

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

Capital Extension Auditorium
State Capital
1500 N. Congress Avenue
Austin, Texas

July 30, 2007
9:30 a.m.

MEMBERS:

ELIZABETH ANDERSON, Chair
C. KENT CONINE, Vice Chair
SHADRICK BOGANY
SONNY FLORES
NORBERTO SALINAS
GLORIA RAY

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P R O C E E D I N G S

MS. ANDERSON: Good morning. It's great to see everybody here with us today. There must be something going on here today. Welcome to the July 30 board meeting of the Texas Department of Housing and Community Affairs governing board. We do appreciate you all being with us today.

The first order of business is to call the roll.

Vice Chairman Conine?

MR. CONINE: I'm 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?

MR. SALINAS: Here.

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

As is this board's custom, we welcome public comment at our board meetings, and we take public comment in two ways. The first group of public comment will

commence immediately, and that's for people that want to speak at the beginning of the meeting.

And also, if something is not posted on the -- a specific item's not posted on our agenda today, then people that wish to comment on that comment during the public comment period.

Therefore, all the comments concerning potential forward commitments need to come in this public comment period before we actually begin the agenda. But for those of you that would rather wait and speak at the posted agenda item, if that is your preference, that's fine too.

We have a lot of comment this morning. I'm going to ask people to limit their comments to three minutes per person, and we'll see if we can't move things along and still give people a full three minutes.

But I ask you to stick to your time and that when you're -- if there are more than one of you that are speaking on a given matter, I will -- if I've got this stacked right, I'll attempt to call all of your names so that you can come forward and be prepared to speak right after your colleague speaks.

With all that said, the first witness is Blaire Parker from Representative Robert Puente's office.

MS. PARKER: Good morning.

MS. ANDERSON: And forward commitments will not -- are not on the agenda today, they will not be discussed by the board. They will be posted for action at the August 23 meeting.

Sorry. Sorry, Blaire.

MS. PARKER: No, that's okay. Thank you.

Good morning. For the record, my name is Blaire Parker, with Representative Robert Puente.

Representative Puente had a scheduling conflict this morning and asked if I would come in his place to further show his support for the San Juan Square II development. He's previously written a letter of support and hopes that they would be awarded the allocation for the low-income tax credit to build that development.

It's very important to Representative Puente's constituents and himself to have quality low-income housing in his district, as well as very important to the residents of San Juan Square. They've all signed a petition of support, and we're just hoping that that will come through.

I'm happy to leave a copy of the letter that he's previously submitted, as well as that petition, if you all would like. But other than that, I thank you for

your time and your consideration.

MS. ANDERSON: Thank you.

Mr. Henry Alvarez?

(Pause.)

MR. ALVARFZ: Good morning, Madam Chair, Commissioners. I'm Henry Alvarez from the San Antonio Housing Authority. I'm the president and CEO there.

I'm here in support of the San Juan II product, but what I'd really like to talk about today is the need for public housing to be included in the tax-credit process. As you know, the San Antonio Housing Authority is the largest housing authority in the State of Texas, and we have approximately \$132 million worth of needs in San Antonio.

The federal government continues to constrain the federal budget. As a result we have about 2700 units that are reaching economic obsolescence. The alternative, if we don't, or if we are unable to do products like San Juan II, is to have folks be homeless, because they're going to be in units that are simply not livable.

The tax-credit program provides the equity contribution to become the economic engine to reposition all of those dying public-housing residences. We're talking about buildings that are cinder block, 70 years

old, construction that has been outdated, it's non-modal, it doesn't serve the majority of our population, which are elderly and disabled clients.

I really want to encourage you to support San Juan and to continue to find ways to include public housing, which is the nation's most at-risk housing product. And with those remarks, I thank you and entertain any of your questions.

MS. ANDERSON: Thank you.

Hutch White, Warren Ketteman, T.J. Higgenbotham, Bobby Lane.

MR. WHITE: Good morning, Madam Chair, board members. I want to appreciate your -- oh, my name is Hutch White. I'm city councilman for the City of Buda.

I want to thank you for recommending this project, Tuscany Park at Buda. As a member of the steering committee for the Unified Development Code, the master plan, we recognize the need for affordable housing for our teachers, our firemen, our public employees, and for our youth as they go out into the working world, where they can still live in their communities.

As a council member, I was part of a unanimous endorsement of this project, and I hope that you will approve it and it will go through.

MS. ANDERSON: Thank you.

MR. LANE: Madam Chair, committee. My name is Bobby Lane. I'm mayor pro tem for the City of Buda.

I'd like to offer into the record a copy of a letter that we have to present this morning, and if you would indulge me, I'd like to read right quick; it's short.

"Dear Executive Board, we would like to thank the board for helping Buda meet critical needs for affordable housing. Attaining this goal has been at least three years in the making.

"The City of Buda recognizes the importance of affordable rental housing in our community. Thus the City Council on February 6, 2007 unanimously approved the adoption of resolutions supporting Buda Tuscany Partners Limited Development's efforts in the project known as Tuscany Park at Buda. And we support affordable in Buda.

"The City of Buda is currently experiencing tremendous growth. In fact, the number of residential building permits issued has increased by 101.2 percent. Just in the last year alone, the need for affordable housing in the City of Buda is ever before. Again, we would like to thank the board for helping Buda meet its critical needs. "

Also too I'd like to add that this project is in our new growth quadrant to the north of -- south of -- I mean, to the south and east of Buda, and it's within walking distance of our major business center. So we would appreciate your support of this effort. Thank you.

MS. ANDERSON: Thank you.

MR. HIGGENBOTHAM: Madam Chair, committee. I'm T. J. Higgenbotham. I'm chair of the Historic Commission in Buda. I've lived in Buda since the '80s; my grandparents bought the property I'm still on in the 1930s.

This project, Tuscany Park, brings back the memory of my grandfather, who was with the highway department. In the 1940s, when he built the road from Driftwood to Buda, it used to be called -- it was a gravel road. He made sure the right of way was 80 feet for future growth. That was in the '40s.

I look at this project as it is that much insight. This is something we desperately need. I'm comfortable. I'm in a house I inherited. There are people that are moving to our community that have no place to live because they can't afford our \$194,000 average house prices. We need these apartments.

I also have a letter which I would like to

enter in the record. I will not take time to read it. It's from the president of our Chamber of Commerce with full support of our almost 400 members in our Buda Chamber of Commerce. Thank you.

MS. ANDERSON: Thank you, sir.

MR. KETTEMAN: Madam Chair, and committee. Warren Ketteman, Buda Economic Development.

I'm going to echo my three friends in front of me, but also the Buda area is booming. We're just south of Austin, 15 miles. In 2000 the Buda population -- and our sign is still up on the roadway -- 2,404 people. And I just heard from our city administrator recently, we are now over 5,000; we're moving toward a home0rule community.

Our school district, the Hays CISD, continues to grow at approximately 1,000-plus students a year.

More and more people are discovering Hays County, and that's okay by us. But affordable housing is a must in the Hays County area. Folks need a place to live. Our retail sector continues to grow. People who work in that retail sector are not making the dollars -- as T.J. said just a moment ago, are not making the kind of dollars that allow them to purchase \$194,000 new home start in Buda.

We need the help; Tuscany Park at Buda can

provide that help for quality homes for folks in our community. We support it wholeheartedly and ask you to do the same. Thank you much.

MS. ANDERSON: The next witness is Delores Groneck. And after Ms. Groneck then Gilberto de los Santos and Estella Trevino.

MS. GRONECK: Wow, this feels different. Mr. Flores, Ms. Ray, it's nice meeting you. Mayor, Mr. Conine, Ms. Anderson, Mr. Gerber and Mr. Bogany, it's good to see you again.

For those of you who don't know me -- and I think most of you do -- my name is Delores Groneck. I'm a retired state employee. I worked for this board, I worked for 16 years as a board member, so you know how many I've seen.

I come today -- and I never thought I'd come and speak before you -- as I live in a private gated subdivision right outside the city limits of Liberty Hill. And I do not live in the city limits, but I've taken an interest in a project that Mark Mayfield has out there; I think it's San Gabriel Crossing.

In Liberty Hill we have a population -- our sign says about 1400; we have two elementary schools, a middle school, intermediate school, high school. We have

a good headstart program. We also are the state reigning 3A football champs.

We have no HEBs or Wal-Mart or anything like that. We have several banks, and a couple of good restaurants. The Planning and Zoning Commission meeting held recently I attended. We had a full house, well, in fact, it holds about 20 people.

Many citizens were against this development, and they voiced their opinions. Our weekly newspaper now states that certain people who were against the development at this meeting are now for it. I wanted to bring you that, but I just left it at home this morning. It was too early for me.

It is my understanding that the Mayor, the City Council, Planning and Zoning, even school officials are for this project. We have rent houses, but we do not have an apartment complex proposed like this. I've driven by the proposed site many times.

In fact, Mr. Gerber and Mr. Gouris came out, we visited Liberty Hill, we drove in front of the project, in back of it, the sides, we drove all around Liberty Hill, which takes about 10 minutes. Across the street from the project is a school and a church. I don't see any houses right across the street.

We went to the church to try to visit with some of the officials. I think they had a few people working, but the main door was locked and Mr. Gerber did not have the opportunity to visit with the church there. He did try, and we looked around.

Mr. Gerber and Mr. Gouris did an excellent job of looking over this site. I mean, they did what was called for. They even spent a little money in Liberty Hill, and I thank them for that.

I don't live in the city limits, as I'll say again. I cannot tell you what to do. But I do think we need this project. I'm not going to ask for your vote or against because, like I said, I don't live in the city limits.

I thank you for giving me the opportunity to talk to you. It's kind of hard to stand here and not tell you what to do. But it is good to see you all. And I'm just asking you to really consider Liberty Hill for your project. Thank you.

MS. ANDERSON: Thank you, Ms. Groneck.

MR. CONINE: Good to see you, Delores.

MS. ANDERSON: It's great to see you. She used to -- for those of you all who don't know, she used to run this buzzer machine back here.

Mr. de los Santos?

MR. DE LOS SANTOS: Good morning, Madam Chair, members of the board. My name is Gilberto de los Santos, and I'm here to speak on behalf of Villa Estella Trevino, project 07206.

We're tied for second with two or three points, and we feel like this project for the elderly is badly needed in Edinburg, Texas. The last meeting we had, the mayor pro tem, Alma Garza here --she brought a letter from the mayor indicating how much we needed the project, and how the city was supporting the project with a subsidy, a very nice subsidy.

So we thank you for your support and we thank you for providing housing for the elderly. Thank you very much.

MS. ANDERSON: Thank you.

(Pause.)

MS. TREVINO: Madam Chair, members of the board, and Mr. Gerber, I'm here again. My name's Estella Trevino, and I'm here on behalf of the project that we have submitted an application for to build housing for the senior citizens.

As I said before, we haven't had any senior citizens developments since 1975, and we have a waiting

list of over 417 elderly people waiting to be housed, and are really hoping that you will find it in our favor and fund our development.

We -- the senior citizens would have liked to have been here, but they couldn't make the trip, so I'm here on their behalf. And I thank you very much for considering our project. Thank you so much.

MS. ANDERSON: The next witness is Diana Martinez, from Senator Ureste's office, then Inez Arroyo and Ricardo Rangel.

MS. MARTINEZ: Good morning. My name is Diana Martinez, and I'm with Senator Ureste's office. I believe you already have a letter of support in your packets today from the Senator. I just wanted to point out a few things in the letter.

He is -- wrote you in support of Tammye's Pointe, which is in the Eagle Pass area. I'm sure many of you are aware that this area was hit by a devastating tornado in April of this year, and that they sustained much damage to a lot of the homes in the area.

We realize that you cannot take a natural disaster like this as a factor in your decision, but we do realize that you have a broad amount of discretionary powers, and we feel that this would fit in the due cause

portion for you to be able to evaluate that. And he would deeply appreciate your consideration. Thank you.

MS. ANDERSON: Thanks.

MS. ARROYO: Hello. This is my first time here, from San Juan. I'm just here to say that -- oh, I'm sorry; Inez Arroya, first time here, San Juan Homes.

I'm just here to -- we need like parking; we don't have parking. We're having problems with electricity and there's a lot of -- like problems like rats and roaches and stuff like that. And I don't know; I guess that's it. Thank you.

VOICE: Thank you, ma'am.

MS. ANDERSON: Thank you, ma'am.

Mr. Ricardo Rangel?

MR. RANGEL: How are you all doing today? I just wanted to say hello and thank you for giving us a chance now to be able to come up here and address you all -- my name is Ricardo Rangel; I reside at 156 Sinkenwalk [phonetic] in San Juan Homes.

Basically, you know, I've been here before, ended up there after an accident left me paralyzed. I'm a single parent. Going back to some of the history, San Juan Homes were built back -- I guess it started in the late '40s and that was by Father Frank Casey and Eleanor

Roosevelt.

Basically, the area that we're living in were built in 1950 -- late '40s to 1950. And really the design right now that we're living in, it doesn't even meet the building code specs, okay, for one.

And you've got a hot-water heater just standing in your kitchen and like the lady before me said, there is a big problem with electrical ground. You know, I've worked in construction of homes in the area, and buildings, in the area of residential, commercial and industrial levels for about four years.

Anyway, you know, the stuff that's in there is outdated. I've got like 28 feet of gas line running from my hot-water heater; that's an inch-and-a-half line which is outdated, with not one pipe strap to it. It's just free floating on the ceiling, exposed, you know, the water heater's exposed; that's a danger. The piping, you turn it on, you get all kinds of mineral deposits in the -- you know, iron deposits coming out of it, so you know that's outdated, which should be a health hazard.

And it's also -- by design, there isn't any kind of, let's just say energy-efficient material that was used back then. It's got old insulation that's just outdated, and it's rock-wool insulation that has asbestos

and, you know, it's just an old type of outdated insulation that's not even on the market anymore, and it's a health hazard, especially in my situation.

I've got flat roofing up there with no runoff, so the water's collected over the years. When I moved in there, I noticed the Sheetrock had repairs on the ceilings.

Well, within the first month of living there, you know, we had roof leaks, 4:00 in the morning had to get up and move the bedroom set after about my fifth back surgery, you know. It was a hell of an ordeal, but we got it done. Find pots and pans and buckets, whatever I could find to catch the water, you know, and that's on both ceilings.

Right now they patched the roof, but my ceiling is still exposed, which I'm getting insulation dropping out of there. And though they've patched the roof, it ended up leaking again. All right.

And as the lady before me said, there's, you know, health issues with rodents, roaches and all that, you know, but also we have rotted wood, we've got black mold and mildew in the ceiling. So, you know, you're not talking about just a minor repair.

But I know my time's up, and I just wanted to

come and address this today. You know, you guys started something with Phase I and I was back here to just see that you would say yes to Phase II and III, and that's what we're trying to ask you all to make that decision.

You know, it's also a health-conscious decision and an environmental step-up for the children that are there, for some of the programs that will be interjected, you know, to that living environment right there, you know, so I'd like to see it go on. There's no sense in starting something and just doing it halfway and then not going anywhere from there. But thank you for your time.

MS. ANDERSON: Thank you, sir.

MR. RANGEL: You all have a good day.

MS. ANDERSON: Thank you, sir.

The next witness is Richard Dennis, then Alyssa Carpenter -- oh, no, excuse me, Mr. Dennis and then Byron Ballas.

MR. DENNIS: Thank you, Madam Chair, and members of the board. For the record my name is Richard Dennis, and I am here to speak on behalf of Representative Tan Parker, who sends his apologies for not being able to be here himself today.

I arrive before you today to speak in support of the Plantation Valley Estates project that has been

proposed for Krum, Texas. Denton County is one of the fastest growing counties in Texas.

By 2020 population estimates put their population growth at roughly 65 percent over the 15-year period. According to the Texas Department of Aging and Disability Services, the senior citizen population influx will keep pace with that and also rise by roughly 65 percent.

All of this means that here in the very near future, Denton County is going to have to accommodate this surge in population growth with infrastructure, basic social services, and, of course, housing.

The TDHCA application in question is in the City of Krum, within Denton county, or course. The development proposed is a 76-unit affordable-housing community to be occupied by senior citizens. And I am sure that this board is aware, this project is the only new construction rural build for this entire region.

The last senior citizens community in this region to be awarded was done so two years ago, and it is a 100-unit senior-citizen community. While this may sound impressive, 100 new units, estimates project that these units will all be leased up by the time that the Krum Development will even be able to start opening its doors

for leasing.

With the growth predicted in this area, our office is confident that within two years, when the Krum Development will be able to offer leases, there will be ample need for this 76-unit community.

Representative Parker remains hopeful that this esteemed board will also see the warrant in this critical project and assist Denton County in accommodating this need for their affordable senior-housing units.

I do thank you for your time, your consideration of this project, and my words on his behalf, and I'll be happy to answer any questions you may have. If not, thank you.

MS. ANDERSON: Thank you.

Yes, sir.

MR. BALLAS: My name is Byron Ballas, and I'm here to also represent project 07272. And thank you for your indulgence in allowing me to come back and speak.

I have become part of the market, I am the market that I am looking at. And I have tremendous heart for seniors and the needs in our community. And I would like to point out a few things that we may not have had the opportunity because of time constraints to bring up in the past.

Yes, as the previous speaker spoke, our growth is over 13 percent in the last 5 percent -- five years. As a matter of fact we're looking at 35 percent in the last five years. We are projected to have a growth factor in the state of 24 percent by the time we reach the year 2020. Our growth of Denton County is predicted to have one of the fastest growing senior populations.

According to the Texas Department of Aging, now the Department of Aging and Disability Services, which is DADS, the senior population, age 60 and older, is expected to increase by 65 percent. Even more astounding, DADS predicts from 2000 to 2040 the 60-and-older population will increase by 873 percent.

People are moving into Denton County from outside the county at a very fast rate. We have over 11,000 new residents since 2005. Concerning the continued growth of the area, we are confident we'll see even more people in this county.

The TDHC application in question is 76 units, affordable, for seniors. This is the only new-construction rural deal in the entire region. If the deal is not funded, it means the rural area of Region 3 does not get a new deal.

It means the rural area will be significantly

underfunded, and approximately \$470,000, or 66 percent of the allocation. It also means that 5 percent required for the USDA set-aside will not be met. The last senior deal in the area was awarded two years ago, and as was spoken before, it's 100 units.

We feel like it will be stabilized and leased up by the end of this year, far before Krum even starts construction. With the growth predicted in the area, we are confident that in two, when Krum Development is beginning to lease up, there'll be more than enough need for these 76 units.

Furthermore, we have received evidence from the market analysis that found that looking at July 2007, of the 1501 stabilized senior tax-credit two-bedroom units serving the 60 percent and below, 97.1 percent is occupied in our county. We do not believe that this deal should be penalized because it only offers two bedrooms. According to these figures, the market is strong and will remain so for a long period of time to come.

Does anybody have any questions? I thank you very, very much for your consideration. And, again, I know that forward commitments is another thing, but if it cannot be considered at this time, I'd like it to be considered a forward commitment. Thank you very much

for --

MS. ANDERSON: Thank you.

MR. BALLAS: -- your time. You've been very gracious.

MS. ANDERSON: The next witness is Vince Dodds, then Brad Mink, then Bernadine Spears.

MR. DODDS: Good morning, Madam Chair and members of the board. I come before you this morning to advocate for a -- oh, I'm sorry. I'm Vince Dodds; I'm the president and CEO of the El Paso Housing Authority.

And I come before you to advocate for your consideration of a forward commitment for Alamito Place. As the board might remember, Alamito is an '06 grant project that we have in south El Paso, and it has several components, one of which you're considering on the consent agenda, Alamito Terrace. Alamito Place is our next phase, and your consideration of a forward on that would be very much appreciated.

MS. ANDERSON: Thank you.

MR. MINK: I'm up next?

MS. ANDERSON: Yes, sir.

MR. MINK: Good morning, Madam Chair and panel. My name is Brad Mink. I'm the director of economic development for the City of Carrollton. We're a suburb in

North Dallas. And I'm here to speak on the Raiford Road project for elderly housing.

Carrollton is rapidly becoming an urban community, changing from a suburban community. Our demographics are shifting very rapidly. We're getting older, our color is changing, and we certainly have need for affordable housing of all levels.

Our Planning and Zoning Commission and our City Council have both looked at this project and deemed it to be an appropriate land use, and it has moved forward throughout, and all the checkoff lists have been made with the city. Again, we're here to -- as the City of Carrollton, in support of this project.

MS. ANDERSON: Thank you.

MS. SPEARS: Bernadine Spears, 124 East 2nd, Odessa, Texas, executive director for the Odessa Housing Authority, and I stand before you, first of all, to say good morning.

And I know that you have a very tremendous task ahead of you, but I still ask that you consider Key West Senior Village Phase II for 36 units of tax credits, new construction. There's a lot of individuals here that deserve it. My colleagues have also made an appeal, and I hope that they're as successful as anyone else in here.

I thank you for any consideration that you might be willing to give us, whether it's the allocation, or a waiting list, or a forward commitment. Whatever it is, we'll take it. Odessa is very deserving, as has been indicated by those that spoke at several meetings before, and we just hope that you will consider us for Key West Senior Village.

Are there any questions? Thank you for your time.

MS. ANDERSON: Thank you.

The next witness is Mike Sugrue, and then Mike Lopez.

MR. SUGRUE: Good morning, Madam Chair, board members, and Mr. Gerber. I'm Mike Sugrue, Solutions Plus. And I know we're not talking about forward commitments, so we'll be happy in Dalhart to take a regular '07 commitment.

However, I'm charged today to come here and tell you that you've already heard from Commissioner Staples of the Texas Agriculture Commission, Senator Seliger's office, Representative Chisolm, Representative Smithee, Representative Swinford, the Dalham County Commissioners, all four; Dalhart Mayor Kevin Caddell; the president of Dalhart EEC, Scott Renick; Superintendent

Foote of Dalhart ISD; Warden Wheeler of the Texas Department of Criminal Justice; and David Allen of Hill Marcheé [phonetic].

So once again, we're making our plea for either an '07 and '08 forward, and I appreciate the time, and I won't take any more. Thanks.

MS. ANDERSON: Thank you, sir.

Mr. Lopez?

MR. PATLAN: Good morning, Madam Chair.

MS. ANDERSON: Good morning.

MR. PATLAN: I'm not Mike Lopez. Mr. Lopez had to take an emergency leave. And so if I may, I want to make a few remarks on behalf of Mr. Lopez. My name is Juan Patlan. I will fill out my confirmation form.

Madam Chairman and members of the TDHCA board, my name is Juan Patlan. I'm here for Mike Lopez, the executive director of the Hidalgo County Housing Authority in Weslaco.

This statement is in support of TDHCA project number 07205, North Manor Estates Apartment in Weslaco, Texas. This project is located in North Weslaco in a rural area which is very much like a colonia area. It's an area that is very much in need of affordable housing.

Just by chance the school district purchased a

piece of land across the street from where this property is going to be developed, and so the two institutions will go hand in hand together, the school district will send the kids that are going to be in that school to North Manor Estates project.

This project is supported by a number of school board members of the Weslaco Independent School District, as well as several city officials from the City of Weslaco, the County Judge of the County of Hidalgo, and the County Commissioner from that precinct is contributing \$250,000 to this project. Thank you so much for your consideration.

MS. ANDERSON: Thank you, sir.

Orelia Campos. And this is -- Ms. Campos?

MS. CAMPOS: Good morning, Madam Chair and members of the board. I am -- my name is Orelia Campos, and I am a resident of Abilene, Texas.

I currently work as a personnel specialist for the Abilene Independent School District, and I chair the Planning and Zoning Commission for the City of Abilene, and I'm here to speak about the Anson Park Seniors project, number 07285, in Region 2.

