge, we were doing what we were requested, so I wanted to just kind of qualify that. So we feel that the market area is not really the issue here, what we're at is an issue of capture rate and demand.

And we did have some problems. The market analysts, when they were asked to give information to underwriting, did not provide it, and frankly, as a developer and a consultant, there's nothing I can do if the analyst isn't going to provide that information. And when underwriting came out with their report, we were able to convince the analyst to come back with more information.

So I kind of feel like a lot of those issues are in the past and where we are at is a capture rate of just above what TDHCA allows and we are in the middle of a dialogue, and my understanding, as we've been speaking with underwriting, is that some of the items that we have brought up that have not been considered in the demand factors are legitimate and that if they had more time to continue the dialogue with us, that we might get to where we need to get to.

We're not asking for rules for us to not have to adhere to the 75 percent capture rate, we're just asking for the opportunity to continue the dialogue with underwriting and to get there because we believe that we're there, and for all the demand factors that the market analyst brought up and that Darrell Jack brought up, a lot of these factors are just not being taken into consideration by TDHCA currently.

So we're just up here asking permission and direction. Tom feels like he's run out of time and that he needs direction from the board to

continue the dialogue, and that's what we're asking for. And in the event that that can't happen, I know that there's been an issue a couple of years ago very similar to this, a deal in Brownwood which was all two-bedrooms that TDHCA did have issues with, and one of the conditions that underwriting did at that time was to conditionally accept it pending the addition of one-bedroom units, so for us that would be a fall-back as something the department has done in the past. We don't feel we need to go there, we think the demand is there and that we can prove it, and we're just asking permission to continue the dialogue.

So if you have any questions.

MS. ANDERSON: Thank you.

Mr. Gouris, the last witness put some words in your mouth.

MR. GOURIS: A couple of them did, actually.

MS. ANDERSON: So why don't you speak for yourself.

They've raised a lot of issues.

MR. GOURIS: Let me first say, kind of backing up a little bit, that Mr. Cole indicated that he hadn't gotten wind of this until last Friday or hadn't heard about this issue until last Friday and obviously that isn't consistent with the fact that he signed the letter on June 21 saying that we're willing to change the market area and it's part of the whole reason why we have concern.

With regard to the increased size of the market area, we didn't say they should go all the way to Sanger or all the way to Ponder or Lewisville or Flower Mound, we suggested that it ought to consider the other transaction

in the city of Denton, it ought to consider the political boundaries which include the city of Denton, it can include a road as a boundary but when there's a property that's a quarter of a mile from that boundary and it's included in that city and it's about to open up and it's going to have a significantly negative impact on that market area and the capture rate, we're going to ask and have some concerns about it. And that's what we did, we asked for them to help us see if there was a way to look at this, get another view of it.

Yes, it would have been acceptable for them to come in with a big market area, but we didn't tell them to do that, we didn't ask them to do a super size market area, we asked them to look at city of Denton and consider maybe the corridor along I-35 South because, frankly, that's an area that people might be coming from, the southern part of the area, that might be an area where demand might be garnered.

With regard to the underwriting model, I think it's really important to note that we've been struggling with this for quite some time, trying to get everybody on the same page. Every analyst has a different way of doing things and it's a little like herding cats, quite frankly, trying to get everybody to at least use one model. What we've done the last two years is said, Okay, you can give us another alternative model but you need to also give us what the numbers would be with this model so that we can compare apples to apples. And as we've gone, we've tried to adjust that model to make sure we're considering these other things that can be documented.

A lot of times there are concepts of demand from other areas that are just very difficult to document, and a lot of times those concepts of

demand from other areas are really redundant. For example, the idea that home ownership should be included in the demand calculation. Well, if movement from home ownership to rental occurs, that would show growth in the rental area. So if you're looking at census data over years, the number of renter households increase, well, some of those are coming from home ownership, so to count them again could be considered to be redundant so we've been real hesitant about counting that.

In addition to that, I haven't seen any study and have asked market analysts time and time again to help me find information: what is that ownership to rentership kind of pattern. Now, Darrell has been great -- and market analysts, I've given them a little grief today but they've been really great at trying -- and Darrell has been trying, he did do this study in Terrell to try to see what sorts of information he could gather anecdotally for that one project.

And we, in fact, agree that some of that information is really relevant and we've been doing our own study. The compliance area for the last six months has been collecting data on TICS and certifications to find out where people are coming from. We hope to collect that and regurgitate that in a way that can be useful to everyone later this summer. Right now we're kind of preoccupied with the underwriting of this information.

There was a comment about information that we're using that's not available to them. Well, we're not using any of that information that we haven't delivered the information about where people are coming from. We are using information about turnover that we have been collecting over the last

couple of years. It's the same kind of information that the market analysts collect when they ask the property how much turnover are you having.

In fact, in this case the market analyst had that information in their report and had two senior projects in the report that they had information on. One had a turnover rate of 6 percent, one had a turnover rate of 10 percent. We're using 24 percent based on three properties, 350 units, 350 households in that market. So we have a pretty good feeling of what rental turnover is going to be for seniors in this income bracket. Again, the growth issue is another issue converting from home ownership to rental.

What other things concerned you that you'd like me to speak to?

MS. ANDERSON: The comment about everybody is doing all two-bedroom, the trend is only for all two-bedroom elderly. What do we have in our applicant pool this year?

MR. GOURIS: I believe this is the only all two-bedroom unit that we have. We have a couple that have heavily emphasized two-bedroom units.

One of the things we did this year that we added to the requirements for the market study is say we want you to look on a per-unit basis what the capture rate is going to be because it's important to know if you should be doing one-bedroom units, two-bedroom units, and this is not just for seniors but for all properties. And what we've noticed is that the capture rate on an individual project basis almost -- deals that have a preponderance of two-bedroom units that are seniors are always going to show over 100 percent

capture rate on the 60 percent two-bedroom units. We're going to see that in the reports that you come out with.

We haven't DQ'd anybody for that if they have one-bedroom units. This project has no one-bedroom units to compensate for that and so that's a huge concern for us.

I can show you the income difference if you'd like.

MS. RAY: That's what I'm interested in.

MR. GOURIS: My interns are here. Krista Kimmel and C.J. Ginn are interns with us this summer and we're really glad to have them. They've been a godsend in helping us stay organized, and yesterday I gave them the challenge of looking at a way to show this to you all and they came up with two different ways, and I'm just so impressed with what they came up with.

MR. CONINE: Did you tell them about the intelligence level of who they were showing it to?

(General laughter.)

MR. GOURIS: I did, actually, and they've got these really cool little people that are bigger. This is the US Today version that says these are single family households, these are two family households, and these are three family households, this little band down here, and this is the income band that we're talking about for 30 percent households, and we can do the same thing for 60 percent households, but just for example purposes we did it for the 30 percent households.

For a two-bedroom unit -- this is a problem with all of our

transactions but it's acute with a project that has no one-bedroom units -- this is the income band that they used, this whole income band, the problem is a single-person household is over income once they get to this point, so they're spending 40 percent of their income right here, they're spending a little bit less, but once they get to this point, they're over income for a two-bedroom unit. So instead of including 248 of the 545 households that are one-person household in this market, they should have only included 17 households.

And the same happens for the two-person household, they can only claim up to here because then they're over income, and so they can only claim 32 of those households, and now they can claim the whole three-person household, that's great, but there are only three of them so it doesn't amount to much.

Well over half of the households in this income bracket -- and this is pretty consistent throughout the state -- are over half of them are going to be one-person households and they just can't afford to live in two-bedroom units unless they're paying way over 40 percent of their income as rent.

MR. CONINE: Which seniors do, by the way, because they don't have any other expenses, the kids are gone.

MR. GOURIS: And in this case they'd have no other choice; if they wanted to live here, they'd have no other choice.

MR. CONINE: Right.

MR. GOURIS: So here we go, we've got 309 units of what the market analyst claimed, and we would have allowed them to claim that if they were one-person households. They really should be claiming only 62 units of

demand. We would have let them claim it if they had one-person households to deal with.

MS. ANDERSON: One-person units.

MR. GOURIS: I'm sorry. One-bedroom units, yes, ma'am. I've got, like I said, another chart that shows the same thing, but they were great.

MS. ANDERSON: Thank you all for the graphic assistance. I have another question. Is this as simple as just needing more time to work with the applicant? I mean, that was alleged.

MR. GOURIS: If we go by what we've been given, there isn't something else that we can consider. If we change the application to say now we're going to include some one-bedroom units, yes, we need more time to look at that and consider it. If we want to accept the market analyst's idea that he can come up with another strategy to come up with some extra demand, yes, we need to look at whatever they came up with. Do I think that there's enough in that to counter what I just showed you? I don't think so because what I showed you just now, we're not even accounting for at 78 percent. If we accounted for that issue, we'd be at 150 percent. So that's an issue that we do need to deal with down the road.

MS. RAY: Madame Chairman, may I ask Mr. Gouris just one question? On average, are the majority of the senior projects under the TDHCA affordable housing tax credit programs, what's the average -- how many do we have that are all two-bedroom units?

MS. ANDERSON: In elderly?

MS. RAY: In elderly?

MR. GOURIS: Most are going to have a mix. There are some all two-bedroom units. A concern that we've talked about before and probably need to address again is the trend is to do two-bedroom units but since one-person households can't afford it, maybe what we need to do is one bedroom and den. That poses some problem for our compliance area to be able to not count that as a bedroom. But space is what seniors need. I'm all for doing bigger one-bedroom units or one-bedroom units with dens or whatever we need to do, but to count it as two-bedroom units means that you're going to overburden -- the rent that we have to underwrite to that they're looking to charge is going to overburden seniors, and they're going to pay it because, like Mr. Conine said, they've got less other costs and they may not have another choice.