I have lived in Abilene for 57 years. And in 1996 an organization formed in the Sears Park

neighborhood, called the Sears Park Neighborhood Organization, one of the first registered organizations for the City of Abilene. And we put together a plan and registered it with the City of Abilene, and one of the long-range goals was to someday have affordable housing for our senior citizens.

The area is an old area of Abilene. It covers most of the northwest section of the Sears Park neighborhood, and we are in dire need of some affordable housing for our senior citizens. Many of those citizens live in dilapidated houses in need of repair and can't afford to repair these homes.

Now, Abilene does have some retirement facilities, but they're high-end facilities. These people cannot afford to live in some of these high-end facilities, and I'm asking your support.

I wanted to briefly give you some history about the Sears Park neighborhood and the location where this project is to be located. It is across the street from the Sears Park recreation center, which has a senior citizens division there where the seniors can go and have meals and exercise, and it is virtually across the street from this projected project site.

In the neighborhood we also have the Access

Learning center, who works very closely with -- it's called the Senior Service America. This is a place where senior citizens can go. They hold a wealth of knowledge; they are retired, and those are the people that we can depend on to report to work. We have placed many senior citizens in jobs, part-time jobs.

And also because the park is across the street, our senior citizens get great pleasure of seeing the youth. We have the ball -- the Little League fields there, and I just feel it's just the perfect place to have a site like this.

I also want to let you know that not any more than five minutes away from this site are major medical facilities for these senior citizens. We have the Dialysis Center, Hendrick Medical Center, a rehab center.

We have grocery facilities, everything within five minutes from where this proposed location is.

The -- I have a -- I know there are -- Meals on Wheels serves many, many senior citizens, particularly in this neighborhood. And one of the most important things to me is that these seniors want to stay close to where they have lived for years, and be close to family and friends.

And I plead with you, I ask you please to

support us and have that 2008 commitment for this project to go forward. I know that you hold a very tough position, and I appreciate the time that you give to your -- to this cause. Thank you very much.

MS. ANDERSON: Thank you.

The next witness is Terri Anderson and Huelon Harrison, please.

MR. CONINE: Terri walked out just a second ago.

MS. ANDERSON: Well, she just --

Anybody else that wants to speak during public comment needs to have filled out a witness affirmation form. They're kind of trickling in. We don't want to leave anybody out, but if you want to speak during public comment, if you -- if I don't have your form -- we're getting ready to move to the agenda.

Is Mr. Harrison here?

MR. CONINE: Here comes Terri.

MR. HARRISON: Good morning, Madam Chair, members of the board. My name is Hue Harrison, of LRG Development. I'm here on behalf of Villas on Raiford, application number 07303.

As far as the development team, I'd like to request a forward commitment of this application. As you

may know, this development, once it's constructed, will consist of 180 units for seniors. It's the first of its kind in the City of Carrollton, located in close proximity to many services [inaudible] site.

I ask to give my time to Terri Anderson.

MS. ANDERSON: Good morning to the board. I'm Terri Anderson, Anderson Capital LLC is my company. I did send you all a letter actually requesting forward commitments for Villas on Raiford, based on unusual circumstances that I feel were present when the board took action on another transaction [inaudible].

So I'm here to request a forward for Villas on Raiford and while we respectfully appreciate the board's position and ability to provide forward commitments under unusual circumstances, we do request some consideration for Villas on Raiford.

MS. ANDERSON: Thank you.

Pastor Picina?

PASTOR PICINA: Good morning, Madam Chair. Chairman and members of the board, my name is Pastor Ezekiel Picina, and I'm also a spokesman for the Sears Housing neighborhood located in -- northwest of Abilene.

I live in the -- well, I pastor a church around the area. I pastor New Life Temple. They've been

there -- the church has been there in existence for over 23 years. I have pastored the church there approximately about 11 years.

One of the programs and one of the things that we do around the area is that we do focus on a lot of the seniors, we pastor some seniors that live around the area.

We also have a ministry in our church that meets the needs of the seniors.

What Orelia Campos was saying is the truth. We have several people that we minister to, they come to church, and not only do they come to church but also they have family members coming to church. And one of the things that they talk about is that they are not able to afford where they're at.

These are people that own properties and have -- constantly having to get someone to come in and help them be able to repair their properties or do their lawns. And we are -- we just are in support of what New Life Housing foundation is doing.

I'm also on the board of the New Life Housing Foundation there, and we support this, and we're asking you to please consider this. We have several seniors, like I said, and I have a letter that I would like to give the members of the board, if it's possible. And I would

like to read it to make it -- Orelia Campos mentioned about the Meals on Wheels, and I would like to read that.

It says, "To whom it may concern, it is my understanding that an affordable housing community for seniors is being considered for the seniors neighborhood in Abilene, Texas. As a non-profit service organization, we are aware that Abilene has a shortage of decent housing for seniors living in low fixed income.

"Meals on Wheels Plus is currently providing home delivered meals for our 1,075 seniors and younger adults who have disabilities. Of those we serve, 90 percent live on low fixed income and are not able to make even a small donation to help with the cost of their meals.

"Many of them live in housing that is in poor repair, and sometimes they do not even have basic utilities like water and/or electricity. In the winter their homes are cold, drafty, and hard to heat. If they rent, often the rent is quite high for the type unit they live in. A number of landlords fail to make repairs when needed.

"I feel strongly that there is a need for nice homes in that part of Abilene. A large number of our

clients live in the neighborhood where the housing project would be built. There are a great number of vacant lots in that area because of homes that have been condemned and then demolished. Much of the remaining houses is in poor repair.

"We hope you are successful and will soon be able to start construction. Thank you for your consideration. Warmly yours, Betty L. Brandly [phonetic] executive director."

And I want to thank you for your time. I want to let you know that we've been working on this for three years. Thank you so much.

MS. ANDERSON: Thank you, sir.

Board members, that concludes the public comment for the initial portion of the meeting. And so we'll proceed with the agenda.

Item 1 is the consent agenda. There are a number of things on this agenda, and I'm going to ask the board's indulgence to remove 1(d), (e), (f) and (g) from the consent agenda, and we will take these up in order after we vote the consent agenda, which would then consist of agenda items 1(a), (b) and (c).

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.

Agenda item 1(d) is possible issuance of determination notices for housing tax credits for mortgage revenue bond transactions with other issuers.

Mr. Gerber?

MR. GERBER: We're starting with 1(d), which is Alamito Terrace. And this item is a tax-exempt bond applicant that's requesting a 4 percent housing tax credit determination for the Alamito Terrace development in El Paso. This priority 1A application proposes the new construction of 76 units targeting the elderly population in El Paso, Texas, and the bonds will be issued to Alamito Public Facilities Corporation.

The Department has not received any letters of support or opposition. The applicant is requesting \$407,916 in housing tax credits. Staff is recommending, after careful underwriting and review, an approval of tax

credits in the amount of 346,251.

Robbye Meyer, head of multifamily, and Tom Gouris, head of REA, are here to talk about that.

MS. MEYER: I'm here to answer any questions the board may have.

MR. GERBER: Mr. Gouris, why don't you come forward and talk about the cost of this deal.

MS. MEYER: Oh, Tom can.

MR. GERBER: Sorry, Robbye.

Talk about the cost of this deal and why they're --

MR. GOURIS: I am --

MS. ANDERSON: The construction cost.

MR. GOURIS: -- Tom Gouris, director of real estate analysis.

We did review this property, or this development, and found that their costs are considerably higher than what we think it should cost for this development. The problem for us is that they already went -- gone out with the bid process and received bids on what their construction costs would be.

We just have a disagreement on what they should be. We have a piece that is a four-story elevator-served interior quarter building, and they have a piece that are

single-story four-plexes, and those four-plexes we have very good comparables to for other properties in the area.

The four-story buildings we don't have as good a comparables in that market, but obviously we do look at the rest of the state and we look at our other fund -- our other costing.

When we look at the comparables for the single-story product, we find that those are also much -- the bids that they have are also much higher than what we'd expect them to be.

But they are what they are, and this is a local issuer, and we provide a lot more flexibility with local issuers, so what we did is recommend credits based on what the allocation would be with the costs that we have, and they are going to support the rest of the transaction based on their bids with '06 funding. And so that's what we got on the transaction.

MS. ANDERSON: Yes, Ms. Ray?

MS. RAY: Madam Chair, is there any public comment?

MS. ANDERSON: Yes, there is.

Any other questions for Mr. Gouris at this stage?

(No response.)

MS. ANDERSON: Mr. Dodds?

MR. DODDS: Thank you, Madam Chair. I'm just here to answer any questions you all might have. Oh, I'm sorry. Vince Dodds, president and CEO, El Paso Housing Authority.

MS. ANDERSON: Is there any questions for him?

MS. RAY: Madam Chair, I move approval.

MR. CONINE: 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. DODDS: Thank you.

MS. ANDERSON: Thank you.

Agenda item 1(e) is a discussion of a HOME NOFA for HOME rental housing.

MR. GERBER: Madam Chair, the next three items actually are all NOFAs. I'm going to let Jeannie Arellano, our director of the HOME division, present these

three.

MS. ARELLANO: Jeannie Arellano, director of the HOME division.

Madam Chair, board members, item 1(e) is a NOFA proposing release of approximately \$10 million in HOME funds from the Department's remaining 2007 rental housing development and rental housing preservation set-aside, which [inaudible] today, and also the deobligated HOME funds.

Funds will be made available for the acquisition, reconstruction and rehabilitation, or acquisition and rehab of affordable rental housing developments in Texas, and these funds are not subject to [inaudible]. Included in this \$10 million is about \$2.1 million funding recommendation being made today for rural housing development.

The board will soon be taking action on the state HOME rules and finalize them in November 2007 to the degree that the approvals will require changes to the NOFA. The NOFA will be revised and reposted in December [inaudible] applications. And if approved, the NOFA will be published in the *Texas Register* and on the Department's website.

MS. ANDERSON: Thank you. I do have public

comment on this item as well.

Mr. Mike Harms? And the next witness is Walter Moreau.

MR. HARMS: Mike Harms. I'm the executive director of the San Antonio Outreach and Economic Opportunities, and thank you, Madam Chairperson and distinguished members of the board for giving me a couple of minutes.

The HOME task force, the rental portion of the HOME task force spent a good deal of time on this issue. And it is our recommendation that is item in the NOFA in the future be deleted for the following reasons. In the non-urban areas, the towns have supported the rental housing in various waivers of building permits, fees, donations of property, in my experience 100 percent exemption in taxes.

But it's still difficult to obtain 10 percent. We've extensively researched foundations and other organizations at the request of staff, and we have found very few organizations and foundations actually support rural housing initiatives. And those that do usually have loans for predevelopment expenses but not for the financing.

Such things as the Federal Home Loan Bank board

has grants and loans, but usually the two cycles are off.

And, again, in this situation cycles are off, much like in this NOFA cycle. And that still won't provide the 10 percent.

The task force also felt that the 10 percent requirement is a serious barrier for the non-urban affordable rental housing initiatives, or the applications.

The task force members strongly felt that quality CHDO applications will be submitted in this process is more user friendly [inaudible]. [inaudible] Madam Chairman, that the application process be simplified. And this is one of the ways that it can be simplified. Thank you very much; I'd be glad to answer any questions.

MS. ANDERSON: Thank you.

Mr. Moreau?

I'm sorry. Ms. Ray, did you have a question of him? Okay.

MR. MOREAU: I'm Walter Moreau, director of Foundation Communities.

I've spoken with Ms. Boston about this. In the NOFA there's a rule that says that no -- none of the rent funds or CHDO funds can be spent in a participating

jurisdiction in a large city.

The concern we have with this is that -- we're very grateful for your support in the past in support of housing developments, like Garden Terrace and Spring Terrace, you've also supported some projects in Houston at New Hope.

We've been able to use some of the CHDO money for people with disabilities in support of housing, folks that in many cases may have been homeless. So this is a crucial source of funds. By state law you can't spend more than 5 percent of the money in a PJ, so it's only a couple of million dollars.

Our hope was that the NOFA could -- that sentence could be reworded, or at least clarified today so that in the event that you have unspent 5 percent funds that could be used in an urban area, you have the flexibility to invest those funds.

Right now you have applications for TDRA homebuyer assistance that may bust that -- or come close to that 5 percent task. But it's maybe moot. On the other hand you may have been two months find yourself an opportunity to invest a million or a half a million dollars for people with disabilities in an urban area.

So it's a minor technical clarification or

amendment, but I hope you'll give that consideration.

MS. ANDERSON: Thank you.

MR. CONINE: Could we get staff's response to that?

MS. ANDERSON: Yes. Jeannie?

MS. BOSTON: In response to?

MR. CONINE: To his suggestion.

MS. ANDERSON: Yes. How would you operationalize that if the board chose to do that? How would you keep track, you know, of the 5 percent?

MS. BOSTON: Oh, we had just talked about this.

MR. CONINE: Who are you?

MS. BOSTON: Brooke Boston, deputy executive director for programs. We would recommend changing the language. It's -- it would be permissive, although the opportunity may not exist. So the two [inaudible] disabilities sustain jurisdiction are out right now.

But we had -- the deadline is passed, and the applications exceed \$5 million. So reasonably, that roughly two million [inaudible] PJ has been applied for. However, in the event for some reason that they [inaudible], or we can't give an award for some reason, Mr. Gouris is asking that the sentence be deleted saying "prohibited," and if, indeed, after we gave the awards on

those two NOFAs, there happens to be any balance left, then based on [inaudible] would not be prohibited in the NOFA, and you could put in the NOFA.

MR. CONINE: Are you saying staff would be supportive of his suggestion? Is that what you're saying?

MS. BOSTON: Yes.

MR. CONINE: Okay. Thank you.

MS. RAY: Madam --

MS. ANDERSON: Yes, ma'am.

MS. RAY: -- I move staff recommendation, with the addition of the permissive language as recommended by the presenter.

MR. CONINE: Second.

MR. GERBER: Madam Chair?

MS. ANDERSON: Yes, sir.

MR. GERBER: Just to clarify. The NOFA then would be revised to say that a rental application may be submitted if a PJ -- in a PJ if the HOME units requested are serving persons with disabilities, but the submission will not be processed, reviewed or potentially recommended to the board unless there are a balance of uncommitted funds available from that 5 percent?

MR. CONINE: I think that's consistent with what everybody has said.

MS. ANDERSON: Okay. I have just one other question. Maybe if Mr. Hamby or -- which is this NOFA is -- well, it's a total of 16 million across the two NOFAs, open between now and June 2. And --

VOICE: Of 2008.

MS. ANDERSON: -- of 2008, and that's a long time to tie up that money. And so my question is, if we had an extraordinary occurrence, heaven forbid, that we then wanted to redeploy some of these dollars and do some, you know, extraordinary disaster situation or something, does the board have the authority to take up that kind of a change at some point in the future?

MR. HAMBY: Kevin Hamby, general counsel. The only prohibition against that would be actually our rules, which we are changing, so I believe that that will be incorporated into your new rules that you could make a public announcement, that's what would have to be done, and put it back in the *Texas Register* that we are withdrawing NOFA.

All pending applications that were in to be considered under the NOFA you couldn't pull [inaudible] --

MS. ANDERSON: Right.

MR. HAMBY: -- that they'd done that. You would have the ability to make an announcement that due to

lack of applications this time, or other good cause reason, that we're going to withdraw our NOFA and therefore put people on notice, give them a period of time to apply, and then withdraw whatever the amount is.

There are no administrative laws against it. We do have some internal rules that have --

MS. ANDERSON: Okay.

MR. HAMBY: -- not something against it, but have our policy set up that they'll be open before they're closed. So we would have to modify that somewhat. I don't know if that's going to be done in the next rule --

MS. ANDERSON: Yes, I'm not talking about withdrawing the whole thing, I'm just talking about if there were four million in applications inside for a \$10 million NOFA next March, and something happened, if we made -- if we followed your line of reasoning, we could redeploy part of the 10 million for good cause.

MR. HAMBY: Right. It would be -- it would take a little time, because we would have to post in the *Texas Register* --

MS. ANDERSON: Yes.

MR. HAMBY: -- so we'd have a notice period that -- we couldn't do it at one board meeting.

MS. ANDERSON: Okay.

MR. HAMBY: But you could put that notice out and then have those funds redeployed if necessary.

MS. ANDERSON: Okay. Thank you.

Jeannie, did you have something else?

MS. ARELLANO: Jeannie Arellano. I just wanted to clarify that. It is -- our current rules already allow us to close the NOFA, or modify the NOFA as long as we give public notice.

MS. ANDERSON: Okay.

MS. ARELLANO: Which I don't think is worth changing --

MS. ANDERSON: Right. Okay.

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.

Agenda item 1(g) is a NOFA for the Texas Veterans Housing Support Program.

MR. GERBER: We doing -- we're going to (f), aren't we?

MR. HAMBY: I think we're at -- right about (f)
or --

MR. GERBER: We're at 1(f).

MS. ANDERSON: Oh, I'm sorry. We just started
the one NOFA.

MR. HAMBY: Right.

MS. ANDERSON: And it's the same discussion,
both Mr. Moreau's discussion, my question, we would need
the same amendment to the NOFA that we just did. But the
other terms and conditions are the same except this is for
CHDOs not -- okay.

MR. CONINE: Move for approval with the
amendment.

MR. BOGANY: Second.

MS. RAY: 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.

Now we're ready for the Texas Veterans Housing

Support Program.

MS. ARELLANO: Jeannie Arellano, director of the HOME division. On May 10 the board approved the Texas Veterans Housing Support Program as included in the 2007 HOME trust fund funding plan. Staff is presenting a second NOFA for a million dollars for this program.

The funds will be utilized for the rental subsidies and homeowner assistance for low-income veterans. Up to three years of rental assistance will be provided, and home ownership assistance will be provided for one year one time for forgivable loans of up to \$35,000.

These funds are made available through the local revenue housing trust fund funds and are not subject to [inaudible]. If approved, the NOFA will be published in the *Texas Register* and posted on the Department's website.

MR. GERBER: I would just add, Madam Chair, board, this is a terrific pilot opportunity, using those flexible housing trust fund dollars to really help our men and women who are serving in the armed forces who are returning to Texas with devastating injuries to secure safe and decent housing with services attendant that are appropriate for them. So we're excited about this NOFA.

MR. BOGANY: So move.

MR. CONINE: Second.

MS. ANDERSON: Questions? Discussion?

(No response.)

MS. ANDERSON: I have just -- I have an amendment for the board's consideration. On page 1 of the NOFA in the section allocation of housing trust -- HTF funds, the second paragraph is consistent with our rules that applicants should target half of the units to families earning less than 60 percent.

That's actually a housing trust fund rule that is met, as I understand it -- and staff correct me if I'm wrong -- is met by the funding that we give to the Bootstrap program. And because we're going to, I believe, have a lot of new applicants for these funds that are not used to working with the Department, that are veteran support groups and so forth, and because this is not in fact a requirement because we've met that obligation with the housing -- with the Bootstrap program, I would amend the NOFA to remove this paragraph, and it still leaves 80 percent as the ceiling, because that is in the housing trust fund rules.

MR. CONINE: That's a motion. Right?

MS. ANDERSON: That's a -- that was a -- yes.

MR. CONINE: I'll second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The amendment carries. The main motion has been made and seconded. 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: The motion carries. Thank you. We now proceed to item number 2, which are credit -- appeals of credit underwriting reports.

Mr. Gerber?

MR. GERBER: Madam Chair and board members, you'll note that while your agenda indicates three appeals, one other appeal was timely filed and was

included in your books, so we will be hearing four appeals for this item. The additional appeal not reflected on your agenda is number 07141, Pinnacle at Pleasant Humble.

And Tom Gouris will be coming up to present each of these items. As he walks to the podium, let me just -- as a matter of reference, the staff has made its recommendations to you based on the QAP and the REA rules that this board developed and approved last fall and which were signed by the Governor.

All applicants had a copy of these rules and submitted applications for credits. The program is highly competitive, and we have more applicants than available funding, and this means that the decisions you make regarding appeals at this time could change the list that was published and is in your board book today.

Changes now may cause another development currently on the recommended list to be removed from the list, so we want the developments that you feel best meets our rules to be awarded. However, please remember that every tax credit will be awarded to a qualified applicant.

The first appeal is 07263, Constitution Court in Copperas Cove.

And, Tom, would you go ahead and roll that out?

MR. GOURIS: I would. Tom Gouris, director of

real estate analysis.

If I could indulge the board for just one minute, or maybe three minutes before we start, though, I want to express my gratitude and thanks for the staff for all the work they've done this year and in previous years.

And in particular I want to recognize one individual who is leaving us as of tomorrow: Lisa Vechetti, who's been with us for seven years; started out as an associate underwriter and is leaving as a manager of the underwriting division, has been my right hand, my left hand, my eyes and ears. She's been a great friend and a great co-worker, and will be truly missed.

She's going to go back to school and hopefully get her master's degree -- LBJ School -- and we wish her great, great luck and success, and she will truly be missed. And hopefully someday she'll come back.

(Applause.)

MR. GOURIS: The first appeal is Constitution Court. It's a 118-unit property in Copperas Cove. If you'll recall, last month we had an appeal on the HOME portion of this request, which was a \$2.9 million HOME request. It did not score high enough to meet the threshold score and therefore was terminated.

They appealed that termination, and this board

approved -- did not approve the appeal for the termination, and therefore there's a large \$2.9 million hole in the funding [inaudible]. In the appeal they provided no new information with regard to how they would support the additional \$2.9 million that they need to fill that hole.

They did, however, appeal the issue with regard to 65 percent expense-to-income ratio. That is the secondary issue in this case that we also did not recommend it because it exceeded the 65 percent expense-to-income ratio.

In support of their claim that it should, even though they're -- their application suggested that it did not, they supported in the appeal -- provided operating expenses for three properties, asked us to look at specific line items to try to drive that expense-to-income ratio back down, which is something that we might look at; however, in this case when we look at the two stabilized properties that they included, the overall expenses for those were actually higher than what they had claimed as expenses for this property, which would have even made a higher expense-to-income ratio based on the rent levels that they are trying to achieve here.

Therefore, we don't recommend that the appeal

be granted for the 65 percent. We don't recommend that the appeal be granted for the gap that still isn't there, and we just don't recommend this transaction.

MS. ANDERSON: I have public comment on this transaction.

Mr. Gloctezin?

MR. GLOCTEZIN: Madam Chair, members of the TDHCA board. I'm Emanuel Gloctezin, developer of Constitution Court. The purpose of this issue of the 65 percent is that we had figured our operation and maintenance at 65 percent, which is \$3,468 per unit.

Underwriting has -- came up with a higher number of \$3,630 per unit, which is 67.9 percent, which my argument is our number is within the 5 percent tolerance that's given either if you're under or over a number that underwriting comes up with. Thank you.

MS. ANDERSON: Thank you, sir.

MR. CONINE: Do you want to respond to that, just for my own education?

MR. GOURIS: Well, again, his initial application information had -- or I guess his revised application information had an expense-to-income ratio over 65 percent. He's providing new information and asking us to look kind of with blinders on to the whole

project just for those two line items to try to drive the expense-to-income ratio lower.

We don't think that's the appropriate way to look at the picture. We need to look at the whole, and when we do that, we see an expense number that's even higher still.

MR. CONINE: I move staff's recommendation.

MS. RAY: 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. GOURIS: The second item a property called Mid-Towne I Apartments in Tomball, Texas. This is a 54-unit rehabilitation development with USDA 515 assistance.

This property also has a 65-percent issue. In this case the applicant submitted an application with an expense-to-income ratio of 79 percent, I believe it was; almost 80 percent. And the underwriter agrees that it's equally high: 76 percent.

In addition to that, the property is -- has a 15-year affordability-period problem, in that by year 15 it reduces below the 115 debt-coverage ratio that we require. Typically on USDA deals there is going to be an ongoing operating subsidy that would mitigate these concerns. In this case there's not, and therefore we can't -- based on the rules that we have today, we cannot recommend it.