MS. ANDERSON: But then it's not exactly affordable housing.

MS. RAY: That's what it looks like to me.

MR. CONINE: The gross rent is. Seniors historically, and it depends on how old the seniors are, but as they get older, they pay more and more for housing because typically the stuff that's out there is so dilapidated that they're willing to spend 50 or 60 percent of their income to live in a brand new spot as opposed to something that is an old HUD deal that's been around for 30 years.

MR. GOURIS: And we do take that into account. On a family deal we do allow them to pay up to 35 percent to calculate the income, on an elderly deal we push it to 40 percent, and maybe that's an area that we need

to address for the future, maybe we do need to go up further than that.

MR. CONINE: I'd love to have that discussion.

MAYOR SALINAS: Can we give them more time?

MS. ANDERSON: That's why I asked Tom that question. And I think our consistent experience on this board is that Tom and his staff in underwriting do work back and forth with developers and their teams every day of the world trying to work through things, and I commend Real Estate Analysis Division for the way that you do bend over backwards to work with people.

MR. CONINE: I agree and I don't like the two-bedrooms, but in this particular case when the market analyst from Novogradic, Mr. Cole, asked for some more time, I don't see any harm. It's such a complicated issue to me, you guys lost me about three sentences ago. So I'd move to table to our next meeting from now, two weeks from now or whenever it is on the 30th, and if Tom comes back in with the exact same opinion, then we'll deal with it at that time.

MAYOR SALINAS: I second the motion.

MR. FLORES: Are you setting a time limit on that?

MR. CONINE: Until our next meeting.

MR. FLORES: I just wanted to clarify. We can't go forever putting this thing off.

MS. ANDERSON: And I think this is just another example of us just throwing a series of rules out the window, and I probably shouldn't have said that, I don't think that motion is debatable.

MR. GOURIS: Can I get a quick clarification on the motion?

MS. ANDERSON: Yes.

MR. GOURIS: Is it that they're going to change their application, or is it that you're going to allow them to change their market study?

MR. CONINE: I don't want them to change their application, I want you to dissect the turnover rate. I hear a turnover rate issue. If you go from 16 to 38, that's way too wide for me. If you're not allowing any credit for one-person households to move into two-bedroom units, I think that's nuts because I've got units personally that I've got single people living in two bedrooms that are tax credit deals.

So I just want you to have a chance to discuss the internal issues that you're using with the market analyst community out there -- and specifically Mr. Cole -- and if you're going to stay with where you stay, fine, I respect you for that, we'll make a decision at that point. But I think there's too many moving parts.

MS. ANDERSON: But if we're asking him to table it, do we need to ask him to divine which rules we would be willing to waive?

MAYOR SALINAS: Yes, you need to waive some rules to be able to get this project through.

MR. GOURIS: Let me just make sure I'm clear with Mr. Conine so he knows what we're talking about. I talk about that we shouldn't be including this income band in the 78 percent capture rate that we're talking about. We included all of these people, they've already been included. I'm

saying we shouldn't have and the capture rate would have been way higher. And so this is all the cushion that way overcompensates for the things that he thinks we need to also consider, way overcompensates.

So if the question is do I think more time to deal with this market study will help us get there, I'm pretty darn convinced that that's not the case. If we need more time because we're going to change the unit mix on the deal, I'm happy to do that.

I will note we've got two other transactions in Houston that we are struggling with the same issues, and we're trying to get these done for you so they can be at the next board meeting. This kind of discussion and dialogue we've spent countless hours on, tons and tons of time and resources, and we're more than willing to spend more on it, but we also want to give every deal the time that it needs to get done.

MS. ANDERSON: Are those deals all two-bedrooms also?

MR. GOURIS: They are not, and so it's a more complicated story. So I would love to get guidance today one way or the other on this one because that would help me understand what I need to do on the other two.

MR. CONINE: So let me make sure I understand what you're saying. If we were to waive the rule that said they could all of a sudden produce one-bedrooms, is that going to help or hurt the situation?

MR. GOURIS: That's going to help the situation.

MR. CONINE: It's going to help the situation. Well, I'm a big fan of including one- and two-bedrooms, you know.

MR. GOURIS: But that's an opportunity that you're not

providing any other applicants.

MR. CONINE: Right. That's changing the game real late in the game.

MS. ANDERSON: Ms. Ray.

MS. RAY: My concern with allowing more time to the debate, based on what I've heard, pretty much says that the only way that's going to work is they're going to have to change the application, and to change the mix of the units in the project is the only way it's going to work.

MR. FLORES: Madame Chair, I feel the same way. I'm a little uncomfortable with all this because it looks like to me we're essentially giving either the tacit or overt guidance to our staff to allow them to change the application, and I certainly don't want to be party to that. I think if we postpone this thing, I think we just postpone the inevitable. It looks like to me that everything has been considered and the only way it will work is to change the application, and I don't think I want to be party to that. So I'm speaking against the motion to postpone.

MS. ANDERSON: So we have a motion on the floor to table and it has been seconded. Are we ready to vote on the motion to table?

MR. FLORES: Madame Chair, let me correct you, it was a motion to table for two weeks to the next meeting.

MS. ANDERSON: Yes, it was. Everybody understand what we're voting on here? All in favor of the motion to table for two weeks.

MR. CONINE: Wait a minute.

MS. ANDERSON: Sorry.

MR. CONINE: Since I made the motion, I've got to aye. I thought you were going to say something else.

MS. ANDERSON: All opposed to the motion to table for two weeks.

(A majority of nays.)

MS. ANDERSON: The motion to table fails.

MR. FLORES: Move to deny the appeal, Madame Chair.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote.

All in favor of the motion to deny the appeal, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

MR. CONINE: No.

MS. ANDERSON: The motion to deny passes. Thank you for helping me make sure I was doing that right. You're still here, aren't you?

MR. GOURIS: I'm still here. In my mind the other one is easier; let's see how it is for you all.

The next appeal concerns the Poteet Housing Farm Labor Development, a U.S. Farm Labor property, applying for acquisition and rehabilitation credits. It has 30 units and it's number 07110.

The property currently is owned by the housing authority and the applicant has proposed to sell the property for more than twice the existing

USDA loan balance to an entity for which the housing authority is the general partner. The applicant asserts that the underwriter's reduction in the acquisition cost was unnecessary and that the applicant's acquisition costs derived were in line with the department's guidelines.

The staff has two problems with this. One is that USDA is no way going to approve this higher cost for this property. We've talked to them on many occasions on this subject in the past. The second is that the appraisal provided didn't meet our requirements.

The first issue, as I said, we have talked to USDA on countless occasions, including yesterday, where we found out that the applicant actually didn't even submit all of the pre-application information that he was supposed to submit to USDA. They got a letter that said we've received it but it turns out that they really hadn't, we found out yesterday that they hadn't received the package, so they haven't reviewed any appraisal material from them or any application material.

Even that being said, the USDA folks said there's no way that we're going to allow equity to come out of this transaction and become debt on this property. So there's no way USDA is going to approve the higher price. We've looked at many of these transactions before and USDA has continued, the process has been they'd allow the transfer price to be up to the loan amount plus exit taxes, if the appraisal can support it, not up to twice or more than twice the price so that we can get equity out so we can raise the tax credit amount so we can get more funds into the project.

The second thing is that appraisal, and as you saw in your

board materials, we were very concerned about it because it grossly overstates the value of the property. It doesn't meet our requirements, it's not nearly consistent, the only approach it used is the income approach, and when it did that, it used expenses of \$2,200 a unit instead of the \$5,000 a unit that is actually going on. So it really overstated the NOI, the net operating income, and really grossly overstated the value that supports this transfer price.

So we don't believe that appeal should be upheld, and we did provide an alternative in the underwriting report that provides for credits based on a reasonable transfer price. If you have any questions, I'll be glad to answer them.

MS. ANDERSON: Ms. Bast.

MS. BAST: Good morning. Cynthia Bast of Locke, Liddell & Sapp, representing the applicant for this underwriting appeal.

We do agree with the underwriting in a variety of respects. We agree that the GAAP method is the appropriate method to calculate the tax credits because it does result in the lowest annual tax credit allocation for this property. But there are two items with the GAAP calculation that we would like your help with. The first one I hope will be easy for you.

In the GAAP calculation, underwriting used a tax credit price of 90 cents on the dollar. That price was based on the syndication letter that we did have in the application, however, once it was determined that the tax credit award would be less than \$100,000 per year, our syndicator said we can't pay you 90 cents for a deal that small, our price is now 82 cents. And so we do have a letter from the syndicator to indicate that their price is 82 cents, and we

would ask that based on that change that the GAAP method be utilized with an 82 cent credit price.

The second issue, as Tom alluded to, is the acquisition price for an identity of interest transaction which is sponsored by the housing authority.

We agree that the value on this property may be difficult to discern, it is a rural property. The appraiser found no legitimate comparables and the housing authority does have very high operating costs for this property. It is a USDA project. USDA may limit the acquisition price, and as indicated, they have not done the analysis yet so we don't know where USDA will limit the acquisition price but we're willing to abide by whatever USDA requires there.

What we know about the acquisition price is that the original completion cost was \$672,160, the current outstanding debt is approximately \$505,000, the appraisal value is \$1.2 million. As you heard, TDHCA did not accept the appraisal because they believed it was flawed, so they set the acquisition price at \$505,000. We believe that the acquisition price should be at least \$672,160, the original cost; we believe that's supported by TDHCA rules.

However, going one step further, if you use the GAAP method, the calculations show that the property will support debt of \$852,000, and then there's some cash flow that would generate equity. So does it really make sense to value this property at \$505,000, the existing indebtedness, when the projected debt shown by the GAAP calculations can go up to \$852,000? Would you value a property at less than the debt? Based on that -- I will conclude -- we believe that the value should be at least \$852,000, the

projected debt, plus the cash flow which, with a cap rate applied, amounts to \$979,000.

So in conclusion, we're asking for relief on two items, both of which would impact the annual tax credit reservation: first of all, underwriting at 82 cents for the tax credit dollar instead of 90 cents; second of all, using an acquisition price greater than \$505,000, the current outstanding debt, using GAAP we believe it should be \$979,000, but at a bare minimum we believe it should be \$672,160 which was the original completion cost.

Thank you.

MS. ANDERSON: Thank you.

Mr. Gouris.

MR. FLORES: Tom, have you been privy to the information she just gave us?

MR. GOURIS: Most of that.

MR. FLORES: There are no comps for the property?

MR. GOURIS: There are no comps in the specific market area.

There are comps for other sales of USDA transactions.

MR. FLORES: How did we come up with the value?

MR. GOURIS: And USDA told me yesterday, too, there are a couple of appraisers that they really rely on and they provide comparable information to those appraisers so they can make sure an appropriate appraisal is being conducted. The appraisal for this, while it said it was a USDA appraisal, is not a firm that they were even remotely familiar with. I've never heard of this appraisal firm either, USDA hadn't heard of them, and so

it's unlikely that they're going to even accept this appraisal when they get there, and they haven't contacted them to get this information about what comps were available.

MR. FLORES: Okay. Now tell me about the process. No matter what we do here, all this is subject to approval by the Agriculture Department?

MR. GOURIS: Yes, it's subject to them approving the transfer at a certain price. They typically approve a transfer price of up to the loan amount plus exit taxes. In this case there would be no exit taxes because it's a non-profit housing authority that owns it.

MS. ANDERSON: Up to which loan amount?

MR. GOURIS: Up to the existing loan amount. They don't want to encumber the property any further than it is already and they will not allow -- they told me several times yesterday they will not allow an encumbrance from equity to increase the debt amount. So I'm very confident -- they didn't give it to me in writing, but I'm very confident that they're not going to allow any additional debt on this property or a sales price for more than the existing debt.

MR. FLORES: All of this is telephone conversations, obviously.

MR. GOURIS: Over the course of many months, on this transaction and others. And it's unfortunate, USDA, and I'm sure me, after today, are getting a much worse rap these days, but I feel like we have improved our relationship with them leaps and bounds, and we are really proud of the relationship we have with them right now because we are getting

information timely to them and they're getting information timely back to us, and maybe that's a problem for the rest of the world but it's working out really well for us.

MR. CONINE: What do our regs say? Our regs say original cost if they can verify the \$672-, don't they?

MR. GOURIS: Our regs were set up to prevent certain identity of interest concerns.

MR. CONINE: I know the game.

MR. GOURIS: You know the game, and what the applicant has to do is they have to provide the original acquisition cost plus any holding costs, and that's one number; they have to provide an appraisal and that's a second number; and then they provide the assessed value -- in this case it wasn't an issue. The appraisal is flawed so we can't rely on that. It should be a lot less. The proposal for the cost is higher and it's increased because they've taken all the payments that have been made over the years and amortized them back up so it looks like they've put a lot of money into this transaction when, in fact, they got their 8 percent return from USDA every year and probably put that back into the property.

I don't think that they have spent tons of funds on this property to justify the increased price, but it doesn't really matter because they didn't give us an appraisal that supported that they did so or that it's worth that, and all that doesn't matter because USDA isn't going to approve it. And so why go down that road and squander these credits for the time period that we might have to do that which, given the fact that they haven't given USDA the

information thus far, that is a bad omen and could make this last until sometime next year or later before we'd be able to get those credits back, if we ignore the fact that the appraisal is useless to us.

MS. ANDERSON: Now, Ms. Bast talked about the difference of the 90 and 82 cents, and it's in your write-up that you don't have any documentation about this and it's new information.

MR. GOURIS: New information.

MS. ANDERSON: Since this board book went up, have you received documentation?

MR. GOURIS: I don't believe so. I could have gotten an e-mail that I missed or something could have come to me that I didn't see, but I haven't seen it. Moreover, I'm really concerned about an 82-cent rate. I mean, I know sometimes that happens that it gets that low, but it gets that low because there's a high risk. Our other rural deals aren't quite that low, as far as I can tell. That surprised me when I heard that. And again, the difference was supposedly that under \$100,000 they're just not willing to offer that higher price. I think that's a concern that I'd like to address with the syndicator at some point.

MR. CONINE: But you don't have any issue with dropping the rate from 90 to 82, from an underwriting standpoint.

MR. GOURIS: No. Whatever you guys tell me to do, I'm going to do.

MS. ANDERSON: But that means there's less equity. Right?

MR. GOURIS: So the amount of credit will go up because the

gap will go up because what they were going to get in syndication proceeds is going to go down, so now they're actually going to keep the same amount of syndication proceeds but they're going to do it with more credits, so it's going to cost us more credits to fill the same gap.

MS. ANDERSON: Okay. And then the underwriting report speaks to a concern about the revision in the original scope of work also because of the loss of the 30 percent boost. Was that relevant at all other than the quality of the housing that may come out of this?

MR. GOURIS: It's a concern of the quality of the housing, it's also a concern of just the applicant knowing what they were doing when they got into this deal and knowing if it was an area that had a 30 percent boost or not, and then being able to re-create this transaction, and actually that's when the cost of the property went up. They decided at that point, well, we need to get some more credits in this deal so let's create this debt to ourselves and increase the cost of the property.

I mean, I'm making it sound like that was conniving and I didn't mean to do that, but that's what it looks like.

MS. ANDERSON: Those are all the right moving parts.

MR. GOURIS: Those are the moving parts, yes, ma'am.

MS. ANDERSON: Other questions?

(No response.)

MR. CONINE: Madame Chair, I think we ought to go ahead and grant the reduction in the tax credit amount from 90 cents down to 82 cents, based on an actual letter that has now surfaced, but I think we ought to

stick with the debt.

MS. ANDERSON: Did he say he had a letter?

MR. CONINE: Yes, there's a letter. Do you not have it?

MR. GOURIS: It was not part of the appeal

MS. RAY: I guess I need to let the motion get on the floor before I discuss it.

MR. CONINE: I thought you said you had it but it was past the deadline or in between the deadline and that you agreed with the fact that if it's at 82 cents versus 90 that would affect the underwriting, obviously, so you need use it.

MS. RAY: That's new information.

MR. GOURIS: I will do what you ask me to do. I did not receive it as part of the appeal.

MS. ANDERSON: He said he'd do the change, but he didn't say he had received the letter.

MR. CONINE: Okay.

MS. ANDERSON: And the board write-up says that he has not received any documentation to support the reduction.

MR. CONINE: Well, if he leaves it at 90, my perception of the problem is that if he can't attract a syndicator at 90 and 82, then the deal will go by the wayside and we won't do what we're trying to do.

MS. ANDERSON: Right. Do you want to do just that piece of it?

MR. CONINE: That's all I'm trying to do is just that piece right

there and leave the debt at \$505-, or whatever the number was.

MR. FLORES: And your motion is just for the reduction?

MS. ANDERSON: To approve the reduction.

MR. CONINE: Approve the reduction, that's it.

MR. FLORES: I second the motion.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote.

All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MR. FLORES: So what's your next step then? Do you give them time?

MR. CONINE: Well, he'll make the adjustment in underwriting and it will be on a list pro or con when we see the list two weeks from now.

MR. FLORES: But what do we do at this meeting?

MR. CONINE: We just did.

MR. FLORES: Just by lowering.

MR. CONINE: We told staff what to do.

MS. ANDERSON: We did not change the transfer price.

Right?

MR. CONINE: That's correct.

MR. GERBER: That's the end of the item. Item 4(a), there are

no housing tax credit appeals.

So we'll go on to item 4(b) which is Costa Vizcaya. This is a tax-exempt bond applicant that is requesting a 4 percent housing tax credit determination for the Costa Vizcaya development. This Priority 2 application proposes the construction of 252 units targeting the general population to be located in Houston. The bonds will be issued through the Houston Housing Finance Corporation. The department has not received any letters of support or opposition. The applicant is requesting \$1.087 million in housing tax credits and staff is recommending approval of housing tax credits in that amount.

MR. CONINE: Move approval.

MR. FLORES: Second.

MR. BOGANY: I have some discussion.

MS. ANDERSON: Mr. Bogany.

MR. BOGANY: I looked at this in the board book, and I just thought this was, once again, an overconcentration of units. I think I counted 14 in the general area. When I got on this board I always saw round circles and as I've been on here longer and longer, now I'm getting rectangles, triangles in market studies, I'm getting a geometry course, and it seems as though we're just circling, a square or whatever it takes to get that ideal number. We've had people in the past come up and say it's an overconcentration, we had the business community come out in Greenspoint and say it's too many units in this actual area. And I didn't say anything about Krum but I've eaten in Krum and I went to school there, so I do know other areas other than Houston.

MR. CONINE: You went to school in Krum?

MR. BOGANY: Very close, I went to North Texas, so I know that area. But I say that because I didn't want you to think that Houston is the only place I know, but I know this area. Let the record reflect that I do know this area, and this area, in my opinion, is another overconcentration. I've read through all the documents, and once again, you've got an area that's the only housing in the area are tax credit units, and it's a lot of industrial area there, the airport is there, but it's no other units there other than these particular tax credit, and I think it's an overconcentration, I counted 14 that was in that general area. And if you look at the triangle --

MS. ANDERSON: Which one?

MR. BOGANY: I'm looking at this one.

MS. ANDERSON: The bottom one?

MR. BOGANY: Uh-huh.

MS. ANDERSON: Well, we're talking about this one right now, this was what's on the floor.