MS. ANDERSON: I have public comment -- excuse me -- public comment on this.

Mr. Hoover, then Mr. Farmer.

MR. HOOVER: My name is Dennis Hoover. Good morning, Madam Chair, members of the board, Mr. Gerber.

I assume that you all have had an opportunity to read my letter. I won't read it back it to you. The facts of the matter here is you have a problem with the income -- or the expense-to-income ratio. You can see that I've stated that on RD property you really need to come up with some different ratios and some different debt-service coverages for next year because of the fact that RD mortgage payment is only one -- it's a 1 percent mortgage for 50 years -- amortized for 50 years. And it's about 20 to 25 percent of the size of a regular mortgage payment.

My mortgage payment would be -- at 8 percent mortgage amortized for 30 years, it would be over four times what my mortgage payment is on RD property.

That skews the math. This is a 22-year-old property, and it's operated very well all those 22 years.

We've got a little money in the bank, a little more than RD requires us to. We're going to use that money to help rehab the property. REA's concerns are this property can't operate on a long-term basis.

But it can, it has, you can see there by my second letter there's -- we've got -- there's \$80 between our rents and the local market rents that we can use for rent increases in years to come as granted by RD.

My year that I just finished in 2006, my -- it was a healthy year for us. The debt-service coverage was 1.72. That sounds like a big number, but it's not on an RD property. But my expense-to-income ratio was still 68 percent, even though my debt service was 1.72, and that's not an unusual number for an RD property.

It's further skewed by the age of the property. If -- 22 years ago I might have had a 65-percent expense ratio. Over those years my expenses have gone up, my income has gone up, but my mortgage payment stayed very -- stayed the same. Therefore that expense-to-income ratio

just climbs every year.

And 65 percent may work well for a conventionally financed property; it doesn't work well for RD or somebody -- it doesn't work well for anybody that has a very small or no mortgage payment. And it doesn't work well for something that's 20, 25, 30 years old, where the mortgage payment has not changed.

Anyway, this property works well and will continue to work well, particularly if it's rehabbed. I'm not taking on any more debt.

MS. ANDERSON: Thank you.

Mr. Farmer?

MR. FARMER: Madam Chair, board members. Benjamin Farmer. I echo Mr. Hoover's comments, and if you have any more questions, I'd be glad to answer them, but I think he's covered the bases.

MS. ANDERSON: Thank you.

MR. BOGANY: Mr. Gouris, his comments in regards to the feasibility of his project, have you had any thoughts that maybe we need to look at our rules in regards to these types of projects in the rural areas?

MR. GOURIS: Yes. This is a unique situation, in that this is a USDA transaction that does not have any rental assistance. Our rules already provide for

mitigation when rental assistance exists as ongoing operating support, and that would allow the project to meet our requirement; therefore mitigate the requirement of not meeting the 65-percent rule.

In this case the rents are here (indicating) and the market rents are here (indicating), and this has been the case for this property for quite some time. And so as expenses go up, they've been able to increase grant and get USDA to approve that and that has allowed them to continue to be successful.

Should that not continue to be the case over time and they no longer have the ability to increase the rents, they have no ongoing operating support to then support the transaction, not just for the 65-percent issue, which obviously they're over, but for the long-term feasibility of the transaction because they'd have no way of getting those funds other than from the tenants, and the tenants won't pay any more because they're at the market rent then. Then the transaction will fail.

This is a unique situation. It's something that we might want to consider augmenting a rule next year to allow, in a situation where the expenses are -- oh, I'm sorry -- where the actual rents are still far below the market rents, that that also might provide some

mitigation. But that's not what we count today, you know, as far as our rules go.

MR. BOGANY: And basically what they want to do is rehab these properties and bring it up to more modern.

MR. GOURIS: Yes. They're -- I mean, they're going to, you know, refurbish them, put new appliances in and rooms and what have you. They're in fairly good shape. This is a, you know, great operator; they do a good job of keeping the property up. It's close to time for, you know, a major renovation. They have the ability to do that.

They own the property now, so as far as timeliness goes and, you know, how soon they have to do that, I'm not sure what their urgency is. We haven't gotten a sense that this property is in dire need of repair, and I think that that's the case.

MR. BOGANY: Okay. So you would recommend maybe next year we re-look at this rule to take care of rural properties in this position?

MR. GOURIS: At your direction, for sure.

MR. CONINE: Just say yes.

MR. GOURIS: Yes, sir.

MS. ANDERSON: I have a question that may be really more a scoring kind of question. This application

has many fewer points than -- there are other unfunded deals in this region that have many more points.

So my question is, how does -- does granting or not granting this appeal affect the scoring at all for this deal, and can someone come address that?

MR. GOURIS: While she's coming up, I'll give you a yes, it does; it always does.

MS. ANDERSON: Okay.

MR. GOURIS: Any adjustment, any change to that list will change the list, and something else will be -- will have to be --

MS. ANDERSON: I mean, because we're potentially changing what order the waiting list is in.

MR. GOURIS: And while they're coming up, the reason for the scoring differential is that this was USDA property and so it got -- it gets first crack at --

MS. ANDERSON: At the -- in rural, period, doesn't it. Okay.

MS. MARTIN: Audrey Martin, competitive HTC program administrator. I'll really just echo what Tom has said. The points matter a little less in this case because this deal was competing in both USDA and at-risk set-asides.

And the reason that this would -- if it would

be granted -- or recommend for award, is that we have so much money in the at-risk set-aside in Region 6 that we have more than enough for this particular deal.

MR. BOGANY: So it would not knock off -- knock another project off?

MS. MARTIN: It will certainly affect the -- potentially the regional collapse and certainly the statewide collapse, so there is the potential for this to knock off whatever deal is last in line with the state collapse.

MR. BOGANY: Okay. Let me see which was last in line. Okay. Thank you.

MS. ANDERSON: Further questions? That's it for the public comment.

MR. CONINE: I move staff recommendation.

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. GOURIS: The third transaction that has appealed is a property called Las Palmas in Los Fresnos, Texas. This is a 75-unit multifamily rental development that's proposing to demolish and reconstruct the 75 units of what today is single-family homes that are operated by the Housing Authority as housing units.

The applicant submitted with the application a property-condition assessment they took at face value and believed to be accurate that indicated there was very limited need for rehab, or relatively limited need for rehab and certainly not sufficient need to demolish and reconstruct the entire project.

Staff has recommended that the project not be funded. The plan is for reconstruction, and reconstruction is much more expensive than what we would have anticipated it to be based on a marginal SWIFT evaluation, but also much more expensive -- over twice expensive -- as what it would be if the rehab was completed.

I can go into details about the PCA and the discrepancies there. The original PCA had an error that had to do with the various acreage, and a number of the third-party reports have a similar error, and so we asked that they be corrected and received a revised property-

condition assessment on a disk that said, Final PCA, and it corrected that error.

All the documentation within the PCA complied with our requirements; it met all the HUD requirements and the [inaudible] standard requirements. The applicant has since indicated, through a letter by the PCA provider after the underwriting was provided, that that didn't meet those standards. I'm not sure how the PCA provider could actually say that since they signed a document that said it did meet all those requirements.

In addition to that, the PCA provider -- the applicant provided a revised PCA in the appeal that claimed considerably higher rehabilitation costs without going back down to look at the project, without providing any other support substantiation for why the cost for air conditioners, for example [inaudible] that were similarly evaluated at a reasonable cost initially was doubled.

So staff is not recommending that the appeal be granted, nor is staff recommending that this transaction as a reconstruction transaction be granted.

MS. ANDERSON: Public comment. Mr. Bill Fisher, then Mr. Saleem Jafar.

MR. FISHER: Madam Chair, there's four of us who would like to go on the record. Mr. Jafar is going

to --

MS. ANDERSON: Okay. If you all come -- you all just come forward so we can --

MR. JAFAR: I gave you my -- good morning; I gave you my --

MS. ANDERSON: I have it. Thank you.

MR. JAFAR: I'm here on behalf of the Cameron County Housing Authority; the vice chairman of the Board of Commissioners, and Mr. Javier Hernandez --

MR. HERNANDEZ: Thanks for hearing us.

MR. JAFAR: -- and Mr. Javier Hernandez, the executive director, are here also.

The application by the Cameron County Housing Authority is for demolition and reconstruction of 75 public housing units. Basically it's for preservation of the affordable 75 units. It is in the rural set-aside, has a score of 201, which is the second-highest score in the region and well within the funding scoring.

The housing -- this property is 25 years old. When public housing was built 25 years ago, it was not very well built because of the inadequate funding. And 25 years later Congress has not properly funded public housing, so it has been neglected; there's a lot of deferred maintenance.

So the Housing Authority, who has owned and managed this property for 25 years, made a determination that it needs to be demolished, reconstructed for preservation.

It has met with the resident council at the property. They support the application. The Housing Authority Resident Advisory Board has supported the demolition and the reconstruction. One of the questions that the staff asked in the material to you was the lack of preliminary HUD approval. There's no such thing as preliminary HUD approval.

The closest you can get to it is inclusion in the Housing Authority's agency plan annually, and it is in there, as well as the written support. But the HUD approval does not come until after you get an allocation of tax credits and you submit the application. But all required HUD -- but what is needed for the approval by HUD has been met as determined by the Housing Authority.

The other thing that the staff also mentioned in there was the lack of preliminary approval to -- for the project-based vouchers. The Housing Authority under federal law is allowed to allocate up to 20 percent of the vouchers. The Housing Authority has 1,006 vouchers; 20 percent is 201 vouchers, so it's well in excess of the

project-based vouchers for the 75 units that we have here.

Also, some of the units are going to be single-family homes. 100 percent of the single-family homes can be -- can receive project based vouchers. I think I asked you to support the application of the Housing Authority for this mixed-income development which will serve people up to 60 percent; some of them will be public housing at 30 percent of median income.

I'll be glad to answer any of your questions.

MS. ANDERSON: Thank you.

MR. FISHER: Madam Chair, I have a handout if I may?

(Pause.)

MS. ANDERSON: Go ahead, Mr. Fisher, and start.

MR. FISHER: Yes, my name is Bill Fisher. I'm here on behalf of the development working with the Cameron County Housing Authority.

The section in the board book was over 150 pages, so I took out two-page excerpts which are the first two pages in your book, and a color copy of the completed property condition assessment, which, frankly, having had to read, and most important looking at pictures in the back that show you the existing exterior and interior conditions of the property, this isn't win or lose.

This is a high-scoring application. Staff has underwritten the application. If the appeal's successful, they're recommending 547,000 in credits for the reconstruction of Las Palmas. In the event that we believe the draft rehab as an alternative, they're recommending 103,000 annual credits.

In your book is what was submitted by mistake, a draft property condition assessment which we ordered in February prior to the Cameron County Housing Authority making the decision for the applicant to do a demolition and reconstruction of Las Palmas.

The report went no further, on its face it says it's a draft, the report's incomplete, it doesn't meet the requirements for the property condition assessment, including the letter that is required from the property condition assessment that they asked for, the capital reserve analysis, the useful life analysis of which of these items of major assistance have remaining useful life, and then derives an analysis of how much additional monies we set aside for it.

The draft report that the staff is utilizing to not recommend this report does not meet the requirements and may have resulted in either a termination for failure to meet threshold or a significant deficiency on the

actual report.

As part of this exchange with underwriting, because this was not an issue during scoring or threshold review, we offered to provide a complete property condition assessment that took into consideration not only the current conditions but the Housing Authority's desire to modernize the property, and that is the substantial difference between the draft rehab and the completed report which is in your book and separated out in the notebook that I gave to you.

If I were trying to get to staff to allocate credits utilizing an incomplete draft report, there wouldn't be any possible way we'd get by underwriting; they would never use this report to recommend credits. They'd either get a completed report they were happy with or they would terminate the application for failure to provide a proper report.

We offered to provide the completed one, the completed one was provided to staff, and that is in your application book. It costs way more to rehab and modernize this property than it does to simply to demolish and reconstruct.

There's an issue raised, and I want to make sure that -- the only issue, I understand, in this appeal

is simple. We're either going to rely on a draft PCA that the staff wants to hang their hat on that doesn't justify a reconstruction, or we're going to use the completed one that clearly supports the project, which has already been underwritten for financial feasibility and credit award, if you all allow reconstruction.

There's an issue raised regarding the site-work cost in the second property condition assessment. Why is it so high? That's the crux of the issue. You can't fix the problems on a property like this with all buildings currently in place as you try and fix the drainage problems, restabilize the soil, and remove all the utilities from underneath the buildings and the slab, replace them and bring them up to completed standards.

It's clearly [inaudible] and this is the reason why Cameron County, who zones the property, knew long before our property condition assessment was even complete that the right thing for Las Palmas and these rural public housing residents was simply to demolish Las Palmas and rebuild it brand new.

It was a better use of the dollars for them and for this award. This is a worthy project. The application, other than this property condition issue, as I mentioned, does support reconstruction. It is financial

feasible. The Housing Authority provided financial support for the project, they will be allocating project-based vouchers, they're contributing the property.

The county has facilities around here to support these residents. The Headstart building is adjacent to this facility; the county-area Boys and Girls Club has a building next to the facility, and the county also maintains ballfields adjacent to the facility. So this is a project that has obviously complete community support.

What we're asking the board to do is simply use a report that would -- really met staff's standards. I think staff's really handed it to us to some extent, because what they've said -- if you'll simply look at the pictures at the back of the condition of Las Palmas -- shifting foundations, rotting wood, old outdated appliances, the interiors are water damaged, the roofs clearly in need of replacement -- the recommendation, if you use the report they want to use, is 100,000 in credits, which at current prices will provide \$900,000 to fix those problems, and that just does not make any sense, and never did.

So we're asking the board to use the completed property condition assessment, if they are even going to

use a property condition assessment, and recommend granting our appeal, which will put us on the list to fund this project.

MS. ANDERSON: All right.

MR. BOGANY: I have --

MS. ANDERSON: Thank you.

MR. BOGANY: -- a question for the gentleman.

MS. ANDERSON: Yes.

MR. BOGANY: Now, if you come back -- well, if you come back and -- say we grant your appeal -- and staff is making a recommendation in regards to the rehab, and you're saying it's cheaper to just raze it and then come back and rebuild.

MR. FISHER: We would -- that's right. We would not accept a rehab allocation. It does not even anywhere come close to fixing this.

MR. BOGANY: Okay. So what chances do we have that next year, six months from now, you'll come back and say construction cost is up and I need some more credit?

MR. FISHER: I have never done that in the 10 years with the agency, so I'm not sure that that's -- I mean we won't do that, I guess is my point. We --

MR. BOGANY: Okay.

MR. FISHER: -- are experts in this business;

we know construction costs. Unless there were a hurricane impact, which you all took into consideration for all applicants, I think even staff in the recommendation agrees it's properly costed for demolition and reconstruction.

MR. BOGANY: Okay. One last question. As far as green, environmental, energy-efficient, what do you guys plan on doing --

MR. FISHER: Well, everything. Thirty-year roofs, which require an extra stability because this is a high wind-storm area, exceptional insulation, all Energy Star appliances; we're talking about all of the interior insulation being this R-30 factor, which is the most up to date.

Obviously these are stick-built units. The County Housing Authority has a feature that -- which will continue, solar panels will be left, or reinstalled, on the roof, which helps keeps the overall utility bill down, not only for the residents but for the property operations.

MR. BOGANY: So are you going to keep the existing solar panels, or are you going to bring in new ones?

MR. FISHER: It'll be new panels.

MR. BOGANY: Okay.

MR. SALINAS: Let me ask a question. Were these units underwater last year?

MR. FISHER: Well, they -- oh, these units have sustained water damage. I can't tell you in Cameron County whether the hurricane actually -- whether it actually flooded there.

MR. SALINAS: But they have a good drainage system for the new construction?

MR. FISHER: We will have some -- that's kind of the cornerstone of what's being done here, because the whole site needs to be repositioned so that it drains properly and that these units have a foundation in stable soil so they're not going to move and they're not going to get wet.

MR. SALINAS: So you don't think you can rebuild this -- I mean, just repair them?

MR. FISHER: It cannot be. We were not asking an award for approval of rehab. The allocation recommended in there is insufficient.

MS. ANDERSON: Any other questions for this witness?

(No response.)

MS. ANDERSON: Thank you.

Mr. Shackelford?

MR. SHACKELFORD: Madam vice chair -- Madam Chair and vice chair, the board. I'm John Shackelford, representing Cameron County Housing Authority and the developer on this.

I can tell some of you may be a little confused, and I'm going to try to confuse a little bit more and tell you I don't think the property condition assessment should even be culpable in this particular situation. My client made the mistake in calling the Department, and the Department -- it was an unfortunate -- compounded mistake by the using it.

And this is not a rehabilitation project. The application made a request for demolition and new construction, and I don't see where the rules -- real state analysis rules that the property condition assessment applies to this particular situation.

So I would ask the board to not address the deficiencies in the property condition assessment. Under the real estate analysis rule 4431 it says that, if the property condition assessment requires rehabilitation. Then you go to the guidelines, and 123.6 talks about new reconstruction and [inaudible] under reconstruction. But it's all under the whole thing of rehabilitation, and

that's not this project.

So I would ask the board to do away with looking at the deficiencies in property condition assessment drafts and finals and grant my client's request for credits to rebuild the property. Thank you.

MS. ANDERSON: Thank you.

MR. SHACKELFORD: Any questions?

MS. ANDERSON: Thank you.

Is Mr. Robert Thompson here?

(Pause.)

MR. CONINE: Could we get Mr. Gouris to answer --

MS. ANDERSON: Yes. This is last witness.

MR. CONINE: Oh, I'm sorry. I thought we were finished.

MR. THOMPSON: Good morning. My name is Robert Thompson, PCA Consultants, and I'm here to testify that we issued a draft report for the benefit of the developer to review, comment, and get back to us to revise it for a final report, and that was inadvertently passed along to your staff.

And we never intended for you to have the report, the draft report. We expected some feedback from the developer before the final report was issued, and

anything we issued in the draft was subject to review.

Thank you.

MS. ANDERSON: Thank you.

Mr. Gouris?

MR. CONINE: Could you address Mr. Shackelford's comments please?

MR. GOURIS: Sure. Tom Gouris, director of real estate analysis.

The -- I mean it's pretty clear in the application that anything that's provided in the application is information we should take and consider, anything we find outside the application is information that we should take and consider in evaluating what the project is and is going to be.

I don't think it's fair to suggest that information in there we should ignore. One of the things that we -- one of the things we pride ourselves on is looking and making sure that things tie together, that something in one part of the application ties to another part of the application.

And we get busted a lot by not -- for not catching those things. Here's an instance where there was, you know, a big red flag telling us, hey, this deal does not need to be reconstructed. Clearly in this

instance it doesn't need to be reconstructed.

When we talked to the appraiser on the subject, he was concerned about this and another transaction that they proposed to do partial reconstruction on, and we have very serious concerns about the desire to reconstruct. It's not necessary.

And we'll be suggesting or proposing some new rules with that regard, because in some instances this is something that could be very abused. And we're feeling like this is a clear situation where much more funds than are necessary are being proposed for this transaction.

MR. SALINAS: But you don't think that they need -- have you been there? Who went to see them?

MR. GOURIS: Staff -- manufactured housing staff I believe went to see the property and found it to be --

MR. SALINAS: They're about 25 miles from the Gulf, and I don't see how the Housing Authority in Cameron County would try to do something like that that is not feasible. But they're trying to build new housing, because I think they think they need it, especially when you have them out close to the Gulf.

MR. GOURIS: Yes, sir, I understand, and I understand the need for that. There are significant

incentives from HUD to do reconstruction -- to do demolition and reconstruction, because they want to see -- old tired properties that can't rehabilitated they want to see reconstructed, as I think this board wants to see as well.

But I think we want to do that in an efficient and effective manner, not try to demolish something that's 25 years old, that's all single-family construction, that is -- at this moment, according to the PCA, even the most recent PCA, has no immediate needs for repair.

All the repair that they've talked about are to extend its life, and that what they're going to reconstruct is going to reduce the net rentable square footage to the tenants by 9,000 square feet. So I mean, we're going to end up with something that's much more expensive and much -- has much less value to the tenants by being that much smaller.

MR. SALINAS: But what do you think they should do?

MR. GOURIS: I think we should -- I think they should come -- since they own the property, they have the ability to come back again next year. Not -- maybe not this developer, but the property owner does, and they should recraft their application and consider what they

truly need to have --

MR. SALINAS: Redone.

MR. GOURIS: -- rehabilitated and -- or make a stronger case for reconstruction, which I just don't think is there.

I can point out some more difficulties with the PCA -- between the two PCAs. I mean, if you look at page 2, the first page of the letter of the PCA that I think you just received, you'll see the word "draft" in that version as well. So I'm not sure which draft we're supposed to be comfortable with, but I really do believe that the first draft, or first report, met all of our requirements.

Clearly it's not a negotiating tool for the developer to say we need to throw some more stuff on this so we can get it over some hurdles.

It's -- what the PCA is supposed to do is supposed to tell us, this is what's needed here, this is what the developer proposes to do, and this is reasonable or not reasonable. And we rely on that kind of information. And we did in this case, and we should --

MR. SALINAS: They're only 25 years old?

MR. GOURIS: They're only 25 years old.

MR. CONINE: Tom, when did the increased costs

occur on this deal? Was it at the original submission, or was it a subsequent submission?

MR. GOURIS: By increased costs you mean their desire to reconstruct the property, or the increased costs --

MR. CONINE: My understanding is their application stated they were going to reconstruct the property from day one.

MR. GOURIS: It did.

MR. CONINE: And did it have a budget in there?

MR. GOURIS: They had a budget in there.

MR. CONINE: Is -- do we have the same budget now that we had then?

MR. GOURIS: More or less, yes, sir.

MR. CONINE: More or less. Okay.

MR. GOURIS: But the PCA itself went from \$2 million or thereabouts in rehab costs based on what the needs -- what they thought the needs would be to bring it to a 35-year or extended-life period, to now I think it's over \$6 million in what the current the PCA budget is for rehabilitation, which is extraordinary; information came after the report was completed and it's new information.

And it's not very -- frankly, all the comments about staff being uncomfortable, we would be uncomfortable

with that PCA; the new -- the one that you just received today, we'd be uncomfortable with that PCA. We'd challenge that PCA because a lot of the costs in there are excessive. Site work costs, for example, are \$15,000 per unit, on a site that's already developed and isn't having drainage problems as was the contention that was --

MR. CONINE: Move staff's recommendation.

VOICE: Second.

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.

VOICE: No.

MS. ANDERSON: Motion carries.

We are going to take a break after this next appeal.

VOICE: Good.

MR. GOURIS: This last appeal is an interesting appeal for underwriting because --

MR. BOGANY: Where's the information on the next appeal?

VOICE: It's in the back.

MS. ANDERSON: It's -- please help us keep order. Thank you.

MR. GOURIS: It's an interesting appeal for underwriting because it's actually appealing that we actually gave them what they requested originally. They're asking for staff to look at a reduced request that was determined as we were finishing the underwriting, as we got closer to knowing how money was available in this region.

The request was for \$1.2 million, and we went through and did a thorough evaluation, looked at costs, you know, did all the things that we do that we get an incredible amount of grief for doing, and weren't able to make any adjustments based on what they requested.

So -- but as it turns out, this region is -- you know, it's a huge region; it was -- had not quite enough money left over to fund the full \$1.2 million, and the applicant came back, as an appeal to underwriting, to ask that we I guess look at a reduced amount.

And we -- I mean, I don't believe it's an underwriting appeal, first off, but I also don't believe that it should be recommended -- that it should be approved. I think the original underwriting stands as

what the applicant asked for.

I should point out there are nine other regions -- subregions in the state that have a similar circumstance. None of them are this close; only one of them is over half of what's missing, and the -- what's left in the region could go to fulfill half of the projects's needs, but most of them aren't nearly as close as this.