MR. BOGANY: So they took that other one out?

MS. ANDERSON: No, it's coming next.

MR. GERBER: Too many Costas. This is Vizcaya.

MR. BOGANY: So that rambling was all for none.

MS. ANDERSON: Well, no, but we don't have to hear it again, do we?

(General talking and laughter.)

MR. BOGANY: So where is this unit?

MR. FLORES: It's Fallbrook and Beltway 8.

MS. RAY: Right north of Beltway 8.

MR. FLORES: Farm Road 1960, actually. Are you okay with that?

MR. BOGANY: Yes, I don't have a problem with that.

MR. CONINE: There's a motion on the floor.

MS. ANDERSON: There's a motion on the floor. This is for Costa Vizcaya. All in favor of the motion of issuing determination notices for Costa Vizcaya, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

Now we're on Costa Rialto, Mr. Gerber.

MR. GERBER: Costa Rialto. This is an application requesting the issuance of tax-exempt bonds for 4 percent housing tax credits determination for the Costa Rialto development. This is a Priority 2 bond transaction that proposes the new construction of 216 units targeting the general population in Houston. The transaction will be private placed with Sid Stein Holding Company. The applicant is requesting \$12,385,000 in tax-exempt bonds and \$942,498 in housing tax credits.

There were 15 people in attendance at the public hearing conducted by the department for the proposed development on May 1, 2007, and two people spoke for the record, both were in opposition, and the reason

for their opposition was the area will see a crime rate increase and they're concerned that there's a concentration of apartments in the area, and the impact that the development could have on the surrounding property values.

The department has received letters of support from State Senator John Whitmire, State Representative Senfronia Thompson, and Harris County Commissioner El Franco Lee. The department has received one letter of opposition from Aldine Independent School District, however, since the posting of the board materials, the department received a letter from the school district rescinding their opposition.

Staff is recommending approval in the amount not to exceed \$12,385,000 in tax-exempt bonds and \$942,498 in housing tax credits, and this is Resolution Number 07-022.

MS. ANDERSON: Terri Anderson, I'm not understanding what agenda item you think you have an ability to speak to because there's nothing by this project name on our agenda.

MS. TERRI ANDERSON: I guess it was 4(a) actually.

MS. ANDERSON: There are no appeals on our agenda.

MS. TERRI ANDERSON: It would not be an appeal.

MS. ANDERSON: Well, the time for you to speak would have been during the public comment period. Thank you.

So there is no public comment on this item.

MR. CONINE: Move approval.

MS. RAY: Second it.

MS. ANDERSON: Okay, Mr. Bogany.

MR. BOGANY: This is the complex that I thought was overconcentration in the Greenspoint area, and I counted, when I did my notes, 14 complexes in the general area, and it gets back to I think the market analyst drawing to get what he needs to get to be able to show the board the capture rate here, but I honestly believe there's too many units in this area. And this is at this point, if you take this circle and move it over a little bit more, you'll find even more units of tax credits.

And we've heard before at other meetings that the public in that area knows it's an overconcentration, the business community has said it's an overconcentration in that general area, and I asked staff earlier I didn't even see how we could approve it, even get to this point because it seems to be a whole lot of units there in that area. And that's just my point.

MS. ANDERSON: Mr. Gouris.

MR. GOURIS: Tom Gouris, director of Real Estate Analysis.

There are two things that I think it's important for you to know. The circle area is a convenience circle that we put a one-mile radius on so you can get a sense for size on all the transactions, so that's just what we're doing to show you what a one-mile radius is. The outline here is the primary market area that the market analyst anticipated for this project, so they included all that area.

We had a little bit of concern with the way it was reflected because it's such a wide area, but really if we would have said a better one, it would have gone down this corridor here, and there were projects in there that would have been competition so it really didn't hurt from an analysis

standpoint that they went that way, they could have gone south and it would have been fine.

The point with regard to concentration is a valid one from the perspective of maybe what the general public thinks of as concentration. The way this board has decided to deal with concentration is looking only at unstabilized properties and sometimes we don't even want to look at those that are going to be stabilized soon, but what we try to do is get to a compromise and say anything that hasn't been stabilized at 90 percent for a year is considered unstabilized and is going to be included in the concentration calculation.

At your discretion, I'd be glad to look into figuring out another method of looking at capture rate and looking at concentration to cast a wider net to look at all properties, but over the years it's been this board's prerogative to say no, we're going to look just at those deals that haven't stabilized yet to make sure they get their sea legs and then let the rest fend for themselves because they're stable and they can.

MR. BOGANY: Well, Tom, if we approve this project, are you saying that those people that are stable are not going to lose tenants to the new project and make them become unstable?

MR. GOURIS: Of course they will. In fact, when we talk about this turnover rate in the family deal, a turnover rate that's typically going to be used is 65 percent. But yes, in fact we're counting on those people turning over because they do look for new properties, and they will come from those properties and others.

I'll direct you to page 5 of 8 of the underwriting report where the last four transactions that we had concern with are identified so that we can make sure that you all knew that we looked at those four that might still be unstable, and we determined that the first one, Primrose at Aldine Bender, was a seniors development so that one is not a competitor. The next one, Gates of Dominion North, is a 9 percent transaction that's not a priority compared to this tax-exempt bond transaction and so we didn't consider it -- that's what the rules tell us to do so we're not considering it. If we looked at Dominion North, we would consider this transaction in that market area. And then the last two have met our stabilized occupancy requirement so we didn't include them.

MR. CONINE: You know, I wouldn't be opposed to looking at having a different concentration issue for cities in Texas that don't have zoning because zoning creates a governor on the engine, so to speak, and a natural comprehensive local planning process that takes care of issues that you're referring to that happen specifically in areas that don't have zoning, and we ought to take a look at that for next go-round. I have a problem with doing it now because these folks have followed the rules and this doesn't violate our concentration issue.

But I think your point is very valid in that there's not the natural local governor on the engine to resolve some of those problems.

MR. GOURIS: If I might just note, the City of Houston has engaged in a policy to deal with concentration on their own and that's something we could look to to add to or consider.

MR. BOGANY: Tom, have they sent you a copy of that?

MR. GOURIS: Both the city and the county.

MR. CONINE: Harris County has?

MR. FLORES: But it just started with the city, it does not have a track record, it just started the last few months.

MR. GOURIS: Correct. But since it's a local decision and it's locally driven decision, that's the important, I think, piece for us to compare it to zoning.

MR. CONINE: Is there a motion?

MS. ANDERSON: Yes.

MR. BOGANY: Thank you, Tom.

MS. RAY: I think my questions have been answered. My questions were on the issues of concentration, this particular developer did follow the rules as they exist today.

MR. GOURIS: Yes, ma'am.

MS. RAY: And that was considered in the underwriting process.

MR. GOURIS: Yes, ma'am.

MS. RAY: That was my question.

MS. ANDERSON: We have a motion on the floor that has been seconded. Are there questions or discussion?

(No response.)

MS. ANDERSON: Then I assume we're ready to vote. All in favor of the motion, please say aye.

(A majority of ayes.)

MS. ANDERSON: Opposed, no.

MR. BOGANY: No on that one.

MS. ANDERSON: The motion carries.

At this point the board is going to take a one-hour lunch break and we will come back and begin then with item number 6 which is our HOME awards.

And I wanted to also thank Carolyn Scott from Lieutenant Governor Dewhurst's office for being with us, as well as Tim Thetford from the Senate Intergovernmental Relations Committee. Thank you all.

And we will reconvene in one hour.

(Whereupon, at 11:40 a.m., the meeting was recessed, to reconvene this same day, Thursday, July 12, 2007, following a lunch break.)

AFTERNOON SESSION

MS. ANDERSON: We will come back to order and agenda item number 6 which is Single Family HOME award recommendations. Mr. Gerber.

MR. GERBER: Madame Chair and board members. In FY 2006 and in accordance with HOME state rules, the department elected to conduct a biennial HOME funding cycle. In March 2006, the department published a notice of funding availability for the 2006 HOME funding cycle; the application deadline was April 28, 2006. 183 applications were accepted, reviewed, scored and ranked; 40 of those were found to be ineligible or did not satisfy threshold criteria. In August 2006, the board approved the 2006 HOME awards which included 91 of the 143 eligible applications, totaling approximately \$24 million.

These eligible recommendations before you today represent the remainder of the 143 eligible applicants that were not funded with 2006 funds and are being funded with 2007 program year funds. These applicants have been re-evaluated by program staff and through the department's application evaluation process. The recommended awards which include project and administrative funds for these 52 applicants totals \$15.4 million, of which \$14.8 million are for direct project funds and \$594,000 are for administrative funds.

With this action, staff also recommends a waiver of 10 TAC [phonetic] 53.54 which establishes a maximum award amount to an applicant of \$275,000. Waiving this would allow the department to increase each award

to address increased construction costs statewide in order to be consistent with the increases approved for 2005 and 2006 contracts. The increase would enable the cost per unit to increase from \$55,000 to \$60,000.

For the record, we'd like to note the following. Several potential awardees have had weak performance on prior contracts and staff recommends that their awards today be conditioned on the resolution of these issues to the department's satisfaction. These include Mineola and Odem.

Application number 2006-0104 for Azteca Economic Development Corporation applied for \$256,000 in project funds to assist eight households. Staff is recommending an award of \$279,763, with board approval of the waiver, to increase the total award as described just a moment ago. Also, upon staff review of the application and discussion with the applicant, it appears that some of the units may require reconstruction instead of substantial rehabilitation, and therefore, staff is recommending a decrease in the number of units from eight to five. So with this change, the applicant will be able to utilize the full amount of the award to assist more than five units but will not be required to assist more than five.

There is one correction to the list of applicants and that is that application number 2006-0162, the name of the applicant is the City of Alto, not Alton, just to make sure that we're correct on that for the City of Alto, A-L-T-O.

And Jeanne Arellano is here, who directs the HOME Division, to provide any additional information you might wish on the awardees, and Sandy Garcia is also here, who is our HOME manager and has done

yeoman's work in reviewing the applicants and making sure that they meet our rigid and strict eligibility requirements.

MR. BOGANY: I have a question in regards to the monitoring of the people who have not completed their previous contracts, how you guys are going to monitor that, so does the money just sit there or do you re-allocate it if you've got somebody who has not completed their previous allocation or problems.

MR. GERBER: Why don't you come forward.

MS. ARELLANO: Jeanne Arellano, HOME Division director.

The two that are in question are 2005 awardees and at this time checking records today, there are zero projects that funds are committed to and zero expended -- I'm sorry, let me correct that -- the City of Odem has half of their funds committed, that means they've identified households to serve, but what happens sometimes in these cases is that the administrator, because these are still grant programs, may not submit the households that they're serving until the very end. So before we send out award letters for these two particular awardees, we will be contacting them and making sure that they've made progress on those contracts.

We have yet still to work out what the milestones would be and Mike and I will apply what milestones the board put in place for 2006, looking at a certain commitment rate and expenditure rate by those benchmarks that are in the rules and give them a 60-day time frame to meet those.

MR. BOGANY: To clear those up.

MS. ARELLANO: Yes, and if not, then we will not go forward

with the award.

MR. BOGANY: The second question I have, and my last one, in regards to the consultants, when you're going through the awards, what I've noticed this year and last year that a lot of the cities were using the same people which a lot of times it seemed like the consultants were overworked and couldn't get to all the cities, and then you came in here with extensions and things of that nature. When you guys are going through the awards, do they tell you who their consultant is going to be, or is that something that doesn't happen until after it's been awarded?

MS. ARELLANO: They actually can select the consultant to write the application and then they may procure a different consultant to carry out the administration of the contract. They could apply on their own and then procure a consultant later. So really the information that we have right now would be who the consultants were in writing the grants.

MR. BOGANY: Okay. Thank you.

MAYOR SALINAS: What do you have on the City of Alton?

MS. ARELLANO: I'm sorry?

MAYOR SALINAS: The City of Alton.

MS. ARELLANO: The name was spelled wrong in our write-up, it is actually the City of Alto, A-L-T-O, that applied for funds.

MAYOR SALINAS: Not Alton.

MS. ARELLANO: Not Alton.

MR. CONINE: Jeanne, in looking through here there's just an awful lot of no applications in a lot of different categories which tells me one of

two things: either the word is not getting out to the regions and those little cities within the regions that this money is available, or it's just too darn tough, the rules are too darn tough to live by so they just say uncle and they're not even going to apply.

MS. ANDERSON: Particularly TBRA.

MR. CONINE: And Mike, you might want to comment on some of this. There's just a lot of no applications looking through this thing, and my question is more of a generic one: How can we do a better job so that this time next year that goes down?

MS. ARELLANO: My hope is, in moving forward, especially since we are reorganizing the division, is to provide much more TA at the application cycle and after they've received their contracts. For the application cycle itself, there are a couple of things that I'm hoping to bring before executive and possibly this board for recommendation which would be to have open funding cycles for most of our activities where we go out with our funds and let them sit in the set-asides that are designated in our consolidated plan and give applicants eight months to apply for funding and let them come in as they identify the need.

We receive many calls throughout the year of needing funding, even from individuals, and we would like to direct them to the city or county or non-profit that wants to apply but we have to tell them to wait until we have our annual cycle. I'd prefer to keep the cycle open throughout the year so that they can be directed to apply for those funds and let them sit in those activities for a certain amount of time, and then at the end of that eight- or nine-month

period, let them collapse into one pot and then you can apply for whatever activity you find a need for. That's one of the things I would be suggesting and recommending that we do.

What I would also like to do is when we are ready to go out with a pot of money with a NOFA is to send a letter to every city and county and non-profit that we have in our database system where they're getting communication, they're getting marketing materials from the agency about the program and how to apply and who to contact to get assistance in applying for the funds.

MR. CONINE: I'm just surprised that some of the other organizations that represent rural communities around the state of Texas aren't more participatory in some of this.

MR. GERBER: Well, Mr. Conine, folks have obviously found it challenging to use in different ways, and as we saw with the report out to this board from the HOME task force, there's some improvements that we can look at that we're going to bring forward to this board that hopefully will make the program a little bit easier for folks to use. But strong TA by the department is a pretty key thing that we're investing heavily in to help communities feel like they really do have a chance of success, and I don't think communities always feel that they get the award, that we're really going to be there to support and partner with them to help see them get across the goal line. So we're working towards that to have a more robust TA function and Jeanne is heading that up. But there's more we need to do.

MR. CONINE: Just from our side, I would set a goal that if

we've got a region that has a no application under a particular activity, then I would pick up the phone and call a city in that region and say, Do you realize that we've got tenant-based rental assistance money or owner-occupied money sitting here waiting for you and this last cycle nobody applied for it? It just seems like there's more of an outreach we can do.

And I know you're saying that but I was just trying to reiterate the point while the subject is on my mind.

MR. GERBER: That's a good point. We'll try to do that more aggressively.

MS. ARELLANO: It's also important to note that this is the biennial funding cycle, so there were applicants last year that applied for TBRA and HBA and were awarded those funds last year. We just didn't have enough applicants to fund more in those activities this year.

MS. ANDERSON: Well, is the allocation in the consolidated plan too high for those activities then?

MS. ARELLANO: The percentage of set-aside? Currently it's 15 percent for HBA and 15 percent for TBRA.

MS. ANDERSON: Do you think with proper marketing that those full 15 percent amounts would be utilized across rural Texas, or is 15 percent too high and we ought to make it 10 and 10 and 80 into OCC?

MS. ARELLANO: If you're asking my opinion, I think the 15 percent is enough, I would actually probably propose that it should be higher with some change in methodology on how to allocate those funds. I also hope to bring a NOFA that will be a pilot program of sorts to do a reservation type

funding for HBA to make it available for the home buyer assistance contracts. In order for them to apply, they're usually limited to what's going on in the market, and that may not coincide with what we've got going on within an award cycle.

Also, as was mentioned at one of the past board meetings, looking at providing more in the dollar amount that we provide in down payment assistance, hopefully increasing that. There's been some analysis because it's really hard to reach the 60 percent and below and definitely the 30 percent and below.

So I think if we address, again, some of those suggestions that were made through the task force, I'd like to give that a chance first before we look at adjusting the allocation in the con plan.

MR. FLORES: Mr. Bogany was asking about consultants. As I remember, we debarred one particular consultant last year. Do you remember that incident?

MR. GERBER: We didn't have a debarment process in place and we weren't able to debar him.

MR. FLORES: What did we do? Letter of reprimand, anything?

MR. GERBER: Mr. Hamby.

MR. FLORES: I don't want to get into the legalities, I just want to find out what action we took toward that person.

MR. HAMBY: Kevin Hamby, General Counsel. We did not actually take any actions except to tell people who wanted an extension on

their contract who had a certain consultant that they had to terminate their relationship with that consultant for that contract.

MR. FLORES: Thank you.

Mr. Gerber and Jeanne, I'd like to have an e-mail to find out, after you do some research, if that consultant is working for any of those particular cities.

MR. GERBER: He is not.

MR. FLORES: He is not. That's a definite statement?

MR. GERBER: He is not, that's a definite statement.

MR. FLORES: Good, I feel better already. Thank you.

MAYOR SALINAS: I think what I'm hearing here is that you do not have enough clients to participate.

MS. ARELLANO: That may not necessarily be the case.

There's several factors. Again, last year we had the double funding cycle so we took all the funds that we would have available for 2006 and 2007 up last year and we only let them apply last year, and so we got through that whole list of applicants. So organizations that were interested in applying for those activities this year did not have an opportunity to apply because the application cycle was last year, it was a two-year application cycle.

MAYOR SALINAS: So what's going to happen this year?

MS. ARELLANO: I hope to have an open cycle.

MR. CONINE: I'm with you on that. Move approval of the HOME recommendation, Madame Chair.

MR. BOGANY: Second.

MS. ANDERSON: I'm going to make a motion and I'm going to propose an amendment that I'd like to get some discussion on from the board.

MR. CONINE: You are?

MS. ANDERSON: And that would be that there is, after they fully funded all these applications, there's still almost \$4.4 million left, and I would propose an amendment that the staff evaluate the merits of deploying those funds to owner-occupied reconstruction/rehab and doing a NOFA in those 57 counties that are declared disaster areas from the floods. The amendment really is to evaluate the merits of doing that and bring us a proposed approach for that at the August meeting.

MR. BOGANY: Second.

MR. CONINE: I'll accept the amendment as part of the original motion.

MS. ANDERSON: Thank you. Any other discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: All opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

Item number 7 is the Texas Bootstrap Loan Program
Reservation System. Mr. Gerber.

MR. GERBER: Madame Chair and board members. The

Office of Colonia Initiatives is presenting for approval a reservation system for the Bootstrap Loan Program. Staff believes that this reservation concept will assist with more prompt expenditure of funds and limit poor contract performance.

The reservation concept is modeled after and similar to the TDHCA First Time Home Buyer Bond Program and USDA's Rural Development Single Family Mortgage Lending Programs. Additionally, the HOME task force recommended that the department attempt to institute a reservation system for the HOME Program, and the Bootstrap reservation program will allow the department to research and test this concept and identify its applicability to other programs, including HOME.