But this is a real slippery slope for us. We had a situation like this last year. The applicant, instead of asking for a direct award, asked for a forward commitment, and this board said, you know, no, that's a slippery slope, you know; well, try again next year. And that's unfortunately the way [inaudible].

MS. ANDERSON: I do have one witness on this transaction.

Mr. Shackelford?

MR. SHACKELFORD: Madam Chair, vice chair, members of the board. My name's John Shackelford here on behalf of the applicant.

And I'm asking you for the board to use its discretion in this regard where I understand my client has submitted information past the original application. I understand that there's policy consideration for the board

[inaudible] to take that into consideration.

But I do ask that the board use its discretion in this regard where you have an applicant that has scored well; we've got [inaudible] left over in that region, and that we're not asking the board to do something that is a stretch; we're just asking for more time, more leniency, asking for anything more, but asking for something that is less.

And we respectfully request the board in this instance to grant this appeal so my client will be able to pursue this project. If you have any questions, I'll be glad to answer them.

MS. ANDERSON: Thank you.

MR. SHACKELFORD: Thank you.

MR. CONINE: Do we have a million one left in this region? Staff?

MS. MEYER: Yes, there is a million one [inaudible] another application. However, on this particular application they're asking for a reduction under the cap, and we've approved them at the cap. And what their appeal is is to allow them to reduce their amount so that they will receive the award.

It will affect the under/over regional state [inaudible]. So another application [inaudible]. In

answer to your question, yes, it would be that another application will fall.

MR. CONINE: Okay.

MR. SALINAS: I'd like to make a motion. I move that we accept staff's recommendation.

MR. SALINAS: 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.

MR. CONINE: No.

MS. ANDERSON: Motion carries.

MS. ANDERSON: That concludes the underwriting appeals. And we're going to take a ten --

MR. CONINE: Put that on the list -- yes, ten minutes.

MS. ANDERSON: -- ten minutes' break.

(Whereupon, a short recess was taken.)

MS. ANDERSON: If I could ask you to take your seats, please? Thank you. Thank you.

(Pause.)

MS. ANDERSON: As we come back to order, I want

to first thank State Representative Jim Murphy for sponsoring our usage of the auditorium today. He's the State Representative from Houston. We really appreciate his support in enabling us to use this great room.

We now proceed to agenda item -- there were no housing tax credit appeals, so we proceed to agenda item 3(b), which is possible action on an inducement resolution for Costa Clemente in Angleton.

Mr. Gerber?

MR. GERBER: Madam Chair, board members, item 3(b) is a request for the issuance of tax-exempt bonds. Inducement resolution 07-023 includes one application that was received on or before June 14, 2007.

Staff notes that an application for housing tax credits was previously approved by this board at the June 14, 2007 board meeting with Southeast Texas Housing Finance Corporation as the issuer of the bonds. However, the applicant was not able to close before the expiration of the reservation of allocation deadline of July 14, 2007.

The application today will reserve approximately 11.5 million in 2007 state volume cap. Upon board approval to proceed, the application will be submitted to the Texas Bond Review Board for placement on

the 2007 waiting list. The board has previously approved 24 applications for the 2007 program year. Eight applications have been submitted to the BRB.

It should be noted that approval of the inducement resolution does not assure that this development will ultimately receive approval for the issuance of private activity bonds.

Costa Clemente Apartments is a proposed new construction development to be located at approximately the 1100 block of West Highway 35 and Highway 288 in Angleton in Brazoria County.

The Department has received 142 letters of opposition from individuals in the community, and a petition with 140 signatures. It is possible that those who submitted letters also signed the petition.

The Department has also received letters of opposition from State Senator Mike Jackson, Representative Dennis Bonnen, County Commissioner Matt Sebesta, County Commissioner Donald Payne, who does not represent the district for the proposed development, as well as Justice of the Peace Wayne Dubose.

The Department has received a letter of support from Mayor Patrick Henry and Senior District Judge Neil Caldwell. The Greater Angleton Chamber of Commerce also

voted in support of the development.

Letters of support from Mayor pro tem Roger Collins and City Council member Bonnie Church were sent to County Commissioner Rhodenbaugh of which the Department was forwarded a copy. However, the Department has not received any letters from these elected officials directly.

Additionally, 17 letters of support from individuals in the community were received, however, it should be noted that some of the letters come from individuals who do not live in the City of Angleton.

A neutral letter from school board president Steve Hazelwood and school superintendent Dr. Heath Burns was received which stated that they are not aware of any unmet needs regards affordable housing in their district and that they have concerns within nearby neighborhoods regarding traffic and pedestrian safety.

A summary of the public comment in opposition is as follows: the property will create increased traffic around the elementary and middle schools that are close to the proposed site; that crime -- potential for crime in this development will bring -- will negatively impact school children and the elderly in a nursing home nearby; that there's limited or no public transportation.

The developer was potentially misleading in indicating that they had full approval from the city when at the time they did not on the previous application; and that current drainage problems in the area and the increased concern for flooding this development will bring to area homes; insufficient tax revenue that would be generated from the development; and concerns about the land acquisition value and site cost per acre.

Also the belief that the proposed site would be better utilized for retail development due to its proximity to major thoroughfares near the entrance to the City of Angleton; as well as additional strain that could potentially be placed on local resources, including the school district, emergency services, and surrounding homeowners who will see a potential decrease in their property value; and lastly that this might not just be the best use for this site and that many city residents would prefer to see another use, including retail or commercial at this intersection.

A summary of the public comment in support of this development is as follows: that the after school program for the children of working parents is needed in Angleton, and it's something that the city has never had; that the development could potentially strengthen the

infrastructure of the community and provide needed relief for those who need clean, comfortable housing at an affordable price; and that the location would provide safe and convenient access to the nearby elementary and middle schools.

The applicants have submitted their pre-application to the Department to serve as the issuer because the local County Commissioner's Court did not take action on the issue and because of the applicant's view that they can supply quality affordable housing in an area that the market study clearly states is in need of additional units.

Staff is recommending approval of this inducement resolution which is 07-023, and we know that there is extensive public comment, and we appreciate the public working with us to get that comment as we prepared our board book and the materials you have before you today. And we look forward to that comment.

MS. ANDERSON: As Mr. Gerber says, we have a lot of public comment on this development, and so it's often hard sometimes to know what to do with all this public comment.

I think what we'll do is just alternate comments from people that support the development and

comments from people that oppose the development, rather than doing all of the pros and cons in big blocks.

An the first witness is Debra Guerrero.

MS. GUERRERO: Thank you, Madam Chair. My name is Debra Guerrero, and I represent the NRP Group, the co-applicant on the development, along with the NRC, non-profit, who is our local non-profit, who is as well an applicant.

I want to assure the board that we have met all of the requirements of both the bond and tax-credit applications. The appropriate notifications were sent out, we did have the TEFRA hearing for the tax credit, and there was no opposition.

I also would like to pass out a presentation of the development, as well as on page 4 a chronology of where we were in terms of soliciting support for the development in Angleton. And you'll see that early on we solicited the support of the Mayor of the City of Angleton.

We also received letters from the city stating that we met all of the requirements in terms of their master plan. And since that time we have received all of the building permits necessary, we have a ready permit letter, and met all of the qualifications.

Today we have with us -- and you've heard that there was absolutely nobody in support of this development from the opposition, however we do have members of the community that are here today, some of which will speak and some of which are just here to be supportive, that do live within the area of Angleton.

We have housing advocates, community members, and we also have LULAC representatives who've been working with the housing advocates in Brazoria County.

This is a partnership with the city in terms of addressing the concerns that you've heard from the surrounding neighbors. Safety, land use, drainage, and traffic, and children. We've addressed safety issues with our courtesy officer program and our screening, which, as you know, is in most of the developments both tax credit and bonds.

With regards to land use, we have the appropriate zoning. It was zoning that was -- it was rezoned in 2006, and, in fact, the County Commissioner who is against this development, Commissioner Sebesta, was the Mayor on the city council that approved the rezoning to multifamily and retail of this particular development.

With regard to drainage and traffic, we have a TIA study that proves that there is not any negative

impact with the development of the multifamily, and over \$1.6 million in public infrastructure to address drainage needs. And, again, working with the City of Angleton is how that particular figure was come up with.

And more importantly, the children, and that is a big concern of all of ours. And, in fact, we have young people with us to day who I'd like to have stand. They wanted to speak, but in the interest of time. These are the faces of the young people that will be living in our property there in the City of Angleton.

As far as resources, we have our market analyst here, we have our civil engineer here, we also have our non-profit partner, and we're all available to answer any questions that you might have. Thank you very much.

MR. FLORES: Miss? Miss, don't go away.

MR. GUERRERO: Yes, Mr. Flores.

MR. FLORES: Why is it the Costa Valencia in San Antonio, it's photographs are in this document?

MS. GUERRERO: Oh, I'm sorry. That is an example of what Costa Clemente -- and example of the quality of the work that NRP and our partners build, develop and manage. And Costa Valencia, that's an example of what the development in Angleton will look like. It's the same architecture.

MR. FLORES: Oh, you're saying -- but, yes, but is their development going to be somewhat similar to this?

MS. GUERRERO: Yes, sir.

MR. FLORES: Okay. Thank you.

MS. GUERRERO: Absolutely.

MR. FLORES: Thank you.

MS. GUERRERO: And in fact the city -- both the Mayor, the City Manager and the Chief of Police, and our economic development director from the City of Angleton, that's the property that they visited.

MS. ANDERSON: The next witness is Linda Carroll, and then the next witness will be Mary Ruth Rhodenbaugh.

MS. CARROLL: Madam Chairwoman, board members, thank you for this opportunity. I represent some of the people that are opposed to this project.

Please bear in mind one thing, the company, NRP, stands to make money. The foundation that's selling the land stands to make money. I don't think that the altruistic motives are as much a factor as the money making motives. We are the only group that do not stand to make money on this.

I would entertain that if they were donating the income from the land and from the building that I

would be much more inclined to sit there and listen, that it's for the children.

I'm here for the children in terms of safety. They've said in a committee meeting -- in the Commissioners meeting that they would build a sidewalk, they said it out loud. There's no room to build a sidewalk. There's no room.

It's one of the busiest intersections of two major highways in our area, and how they would do that, they would have to go through school property, they would have to go through nursing home property, and they would -- it's just not feasible that they'll be able to build a sidewalk for these children.

It's going to take one child being run over, one child being hurt trying to get to school. That's my focus today, that and the fact that this is not an altruistic situation for the poor people of the city. Most of the people that live in our subdivision are moderate to middle income. They're not wealthy, and we're just trying to save what we have and save our children. Thank you.

MS. ANDERSON: Thank you.

Ms. Rhodenbaugh? And then the next witness is Charlotte Yoes.

MS. RHODENBAUGH: Madam Chairman, board members, I'm Mary Ruth Rhodenbaugh, Brazoria County Commissioner since January 1, and 16 years prior to that volunteer executive director of our local Habitat for Humanity affiliate.

I am not here to speak on behalf of my colleagues on court, nor on the behalf of Habitat for Humanity. But I do base my philosophy on experiences and observations that I have had in those past careers. There is a need for affordable housing in southern Brazoria County. I've seen it first hand, visiting with families who have applied for Habitat housing.

I have learned two things in my careers. One is I do not believe in give away programs, and number two, I believe that every individual should be responsible for their own situation. However, we have to give them opportunities so that they can be responsible for their own situations.

And there is not enough affordable housing for our working citizens. Sometimes we interview families where mom and dad both work at minimum wage jobs and they have to have some clean, simple, decent, affordable, safe dwelling to raise their children. And I urge your approval of this project. Thank you.

MS. ANDERSON: Thank you.

Ms. Yoes, and then the next witness will be Mildred Wauson.

MS. YOES: Mr. Gerber, Chairlady Anderson, and other board members, we appreciate the opportunity to be here today. Following Mary Ruth Rhodenbaugh is a challenge. She's a co-worker with Habitat. I have visited just a tiny bit what she's understanding.

I would addend one statement, that in order for the people to be able to -- I'm Charlotte Yoes, Angleton, Texas. That's on my sheet here, but I wasn't reading it.

I take the opportunity to tell you this because I am a former teacher, having worked in the Angleton Independent School District some 26 years -- total of 26 years with incoming amount. Having retired after that, I still have a great -- quite a zest for children and their needs for a proper education, proper housing situations where they're coming from home to a school room on a morning when they may not have much food in their stomach to be able to accept the challenge for the day.

I have with me also and have furnished with you, a list of 15 folks who have okayed our being here at this, in addition to the folks who are sitting in various

chairs around the room today who support this situation and would like to have their name added in to the group of numbers that you already have, having gotten into this just a little bit late in the year, because we didn't get enough information public-wise for us to be able to take advantage of our preparation to do this.

But I think the additional tax that Mary Ruth talked about that we need to have them to give of themselves to earn their sweat hours for that, that's true. They also need to be able to pay their taxes, and I think this unit is going to be perhaps taking some of our tax monies away from the other projects in our city that are desperately needing to be attended to.

I yield the rest of my time to Mr. Wayne Oswald.

MS. ANDERSON: And we'll hear from Mr. Oswald next, after Ms. Mildred Wauson.

MS. WAUSON: Thank you, Madam Chairman, and committee members. My name is Mildred Wauson. I am the director of the St. Thomas Center.

We're a social service ministry of Holy Trinity Catholic Church and a division of the Catholic Charities of the Greater Houston-Galveston archdiocese. We're located in Angleton, Texas and we're supported by eight

Protestant churches as well. We consider ourselves to be a great ecumenical movement for the needs of the poor in our community.

We offer food, clothing, and financial and medical assistance to the people in our community. Today I ask to speak not only for myself, but also for this wonderful group of people that came with me. You'll see us all wearing badges -- come on, guys, stand up.

I realize that the comment was made that we didn't get in touch with you early. I'm sorry for that. I did try to actually batch e-mail you a bunch of support letters. For some reason it didn't come through. I would like to submit them now. We do have letters of support from our community.

I have lived in Angleton almost 60 years. I've seen it grow from a small town in population to almost 20,000. My husband of 35 years, and my grown children and grandchildren live there now. We know the needs of our community.

If I thought for a moment this development would cause spiritual or physical harm to anyone in our town, I'd be the first to oppose it. But as a person who spends each day working to bring justice to all our community, I must support this project. We need

affordable quality housing.

Since the start of the St. Thomas Center in 1995, I've seen a dramatic rise in the number of mid- to low-income families in our community. Yes, we do help the indigent also, but our mid- to low-income clientele has risen far faster than our indigent.

The majority of our clients are not people who don't want to work. It's just the opposite. The majority of our clients are hard-working, mid- to low-income people struggling to pay the ever increasing cost of utilities, rent, food and transportation.

I believe the median income of our area is about \$49,000 a year. We are not a high income area. These people have the same needs as everyone in this room. They worry about their families, they struggle to survive, they want better for their kids.

I've heard that it would be a strain on our town. My answer to that is every time a new developer wants to development something, somebody comes up with, oh, it's going to be a strain. Well, we've always met the needs of everything that's been approved. It happens. That's called growth. It's also called progress.

I believe my -- I have time yielded from Belle Kibodeaux?

MS. ANDERSON: Okay.

MS. WAUSON: As a tax paying member of my community, I see a wonderful tax growth for my town. The location, my concern is -- my question is, well, why not? We have quality space, willing sellers, and willing builders. Something's going to be built there. It's inevitable.

Why not something that would affect the life of many people in our community to a positive nature? I would prefer to see a beautiful apartment complex where safe housing can be afforded, as opposed to some of the things I've envisioned.

In the growth history of Angleton, we've been riddled with complaints from people not wanting things in their backyard. But much to the dismay of many protesters, growth has happened, and Angleton is growing, and it'll keep growing.

It was stated before that we don't need low-income housing, that we were even read a letter that there were 35 empty low-income housing units in Angleton. So I investigated that because I didn't understand that. I've been doing this for 15 years, and every time I look around we can't find housing, especially not affordable housing.

So I did do some investigation. I spoke with

the assistant apartment manager at Lexington Square Apartments, which was the apartment complex brought up -- mentioned, about the "35 apartments that were empty". She said, I don't know anything about 35 empty apartments. She said, I think we have three to five, but they're uninhabitable. We can't put a dog in them. So that's my answer to that particular statement.

Our school superintendent's letter of not being aware that there was a need, well, you know, I support him, he's a very good superintendent, but he's a very busy man. He doesn't actually have time probably to address the home needs of families. But 49 percent of our school district is on free and reduced lunch programs. Where do they live?

It's been said that there could be a problem with drug, alcohol, gangs, rapists, pedophiles, bringing that into the surrounding neighborhoods. Well, everyone has that fear. No one wants that type of neighbor, not even the mid- to low-income people.

Our law enforcement is constantly working on that issue. I have statistics -- I've read statistics from the Family Watchdog on the internet that all of you have access to. There's documented 35 sexual offenders of adults and children in all of our neighborhoods right now.

There's also 26 non-mapable ones. See it's not that they're going to bring them to that location. They're everywhere anyway. That's a constant work for our law enforcement.

The group of most -- of citizens most likely to benefit from this project are mid- to low-income.

I also have time yielded --

MS. ANDERSON: I need you to wind up.

MS. WAUSON: Okay. Okay. I'll hurry. In closing I'd like to say these apartments are not for the affluent; they're not for the doctors, judges, lawyers, and so on, but they are for the clerks, the secretaries. We have eight penitentiaries in our system, in our surrounding area. People are driving from Harris County because they can't find housing. We need it.

There are -- it definitely is needed, and it is possible with your approval. Thank you.

VOICE: Thank you, ma'am.

MS. ANDERSON: Thank you.

Mr. Oswald, and then the next witness will be Melanie Oldham.

MR. OSWALD: Good morning, Madam Chair, and members of the board. My name is Wayne Oswald. I'm a resident of the City of Angleton.

And I'm here to speak in opposition of this project, but more specifically I'm in opposition, and I represent some others as well, of the use of tax-exempt multifamily residential development revenue bonds to fund this project. And for several reasons.

There are -- and I have some data here that I will leave with you, information on existing apartments in Angleton that, again, would point to the fact that this Costa Clemente project is not going to provide the affordable housing that they claim they will.

If you take a look at this data, you will see that there are several existing apartment units, many of which were built without public funds, built by private funds, that have the same rent structure, same or less than what is proposed by the Costa Clemente project. And so by that I don't see how they would even qualify as affordable housing.

Another item that I want to point out here is that this project would receive 50-percent tax abatement of the appraised value of the property on all but eight of its units, and this would place an unnecessary burden on the rest of the taxpayers of the city; give them an unfair advantage over these privately built units as well.

The other thing that I want to talk about here

a little bit -- I'm a little bit familiar with the process that goes on here. I'm chairman of the Texas Skills Standards Board. And I know that we get recommendations from staff, we get briefing materials from staff, much like you have. And it was -- the information was read earlier.

I also know that we typically will take into account what staff recommends, and we'll usually agree with them, but not always. We don't have the obligation to do that. We have an obligation to take a look at all of the material, all of the information presented and make our decisions based on that.

And so with that I want to point out some things that were outlined in the briefing materials here, some discrepancies, and I want to clear up some things.

First of all, information here says that there were 167 letters; I believe -- that's the information that I have; I don't know if that was the number that was presented earlier -- received in opposition, and there are 140 signed petitions. And, yes, there's some duplication; in other words, some of those that signed petitions also sent letters in. No problem with that.

To point out, though, that there were only 32 letters received in support of this project, and

approximately 69 percent of those came from individuals who do not even live in the City of Angleton, nor do they live in the proposed service area proposed by this project.

Several of those that wrote letters indeed work for Brazosport Independent School District; one is even a board member. And so that's not representative of an interest in the city of Angleton.

You also noted that there were several letters of opposition sent in from public officials; the County Commissioners that were listed, the County Judge, who was I don't think mentioned there, but he's also there.

And I thought it was kind of interesting that -- you heard from one of the Commissioners, Commissioner Rhodenbaugh, and I thought it was kind of interesting that during the County Commissioners meeting where this was discussed and acted on -- actually no action was taken -- she didn't have anything to say either for or against this project. So I thought that was kind of interesting.

Now, some other things that were brought up in the briefing materials, some of the outlines that you were given, the statement, The after-school program for children of working parents is needed in Angleton, and is

something that the city has never had, is simply not a correct statement.

MS. ANDERSON: This gentleman has three people yielding time to him.

MR. OSWALD: I'll try not to take all that time.

MS. ANDERSON: Okay.

MR. OSWALD: I'm really not --

MS. ANDERSON: That's usually a good idea.

MR. OSWALD: Yes. Yes.

MS. ANDERSON: Our ears get tired.

MR. OSWALD: Oh, I understand. Like I said, I've been in your shoes frequently, so I know exactly what you're up against.

But to address that issue about -- or that comment that the after-school program for children has -- doesn't exist there in the City Angleton. Actually it does. There are three programs.

There's an after-school program managed by the Boys and Girls Club volunteers. It exists at one of the elementaries, Frontier Elementary, and it targets at-risk students and others of working parents. Buses also run from the other campuses so that students at other campuses can attend this as well. There's also a program called

Communities in Schools. It's a publically funded program for older at-risk students.

In addition, all of the schools in the district offer after-school tutoring programs. And currently there are plans for expanding this program to an older campus -- the name of it's Marshall campus -- in the vicinity of the proposed Costa Clemente development.

So there already is something there, and to say that there's nothing there is not correct. Then there's the statement, The location would provide safe and convenient access to nearby elementary and middle schools.

Well, actually, if you look at the proposed plat for this development, it does not include any safe access to these campuses. The closer of the two is the middle school campus, and the only access to that one is a long shoulder of a major busy state highway into the city of Angleton.

The other one, the elementary school, is much farther away and would have to cross much private property and/or city park areas for access to that. None of these accesses are included in the developer's proposed plat.

So I present that to you as clarification for your consideration as you go about your deliberation process. And I appreciate your time very much. Thank

you.

MS. ANDERSON: Thank you, sir.

Ms. Oldham? The next witness is Carla Luan.

MS. OLDHAM: Good morning, Madam Chair, and board. My name is Melanie Oldham, and I'm a resident of Brazoria County and a resident of the city of Angleton.

I'm a licensed physical therapist, and I've worked 25 years with and advocated for low-income, elderly, and disabled. I and other citizens attended the last Brazoria County Commissioners meeting on July 10 when there was a discussion about the Costa Clemente development and whether or not we need affordable housing.

The answer is, yes, we desperately need affordable housing in southern Brazoria County. I and a lot of other community leaders and citizens strongly support the Costa Clemente housing. As they mentioned, our Mayor, Patrick Henry, and the Council and our Chamber of Commerce board all support this project.

And also, I'd like to mention Commissioner Rhodenbaugh was here speaking for herself today. She has spoken out for I don't know how many years about the need for affordable housing and volunteered her time to be a director for Habitat for Humanity. And I did a little research. The need for this affordable housing in

Brazoria County has been done for several years; there's been numerous Brazoria County surveys and needs assessment.

One example, the 2003 Brazoria County United Way community assessment showed that housing was one of the three community needs that was a priority for each of the focus groups. It shows that we do need safe and affordable housing and that the only cheap or inexpensive housing available is rundown and not safe.

And as a home health physical therapist, I've been in a majority of these apartment complexes in Angleton, and I can say there is some that are not safe for our families or our senior citizens.

There's another survey that was done, the Texas Community Futures Forum 2004 sponsored by Brazoria County Office Texas Cooperative Extension. And, again, it showed that affordable housing, healthcare, and drainage were in the top critical issues identified by the County and citizens in Brazoria County January 20, 2004.

The forum represented a cross-section of 41 county residents, public agencies, and business people in our area. And they stated, again, that affordable housing was identified as a critical need as for citizens needing decent, safe and sanitary conditions to live in our

county.

Also, the City of Angleton's comprehensive plan, which was presented to the public during September 2005, suggested the route this city should take on getting ready for our future growth needs in the next 15 years. The plan states that through 2020 growth will add 7,000 residents, which is very conservative to the city's 2000 census population of 18,130.

In the Brazoria County community plan, again, it states the same thing, that there's numerous people in our county that need this affordable housing. According to our state -- my state rep is Dennis Bonnen, and I read his website, and it -- I could give you all the statistics, but I sent this report to you all, and it states -- it shows the need for this housing.

The fact is that at the recent Commissioner's meeting the NRP Group made their presentation, and our mayor and citizens went and visited in San Antonio and Ohio, and not just looked, but talked to the residents who were very satisfied with the quality. They have courtesy officers that live right at the apartments and check to make sure that's a quality.

I know the only people that I've talked to that are in opposition are on Western Avenue and the Heritage

Oaks across the way, where Representative Dennis Bonnen happens to live. But I think -- I respect their concerns, but I think they're unfounded and unsupported, and I think that our fellow citizens and friends simply want and deserve an opportunity to have quality clean and safe affordable housing. And I thank you all for listening.

MS. ANDERSON: Thank you.

MS. LUAN: My name is Carla Luan, and I'm here in support of Costa Clemente. Thank you all for allowing me to speak today.

I grew up in Angleton, and it pains me to hear some of the comments that you're hearing from the opposition. So I'd like to apologize for the tenor of some of the letters of opposition you've received. I'd like to say that the citizens opposing this project have been misguided.

I'd also like to say they appreciate the dynamics of a growing city, and even desire a diverse community, but I must say their principal argument is, Not in my backyard. The opposition has explained their true feelings in public and in private.

I've heard the potential residents of this project called -- and I quote -- "panhandlers, pimps, and hustlers" as well as "Section 8 druggies" and "sexual

perverts", simply because they can't afford a home like the ones across the street. One individual went so far as to announce in County Commissioner's Court, I'd rather have a garbage dump on that property.

I've also heard numerous versions of, I don't have a problem with affordable housing, but that isn't the place to put it. I'd like to ask, why not? Where is a good place? For many years a sign has sat on this very property that states the city's motto, Angleton, Where the Heart is. I'd like to add, Where's the Compassion?

The real proof is simple. Brazoria County is in desperate need of moderate housing. Officials at the Chamber of Commerce have told me that business owners can't hire enough good workers because they can't find affordable places to live. And if the businesses can't expand, the city can't grow.

Without this project the opportunity for the working people of Angleton to have a better way of life will disappear. Allowing that to happen should be against the law. And I believe that it is, even in Brazoria County.

My parents taught me that those of us who are blessed with good fortune have a moral responsibility to help the less fortunate; to assume differently displays an

arrogance and a lack of awareness that is simply impossible for me to understand. I don't understand how anyone can care more about their neighborhood than their neighbors.

Please vote yes for Costa Clemente. Thank you.

MS. ANDERSON: Thank you.

I'm now to the point where I have one -- two more witnesses. The first witness will State Representative Dennis Bonnen, and then the last witness will be Mr. Darrell Jack.

MR. BONNEN: Thank you, Madam Chair. Thank you, members. I appreciate the opportunity to be here today.

I'm concerned that someone who's selling this land would take -- who doesn't live in our town anymore would take such an attack on our community and say those things.

Rather having a garbage dump was a comment made by Barbara Ross at Commissioners Court, who's a member of the Angleton Planning and Zoning, and her comment was very brief and to the point. I'd rather have a garbage dump than these developers develop this there because I don't trust the developers.

Her point was that she felt, as Planning and

Zoning, they had been misled and told bad information and not answered questions that were asked. So it wasn't that we don't value our town; it was that we don't trust the developer.

I want to point out to you that the developer, throughout this process, has created concern. Mrs. Guerrero, who got up and spoke first on behalf of this -- I found it interesting because members of the City Council and the Mayor have expressed to me that Mrs. Guerrero, at their request, was told by the developer to no longer participate in this project because they were so concerned at the inability to get accurate information out of her concerning this project.

And that's been one of the most underlying premises of concern for this project, is that the developer's not answered the questions accurately.

Let me clarify some things, and I think the board's under -- smart enough and savvy enough in these issues to probably understand this. But this isn't going to serve some low-income population. It's actually going to serve an affordable housing market. It's going to serve a very precise market.

For a one-bedroom -- for one person in a one-bedroom apartment, they have to make between 25,000 -- a

little over 25,000 on the bottom, and 27,300 on the top. That's your information.

That literally means you have to make between \$12.10 an hour and a little over -- about \$13.05 an hour.

That's the only market that could fit into that unit, no one below it. So teachers have been regularly mentioned.

The starting salary of a teacher in Angleton, Texas is \$40,000. This won't meet the need of a teacher, quite frankly.

But let me talk about some very important concerns here. One of the issues that the city says that they have approved this, and I want to be clear. The City Council had a resolution to be -- and I want to be fair -- to pass a resolution against this project, and a resolution for this project. The Council chose to pass neither.

The Commissioners Court did not make a vote because no one made the motion to have a vote. The County Judge, and I apologize, Mr. Gerber, Judge Willy -- I mean, I'm sorry, Judge King sent in a letter of opposition to this, which is three members of our five-member Commissioner Court, which is a majority of opposition to it, and they were prepared to vote against it, but no one made the motion.

But the issue is that when you look at the finances of this, the city will tell you one of the reasons that they've said this is okay is that they have put hurdle after hurdle after hurdle up in front of the developer -- and to the developer's credit, they've met them -- which has now created about a million dollar cost -- extra cost, is what I've been told by my city officials.

If you put that million dollar cost into the equation of this, it makes the numbers absolutely economically unfeasible. Right now your own market information tells you that the cost per acre is about \$91,000, which you own comment is, I believe, extraordinarily high comparative for a rural project.

You start rolling in a million dollar increased cost, and I don't know whether that million dollars would be applied to the 15 acres, or the entire 40 acres that they're purchasing. And if it's over the entire 40 acres, that's about \$25,000 per acre, which puts you well over 100,000 an acre. It would put you much closer to the \$10,000 per unit, which I'm told is a prohibitive number by this board in most instances.

Another point that I would make is there isn't an overwhelming need. I want to be clear. I think if

this project were being built on more affordable property in a more affordable and safe location and in a smaller complex, it would be meeting the need of Angleton.

The reason they're building it on the highest valued -- and I will tell you, I don't think you can find a piece of real estate in Angleton that cost more than this one, because it's at the -- it's ideal, it's at 288 and Highway 35.

And the reason, I believe, the developer's doing that -- and that's fair for them to do -- is that they need to attract from beyond Angleton to meet the level of development that they are creating.

But in turn, as a governmental institute, what we're doing is we're subsidizing a project that frankly shouldn't need that subsidy if they went really just blocks away and bought more affordable land. And I think that we have to seriously consider, is that an appropriate use of our dollars? Is that the best way to use our dollars, or should we ask these folks to go find a location that is more economical and suiting this.

The other thing that I will point out, it's for you all to decide the need, and your own information says from the June 14 '07 meeting, the number of rented units is 80, and the number of vacant units is 47. That's

significant. I think that's very significant.

Also, you've heard information about the different number of units that are available and where they are, but -- I will leave it at that, but I will tell you, this is not, at least for me personally, and I believe for the constituents that I'm here representing, a couple of things. It's not a Not in my backyard.

I would encourage you, and we've done this, I would encourage you to look at your letters of opposition.

And I want to be fair about this. There are a lot of letters of opposition, and people signed that from the neighborhood that I happen to live in. I apologize for that. You know, that -- from there, you betcha. You betcha.

But there are also a significant number of letters of opposition, I would say an equal number, from throughout the town of Angleton. So it's not purely Not in our backyard. It's throughout the community.

And with that I'll let it be. And I appreciate very much the board's time today, and appreciate your very serious consideration, which I know you will give it.

Thank you very much.

MS. ANDERSON: Thank you.

MR. JACK: Thank you, board. My name is

Darrell Jack with Department of Market Data. My firm did the market analysis for this project in Angleton.

The developer has asked me today to touch on just a few points reflective of the market. There's only been one other tax-credit family project allocated in Angleton, and that was done over a decade ago, in 1995. That project, when we did our report, was better than 97 percent occupied.

There's only been one project built in this decade, and that project has one vacant, at 99 percent occupied. Projects built in the '0s were 97, and you've heard today that there's other units available for the same rent dollar in this market.

Well, there are, but they're in fair to poor condition. Projects built in the '70s and '80s, their occupancies are down in the 80s due to the condition of the projects. This project will certainly add new affordable housing to the market.

You've heard several things about the opposition. I'd like to point out a few things to the board. You've heard concerns about the additional traffic that this project will bring to the area. This project fronts on a state highway. It's one of the largest roads in the county, and other than a divided four-lane, I don't

know of any other road that's going to handle more traffic.

There are homes directly across the street that also front on Highway 35. I assume that in some of those homes there's children to get to the schools that have been mentioned on this project. And if the project isn't immediately adjacent to the junior high, it's almost. Any one of us could throw a rock and hit the junior high from this site.

And better yet, this project is on the same side of the street as the school, so the children wouldn't have to cross the street.

In closing, you heard from the previous gentleman that a school teacher making \$40,000 a year couldn't afford to live at this project. Well, I respectfully disagree.

They certainly could if their household was of a three- or four-person household. Income limits for a three-person -- or for a three-bedroom unit -- I'm sorry.

If they were a four- or five-person household. Income limits for the three-bedroom units are \$42,180; income limits for the four-bedroom units are 45,300, certainly within what the previous gentleman said of a school teacher making \$40,000 a year.

The demand in Angleton for this project is obvious and apparent. I'll conclude with that. Thank you.

MS. ANDERSON: That concludes public comment for this item.

MR. BOGANY: Ready to vote, Madam Chairman?

MS. ANDERSON: Ms. Boston, would you come up and help us understand -- you know, this is an inducement resolution vote and what the rest of the process -- what the process looks like?

MS. BOSTON: Definitely. My name's Brooke Boston, deputy executive director for programs.

From the date of this board action, the applicant is put on a waiting list for a reservation. Right now we don't know when their reservation might come, but once that reservation is issued, the applicant promptly submits volume 1 and 2 of their application to us, which has some information in terms -- absolute information about the deal.

Then they have 150 days to close the bond transaction. And a series of different things occur during that 150 days that enable the Department to compile information for the board to make their decision.

First we will do extensive notifications,

although we have done so already, we do that again, and that will be to local and state officials, school district officials, and any neighborhood organizations who are record with the county or state.

In that notification letter we do let them know what the ongoing input process will be. From that point forward we will continue to accept and compile all the input that we get during that 150 days.

Additionally we have what's casually called a TEFRA hearing, a public hearing. It's right in the community. We try to make it as close to the property as possible. That usually occurs no later than 30 days before the board meeting where you'll be asked to vote on this.

At that meeting, people are given not only an opportunity to comment on the basic federal requirement which relates to the actual financing of the bonds, but we actually take extensive public comment. We make sure that the transcript from that meeting is then provided to the board in their materials.

During that 150 days as well, that's when the Department will actually have its opportunity to review threshold criteria, see if they've met all of the eligibility criteria, and will underwrite it and make sure

that it's feasible. We also will provide the information to the Bond Review Board at that point.

Pretty much in sum, as we get closer to preparing your board materials at that time, we will provide all of the support and opposition materials we've gotten at that time. You'll have the fuller picture of what staff's review has yielded and, again, as I said, the transcript of the hearing.

MR. CONINE: Madam Chair, I move approval of item 3(b).

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

I want to -- and I appreciate Ms. Boston going through the chain of events. This board, just for the information of those people in the room, as a practical matter, has very, very, very rarely refused an inducement resolution.

This board has, at times, more often declined to vote the final bonds and tax credits before the reservation expiration. But rarely would -- does this board -- has this board in the past taken an action to stop the deal at inducement.

The developers all understand that this does not mean that this development, you know, has a lock on moving forward. There's a point to the 150 day period. It's not -- there are not only a required set of steps the developer has to follow, but I would argue a set of optional, but well advised steps.

And one thing that I would be looking for when this development comes back to the board, would be evidence of sincere and genuine engagement with the community. I would ask the -- you could expect I'll ask the developer those questions, I'll ask the resident those questions.

I'm interested in the sidewalk issue because I don't -- I mean, you know, and I haven't seen the plats and this -- the map that the developer provided doesn't give me enough detail, but, you know, I think walking on a shoulder of a state highway -- it's just something I want to see -- want to have more information about.

So just for the benefit of those in the room,

this is -- what the board did today was vote to induce the bonds, not to approve the development. And there's a period of time when -- now where some things will happen and give everybody the opportunity to work together.

MR. GERBER: Madam Chair --

MS. ANDERSON: Yes, sir.

MR. GERBER: -- may I just interject that the Department would also be looking for the developer to provide timely and accurate information. I was concerned about that issue being raised, and I know it's a different context with this new Bond Review Board reservation, but we would certainly -- it's incumbent on us to look after the interest of the Texas taxpayer.

And in order to do that, we're going to be counting on accurate information so the public has an opportunity to review it and fairly consider it as part of our review process. Thank you.

MS. ANDERSON: Thank you.

We will now adjourn for a lunch break and an executive session. And we will reconvene -- an hour -- in about an hour, which would be 12:45. Thank you.

I'm just going to read this executive session stuff. Okay. On this date, July 30, 2007, in a regular meeting of the governing board of the Texas Department of

Housing and Community Affairs held in Austin, Texas, the board adjourned into a closed executive session as evidenced by the following.

The board will begin its executive session today, July 30, 2007, at 11:45 a.m. The subject matter of this executive session deliberation is as follows:

A. The board may go into executive session, close its meeting to the public on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551;

B. 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;

C. Consultation with Attorney Pursuant to Section 551.071(a), Texas Government Code, number one, with respect to pending litigation styled *Dever v TDHCA* filed in Federal Court; number two, with respect to pending litigation styled *Brandal v TDHCA* filed in State Court in Potter County; number three, with respect to pending litigation styled *Ballard V TDHCA* filed in Federal Court; number four, with respect to any other pending

litigation filed since the last board meeting.

(Whereupon, the meeting was adjourned, to reconvene later this same day, Monday, July 30, 2007.)

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

Time: 1:00 p.m.

MS. ANDERSON: Good afternoon, and we -- first I need to make an announcement about the executive session. The board has completed it's executive session of the Texas Department of Housing and Community Affairs on July 30, 2007 at 1:00 p.m.

I hereby certify that this agenda of an executive session of the governing board of the Texas Department of Housing and Community Affairs was properly authorized pursuant to Section 551.103 of the Texas Government Code.

The agenda was posted in 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.

At this point, with the board's indulgence, we will proceed to agenda item number 4, which is approval of the 2008 operating budget and housing finance budget. And we -- know we -- we will come back to agenda item 3(d).

Mr. Hamby.

MR. HAMBY: Madam Chair, just for the record, it's my understanding that item 3(c) was pulled from the record -- it's my understanding that item 3(c) was pulled from the agenda previously. We didn't announce that in public session.

MS. ANDERSON: Oh, I'm sorry. Yes.

MR. HAMBY: I just wanted to make sure that people were aware that 3(c) is not going to be discussed today.

MS. ANDERSON: Thank you.

MR. GERBER: Madam Chair, and board members, moving to item 4(a) the internal operating budget for 2008 as well as the 2008 housing finance budget. As I mentioned at the July 12 board meeting, this budget is \$22 million, or an increase of 1.3 million, primarily due to the creation of the disaster recovery division with the Department.

The key highlights of this budget include a realignment of the HOME division. We're moving some things from PMC to the HOME division, the front end of the division to provide additional technical assistance, set up some draws.

There's also a 2 percent legislatively mandated approved cost of living increase. There's also a 25

percent legislatively approved increase to the out of state travel budget. There's \$120,000 that's included in this budget to conduct housing market studies, as well as to do educational outreach that's been provided by the legislature from BRB fees.

There's also 1.7 million for professional services. There is the relocation of the research and planning section that has been previously part of the division of policy and public affairs. That is going to be pulled out and is now going to be a division, a section within our programs division because that work is very much in support of our programs.

There is also a very strong commitment in our budget to retain a skilled workforce and promote staff development and training. Last, but not least, of course, is our housing finance division with a budget of 11.7 million, and this budget represents our housing program fee revenue.

David Cervantes, our director of financial administration, is here to answer any questions you have on the budget, as is Bill Dally, our deputy executive director for agency administration.

MR. CERVANTES: Good afternoon.

MR. CONINE: Hello, Dave.

MR. CERVANTES: Hello.

MR. CONINE: Got any money in the bank?

MR. CERVANTES: We certainly have money in the bank, sir. We feel good about that.

MR. CONINE: Good.

MR. CERVANTES: I'm available for any questions, as Mr. Gerber mentioned. This is David Cervantes, director of financial administration.

It is a \$22.6 million budget, and we have a housing finance budget that's about \$11.7 million, so we're asking for your support. And I'm available if you have any questions.

MR. CONINE: Move approval on item 4(a), Madam Chair.

MS. RAY: Second.

MS. ANDERSON: Discussion?

MR. FLORES: More discussion, Madam Chairman. The CDBG money, disaster recovery, that is obviously going to be a one year deal, or is it longer than that?

MR. CERVANTES: It will be longer, Mr. Flores. We have about 1.3 in admin dollars that we've placed in this particular operating budget. But the disaster recovery funds that are coming to us probably will be available to us probably at a minimum of three years, and

they may extend further than that. But I think plans are more probably along the lines of three years.

MR. GERBER: We want to be out of the disaster recovery business in three years.

MR. CERVANTES: Right.

MR. FLORES: And funds are available --

MR. CERVANTES: Yes, sir. Yes, sir. They certainly are.

MR. GERBER: Those are federal funds and we'll draw them down in a proportionate way to support the administrative activities of that program.

MR. FLORES: Call for the vote.

MS. ANDERSON: Any other questions?

(No response.)

MS. ANDERSON: We have a motion on the floor, it's been seconded. Are we ready to vote?

(No response.)

MS. ANDERSON: I assume so. 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: Madam Chair, that was just a vote

on the draft operating budget. Did -- was there a motion -- would you want to --

MS. ANDERSON: Yes, we also --

MR. GERBER: -- make a motion on the --

MS. ANDERSON: -- need a motion on 4(b) which is the final draft housing finance budget.

MR. CONINE: You got it.

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: The motion carries.

MR. CERVANTES: Thank you very much.

MS. ANDERSON: Thank you, Mr. Cervantes, for your work on the budget, and everything you do every day.

Board members, with your indulgence we will proceed to agenda item number 6, which is presentation, discussion of the CDBG disaster recovery report.

MR. GERBER: Board members, you have asked for regular updates from the disaster recovery division on the

progress of the CDBG activities for the first round of funding. That's the 74.5 million that the Department received and has entrusted to the COGs.

This month you've been presented with tables depicting the housing activities for each COG with a break down of project activities, as well as financial activities, along with progress relating to the infrastructure activities that our sister agency, the Office of Rural Community Affairs, is managing.

This month the Councils of Government have been working towards finalizing agreements with construction firms, putting houses out to bid, and verifying information provided by home owners. However, the COGs have not made as much progress as we would have hoped as far as putting housing on the ground.

To date the Southeast Texas Regional Planning Commission has 26 homes that are currently in the inspection work write-up phase, three stick-built homes have been awarded for pier construction, and two manufactured housing units have been delivered to applicants.

The Houston-Galveston Area Council is negotiating a master services agreement for demolition, surveying and construction contractors this week. Fifteen

households will be immediately sent out for bid once this agreement is finalized.

HGAC had also secured a modular housing provider. Eight households have signed agreements to participate with HGAC and will be sent to TDHCA for approval no later than August 1. HGAC has also hired a construction oversight manager.

The Deep East Texas Council of Governments has completed eligibility verification on 32 applicants, entered into an agreement with a manufactured housing provider, and recently completed two purchase requisitions for manufactured housing units and completed an RFP for a modular housing provider, as well as working to qualify contractors to the home rehab in Polk County.

Staff is developing new strategies to address the slow pace of recovery work. As you'll note in your written report, I was out there just last week, along with Kelly Crawford, to underscore the point of expediency with these funds.

They're moving too slowly, we've made it very clear to the COGs, we were accompanied by HUD, including the regional director for HUD, Cindy Leone [phonetic], to make it clear that we expect these dollars to move more quickly and more aggressively.

And we will be working with them -- continue to work with them, but I would say time is of the essence and I don't expect -- and we made it clear that we do expect to bring to this board additional reports like the one you're seeing today, which don't show as much progress as we think needs to be made, and can be made.

These are tough -- CDBG funds are -- have lots of rules attached with them, and folks, frankly, in the Councils of Government, and frankly in the Department as well, have been a little bit gun shy about firing and using these dollars.

But the time has come now to move them. We think we have figured out an appropriate way that minimizes risk, but the time has come to help those people who'll be waiting at the end of this month, at the end of August two years for this critical assistance.

Kelly Crawford's here to provide some additional information, or to respond to questions.

Kelly, did you want to add something to this --

MS. CRAWFORD: No. I was very disappointed in this report, as I'm sure you are, and hope that the efforts that we're putting into place as we go along to respond this slow process of recovery will have a better report next month.

MR. GERBER: I would add, board members, that on the second pot of funding that is available, we are working aggressively to proceed with a -- to request proposals that you all issued and looking at submissions that have been provided to the Department.

We believe that those submissions present some capacity, and if we got to a point where the ability of the COGs to do this job was such that -- was unacceptable, we would certainly want to talk with the local leaders to see if there was a better delivery mechanism. That would be unfortunate because it would be a big -- in my opinion, a set back.

But if we're not moving money, that's the worst of our world, so we're always looking, and have been looking, have been talking to them about other options. But we're a little ways from that, but I just want to put that out there as something that we did discuss with the COGs and underscore HUD's instructions to us to move these dollars.

MR. BOGANY: Kelly, I have a question for you. What seems to be the biggest issue of getting this -- the monies out that the COGs are telling you?

MS. CRAWFORD: I'm hearing lots of little different things that shouldn't be stopping the process.

I think that if I had to say one thing it's risk aversion.

I think that there's little room for risk tolerance out there in the field, and we're really trying to work with them and let them understand that we all have some risks associated with this program, and that if they can, in clear conscience, feel like they've done what they need to do to get these people served, that they should move forward.

We're becoming more and more involved in helping them find that level of assurance so that they will begin to move faster on this.

MR. GERBER: But the significant hiccups that we've had on historic preservation, on environmental clearances, we have worked through those issues. And incremental -- even on the eligibility issues that we've been dealing with, each of those COGs has been -- especially Houston-Galveston Area Council and Southeast Texas Regional Planning Commission, those two COGs have been ready to go.

There was a ready source of funds in the Deep East Texas Council of Governments; a Saudi prince provided some funding to that COG. They had to move those monies, frankly, very quickly before losing them.

So they have sort of let the other two COGs

take the lead in sort of cracking the code on getting -- dealing with risk mitigation and the process to get those funds out. So that's slowed it down at DETCOG, but --

MS. CRAWFORD: Yes, and I think that just FEMA money going out with not a lot of instructions to the people that received the money and then how they utilize those funds now is working against them.

If they didn't spend it exactly the way FEMA expected them to spend it, then it gets deducted from the amount of money we can give them to avoid duplication of benefits. And that's stalling things a bit.

MR. BOGANY: Okay. Thank you.

MR. GERBER: I will also tell you candidly we are very pleased. I had a very good conversation with the new soon-to-be executive director of the Southeast Texas Regional Planning Commission, Shawn Davis, who will be taking that job at the start of September, who has indicated to us that he will do what he has to do in order to make those funds move.