The program essentially operates in the following way. The department, in accordance with statute, will certify non-profit organizations to participate in this program, much as the First Time Home Buyer Program has a list of approved lenders. Similarly, the non-profit organization must execute a loan origination agreement that will allow them to submit owner-builder loan applications to TDHCA on a first-come, first-served basis. Instead of the organization applying in a once-a-year competitive process for a given number of units, they instead will have the ability to submit a single, abbreviated application whenever a given home is ready to proceed.

Therefore, as organizations have homes and home buyers lined up and ready, they can submit the application for that home and obtain a reservation. While organizations are not limited to any cumulative number of homes they may ultimately receive funding for, they are restricted to no more

than ten active reservations at any given time. As any one of the ten is complete, the organization is able to request another reservation for another home, and this effectively allows the funds to flow as needed.

Upon requesting a reservation, if the owner-builder applicant qualifies for the Texas Bootstrap Loan Program, the department will issue a pre-approval letter which reserves the funds in an amount up to \$30,000 for twelve months. The non-profit organizations will be required to meet specific performance benchmarks during those twelve months of the reservation.

If this reservation system concept is approved today, the specific NOFA and program guidelines will be brought to the board at a subsequent meeting. Homer Cabello, our OCI director, did yeoman's work in piecing this concept together and he's here to respond to any questions you have, but it's really an exciting pilot that we're hopeful will receive board approval.

MR. BOGANY: So moved.

MAYOR SALINAS: Second.

MS. ANDERSON: Discussion? Oh, Ms. Chappell.

MS. CHAPPELL: Good afternoon. My name is Ann Chappell and I'm from Fort Worth, Texas, and I'm here as president of the board of Habitat Texas and also representing our affiliates Trinity, Dallas and south and north Collin County that I work with directly on a day-to-day basis.

Largely what I want to say is we think this would be a really good system. We have looked at it with Mr. Cabello and feel like it will be one that will help the money flow out the door and one that we would like to say

that we're here to endorse and support.

In particular, I was hoping that Michael Ward would get here from Austin Habitat to address, in particular, the last paragraph, the fund that he is proposing for additional funds to help especially this is a particular problem in Dallas, Collin County and here in Travis County where land has gotten so expensive, regardless of where you are in the county, and he is suggesting a little bit of a supplemental allotment with an interesting incentive there to keep the land prices down but sometimes we know that can't happen. This is particularly put in to help with the fact that we did not get the cap raised in the last legislative session. So we would like to see this explored because I know it would be very helpful to those three affiliates in particular.

MS. ANDERSON: Questions for the witness?

(No response.)

MS. ANDERSON: Thank you.

Mr. Gerber, could you refresh our memory about any discussion that did take place in the legislative session about those \$60,000 per unit total amount of repayable loans? Was there legislation introduced?

MR. CABELLO: For the record, I'm Homer Cabello, the director for the Office of Colonia Initiatives.

There were two bills introduced but they didn't get out of committee.

MS. ANDERSON: Were they in House Urban Affairs?

MR. CABELLO: One was a Senate bill by Senator Lucio, and then there was one by Representative Deshotel.

MS. ANDERSON: His had a bunch of stuff in it.

MR. CABELLO: And that was because it was disaster areas, the land costs were capped at \$60,000 and that was a big issue for the East Texas region.

MR. GERBER: That bill got out of the House, though it didn't get out of the Senate.

MR. CABELLO: Yes, it didn't get out of the Senate committee, you're correct.

MS. ANDERSON: I have a point of view on this and I think it's fine for staff to explore it because we're going to see specific NOFA and program guidelines at a subsequent meeting, but there was no action taken by the legislature which probably means collectively no one made the right case to the legislature why we need more than \$60,000 a unit, and it may be because there's a current feeling that if you get that much debt, then it's too hard for people to afford the homes.

But I think, while it's worth exploring some other things, this board has made a pretty clear statement with regard to the HOME Program that we're encouraging the use of deferred, forgivable loans, and so then to turn this into where you put an extra \$10,000 grant on each unit here feels like a departure from that philosophy to me, even though it's a different program, although I understand that's the only way we could do it because of the legislative thing.

So one of the things that I think we ought to do is we ought to encourage Senate IGR and House Urban Affairs to make this program one of

their interim charges and let's have a real thorough discussion in the interim so that we can get this amount raised in the next session. It was on my radar screen this time and I'm sorry it didn't move, and maybe there's a way to do a smaller grant or something, but I'm concerned about doing a \$10,000 grant on each one of these units. So I'll just put that out there ahead of you bringing a NOFA back.

So what is the board's pleasure on this item? Was there a motion?

MR. CABELLO: Yes, Mr. Bogany made the motion and Mayor Salinas seconded.

MS. ANDERSON: I'm sorry. That taco salad just wiped me out. I apologize. It's only 1:30 in the afternoon.

(General laughter.)

MS. ANDERSON: So any other discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. GERBER: We have four Bond Finance items and we'll take them in order.

8(a) is a discussion and possible approval of a resolution to

extend the certificate purchase period for the Single Family Mortgage Revenue Bonds, 2005 Series A which was Program 62A, and we are including for your approval Resolution Number 07-020 which would authorize the extension of the certificate purchase period for Single Family Mortgage Revenue Bonds in the 2005 Series A which, again, was Program 62A, to March 1 of 2008.

As of June 25 of 2007, 97.7 percent or \$99.5 million of the \$101.8 million in lendable proceeds from Program 62A have been purchased or are in the pipeline to be purchased. The remaining \$2.3 million lendable proceeds are primarily for new construction which have up to 180 days for closing.

So staff is recommending approval of this resolution authorizing the extension of the certificate purchase period.

MR. CONINE: Move approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote.

All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. GERBER: Madame Chair and board members. Item 8(b)

includes the approval of Resolution Number 07-018 which authorizes the extension of TDHCA's Single Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes Program to December 31, 2010, and the authorization to issue notes for the purpose of recycling repayments and prepayments of mortgage loans.

Since 1994, TDHCA has approved the Commercial Paper Notes program to recycle prepayments on mortgages financed with proceeds from Single Family bonds issued by TDHCA in prior years. IRS Code also allows scheduled repayments on mortgages to be recycled in the Commercial Paper Program.

Staff is recommending the approval of the extension on the Commercial Paper Notes Program and authorization to use repayments and prepayments of mortgage loans.

MR. CONINE: Move approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote.

All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. GERBER: Madame Chair and board members. Item 8(c)

is an agenda item which includes the approval of Resolution Number 07-024 authorizing application to request a reservation from the collapse of the 2007 Texas Bond Review Board state issuance authority for the Single Family Mortgage Revenue Bond Program in the amount of \$80 million.

TDHCA used \$106.4 million in authority for its 2007 Single Family Mortgage Revenue Bonds, Series A on June 5, 2007, and expects to use the remaining of \$80 million in authority on September 20, 2007. This reservation application is for an additional \$80 million in 2007 single family private activity bonds authority.

Current demand for TDHCA's First Time Home Buyer Program is extremely high. As of June 22, just 18 days after the release of Program 69, all statewide unassisted non-targeted bond proceeds have been allocated to first time home buyers, and within hours on June 5 of 2007, all \$15 million released to the Hurricane Rita Gulf Opportunity Zone was reserved.

So we're recommending approval of this request to the Bond Review Board.

MR. CONINE: Move approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote.

All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. GERBER: Madame Chair and board members. Item 8(d) includes the approval of Resolution Number 07-019 authorizing application to the Texas Bond Review Board for reservation of single family private activity bond authority and presentation, discussion and possible preliminary approval of Single Family Mortgage Revenue Bonds, 2007 Series B, and approval of an underwriting team for what will be Program 70.

Mortgages associated with this structure will be for first time home buyers, they will be scrutinized, they'll be marketed to very low, low and moderate income residents of Texas. Staff has determined that there is adequate demand in the marketplace for these bonds and our advisors believe that the proposed transaction will be beneficial to the market.

As of June 25, 2007, 73 percent, or \$70.5 million of the \$97.1 million in lendable proceeds released on June 5 have been originated or are in the pipeline to be purchased, leaving an available balance of \$26.7 million in lendable proceeds. Of that amount, \$23.8 million is set aside for one year for families earning 60 percent of the area median family income or below, with the balance of \$2.9 million for borrowers purchasing homes in targeted areas outside of the Rita Gulf Opportunity Zone.

It should be noted that in Program 70 staff is not recommending additional funds for the Rita GO Zone because our analysis indicates that those loans are being used primarily in the city of Houston, Harris County and Fort Bend County and not in areas that were principally impacted and suffered

the most physical damage by Hurricane Rita.

TDHCA has \$80.1 million remaining in its 2007 volume cap allocation for single family bonds. TDHCA again will add approximately \$25 million in commercial paper to bring the total bond structure for Program 70 to \$105.1 million. Staff is also reviewing another scenario that again includes obtaining \$80 million in additional 2007 volume cap authority that would bring that structure to \$160 million. And we are working under a very compressed schedule in hopes of closing this structure no later than September 20 of this year.

So we are recommending approval of Resolution 07-019 authorizing the department to go to the Bond Review Board for reservation of single family private activity bond authority and preliminary approval of issuance of Single Family Mortgage Revenue Bonds, 2007 Series B, and approval of the underwriting team.

MR. BOGANY: So moved.

MS. RAY: Second.

MR. BOGANY: I have a question.

MS. ANDERSON: Yes, Mr. Bogany.

MR. BOGANY: Mr. Conine, go ahead.

MR. CONINE: I was just going to ask Mr. Pogor to come to the podium. I'm going to inquire about the investment banker team rotation and how that was working. I haven't heard much about it lately.