That's where the biggest pot of these housing funds reside. So that was an encouraging early sign and one -- we were one of his first calls after accepting the position, so we were very encouraged by that.

MS. CRAWFORD: I don't know if ORCA had a

chance to make it over due to the change. They're on their way -- the change in the agenda; I don't think we quite got them in the room to give their update.

MR. GERBER: I don't think -- I know, having talked to Judge Stone, though, the ORCA funds are moving at a better pace. frankly, than the housing funds are moving.

Commitments have been made, things are progressing, and the amendments that you made to some of the contracts, some of the tweaking that was made, you did so already during the -- as part of the consent agenda. So perhaps we could save a more lengthy report at the next board meeting on those ORCA items.

MS. CRAWFORD: Sure. We'll let them --

MR. GERBER: Are there any specific questions we could sure -- make sure those answered in the interim, or specific numbers.

MS. ANDERSON: Thank you.

MS. CRAWFORD: Thank you.

MS. ANDERSON: Agenda item number 7 is a bond finance item about reservation procedures for program 70.

Agenda item 7, Mr. Gerber.

MR. GERBER: Board members, item 7(a) is in response to the last board meeting in which you asked us

to review options concerns loan reservation procedures for the single-family mortgage revenue bond program 70, the targeted set-aside and non-targeted set-aside. Staff is presenting to you five options for discussion and possible approval for use with this new first-time home buyer program.

Under the single-family mortgage revenue bond program, 20 percent of lendable proceeds must be set-aside for residences located in federally designated targeted areas. The targeted areas include qualified census tracts and/or areas of chronic economic distress, including the 22-county area designated as the Hurricane Rita-Gulf Opportunity, or GO Zone.

For borrowers purchasing homes in these targeted areas, the first-time home buyer requirement is waived, and the borrower's income and purchase price limits may be higher. According to IRS guidelines, the Department must proceed with reasonable diligence to place such proceeds in qualified mortgages.

Staff has presented five options to the current loan reservation procedure of first come first served in an effort to distribute the funds more equitably among the program's participating lenders within the targeted area set-aside as requested by the board. Those are reflected

in a table in your board books.

Staff is also requesting board direction providing -- regarding the remaining 80 percent of available funds. Since the program 70 structure does not provide for a specific Rita GO Zone set-aside, only for a 20 percent targeted area set-aside which includes the Rita GO Zone, staff is requesting the board to decide if lenders will be allowed to register loans with the remaining 80 percent of available funds, even though the property is located within a targeted area.

Staff is also seeking guidance on whether to waive the first-time home buyer requirement and allow the higher income and purchase price limits. Staff finally is seeking more direction concerning the loan reservation procedure for the single-family revenue bond program 70 targeted set-aside and non-targeted set-aside.

And Matt Poger, our director of bond finance, as well as Bill Dally, our deputy executive director for agency administration, are both here to answer questions.

And I think Ms. Rippy, our bond counsel, is also here as well to discuss risks and concerns that might surround a particular option that the board might be interested in.

MR. POGER: Matt Poger, director of bond finance.

MR. BOGANY: Mr. Matt, could you go through those options please?

MR. POGER: Yes. The first one is a -- it's current, we -- as is, no change to it, the first time -- first come first served we normally have had in the past. The second one is a -- called new construction, or existing sales.

And with that we're recommending a set-aside for like for three months established for particular new construction as well as lenders. Thirty percent of the funds would be set-aside, just as a number that we're looking at, 30 percent we set-aside for the lenders primarily aligned with new construction. And then the 70 percent would be set-aside for existing sales.

The third option would be -- and this also is a three month restriction we would have, and that's for counties. What we're looking for is maybe establishing \$5 million for a particular county such as Harris, Ft. Bend, and Brazos -- Brazoria, and that would be five million total for those three counties, and that would be set-aside for three months as well.

The fourth option is the lender cap, and what we'd do is have all of our lenders, we have around 54 lenders, we would assign about \$590,000 for those

particular lenders for a three month period so they can register their loans.

And the fifth option is a daily cap. We would allow lenders to register loans, \$2 million let's say on a daily basis, and this would give everybody the option to enter into the targeted areas within the time frame.

MR. CONINE: Matt, on the options in the 20 percent targeted set-aside, if the first option is no restrictions, that doesn't take care of the problem that we're trying to take of, does it?

MR. POGER: No, it does not. Well, it -- on the number one, what it does is, it's our normal set-aside and it just depends on what has happened in the past. If you take a look at history, when we first put together a GO Zone structure, we were doing -- I would think -- I was thinking it was like half and half, 50 percent lender, 50 percent established sales. Okay.

MR. CONINE: Yes.

MR. POGER: And it was working out with that because we had a GO Zone established and we had a statewide set-aside established. But with -- and some time went by and we would start -- we were moving the funds from the Rita GO Zone, we had \$112 million in our first GO Zone, the second GO Zone effort was around 64

million and that was working fine.

Then we went to the 15 million and when that happened, I guess the lenders, the developers I guess they're structuring these houses, new construction, figured out that they could, you know, reserve funds a lot quicker, and they kind of like overpowered the established individuals who were trying to get loans.

MR. CONINE: So why wouldn't we do this almost in reverse order, the options here, where you had daily limits and lender caps and county limits, and finally work up to a first come first served, why wouldn't you --

MR. POGER: Well, we just -- we put these in order, and there's no specific order to these at all, we just put them as our -- there's a current situation we used to have in the past, and there's really no order which is more power from the other.

We just listed all five of these for you. The last one is a good option in that you do have a daily set-aside and that these individuals will be able to register loans whether they're for new construction or existing sales.

The switch would go on them at Countrywide at a specific time; they would be able to, you know, get to their system like anybody else would. After \$2 million

was allocated, the switch would go off basically and they would wait for the next day.

MR. CONINE: So you're asking us to give you some feedback on which of these options. Is that you need?

MR. POGER: Yes, that's what we're looking for is feedback on which one of these options.

MR. CONINE: Oh. I don't like --

MR. POGER: You don't like the first one at all? Well, the first one would -- definitely does not -- will not help, I guess, with the problems we have had.

MR. CONINE: Right.

MR. BOGANY: Matt, I have a question in regards to -- and I appreciate this, this does give some options. Let's say a lender is -- he's not exactly affiliated with a mortgage company, but better yet let's just say a realtor comes up and goes to ABC builder, sells them the house.

Now, this builder's already capped his two million out, but this lender who may be with ABC mortgage comes along and say, I can do that deal and I can go ahead and register them.

Do we eliminate that person, or are we eliminating the lenders -- the builder's affiliated

mortgage company, the two million cap, or are we eliminated the builder mortgage company?

MR. POGER: That \$2 million is on a daily basis, so we're not really look at the builder or the mortgage lender, we're looking at \$2 million cap per day.

So they come back into the market the next day. It's like going to get tickets for a concert; I mean, you just try to get the best one you can --

MR. BOGANY: Okay.

MR. POGER: -- come the next day, it starts all over again.

MR. BOGANY: So any -- so in other words you're just basically putting a \$2 million cap on what a lender can register that day.

MR. POGER: Correct.

MR. BOGANY: Okay.

MR. POGER: Well, it's \$2 million total, not a particular -- I mean if -- I doubt if one lender's going to come in with \$2 million in one loan amount. He can't, because --

MR. BOGANY: Right.

MR. POGER: -- so he's going to have -- you know, it's hoped there's other lenders to there as well as -- you know, registered lenders out there that want to

get a first-time home buyer loan from us that are not builders.

MR. BOGANY: Okay.

MR. POGER: And that they understand -- after we advertise all this, they'll understand that they need to be on queue when we release this money.

MS. ANDERSON: Ms. Ray, you have a question?

MS. RAY: I don't have a question. I just have a comment on option number five. It just slows down the process --

MR. POGER: Correct.

MS. RAY: -- then all the money doesn't disappear at one time.

MR. POGER: Yes, ma'am.

MS. RAY: And it gives opportunity for varied builders, buyers, mortgage companies to come in and be able to access the funds; keep everybody from spending it all at one time. Is that what --

MR. POGER: Yes, ma'am.

MS. RAY: -- the process does?

MR. BOGANY: I like option five. It's better than option one.

MR. POGER: We didn't rank them; we just laid them out for you.

VOICE: So that's 80 days.

MS. ANDERSON: Eighty days.

MR. BOGANY: I think option five helps distribute it among everybody so everybody gets a shot at it.

MR. GERBER: Board members, if I could just interject also, thanks to the hard work of Matt's team and Elizabeth and others, we did get the additional \$80 million, so we'll have -- this will be \$160 million bond deal --

MR. POGER: Yes, we do --

MR. GERBER: -- at this time, so two million a day.

MR. POGER: You have \$160 million bond deal. Well, I'll be coming to you next month with that. The \$32 million is what the targeted area set-aside would be.

MS. ANDERSON: These options are only -- we're only talking about that \$32 million then?

MR. POGER: Yes.

MS. ANDERSON: Not about all the other money? It's just in the --

MR. POGER: This portion right here, we're trying to get some direction. Now we need to talk the second part of this after we decide on which option, then

we need to talk about the 80 percent that we need some direction on. But for right now we're looking at some discussion and guidance on these five options.

MR. BOGANY: Well, I think the option five gives an opportunity for the people that were actually -- where there was affected Chambers, Jasper County, all those counties, Orange, all in those areas will get an opportunity to use the money.

Because if you -- as I've said before, if you're going to run those loans, most of those areas are in Harris County and Ft. Bend, they got all the money. And the areas where they are building did not get hardly any of the money that was laid out. I think this at least gives them an option for them to be able to get some of that money in those areas that are devastated.

MR. CONINE: Can I ask, those of you that like option five, to maybe do a blend of option four and five where you would set a cap on a per lender basis, and it can, you know, \$10 million for all I care, but at least there's some cap where the same company couldn't run at us on a daily basis and gobble up -- I think that helps get you where you want to go.

MR. POGER: Yes.

MR. CONINE: And I like -- I do like the

dribble out effect.

MS. ANDERSON: But this isn't --

MR. CONINE: Although I'm a little concerned about spreading that over 80 days. The market can change a lot in 80 days.

MS. ANDERSON: This is only the 32 million. Right? Everything else could still be first come first served?

MR. POGER: Yes. The \$32 million is for the targeted area, if you do \$2 million a day for about 16 days.

MR. CONINE: Okay. That helps. All right. So 15 times three. So we could still put a cap of 10 million per lender on it and be okay. You'd have three lenders in that case.

MR. POGER: You would have three lenders. Correct. Yes.

MR. CONINE: Does that get you where you want to go?

MR. BOGANY: Yes. Yes, I like the blend of option four and five --

MR. POGER: Okay.

MR. BOGANY: -- also.

MR. POGER: Can I ask Countrywide to see if

that's a possibility? Okay. Because it'll all be system automated, and I just want to make sure that -- I want to make sure that Tim said yes.

VOICE: He's looking at Eric.

MR. POGER: Well, they're sitting side by side.

MR. CONINE: Then I guess you need -- we need a motion here?

MS. ANDERSON: Uh-huh.

MR. CONINE: I mean, I'd make a motion that we select option five with a cap of \$10 million per lender.

MR. BOGANY: I'll second.

MS. ANDERSON: Discussion?

MR. GERBER: Madam Chair, could I just ask, I don't know if Mr. Dally or Ms. Rippy want to add anything to this conversation before -- I just want to make sure before -- okay.

MR. POGER: The only thing I thought about also is that after this vote we still need to talk about, I guess --

VOICE: The 80 --

MR. POGER: -- the other 80 percent.

MR. CONINE: Okay. All right. I just -- speak now or forever hold your peace, as they say. Okay.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Questions?

(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: The motion carries.

Thank you, Matt. So then we're going to have the 80 percent discussion next month?

MR. POGER: No, now.

(General laughter.)

MR. POGER: Sorry.

MS. ANDERSON: It's on the agenda.

MR. POGER: It's on the agenda, and so I need to come to you with a firm structure on the -- next -- in August though.

The second part of this I guess is that the other 80 percent of our funds are going to be statewide, and because they're statewide that also includes the GO Zone, which is targeted. Okay.

So I guess I need some direction from the board as to do we include the targeted area that is the GO Zone,

okay, as being a first-time home buyer, and does that get waived or not.

MR. CONINE: First off, I would exempt the GO Zone from the rest of the pot, because we've already taken care of that.

MS. ANDERSON: Right.

MR. POGER: Okay. Well, that's fine. I just wanted to --

MS. ANDERSON: Right.

MR. BOGANY: Yes.

MR. CONINE: Now we got her up out her chair. Elizabeth, can we do that?

MS. RIPPY: Elizabeth Rippy with Vinson and Elkins, bond counsel.

You can do that, but it just -- we need to make sure we understand what your direction is. That 22-county area, all of it, is at least under federal tax law. You have no first-time home buyer requirement, higher income and purchase price limit.

Do you mean that unless they're applying for that 20 percent targeted area money, that no one in that 20 -- you know, unless they're in that 20 percent pot and they're hitting those limits that you just directed him to put in for the \$2 million per day, \$10 million per lender,

no, they still need to be first-time home buyers and they have lower income and purchase price limits if they're in Harris County.

What are you telling us? Or do you mean -- I mean --

MR. BOGANY: Elizabeth --

MS. RIPPY: -- they are -- you know, those are still Texas residents, they can apply for that other pot of money. Federal law would let them go to the higher income purchase price limits and waive the first-time home buyer requirement.

So the concern is that the same thing that happened on your last program will continue to happen with the 80 percent pot because they've got more lenient qualification standards.

MR. BOGANY: Elizabeth, what I was visioning is that the GO Rita Zone money would have the limits of option four and five as what Matt just discussed with us.

The other 80 percent money would be first come first served for all over the state.

MS. RIPPY: And still have to be first-time home buyers and have to meet the lower income limits, even if they live in the GO Zone.

MR. BOGANY: I would think that if they lived

in the GO Zone --

MS. RIPPY: But then all the money's just going to flood to the GO Zone; the rest of the state gets shut out.

MR. BOGANY: Then I would say we would take it out of the GO Zone, as long as we've met the IRS set-aside of 20 percent, so the rest of the state is able to get that money too.

MS. RIPPY: You just need to understand that will affect originations. I mean it certainly will slow down originations possibly dramatically. I mean, none of us know where the market's going to be as time --

MR. BOGANY: Well, the going market rate right now is you're getting quotes at 6-1/2, 6-3/4, 7 percent. If we come in at 6-1/4 with down payment assistance, that's still going to be, to me, very below what the going rate is.

And so, you know, I think what I'd like to see is let's do it for the first 90 days and see where it goes, and then if we need to adjust back, we come back and adjust it and blow it out. But I'd hate to see all the money go to one area of the state and people in West Texas can't get a bond loan.

MS. ANDERSON: Thank you.

MR. CONINE: Okay. I'm confused now. Do we --
on the 20 percent, do we waive the --

MS. ANDERSON: Purchase price.

MR. CONINE: -- first-time home buyer
requirement and the --

MS. ANDERSON: Income limits.

MR. CONINE: -- income limits?

MS. RIPPY: Yes. That is --

MR. CONINE: Okay.

MS. RIPPY: -- targeted area money, it is --

MR. CONINE: So it's waived.

MS. RIPPY: -- such -- that's --

MR. CONINE: So the 80 percent, that needs to
go back into play for the rest of the state, the first-
time home buyer and the --

MS. RIPPY: That is in place for the rest of
the state. That's --

MR. CONINE: That's in place.

MS. RIPPY: -- federal law.

MR. CONINE: Okay.

MS. RIPPY: Yes.

MR. CONINE: All right. I'm okay with that.

MS. ANDERSON: But --

MS. RIPPY: Do you want it --

MS. ANDERSON: -- I think Elizabeth's point was that even in the 80 percent that goes statewide, it doesn't disqualify people in the GO Zone from applying for it. And so if you left for the other 80 percent --

MR. CONINE: Well, I was trying to disqualify --

MS. ANDERSON: Carve it out.

MR. CONINE: -- those people. Are you telling me I can't disqualify those people? -- because they should go the 20 percent pool; they're going to qualify anyway.

MS. ANDERSON: I think she said you could; it just might slow originations.

MR. CONINE: Well, I'm okay with slow originations. My friend over here doesn't like the fast one we just had. So if we slow it down, I think that's what we're really trying to do, and then we can adjust later on. You know, 90 days from now if we see it's not originating like we want it to, we can --

MS. ANDERSON: Move some more into the -- can we move more into the GO Zone then if -- 90 days from now?

MS. RIPPY: Yes, absolutely.

MR. CONINE: If it's not allocated, yes.

MS. ANDERSON: Yes. Okay.

MS. RIPPY: If it hasn't been utilized in the

rest of the state, you absolutely can move it later.

MR. GERBER: Let me ask Eric and his team how to do the originating.

Do you have concerns about this? Do you want to -- no. Okay.

MS. ANDERSON: Smart man.

MR. BOGANY: Thank you, Eric.

MR. CONINE: Do we need a motion on the 80 percent? I so move.

MR. BOGANY: Second.

MS. RIPPY: Can I get some clarification on exactly --

MR. CONINE: Yes.

MR. BOGANY: Excluding the --

MS. RIPPY: You want to exclude the 22-county GO Zone --

MR. CONINE: From the other --

MS. RIPPY: -- area --

MR. CONINE: -- 80 percent because they got --

MS. RIPPY: -- from applying for the --

MR. CONINE: -- they got the other --

MS. RIPPY: -- 80 percent --

MR. CONINE: -- 30 million they can --

MS. RIPPY: -- of the remaining --

MR. CONINE: -- go play with.

MS. RIPPY: -- funds.

MR. CONINE: Right.

MS. RIPPY: Okay. That tells us what we need to know.

VOICE: Three months.

VOICE: Yes.

MR. BOGANY: Yes, three months, revisit.

MS. ANDERSON: Definitely. And you come tell us when you want to revisit it if it's not originating then. Okay.

MS. RIPPY: Okay.

MS. ANDERSON: We have a motion; it's been seconded. Do we all understand what the motion is?

MR. CONINE: I think so.

MS. ANDERSON: All right. Hearing no discussion, 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.

Thank you, Matt.

MR. CONINE: Thank you for thoroughly confusing

us.

MS. ANDERSON: We now, board members, with your indulgence, proceed to agenda item 3(d), which is presentation, discussion, possible approval of the final commitments from the 2007 credit ceiling for competitive housing tax credits.

MR. GERBER: Ms. Meyer.

MS. MEYER: Mr. Gerber. Robbye Meyer, director of multifamily finance.

Madam Chair and board members, I'm pleased to present to you today the final recommendations for the 2007 housing tax credit program. I'm briefly going to discuss the process by which staff determined its recommendations, and then Audrey Martin is going to walk you through the actual recommendations that staff has.

First I'd like to mention one thing with the challenges that we've received for this cycle. We reported to you over the last several board meetings what's happening with those. At the time of your publication there was one appeal that we received -- I mean, one challenge that we received, and then one that had been pending. At this time we've researched all of those challenges and all have been resolved at this time.

As you'll remember, on July --

MR. CONINE: There's no changes?

MS. MEYER: No --

MR. CONINE: All have been resolved with no changes in our list?

MS. MEYER: That's correct.

MR. CONINE: Okay. I just wanted to clarify. Thank you.

MS. MEYER: If you'll remember, at the June 28 board meeting, you approved a list of eligible applications to compete for the 2007 competitive housing tax credits, and the board is required to do this by Statute 2306, approve final commitments of allocation and approve a waiting list before July 31.

The total housing tax-credit ceiling for 2007 is \$47,695,110. The Department is required to utilize a regional allocation formula and it's divided into 13 state service regions, and then further divided into urban/exurban subregions -- urban/exurban and rural subregions.

Additionally, the Department is required to meet certain set-asides. Ten percent of the total state credit ceiling must be allocated to non-profit developments.

At least 15 percent of each region's allocation

must be available to developments that are at risk of losing their affordability, and 5 percent of each region's allocation must be made available for developments that are receiving funding with the United States Department of Agriculture.

For 2007, the non-profit set-aside has been satisfied with the staff recommendations, and to the extent that applications were submitted and eligible, the at risk and USDA set-asides have also been met regionally.

On -- if you'll look at item 3(d) in your board materials, on page 3 of the write up, there's a table that actually breaks down the allocations and set-asides for rural, urban/exurban, at risk, and USDA. It should be noted that the at risk and the USDA set-asides are independent of the urban/exurban and rural set-aside. They're included in that regionally.

MR. GERBER: Robbye, before you -- Audrey, why don't you stand in the middle here and just describe as you walk through that.

MS. MEYER: Okay.

MR. GERBER: I'm sorry.

MS. MEYER: See if she can follow along with me.

The Department received 212 pre-applications,

and -- totaling a total amount of \$156,807,174.

Subsequent to that we received 111 full applications requesting a total amount of \$86,638,613. At this time, 10 of those 111 have been withdrawn by applicants, and we have 101 applications available at this time left in the pool.

As a reminder to the board, you approved eight applications in 2006 to receive forward commitments. That totals \$6,314,864. If you look at your reports, those are indicated as FWD in the third column from the left, and Audrey can show you that on the report example.

The board also approved 52 applications from 2004 to receive additional credits from the 2007 ceiling.

That totaled \$2,025,354. These are indicated as a BA, or binding agreement, in that same third column.

The staff recommendations are indicated as an A, and the applications not recommended by staff are indicated as an N. The total credit amount eligible after the forward commitments and the binding agreements are taken out, is \$39,354,892.

Staff is proud to say that all the real estate analysis reports for financial feasibility have been completed for the applications recommended for award, with the exception of one in Region 5, and that is 07162, North

Pointe.

In addition, all the applications have been reviewed for eligibility, threshold, compliance and the financial audits. And I'd like to thank all the staff in multifamily, real estate analysis, portfolio management, and compliance, and financial administration. We've all worked very closely to accomplish this very extensive task.

(Pause.)

MS. MEYER: Yea, Tom. Yea, Tom.

MR. CONINE: You're just glad it's over.

MS. MEYER: It's not yet.

MR. CONINE: Almost.

MS. MEYER: Related to the recommendations, I'd also like to make note to the board that to the extent that there are discrepancies, but between the underwriting reports that you've received, the board summaries that you've received, and the final commitments, the final commitment will take precedence for the applicant.

These should be minimal, and it would include -- they're to ensure consistency between all the reports and to place any additional conditions that are needed for the application, or that the board may ask.

If you will turn to your report number 3,

behind your board write up, and we're going to walk you through how staff actually arrived at our awards. We're going to take Region 2 as an example.

The first step that we take is we take the highest scoring deal in at risk and USDA, and for Region 2 there was not an at risk, there was only a USDA. So we subtracted that out of the total. And it comes out of the rural set-aside, not out of the total set-aside because that particular application was in the rural subregion.

The second step we take is to take the -- since there are no other applications, we would stop with that particular exercise. The second step that we would take is to take the highest scoring application in the subregions, which is the urban/exurban, and in the region.

And for this particular one, for Region 2, 07133 would be the highest scoring in the urban/exurban. However, there's only \$751,641 available in urban/exurban and the request is exceeding that amount. So we would not take an -- use that application at this time.

Stop right there. We go into the rural region and do the same exercise, take the highest scoring application, and for that particular one it would be 07194. This is requesting \$687,210. However, since we took the USDA application out, and that binding agreement

for \$10,338, that only leaves us 241,000. So we would stop there because we're over the allocation for the regional amount.

Have I confused you now?

MR. CONINE: No, go ahead. I'm watching the bouncing ball.

MS. MEYER: Okay. At the third point, unlike other years that we've had QAP this year we have a regional collapse. And then we take the statewide collapse. And in this particular one we had an application that won in both the state and the regional. In this one we would take the regional amounts that are left and we combine them together and we would have \$1,033,366.

And when you have -- we would take the next available highest scoring application and if it was less than the amount that was left, then we would take that application. However, in this instance we have one from the rural set-aside and from the urban/exurban set-aside that is below the \$1 million mark, or the 1,033,000.

So therefore we would do a collapse and we would decide subregion is most underserved for this particular region, and in this region the most underserved was urban/exurban. So we would take the application,

07133, and that fulfilled our regional collapse.

We move on to the state collapse and we take all the -- and we do this for every region -- we take all the money left over in each region, we combine them into one pot, and then we take the most underserved and put them in order from most underserved to least underserved.

And in this particular region, one of the application's subregion was third on that list. So therefore it received a recommendation, and that was 07194.

Is everybody still with me? All these people out here don't know what I'm talking about, but --

And then we would do that until we've completely used up all of the state ceiling. In this particular time, we maybe have one that we may have a split award. Once we get to the end of the awards, and Ms. Martin is going to go over those recommendations here in just a minute, and she'll explain that split.

Do you have any questions on the process?

(No response.)

MS. MEYER: As Ms. Anderson --

MS. ANDERSON: Keep going.

MS. MEYER: -- would say, And hearing none, I'm going to move on.

VOICE: There you go.

MS. MEYER: I'm going to turn it over to Ms. Martin. If you will leave out report number 3 that we were just looking at, the first report is all the recommendations by staff, the second report is the non-profits set-aside, the second page will show you exactly the staff recommendations and the amount, and then the third report is the one that Ms. Martin will work from.

MR. CONINE: Are you sure?

MS. ANDERSON: Yes. You think that's good. Okay. We have a lot of public comment on several of these developments. I would encourage you -- particularly there are a couple of developments that are not on the recommended list today, but we have a bunch of people that want to talk, and that's -- you know, you have a right to speak, but I just urge you to think that through.

I mean, if you're already, you know, in the -- on the recommended list, then you ought to think it through, and if you're not on the -- if the development's not on the recommended list and you're opposing it, you know, if it's not on the recommended list, well, you might think about that.

So the first witness is Representative Bill Callegari, then followed by Peter McElwain and William Haddock.

MR. CALLEGARI: Hello. Thank you very much. My name is Bill Callegari. I'm State Representative for District 132, which is basically the Katy area.

And the project that I was speaking on is Elrod Place, which I understand has not been recommended, but I thought it was important to speak because I have some input that may, at long range, reflect on other projects.

Just for a matter of information, my district starts, if you know the Houston area, basically at I-10 and Highway 6, it's west -- far west Harris County, it goes west to the City of Katy about 10 or 12 miles, and then basically north and south from 290 to below I-10 to the Ft. Bend County line.

Just for a matter of information, I was the House sponsor and the primary author for the Sunset regulation -- Sunset legislation for TDHCA in 2003. And one of the things I wanted to make clear is the clear intent in this legislation was to allow more input from local residents and legislators in the approval of tax-credit projects -- I think some of you recall that -- and in particular to encourage developers to work with the community and to try to convince the residents of the need and viability of projects. People such as the school district people, the residents of the area that might be

affected, fire departments, law enforcement, all those people who have concerns about the area.

In this particular case my district is not an urban district, it's a suburban district. The only rural city in my district is the City of Katy. While I represent probably close to 200,000 people with the growth over the last few years, the City of Katy only represents 12,000.

Thus, the people really don't have a clear cut governmental entity to represent them. If they want to address a project such as this, whether it's to oppose or to approve it, they've got to depend on volunteers that may be involved in homeowners associations, or the water district, to come forward and to organize, if you will, and get on or against the project.

It's rather difficult. If you had a city where there was a known entity that could speak for you, it's certainly a lot easier. So you can imagine that, when you have a project where people have to get volunteers to go out and talk to other residents and just to gather information, it's quite an onerous process.

In this case we had some individuals who did that, and in their analysis had a problem with the project, and as their representative, I joined them in

opposing the project. There -- and some of them want to speak I think to express those concerns with issues such as availability of services, grocery stores, local transportation.

Just to give you a view, this project is located out in the fairly rural part of even my district.

There are basically at this time no districts to the west and north of that particular area. There's one district immediately to the east of it where the HOA is opposing the project, and, you know, all of the other subdivisions to the south and to the east of that project, and not very many at that point.

Now, five years from now that may change, but right now it's still a fairly rural area. The closest grocery store for instance is about five miles away. So it makes it difficult to imagine a product of this sort in that area.

The developer has not been able to convince the community of the need and viability of the project, and as I said, I joined them and the school district in opposing the project. It will put a tremendous strain on the school district in terms of its resources with regards to students, and also with regards to its contribution to the tax revenue.

This project would probably be valued at substantially less than a commercial project might be in the same area. So the district has to provide housing -- excuse me, not housing, but facilities for additional students without the resources to be able to pay for them. That's a significant problem for all the residents in the area.

In addition, I understand that there's a question about the availability of water and wastewater services. As I said, this is a fairly rural area, it's not located -- the project is not located in any particular water district.

There are two water districts, one new on one side of it, and one on the other side that's been around for a while, and I understand that neither one has agreed to provide services for this facility at this time. Without water and waster water services, I don't see how it can be built.

Again, when we had the public meeting on this thing, there were about 700 people who attended opposed to the project. No one in the immediate neighborhood has approached me, or mentioned to me of any support of the project. So I think it's a problem.

But I think most of all I want to encourage the

board to look very closely -- and the Department -- to look very closely at local comments and local concern for these kinds of projects. The local community needs to be brought into it, the developers need to -- and I'm not trying to criticize any particular developer, but need to do a better job of convincing the people that this project is a positive for them and not a negative.

So, again, I'm opposed to the project, but I encourage you to continue to look at all of your projects and local support or opposition, local input. Thank you very much for the opportunity.

VOICE: Thank you, sir.

MS. ANDERSON: Thank you, sir.

Mr. McElwain?

MR. McELWAIN: Thank you, Madam Chair, members of the board. I won't reiterate the comments that Representative Callegari made. I'm -- oh, my name is Peter McElwain. I'm the senior administrator with Katy ISD.

I thank you for the opportunity to address the board and to express our support of TDHCA staff's recommendation not to approve the Elrod Place application.

A number of the comments that Representative Callegari made I was about to make, so I'll be brief.

In working with our demographic and planning consultants and financial personnel, our position from the beginning of this application process has not waivered. We are not in support of the Elrod application due to the projected negative impact which it will have on the school district and the local school community.

The reasons for non-support are further articulated in the letter sent to the TDHCA from the district dated February 8, 2007 and March 26, 2007. The school district also spoke against the application at the public hearing for Region 6 applications held in Houston on April 10.

The district also expressed its non-support at the town hall meeting that Representative Callegari alluded to at which there was over 700 community members, many of which -- most of which were not in favor of the development. The Katy Area Economic Development Council has also sent a letter to TDHCA, dated April 9, indicating its non-support.

In summary, as a school district we're not -- we're in support of TDHCA staff's recommendation not to approve the Elrod Place application, and I thank you very much for your time.

MR. CONINE: Mr. McElwain, could I ask you a

question?

MR. McELWAIN: Sure.

MR. CONINE: It seems that this particular board has been inundated with residents from Katy over the years with various projects, and Katy -- you have a great football team, no doubt, down there, as well as some other -- the school system does a great job.

But I would be interested in knowing what the school district, and the City Council, and other interested citizens of Katy -- what parts of town they would accept some affordable housing projects. Would you mind asking them to report back to staff on maybe some sites within the school district boundaries that would be good, because --

MR. McELWAIN: Yes, sir, I will take --

MR. CONINE: -- because I -- you know, I -- we constantly hear no, no, no, no, no, but we never hear yes.

MR. McELWAIN: Yes, the --

MR. CONINE: And I'd like to know if --

MR. McELWAIN: -- the challenge -- and I will take that back.

The challenge that we have in Katy, as you know, we're on the western outskirts of Houston, and the wave has hit us, and it's hit us in all areas of the

district.

MR. CONINE: Right.

MR. McELWAIN: I'd say all of our schools across our district, north, south, east, west, are bulging at the seams. I will take that back and talk to officials about that. But I encourage the board to come out and visit our community.

It is, as most of you are aware, it's bursting at the seams in all areas, and all of our schools are at capacity. The demographics are changing in our district, whereby there's several special programs which are impacting the classroom size, and these type of developments are -- have a negative affect on the learning environment for our students.

But I will take that back --

MR. CONINE: Well, I'm sure that's not a blanket statement for all of Katy. Maybe it is. If it is, I'd like to know that too. If there's not a site within the city limit boundaries that, you know, the city fathers, if you will, would support, I'd like to know that too.

MR. McELWAIN: We'll have to -- we'll take that back, and as Representative Callegari mentioned, a lot of our school district is in an unincorporated area. The

municipality of Katy only represents a small portion of our school district. But I will take that --

MR. CONINE: Okay.

MR. McELWAIN: -- back.

MR. CONINE: Great. Thank you.

MS. ANDERSON: Yes, sir.

MR. CALLEGARI: If you'll excuse me. Bill Callegari again, the State Representative.

A comment. We have just -- there have just been two projects that were built in the Katy area, both of them on Sobs [phonetic] Road, one to the -- on the east side of -- a senior project on the west side of Sundown Elementary, another project, which was a family project -- excuse me, and regular apartment project, low-income project, on the other side of this elementary school. So there have been some projects approved.

We would love to have an opportunity to have the developer approach us before they would pick a site and look at sites. If we can pick -- you know, there are some sites available that would be satisfactory, but we never -- we don't find out about them until after the fact, and it's too late to get the input and to get the community involved.

I've encouraged our community as much as I can

to look at the projects carefully and try to approve a project, because I have the same concern. I told these people, look at -- you know, it seems like I'm always coming in opposition to these projects, let's find one that we can support.

MR. CONINE: Right. I think that's where I was headed in my comment.

MR. CALLEGARI: And I'm with you.

MR. CONINE: You do enough comprehensive land use planning to say, you know --

MR. CALLEGARI: Right.

MR. CONINE: -- we have a generic -- and if Katy was fully built out, this is how many people are going to be here and this is how many --

MR. CALLEGARI: Right.

MR. CONINE: -- affordable housing units we need, and here's where they need to go --

MR. CALLEGARI: Yes.

MR. CONINE: -- that would help us --

MR. CALLEGARI: I understand --

MR. CONINE: -- in making those decisions if you just provide a list of those properties --

MR. CALLEGARI: Right.

MR. CONINE: -- and then make the development

community easier and our job easier.

MR. CALLEGARI: Here's the problem, we've got the City of Katy that makes up I guess maybe 5 percent of the population of my district at least. So the rest of it is in the suburban areas. A very, very small portion by the way in the City of Houston, but it's basically commercial area, the Park 10 area if you're familiar with Houston.

So the rest of it is in the area, and the development depends on who owns the property and who's going to develop it next. And there's not a great deal of comprehensive planning. But there are some opportunities, and I would encourage any developer that wants to do anything to have some conversation with us and help them at least try to gather some information and get a community behind it rather than opposed to it.

Because they first hear about it, they feel like it's a done deal, it's very, very difficult to get them turned around. But I certainly would be happy to cooperate in any way I can, but, you know, it's got to go both ways. We don't have a comprehensive plan in process that most --

MR. CONINE: If you wrote --

MR. CALLEGARI: -- communities do.

MR. CONINE: -- an agenda item on the City Council agenda, I bet some folks would show up that would have --

MR. CALLEGARI: Yes.

MR. CONINE: -- a lot of interest in this topic.

MR. CALLEGARI: But keep in mind, with the City of Katy you're talking about 12,000 people versus, you know, 180,000 or so outside of the city who --

MR. CONINE: Right.

MR. CALLEGARI: -- really don't have a voice or --

MR. CONINE: No, I'm interested in -- I know those folks are moving to go to the Katy school system --

MR. CALLEGARI: Right.

MR. CONINE: -- because it's good, and I'm interested in wherever their jurisdictional boundaries are.

MR. CALLEGARI: Good. Okay. Well, I'll be happy to participate in any way I can.

MR. CONINE: Great.

MR. CALLEGARI: Thank you.

MR. CONINE: Thanks.

MS. ANDERSON: Mr. Haddock, then Ms. Soto,

Yvonne Soto.

MR. HADDOCK: Good afternoon. I'm Will Haddock. I represent the Ridge Water Community Association.

Just to make my presentation brief, I have some handouts of just some main points. To keep my presentation brief, the main thing about this project is, it's the wrong time for this project.

The Elrod Place proposal is to be on Elrod Road, which is a mile long country road with two lanes, ditches on either side, no sidewalk, there's nothing, there's no shopping or any services available within about a mile of where this subdivision is going to be.

The subdivision is going to be composed of mainly senior living -- half senior living and half family accommodations. The lack of infrastructure for transportation, the lack of ability to even walk in a dire situation to a store that's nearby, within a quarter of a mile, is a real killer for this project.

Additionally, other government services in this area are lacking. It's a volunteer fire department. They have -- the fire station is -- in the area is staffed from 7:00 a.m. to 5:00 p.m. After that the volunteers in the area would respond to fires.

There is no police force because it's an unincorporated area. But they do have sheriffs and constables that do patrol the area, but they have to be under contract in order to do so. The nearest station by the way for the constables are -- is 7.3 miles away. The nearest sheriff's station is 6.4 miles away, but there is a storefront that's manned part-time that's 2.9 miles away.

This area is not served by the Metropolitan Transit Authority. Employment in this area is scarce. There are about 36 businesses that employs people in this zip code where this project is. Most of them are small businesses. They're not going to be hiring a bunch of new people.

It's a growing area, yes, but we don't know when these new businesses are going to be built, we don't know where the new shopping centers are going to be built.

Finally, I also have in -- you know, in that packet there is -- there are some apartment complexes within about five to six miles of this area. There are -- there is one project that was -- that is assisted housing in this area, but for this project it is in the wrong area.

MS. ANDERSON: Yes, sir, if you' -- Mr. Bogany

has a question please, Mr. Haddock.

MR. BOGANY: Mr. Haddock, I have just one question for you. You know the zip code is the highest foreclosure area in the City of Houston proper. Now, these people lose their houses, they're in these great Katy schools, but they want to be able to keep their kids in those schools. So now we know that they can't afford -- and I would also say that zip code is probably one of the most affordable as far as purchasing a home in those areas.

So now they've lost their house, they want to stay in those schools and they need a three bedroom apartment. Where do you expect them to go?

MR. HADDOCK: Well, there are other apartments in the Katy area. I mean, this particular area, it's kind of a no man's land between, you know, the incorporated Houston area and the incorporated Katy, you know, municipality.

It is a growing area. There's still agriculture in this particular zip code, but there are -- and it's not to say there aren't apartments in this immediate area. Along the Katy corridor, along the Mason Road corridor there are certainly apartments, and many of those apartments are, you know, affordable apartments.

And, again, there is one project that we know of that does offer affordable housing in this area.

Is there a need for more affordable housing in the Katy ISD area? That argument could certainly be made for that. Is there a need for it on Elrod Road? Actually, the question should be, is it appropriate to put it on Elrod Road which really is not developed, doesn't have the government services that would support such a project right now.

MR. BOGANY: Okay.

MR. HADDOCK: So at this time it's the wrong project.

MR. BOGANY: Okay. Thank you very much.

MS. ANDERSON: At this time we have five more people that would like to speak on Elrod Place, and Elrod Place is not on the recommended list. So I'm going to move these five witness affirmation forms to the end of the list, and, you know, if you still want to speak at that time you may.

But it is 2:00 and we have many, many people that want to speak in support of and in opposition to developments that are on the list that will be approved today if the board votes the list.

So I appreciate your understanding, but to

spend any more time on a deal that's not going to be approved today, I think first we have to hear the witnesses from developments that are in play, if I could use that language.

The next witness is Mr. Bill Ehrie.

VOICE: He went to the restroom.

MS. ANDERSON: Okay. I'll tell you what, I've got one on another development we'll put in front. Ms. Laura Waller-de la Rosa [phonetic].

VOICE: Who?

MS. ANDERSON: Ms. de la Rosa?

VOICE: Mr. Ehrie's here.

MS. ANDERSON: Oh, okay. Great. Thank you.

MR. EHRIE: Good afternoon, Madam Chair, members of the board, Mr. Gerber. I'm Bill Ehrie, the chairman of the Texas Military Preparedness Commission appointed by Governor Perry.

I'm here to discuss project number 07133. As a matter of disclosure, I do live in Abilene, Texas. My professional position is the president of the Abilene Industrial Foundation, which is an economic development group in Abilene, Texas.

I served in the United States Air Force for 25 years. As a pilot I flew B-52s, FB111s, B-1s, KC-135s,

and when I retired I was the wing commander of Dyess Air Force Base in Abilene, Texas.

The issue of concern before you today on project 07133 is a matter of encroachment, which is the opinion of the Texas Military Preparedness Commission. Encroachment can be physical, noise, or involved air space. The Department of Defense and the military services view encroachment as a major issue that needs to be addressed before it impacts military operations.

During the 2005 base realignment closure, encroachment was a key criteria as to the ratings of the installations and the possible closure of, or mission adjustments for the future.

As an example, in 1995 -- 1993, excuse me, Plattsburgh Air Force Base in Plattsburgh New York was closed due to encroachment in the retail and housing environment off the end of the runway.

In 1995 Carswell Air Force Base was restricted in operations after it was realigned due to noise in the evening hours around the Ft. Worth area.

In 2000 Ellsworth Air Force Base in South Dakota, by Rapid City, moved their interstate exchange to the west by some three to five miles because of the height restrictions, lighting, and the fast food restaurants that

were developing off the end of the runway.

And in 2005 Naval Air Station Oceana in Virginia Beach, Virginia had a major encroachment of housing development off the runway, which led to the state, the county, and the city buying out the residents to the tune of \$15 million in order to keep the installation at that location.

The situation at Dyess Air Force Base in Abilene is not unique but needs to be controlled. Aircraft accidents usually occur on takeoff and landing; hence the need for what we call clear zones. If you look at this map, in this area here which the Air Force owns, APZ-1 and APZ-2, accident prevention zones off the end of the runways.

If the proposed development 07133 is approved, it will have the land to develop in APZ-1 zone, which is right over here in this area which you're looking at. This is the proposed development here; that's the piece they're looking at. Even though they say they're not going to develop, they have the right to do that in the future.

This is an area of Tye that is closely monitored and to prevent encroachment and avoid potential disasters in the future. The housing area in question is

also in the 75- to 80-decibel range, which is detrimental to humans if it's -- and experienced for a long period of time.

What was not considered is that the B-1 aircraft, and other jets, actually create 100 to 140 decibels while in flight or on takeoff and landing. The 80 range is a steady state condition, not the flight noise created by the aircraft. The articles you have in your packages I've given you clearly states that. Aircraft noise cannot be equated to maintaining your lawn with a lawn mower. It is totally different.

The map I've given you identifies the location of development, as you may know. This is an open area, right in this area here, and it is located -- no develop's taken place, and the reason its not taken place is because people on the base know they don't want to live there, they know the noise, they know the potential for an accident on takeoff, which we have had at Dyess Air Force Base.

If this project goes forward, those relocating to the new development would immediately be subject to the noise and operational hazards from the base. Additionally, development would not bode well for the future of the base in another base realignment and closure

out.

The base accounts for 10 percent of the population of Taylor County, 12,000 people. It also contributes 300 to \$400 million a year in economic impact.

If the base were to close, the economics would be devastating and a negative multiplier would occur from the base line.

If this took place, the visibility -- the viability of the housing project may be in question due to the loss of population in the county, which is at 120,000, would experience given the negative multiplier.

As a Commission, we in TM&PPC [phonetic] recognize the importance of the project to the area in general. However, the current proposed location is not viable. Ask yourselves if you would want to live this close to the main runway at Dyess and two assault strips for the C-130. Would you want your parents living there with that noise every day? And we do have it every day.

We ask that another location be selected in Region 2, thus keeping the operations at Dyess intact. I have spoken to the Mayors of Tye and Abilene, as well as the County Judge and the Economic Development Chair for the City of Abilene. They have agreed to facilitate a meeting in the future to discuss Tye's needs.

Lastly, while in D.C. last week, which I came out of Friday night, this subject came up inside the Pentagon for the senior leadership of the Air Force. They are very concerned about the negative impact this will have on the base for any future missions or mission changes in the future.

I ask the board to consider what has been said and to not go forward with this project in this location.

It just does not make sense. And the chair of the Texas Military Preparedness Commission, I cannot support this project given the encroachment and the future base realignments and closures we're going to experience in this nation.

This concludes my presentation, Ma'am. I apologize for coming so late to you, but we just found out about this proposal on June -- July 26, which was Wednesday. Are there any questions for me?

(No response.)

MS. ANDERSON: Thank you, sir.

MR. EHRIE: Thank you.

MS. ANDERSON: Mr. Webster, he went over on his time, so I'd ask you not to repeat his points and so we try to keep things fair.

MR. WEBSTER: Okay.

MS. ANDERSON: Thank you.

MR. WEBSTER: I'm Dr. Jim Webster. I'm a retired physician and vice chair of the Military Affairs Committee of Abilene Chamber of Commerce. Our goal at the Military Affairs Committee is to preserve and protect, and with a little luck grow Dyess Air Force Base.

The main concern we have is the encroachment issue. Many times over the last few months and few years, while at the Pentagon supporting Dyess, we have heard from the Assistant Deputy Chief for Installations at the Pentagon about the issue of encroachment.

It is clear the issue of encroachment is the number one reason to get your name on the BRAC closure list. And we've been warned and warned and warned again to avoid that at Dyess Air Force Base.

Clearly it's a health issue with the noise abatement. In your packet is a list of the acceptable noise levels provided by the CDC. It's on page 2 of the dangerousdecibels.org list.

The steady state, when the planes are flying around, is in the 110 range, which says that you should be exposed to that for less than two minutes. At the 140 range, when they're taking off and landing, it is virtually impossible not to be -- have damage if you're

outside at that point.

Finally, let me say, to protect and preserve our base is our number one-goal, and to remain off BRAC is our number-one goal. The economic impact of losing Dyess Air Force Base would be a disaster for the entire region.

Thank you.

MS. ANDERSON: Thank you, sir.

The next witness is State Representative Susan King.

MS. KING: Good afternoon. My name is Susan King, and I thank the board, Chair Anderson, Director Gerber for this opportunity to address this body.

I'm speaking for myself and in my capacity as the State Representative for District 71, Taylor and Nolan Counties. I live in Abilene, I'm a small business owner and a registered nurse by profession. I'm opposed to project proposal number 07133 as presented, and this is the project entitled StoneLeaf at Tye located in Tye, Texas of Taylor County and my legislative district. I appreciate the hard work by your staff that has analyzed this exhaustive project data.

As a point of clarification, I emphatically support affordable housing for seniors and families, when and only when such development is not in direct conflict

with, or jeopardizing an entity critical to our communities, our district, our state, and perhaps the entire United States.

This critical entity, as just discussed, is Dyess Air Force Base, and this project would not only adversely affect the future viability of Dyess through encroachment, but also the flight environment component's experience would result in a safety hazard, a safety hazard for the potential inhabitants of the said proposed project.

When I was contacted to supply a letter of support March 17 of this year, I agreed to do so, stating support for appropriate housing in this area. On July 27, 2007, I was made aware that this project was not, not receiving support from Dyess Air Force Base. Even as recently as this morning I received absolute verbal confirmation from the commander of Dyess Air Force Base, Colonel Timothy Ray, that he, in fact, is not in support of proceeding with this project as proposed.

As with the previous testimony and consideration thereof, I believe it is in the best interest of the constituents in District 71, and for the greater good of the United States Air Force that I officially withdraw my letter of support as submitted

March 17, 2007, and urge the board to oppose project 07133. Thank you for your consideration, and I would entertain any questions if you have any. Thank you for your service.