MR. POGOR: It's working quite well. We're starting our second series of rotations on this group of investment bankers, and Bear

Stearns, CitiGroup and UBS have been our senior underwriters, and we haven't had any problems, everything has been running smooth. The volume is going up so fast that everybody is amazed that we're calling them up so early. Matter of fact, I was talking to Amy Bordelay at the CitiGroup and she was talking like maybe October-November time frame and when we're going to close on one, and we're going to close on one hopefully in September.

MR. CONINE: Okay, good.

MR. BOGANY: I had a question for, I guess, bond counsel. We were talking about being able to, in this issuance, not having the GO Rita Zone and eliminating the GO Rita Zone. You were explaining to me there are some IRS ramifications if we do that, and I'm just wondering if you and Mr. Pike had come up with an alternative to doing that or a recommendation.

MS. RIPPY: My name is Elizabeth Rippy with Vinson & Elkins, bond counsel to the department.

I think the board should be clear that you can choose not to set aside additional money that is targeted specifically to the Rita GO Zone, but the federal tax law does require the department to set aside at least 20 percent of the funds that you make available on any single family program to certain federally designated targeted areas. Those targeted areas, there's a list across the state, but the Rita GO Zone is also considered a federally designated targeted area.

So at least for the 20 percent of the money that you have to use your best efforts to make available in targeted areas for one year, there will be some benefit to the Rita GO Zone because they do benefit from those

higher income purchase price limits and they are not subject to first time home buyer requirements, just like every other targeted area in the state. So I just want to clarify that for the board that it is only 20 percent of the total and it lasts for one year.

MS. ANDERSON: Does that mean in the last issue that we did that did have targeted for the GO Zone that we've sort of double-targeted the GO Zone?

MS. RIPPY: No. It means that what you did there is you set aside a certain amount of money for all the other targeted areas and you set aside a specific amount for the GO Zone as well. That means you made targeted area loans far in excess of the 20 percent requirement but you put a little money aside for other statewide areas but you were so far in excess of the 20 percent minimum that we didn't need to talk to you about being concerned about making efforts to hit your 20 percent. And given your experience on your existing programs, much of that 20 percent will probably go to the GO Zone, and I just want to make sure the board is aware of that.

MR. BOGANY: The other question I had was that we had talked about in the last couple of issuances we had, say one or two builders get all the money.

MR. CONINE: When was that?

MR. BOGANY: I told you we couldn't get this passed.

(General laughter.)

MR. BOGANY: And I guess what we're looking for is maybe some alternatives. The reason the money is going to quickly is all that Eric did

to reach out, the partnerships, all the things that we did across the state, and especially in the Houston area coming there and asking people to use our money. Now that we've created these partnerships and we've got these people wanting the money, the last two issuances, two builders got 60 percent or 70 percent of the money, and I would like to see us not lose those partnerships that we've created and maybe take some of this money and make allowance a little bit for builders and then the rest for everybody else.

I don't think the builders are going to miss because if one of the partners goes to one of the builders to buy a home, he still gets to make that sale, but I think what we are finding is that you've got two builders who never participate in our program used all our money in the last two issuances. So I'm hoping to see some sort of balance or some recommendation that we can get some balance where we take 30 percent of it and say it's builders and 70 percent whoever comes through the door.

MS. RIPPY: It is possible. We would need a list of builder/lenders and other lenders. It's possible for the board on the program side to decide that they want to target money to certain lenders. That's not something that you've done before. You also need to be very comfortable that you're going to hit your 20 percent, that you're going to utilize 20 percent in targeted areas. Given your experience on your existing programs, it seems very likely that that won't be an issue, given the numbers in Harris County and Montgomery County. But you need to be very confident because it could affect the tax-exempt status of the bonds when they hit that 20 percent number.

MR. CONINE: Elizabeth, in the old days we used to have a reservation system where they put a 1 percent or 2 percent reservation deposit. We could go back to the old days, if you want to, and I've seen the pendulum swing several times over the last 20 years where, in essence, the yield curve gets so wide that these non-taxable bonds create huge disparity in interest rates versus what the market can generate, and the attractiveness is huge, so you have to restrict the allocation or it all goes one place.

Has staff talked about doing any of this? Can we do that with this particular program, or do we need to wait to redo the rules for next year?

MS. RIPPY: Just from a legal standpoint, could you charge fees to lenders on this program? You can charge fees to lenders.

MR. CONINE: As long as you don't exceed the override.

MS. RIPPY: Now, if your goal is to get money on the street quickly, that's a change, and those kind of changes take time for the market to adjust.

MR. CONINE: Right.

MR. BOGANY: Can I make a comment, and I guess not so much to Elizabeth but maybe toward Mr. Pike. I did survey some builders who missed out on some of the money and had people waiting in line and just had no idea it was going to go out the door that quickly, said that they were really against doing the reservation side. They felt more to set aside a certain amount for the builders and then let them just go at it, whoever is efficient enough to get the money at that point, but they were not for reserving the money. They just thought it ties it up, it keeps it there, and they were really

against the reservation side.

MS. ANDERSON: How does a set-aside not tie it up?

Because if you've got stuff set aside for this group here and that group here, and one group may drain their set-aside and the other doesn't, well, then you've tied up that money.

MR. BOGANY: Well, from a practical standpoint, I felt like we went out and we built partnerships with all these lenders and builders asking them to use our money when it wasn't moving, then all of a sudden a couple of builders figure out a way to do 45, do 90 loans in two hours and I know for a fact it ain't that much business going on because that market is softened in the Houston area, and so my thought is how do we give all the builders an opportunity to get some of that money.

Some of them may not have an ABA with a mortgage company, they may have a preferred lender, but even those guys were left out in the cold in the last amount of money. And what happens with the realtor that we've been going out teaching this program to and he turns out, got a buyer for a resale house that's affordable and he goes and the money is already gone?

So my thing is keeping the partnerships that we've developed that Eric has went out and done, and how do we keep that. I guess it's a fine line to do it to keep it going.

MS. ANDERSON: I mean, I don't want to be in the business of picking winners and losers between the new home guys and the existing home guys and the realtors and the builders and the lenders, that's what I'm

uncomfortable with, and I think the set-aside is essentially protecting money instead of just letting the market know when it's available and kind of taking all comers. That's what I'm uncomfortable with.

MR. BOGANY: Well, we're doing that now but only \$14 million of the \$19- went to two people, two corporations. What about all the other people who were wanting to use the money and get an opportunity to get it, and if you've got a bank and you know that you're going t have this money, you can send 20 people in there to feed your loans in.

MS. ANDERSON: Well, can't they all do that now that they know that's what happens? Can't they all get their act together and have people lined up next time?

MR. BOGANY: In the real world, Beth, out there it is impossible for some of the small lenders to be able to do that, it really is. If you look at how does Harbor Financial, who hadn't been using any of our money, all of a sudden do 45 loans within that period of time, and they had to be sandbagging the loans knowing that the money was coming up. And then you've got Ryland, and I told Eric I went to Ryland and said, Why don't you guys start using our money? I didn't realize they were going to do it they way they were doing it. But I was trying to get the money out, and then I've got realtors following up and calling me saying, Shad, you told us about this money, you trained us on it, and then the money is gone in two hours, so how do we get our buyers going in that direction?

I mean, it's a good thing to have for the department side, we're making money, we're doing what we're supposed to do is get the money out,

but it's like we're abandoning our partners and I would at least like to see, even in the GO Rita money -- I'm more concerned about the GO Rita money because it's open to everybody because of the higher limits, maybe putting the limits on that and leaving the rest of it just who comes through the door.

MS. ANDERSON: Can we do that?

MS. RIPPY: I think I understand the proposal is to just say do some kind of split of money that's available.

MR. BOGANY: In the GO Rita Zone.

MS. RIPPY: It would probably need to be for all the targeted area money. The federal law just sees that 20 percent pool as a single pool for targeted areas and it's really difficult. That's a separate pool of money, I don't know how you split it out from the other. But it is just 20 percent of the total money that's available.

MR. BOGANY: And I think, Eric, you mentioned to me outside that we could put a three-month, 60-day cap on it; if we see something is not moving, we just lift it and move on business as regular.

MR. CONINE: Or the possibility -- I'm looking for some staff input here -- restricting any one client not getting more than 10 percent of the total.

MR. BOGANY: I think that's fair.

MR. PIKE: Good afternoon. Eric Pike, director of Texas Home Ownership Division.

From a monitoring and registration system standpoint, it's a little more cumbersome to restrict a builder to a particular amount of funds or a

particular number of loans, it takes a lot of manual oversight. It's easier to manage a system, if you want to put some restrictions in place, to do a builder versus non-builder set-aside where you guys would give staff the direction as to a percent that you would want to make available to builders versus a percent of the 20 percent that Ms. Rippy talked about for non-builders. That, from a management and compliance standpoint, is easier.

Very simplistically, what would be done is there would be a list, I suppose, of lenders who are associated with a builder and then there would be a list of non-builders and they would have access to a percentage of these funds. And a suggestion I had made to Mr. Bogany is that we could perhaps look at having that restriction for say a three-month period of time or a six-month period of time or 60 days, or whatever you guys wanted to decide. Then that set-aside would lift and if any of the funds were unused, then they would be available to builders versus non-builders.

MS. ANDERSON: Ms. Ray.

MS. RAY: Madame Chair. All these reservations and restrictions makes me very uncomfortable in an open and free market. Unless we're on extremely solid legal ground, I think we could conceivably be causing ourselves a lot more heartache and problem by trying to put these restrictions in place. That's all I have to say.

MR. CONINE: I'd just as soon drop the builder/realtor talk. I think that doesn't serve a whole lot of purpose. But I do think, very similar to our regional allocation formula where we distribute HOME money and tax credits regionally, I think not a regional allocation of these mortgages but a cap

on how much money one mortgage company can get out of a bond issue would serve Mr. Bogany's purpose in moving it to different users who more than likely will be geographically located around the state, rather than two guys gobbling up the whole deal. And leave it in place for some period of time, and then to alleviate the chair's concerns, open it up to the wide open world and see what happens if they don't gobble it up in 60 days.

MR. BOGANY: And I'm not saying that it's a builder/realtor deal because realtors sell most of the builders' new homes, it has nothing to do with that, it's really new construction versus resale is really what the issue is, and it's just being able to get all the players getting a fair opportunity to get this money. We've had \$30 million in the last two weeks go out the door and most of that went to two people, and so I'm just concerned about all the other builders who never got a chance who called me and said, I have my pipeline ready, you told us about it, and the money is gone.

So I'd rather see it be split. I'm okay with anything the staff wants to do but I'd rather be split between new construction and resale and then let that go out the door. But I'm okay with whatever we can come up with that's fair.

MS. ANDERSON: Could you operationalize that, Eric? That would be even harder, it seems like.

MR. PIKE: It would be challenging.

Mr. Conine, let me just make sure I'm clear on what you were suggesting is that there would be a limit --

MR. CONINE: Cap.

MR. PIKE: -- or a cap on the dollar volume or number of loans that a particular builder could do within a specific time frame?

MR. CONINE: Yes. And I'm not saying, I'm just suggesting 10 percent would be the right number. In this case it would be an \$8 million allocation out of an \$80 million bond reservation that Ryland or Countrywide or anybody.

MR. PIKE: So you're saying all builders --

MR. CONINE: No. Anybody, all mortgage companies would be capped at 10 percent of the allocation.

MS. RAY: What period of time?

MR. CONINE: Pick the period of time, you know the program better than I do.

MR. PIKE: I have someone here with Countrywide Home Loans, who is our master servicer, that if necessary, I may want to ask them to come up and speak. The registration system that they currently have in place has some limitations, and I'll give you an example.

For instance, if you're a lender, such as JP Morgan Chase, or any big statewide lender, my understanding is the system has to be manually monitored if loans are being registered -- let's say you've got a branch in Dallas with JP Morgan Chase and you've got somebody there and they register three or four loans, simultaneously, you have someone in Houston at JP Morgan Chase registering loans, and lo and behold, you've got someone in El Paso with JP Morgan Chase, they're all registering loans. There would have to be someone manually overseeing that system, I believe, to ensure

that the 10 percent limit was not exceeded. And obviously, if it was, you could simply cancel that loan out, but if you do that, then that ultimately impacts the consumer, the borrower.

MR. CONINE: So now you're back to which is more important: spreading the money around to various constituents, as Mr. Bogany is saying we should do, or letting JP Morgan Chase run with the whole bond issue.

MR. PIKE: Exactly.

MS. ANDERSON: Why can't we put it back on JP Morgan Chase to keep track of it and not Countrywide? Does that cause such a discouragement that they won't play?

MR. PIKE: You possibly could, it just from a realistic standpoint, I think it's difficult to communicate that. If you've got someone in your Dallas branch registering loans, do they take time out to get on the phone and canvas the entire company across the state to ensure that no one else is registering loans.

One of the reasons I had suggested doing something like a split potentially within this targeted area, this 20 percent -- because this seems to be where we see this problem most prevalent, where there's a discrepancy between builder versus non-builder.

To give you an example, in Program 69 targeted in the Rita GO Zone, builders used 80 percent of the funds, non-builders used 20 percent. Meanwhile, across the entire state under Program 69, the split builder versus non-builder was 51-49 -- which I think is ideal, I think very good. So we're seeing this problem be more prevalent in the Rita GO Zone.

So an option, I suppose, would be if we take the 20 percent targeted funds that we're required to set aside by IRS for targeted areas, if you wanted to do some type of split between builder/non-builder or particular lenders, it would be easier, at least if we're only dealing with that 20 percent set-aside rather than trying to impose something all across the state of Texas.

MR. BOGANY: Eric, I'm thinking about the 20 percent. I'm more concerned about the GO Rita Zone, and the reason I'm saying that, those two builders that got the money, none of them are building in Chambers County, none of them are building Beaumont or Jasper or East Texas. So my thought is that if we have a split, then you've got money that will get up to East Texas, people selling houses in Beaumont will be able to take advantage of the GO Rita.

So I'm speaking of the 20 percent, that's what I'm looking for, and I'd like to see something more of a 30-70 percent -- I'd live with 50-50 -- that gives that buyer in Beaumont a chance to buy a house under this program, and that's what I'm shooting for.

MR. CONINE: He's on a totally different issue than I thought he was on.

MR. BOGANY: Of course.

MS. ANDERSON: We're talking about \$32 million of a \$160 million deal.

MR. PIKE: Right, and how that's to be distributed, whether it's first come, first served, may the best man win -- or woman -- or a split of something for builders versus non-builders, particular lenders, whatever.

I guess you can think about it. I don't have a lot of time but we can certainly try to bring something back maybe on the 30th as far as getting a write-up done, or we can set something today.

MS. ANDERSON: Ms. Ray.

MS. RAY: Thank you so much, Mr. Pike. It's always dangerous to try to set regulations from the dais, always dangerous, and I would just suggest, since we do have enough time, I would recommend that the staff bring back a recommendation to the board based on the discussion that we've had here.

MS. ANDERSON: Do we need to approve this preliminary structure?

MR. PIKE: Yes.

MS. ANDERSON: And you go ahead and run with the preliminary structure.

MR. BOGANY: But you can't opt out of the GO Rita Zone which is in this current resolution.

MR. CONINE: We can amend it at the next meeting.

MR. GERBER: I'd like Elizabeth to come forward. Does that have any implications for reservations with the Bond Review Board as we sort that out?

MS. RIPPY: We will go ahead and submit the application for the reservation. The program part of this -- which that's really what you're talking about -- that kind of detail doesn't really affect the initial application for the reservation. At some point we'll have to describe that to the Bond Review

Board for their approval but that doesn't come till later in the process. Because you have these meetings close together, it does give you a little bit of room.

MR. GERBER: But we will have to have a firm answer by the 30th.

MS. RIPPY: Yes, the 30th we would need to know.

MS. ANDERSON: Is there a motion?

MR. BOGANY: I made the motion.

MS. RAY: I seconded it.

MS. ANDERSON: Everybody understand what we're voting on? Do you understand what we're voting on, Mr. Hamby?

MR. HAMBY: Yes, ma'am.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

Mr. Gerber, why don't you go through your report items.

MR. GERBER: Sure, Madame Chair.

Report item 1 is a report on our monthly outreach activities. Report item 2 is just an executive level overview of the highlights of Program 69 which I'll commend to your attention.

Report item number 3 is something you might wish to take a look at, it's the list of housing tax credit challenges, and as you've seen in

several past board books, we've provided a list of all tax credit challenges that have been received to date. Please note that in addition to two new challenges that are reflected on the log, we've also included the allegations made at the June 28 board meeting from Laura Waller regarding the San Gabriel Crossing project development in Liberty Hill. And all three of these new items are currently being researched by staff and you should see a resolution to them, one way or another, posted when it's available.

MS. ANDERSON: Is that it?

MR. GERBER: That's it, yes, ma'am.

MS. ANDERSON: I'm going to ask the board's pleasure about something. We have an item for a potential executive session and it's about a 10-15 minute item, and we can do that now since we're finished at five till 2:00, or we can take our chances and do it at the next meeting. So Kevin doesn't have to go today but we're through early today.

MR. CONINE: We're not going to have time at the next meeting.

MS. RAY: I vote for now.

MS. ANDERSON: Anybody opposed to now?

(No response.)

MS. ANDERSON: Okay, a majority says now. So I'm going to recess this meeting and read my little speech and ask everyone to leave the room, and then we'll be out for about 15 minutes, and then we will reconvene the meeting.

On this day, July 12, 2007, at a regular meeting of the

governing board of the Texas Department of Housing and Community Affairs, held in Austin, Texas, the board adjourned to convene a closed executive session as evidenced by the following. The board will begin its executive session today, July 12, 2007, at 1:58 p.m. 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 as 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 Section 551.074 for the purposes of discussing personnel matters, including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee.

Consultation with attorney pursuant to Section 551.074(a), Texas Government Code:

With respect to pending litigation styled Dever v. TDHCA filed in Federal Court;

With respect to pending litigation styled Ballard v. TDHCA filed in Federal Court;

With respect to pending litigation styled Brandal v. TDHCA filed in State Court in Potter County;

With respect to any other pending litigation filed since the last board meeting.

(Whereupon, at 1:58 p.m., the meeting was recessed, to reconvene this same day, Thursday, July 12, 2007, following an executive

session.)

MS. ANDERSON: The board has completed its executive session of the Texas Department of Housing and Community Affairs on July 12, 2007 at 2:16 p.m. I hereby certify this agenda of an executive session of the governing board of the Texas Department of Housing and Community Affairs was properly authorized pursuant to Section 551.103 of the Texas Government Code. The agenda was posted with the Secretary of State's office seven days prior to the meeting, pursuant to Section 551.044 of the Texas Government Code, that all members of the board were present and that this is a true and correct record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code.

MR. CONINE: Mr. Gerber, based on a similar discussion in executive session, would you ask staff to put together or take a look at the qualified contract policy for us, I guess for the September meeting or whenever it's convenient to get it on the schedule?

MR. GERBER: Yes, sir.

MR. CONINE: Appreciate it, thanks.

MS. ANDERSON: Seeing no other business to come before the board, we stand adjourned until July 30.

(Whereupon, at 2:18 p.m., the meeting was concluded.)

C E R T I F I C A T E

MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: July 12, 2007

I do hereby certify that the foregoing pages, numbers 1 through 139, 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) 7/18/2007
(Date)

On the Record Reporting
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