MS. ANDERSON: The -- that's the last public comment on that development. The next witness is Mark Barineau, followed by Willie Alexander, and then Tammy Bonner.

MR. BARINEAU: Good afternoon. My name is Mark Barineau, and I'm the owner of -- or an owner of Reed Park Town Homes, Scott Street Town Homes, and South Union Place in South Houston.

And I'm opposing Cypress Creek Apartments, project number 07291. You've heard a lot from us here these last three months. Myself, John Barineau, my partner, Willie Alexander, and I have been rather outspoken about the 112 60-percent AMI units that Cypress Creek is proposing in their application, because we feel that's going to already add to the oversupply of 60-percent units that are in there right now.

And it's basically a situation of over-concentration in that area, and we're alarmed and we want to protect our interest down there.

We've written 12 letters, we've attended now

our third hearing, and we've gotten real passionate about this as we dive into the facts and we look at the market study, and we listen to the staff and some of their underwriting comments, and we look at our own operations.

So if you'll bear with me here, I'm going to kind of run through a few facts, and I appreciate if everybody would listen to me here.

Okay. Reed Park, again, is located directly across the street from where Cypress Creek is proposed to be located. Now, this project will have the same location advantage, it's going to offer the same rents, it's going to be 10 years newer.

How can there not be a case of cannibalizing tenants from Reed Park over to Cypress Creek, unless everybody believes that there is this large market of 60-percent tenants, which my three properties in that area, plus two other landlords that I've talked to here in the last couple of weeks will attest to, we are not occupying our 60-percent units with 60-percent tenants. There's just not enough to go around. There are just too many 60-percent units chasing too few 60-percent tenants. So that's been our experience.

Now, why aren't other people complaining? We've got all the bond deals down there, for one; the

deals that are 4 percent, 50/60 deals. Those are the ones where they have units that are allowed to admit 60-percent tenants but have to charge 50-percent rents, no more.

Now, I just want to make sure everybody understands that point, because that's very critical. That was not mentioned in the market study as being a big negative.

Two other properties in the area, Margie Bingham's Landsboro, which in lease-up -- that's about a mile east of Reed Park -- I understand from Margie Bingham, who's here today, that only 20 percent of her 60-percent unit are occupied with 60-percent tenants.

Tom Lord, who's got an e-mail there in one of my handouts -- I hope you have it; do you all have that? -- the handout from Tom Lord? -- he has 147 60-percent units. Of those none are filled with tenants earning 60 percent.

In fact, 88 units are filled with people earning less than 50 percent. And he had a bond deal, a 4-percent bond deal, go up right next door to him about two, three years ago. So we're worried the same thing's going to happen to us.

Also, THCDA did their own report back in 2004, the Vogt, Bowen & Williams study, and they confirmed a

negative demand for the 41- to 60-percent area median band. Now, I don't know what negative demand is necessarily is mathematically, but it can't be good.

TDHCA admitted, as a con in their underwriting study, that there was a somewhat over-saturation based upon the unit capture rate of over 120 percent calculated by the market analyst. And if you go back and look at page 7 of 14 of their underwriting study, you'll see that of the two-bedroom 60-percenters, they were looking for a capture rate of 123 percent; the three-bedroom 60s 178 percent.

Now, again, I don't know the math, how we got to that number, or how underwriting got to that number, but, again, that can't be good.

And then lastly, the O'Connor market study -- and, again, I hate to pick on them; we've used them before with good success, but we believe there's faulty misinformation in their report. For instance, their capture rate in the original report went from 9 percent to -- after some scrutiny by us, some back-and-forth dialog, it's now at 18 percent.

So I feel like they've cherry-picked their renter percentage that Willie Alexander's going to talk a little bit here, and the turnover percentage. And just to

cite one example about the --

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

MR. BARINEAU: -- in the turnover percentage in their market study, they stated --

MS. ANDERSON: Mr. Barineau, why don't you let somebody else cover that. Okay.

MR. BARINEAU: Okay. Can I just say that based on interviews with comparable properties, turnover of 25 to 67 percent was consistent. So for their analysis, let's use 65 on the high end.

Thank you for your time. I appreciate your sessions with me. Thank you.

MS. ANDERSON: Mr. Alexander.

MR. ALEXANDER: Madam Chair, members of the board, staff, my name is Willie Alexander. I'm an owner of Reed Park Town Homes, Scott Street Town Homes, and South Union Place.

As Mr. Barineau, I'm here in opposition of Cypress Creek Apartments, 07291. And as we are focusing on today, it has to do with over-concentration in the area.

Given the proximity of Cypress Creek to Reed Park Town Homes across the street, and the approved Reed

Row seniors property immediately next door, I want to remind TDHCA of Senate Bill 264, which prohibits TDHCA from awarding tax credit to certain proposed projects based on their location or proximity to other affordable housing projects.

I request TDHCA act prudently and responsibly and in the best interest of existing tax-credit properties already in the area.

I believe you have somewhere in front of you this map, and -- in the pass-outs -- do you -- okay. And what this map -- what I want to focus on in this map, this map shows that there are 24 affordable housing units in this little shade area with the yellow dots, and comprising about 4400 -- 4,459 units.

And what I want to focus on here is the eligible renters. And as I look at the report that O'Connor submitted, and it talks about the demographics provided by Claritus [phonetic] reporting an average rental percentage of 33 percent -- 33.34 percent in the primary market area, and it says this figure appears, appears to underestimate the rental percentage, particularly for a population with an annual income of below \$35,000.

Well, instead of using the renters percentage

for this small area that we're talking about with the 24 units, they use the Harris County renter percentage. And in using the Harris County renters percentage, my question would be, you know, Harris County is -- why not use the State of Texas? I mean, we're talking about a small area here that's carved out, and to use that -- those renter percentages for Harris County, we think skews the renter percentage numbers.

I thank you for your time. Questions, please?

MR. CONINE: Thank you.

MR. ALEXANDER: Okay.

MR. CONINE: Tammy Bonner, then Christine Ramirez is next.

MS. BONNER: Good afternoon. My name is Tammy Bonner. I am the occupancy and compliance manager for Radney Management & Investments, Incorporated, the managing agent for Reed Park Town Homes, Scott Street Town Homes, and South Union Place Apartments.

I'm here today in opposition of Cypress Creek Apartments, number 07291, on the grounds that its 112 units targeted for households earning 60 percent AMI would be detrimental to the occupancies of Reed Park Town Homes and the other 9-percent tax-credit properties with 60-percent set-aside units in this market.

Based on my hands-on experience in the market, there is not enough 60-percent AMI traffic to support the existing 60-percent set-aside units, much less an additional 112 units.

I have a little over 16 years of experience in the affordable housing industry. I lead preparation efforts and represent the properties for all management and occupancy reviews, including those conducted by TDHCA.

I interact with other state agencies in Colorado, Louisiana, and with the City of Houston concerning tax-credit compliance issues.

I review and complete final approval for every tax-credit application on these three tax-credit properties in the same area as Cypress Creek Apartments. I also conduct routine fall audits and serve as the primary company liaison for TDHCA auditors.

We are not achieving the targeted number of 60-percent set-aside units with 60-percent area median income tenants as underwritten by TDHCA and recorded in our LURA.

The information in the handout that you have, there's a table there, for each property there is the LURA target as opposed to the actual occupancy percentages on our 50- and 60-percent set-asides as of 12/31 of '06. Now, I took that information directly from the unit status

report that I completed and submitted to TDHCA in March of this year for our annual tax-credit compliance submission for 2006.

As you can see for Reed Park Town Homes, the LURA target on the 60-percent set-aside is 115. We actually had 70 as of 12/31 of '06. For Scott Street Town Homes the 60-percent set-aside target as per the LURA is 40; we had 25. For South Union Place Apartments, the target was 25, and we had -- I'm sorry; the target is 60 and we had 40.

In comparison, our 50-percent set-asides we have way over-leased. The 50-percent set-aside for the LURA on Reed Park Town Homes is 50 units; we have 116, which is more than double. For Scott Street Town Homes, the 50-percent target is 41; we had 67, which is 163 percent of the target, and on the 50-percent set-aside for South Union Place Apartments we had 172 percent of the target.

Now, many of these 60-percent households -- the number of them has actually declined since 12/31/06, and we have never met our 60-percent target at any of these properties.

MR. CONINE: I need to ask you to wrap up.

MS. BONNER: Okay. Even though all these

properties are achieving 89 percent or better occupancy, it is only because we have been forced to way over-lease our 60-percent units to 50-percent AMI tenants.

Thank you very much for your time.

MR. CONINE: Thank you.

Any questions?

(No response.)

MR. CONINE: Christine Ramirez and then Mary Ainsworth.

MS. RAMIREZ: Good afternoon. My name is Christine Ramirez, and I'm the operations coordinator for Radney Management, the managing agent for, again, the same three properties, Reed Park Town Homes, Scott Street Town Homes, and South Union Place Apartments, and I'm here, again, to back them in opposition of Cypress Creek Apartments, 07291.

The market analyst, O'Connor & Associates' turnover percentage of 53 percent we feel is grossly overstated. Without the high turnover rates, Cypress Creek's capture rate would exceed the 25-percent TDHCA maximum for family properties. A high turnover percentage mathematically produces a lower capture rate percentage.

Tammy and I both went to the properties listed in the O'Connor survey and determined that a lot of the

information in there, in doing site visits, was dramatically different than what they had reported.

And so we kind of -- we went through and re-verified everything and got -- and came up with a new survey of the same properties that they did, just with our numbers from going and doing site visits and phone visits if we couldn't get them in the office.

So we made some adjustments, and we deleted four non-comparable medical center properties that offered short-term leases, 30-, 60-, 90-day leases, where they're really not comparable if they're turning the unit 12 -- you know, eight, nine, 10, 12 times a year. We felt that they weren't comparable to the normal leases of six months to a year, so we deleted those.

We made five turnover percentage increases, and four decreases based on face-to-face interviews with managements. Again, one example of a decrease is Cambridge Village Apartments, a property we own and manage, had an annual turnover rate of 31 percent, rather than the 87 percent that O'Connor had reported.

Another one was Main Ridge Apartments where the manager, Brianna Shipp [phonetic], confirmed an annual turnover of 68 percent rather than the 114 percent that O'Connor reported. Those two large numbers coming down

makes a large difference in the turnover percentage.

We also added three of our properties to the survey: Missionary Village, which is 100 percent Section 8 property with a 25-percent turnover rate; Scott Street Town Homes, the tax-credit property with a turnover rate of 31 percent; and, of course, Reed Park Town Homes, another tax-credit property, with a turnover of 41 percent.

O'Connor stated in their letter dated July 13 to Tom Gouris that they were unable to obtain turnover information from some of Radney Management's properties and feel that, given Reed Park's partnership's interest in lowering the overall turnover, this presents a potential conflict of interest for us to use this information.

True, we asked that the site staff refer the market analyst calls to the home office so that they get accurate and correct information, but they never called the home office to get that information.

Our revised O'Connor survey showed an average turnover of 40 percent versus their 53 percent. And it is well documented and is a more accurate reflection of the 53 percent accepted from O'Connor by the TDHCA staff. We have a list of every property we visited and the manager's names and numbers, and the turnover information they

provided.

One last thing. By comparison, TDHCA's underwriting used on Nottingham Hill Gate in Missouri City 39 turnover rate rather than the 53 percent that they used for our property -- or Cypress Creek that we're trying to oppose. So thank you very much.

MR. CONINE: Thank you.

Any questions?

(No response.)

MR. CONINE: Mary Ainsworth, and then Claudia Vassar.

MS. AINSWORTH: Good afternoon. My name is Mary Ainsworth. I'm the assistant to Mr. John Barineau.

Mr. Barineau is a member of the Reed Park Limited Partnership, general partner, and he has appeared before you on numerous occasions, most recently June 14, to express his opposition to Cypress Creek Apartments, number 07291. Mr. Barineau regrettably could not be here today.

As the Barineau team has previously stated, there is great concern regarding the overabundance of low-income housing tax-credit projects in the southern area of Houston. And Mr. Barineau and other members of the partnership have written numerous letters to the board,

Mr. Gerber, and Mr. Gouris noting their anxiety.

And as Mark Barineau said, 12 letters have been written in about a three-month period, with copies going to all of you. With each letter we've tried to provide accurate maps, charts, research items and key data that support our theory that Cypress Creek will only add to a burden -- add a burden to -- excuse me -- the area of South Houston that is already struggling with tax-credit properties.

I just feel if a new project can take away tenants from existing projects to the detriment of those existing projects, then it should be a successful argument that there is insufficient demand for the new project, not to mention the difficult rent-up period that the new project will most probably experience anyway.

We ask you, again, please consider Cypress Creek very carefully and prudently. Thank you.

MS. VASSAR: Good afternoon. I'm Claudia Vassar. I'm an attorney with Cochran and Baker, LLP. We represent Reed Park Limited Partnership, and I am here to speak in opposition of Cypress Creek Apartments.

The primary concern with this project surrounds two developers attempting to show that there is or is not need in the south Houston area for additional low-income

units. You have received a lot of information regarding this debate.

I urge you to consider the PMA for this community rather than a renter rate for the entire City of Houston. Anyone familiar with Houston knows that different areas will have different renter rates. Using that percentage, even if you average their data, our data, and come up with the turnover rate that you -- averaging those two sets of data, you still will not achieve a capture rate that is required by TDHCA for this project.

I would also like to emphasize that an independent study unrelated to either of the developers prepared for TDHCA forecasts a negative demand for the 40- to 60-percent AMHI units in this community, and that this region is in the bottom third of the city.

As you're well aware, in recent years the legislature has become concerned with the location of low-income housing developments in close proximity to other developments. In its synopsis of Senate Bill 264, which was the precursor to 2030, and amendments to Section 2306.066(1)(f), which you're all familiar with, it added proximity as a factor that TDHCA must consider.

The Texas Legislative Council, joint chaired by our Lieutenant Governor and the Speaker of the House, went

so far as to say that the bill prohibits TDHCA from awarding tax credits to certain proposed projects based on a location or proximity to other affordable housing developments.

Obviously the concern with this is that you're encouraging developers to build projects adjacent to established projects. This will have the effect of robbing Peter to pay Paul, as low-income units are lured to move to new facilities across the street from the facilities that they are currently renting from where they have the same fixed rents.

You can imagine the ramifications of such practices. Investors and developers who get burned by new developments nearby will reconsider Texas projects if they fear another development may move in next door when their development begins to age.

Although I'm concerned with this project in particular, I'm also concerned about setting a precedent that proximity to numerous other affordable housing projects is not an important factor in considering projects that come up for funding.

Let's not undermine all of the hard work that has gone to successful developments that are already established and in existence. We are all here to help

alleviate the housing needs of low-income citizens across the state of Texas. It is TDHCA's role to identify the projects that will best serve that need.

We trust that if you have any doubt about the need in south Houston for additional affordable housing units, that you will conclude that the citizens of Texas would be better served by using state resources to support a project in an area with indisputable need, and you will oppose Cypress Creek Apartments, number 07291. Thank you for your time.

MS. ANDERSON: Thank you.

If I can call on Michael Lyttle to read a letter from State Representative Woolley, please.

MR. LYTTLE: For the record my name is Michael Lyttle, director of policy and public affairs for TDHCA. This letter was faxed to the board chair, the Honorable Elizabeth Anderson, along with all the other board members from TDHCA, dated July 27, 2007.

It reads, "Dear Ms. Anderson: I am writing to express my objects to the above-reference project, Cypress Creek Apartments, proposed for development at Highway 288 and Reed Road in Houston.

"I was contacted by my constituent John N. Barineau III, who raised concerns about over-concentration

of Texas Department of Housing and Community Affairs approved housing with a negative demand for housing in the Highway 288 South submarket.

"On behalf of my constituent, please accept this letter as opposition to this application. Thank you for your attention to this matter. Please feel free to contact me if I can be of any further assistance. Kind regards, signed Beverly Woolley, State Representative, District 136."

MS. ANDERSON: The next witness is Mr. Bob Coe, followed by Elberth Curvey.

MR. COE: Good afternoon. Bob Coe with O'Connor and Associates. We did the market study for Cypress Creek.

I'm mainly here to answer any questions you all may have since there's been so many allegations brought against the project and the market study.

One thing I would like to let you know is that the Oakmoor, a similar project, which is located a mile and a half or so away began leasing the 15th of May, is already over 32 percent occupied. They're doing no concessions, all of their units are at 60-percent AMI. So there is demand there.

Can I answer any questions?

MS. ANDERSON: Thank you.

MR. COE: Thank you.

MS. ANDERSON: Mr. Curvey, and then Donald Sampley.

REV. CURVEY: Good morning -- good evening, board members and members of the board. My name is Reverend Elberth R. Curvey, pastor of the Sunnyside Missionary Baptist Church in Sunnyside, and have been for 47 years.

I strongly support Cypress Creek at Reed Road development. Ms. Bessy Swindell, president of the Southeastern Coalition of Civic Clubs, which represents 34 civic clubs and community organization including the neighborhood of this development, could not be here today, but she asked that I convey to you her organization's strong support of this development because of the revitalization Mr. Shaw's efforts are making possible in an area that has been plagued with industrial development that is extremely detrimental to our community.

In 1960 I organized the Sunnyside Missionary Baptist Church. I have worked with the Sunnyside community for these 47 years to improve our neighborhood and to strengthen our community. I established the first police storefront under Mayor Whitmire.

I also brought this area private-sector initiative to help remodel and to help to strengthen the quality of education or quality of living for the elderly in this area. I also brought to this area St. Luke United Methodist Church off of Westheimer that came over and worked to develop this area in which I'm working.

I worked to provide quality affordable housing for our neighborhood for years, and have served on the Board -- or Commission for the Houston Housing Authority for six years. This community support shows effort to build this family development and will complement -- that this will complement the senior development across the street.

Those who have suggested that adding this development will hurt our community are simply, board members, wrong. And we want quality residential and retail development along Reed Road.

The community, including civic clubs, state elected officials, and the City of Houston are working with Mr. Shaw to build the sewage infrastructure necessary to make this residential and retail development along Reed Road possible. He is building the infrastructure that's going to make it possible for Reed Road to grow.

We feel that supporting this development will

make the senior property area across the street move in the right direction. We have fought the concrete crushing plant and other industrial projects here for years. We do not understand how some people from across our neighborhood can think that they know what is best for us.

We support -- I support this development, we need you, and we want this development done. We respect your request and help and support to keep us moving in the right direction. Thank you very much.

MS. ANDERSON: Thank you, Mr. Curvey.

MR. SAMPLEY: My name is Donald Sampley, and I'm the assistant director of Housing and Community Development for the City of Houston.

I come in support of the Cypress Creek project. The City of Houston has conditionally committed a million and a half dollars for this project, we've done our initial underwriting, and we feel it complies with our concentration policy, which we've shared with the Texas Department of Housing and Community Affairs.

We have just recently finalized our commitment of \$4,250,000 to the seniors project that is adjacent to the Park Reed [sic] Town Homes. That particular project will allow wastewater lines to be built from that project back to Alameda Road, roughly a mile and a quarter away.

This particular area of Houston has suffered from a lack of infrastructure, and this will open this area, we believe, to significant development, both residential and commercial in the near term. This project is supported by the local council member, the at-large council members is supported -- there's a letter I have that I received today from Dr. Alma Allen, the State Representative in 131, dated the 27th of this month, last Friday, in support, and additionally has -- you've received a letter in your files from a direct support from the Mayor of Houston, Bill White.

We believe this is an important component in our attempts to revitalize this particular neighborhood, Sunnyside, in the City of Houston. Thank you.

MR. CONINE: Mr. Sampley? Mr. Sampley?

MR. SAMPLEY: Yes, sir.

MR. CONINE: What would you -- since you're with the City of Houston and the Housing Department, what would you say about the testimony we've heard relative to the lack of 60-percent median income residents in this area?

MR. SAMPLEY: The City of Houston, in its public sessions this month, have heard similar testimony from the owners of the general partner of the Reed Park

Town Homes, and discounted it in the belief that in fact there is capacity and growth in this area to support this project.

MR. CONINE: Okay. Thank you.

MS. ANDERSON: Mr. Rackleff, and Mr. Dagley.

MR. RACKLEFF: Good afternoon, board members.

My name is Neal Rackleff, and I'm with Locke, Liddell and Sapp, and we represent the developer of Cypress Creek at Reed Road.

I've been involved in affordable housing since the mid '90s in the City of Houston when I served under Mayor Bob Lanier and worked on projects such as the Rice Hotel rehab and Allen Parkway Village revitalization. Subsequently I served as the general counsel of the Houston Housing Authority and since have continued to work in this area in private practice.

And I can say that almost every project I've worked on in Houston has been extremely controversial. I've had the lovely experience of watching a busload of concerned citizens pull into the parking lot just before I was to testify in a Housing Authority project coming before this board.

And I want you to know that this deal is of the absolute opposite end of that spectrum. There is a

veritable chorus of support amongst the community and elected and political leaders in the City of Houston.

Mayor Bill White, District Council member Ada Edwards, Council member Ron Green, State Senator Rodney Ellis, State Representative Alma Allen, the Southeast Coalition of Civic Clubs, the Sunnyside-South Acres-Crestmont Superneighborhood, Pastor Rodney Graves of the Blue Ridge United Methodist Church, which is right next door to these developments, and Reverend Elberth R. Curvey have all written strong letters of support.

And the reason I believe there's such harmony in this community is because they're in tune with what's happening. They get it. As you can see by Mr. Sampley's testimony, the City of Houston recognizes that this is a great opportunity to fund needed capital improvements if they don't have the money presently available to fund.

They approved a \$4.25 million home loan for the companion property across the street from this deal because they believe in the potential of the Reed Road corridor and the 280 area that will see great new development as a result of your support of this project.

Finally, I can tell you that I have truly never worked with a developer on a deal who has put more time and effort into reaching out to the community. This has

been a real grassroots effort that has gone on for about three years, and it's worked.

This is what -- this deal is being done right.

The community, the elected officials are coming together, and let me tell you, they roundly rejected the lone opponent of this deal and were extremely supportive of this project. We hope that you will support it likewise.

Thank you.

MR. DAGLEY: Madam Chair, and the board.

Appreciate the opportunity to appear. My name's Ron Dagley. I'm the president of Raymond R. Betts [phonetic] Interests, Inc. We're into real estate ownership, management, as well as brokerage. And I wanted to give my support to the Cypress Creek project.

A number of months ago I was approached by Stuart Shaw and Bonner Carrington, and I was impressed with their integrity, their ability to get a job done, the quality of the project. We're very selective on who we deal with, and we were very impressed with this project, in particular, and the quality of the developer.

I'd like to show you some of the activity that's in the area. One of the appeals that I think that this project and the board needs to be aware of, is that this is a transition area. This area is not based on

what's currently happening in the area but what is transitioning in the area.

For instance, this is where the project is located, right here off of Reed Road. We have this ownership, we control the ownership of this entire property, which is 200 acres. We're doing a mixed-use development there, there will be office flex, there will be some industrial.

Also we have a contract currently on 65 acres of our property here on Airport. That's a major retail development. It's going to have a substantial amount of employees in that area. Those employees will need housing. Also, the industrial and flex office in the area will also be an employment base.

What we're developing here is a community, a community that needs housing. We'll have employment, we'll have activity, we'll have major shopping activity, which includes grocery and other home improvement businesses. And so we're looking forward to the opportunity to get this project under way.

We also control some other projects on down Reed Road, which will also benefit as a result of the wastewater extension and expansion in the area. I think the board need to remember though that this is a

transition area. It's not based on what occupancy has been. This is going to be attracting a lot of new people into our community.

MR. SHAW: Thank you. I'm Stuart Shaw, developer and president of Bonner Carrington.

I just would like to follow up and read a letter from Alma Allen. I'm not sure who the other Representative is, but this is the Representative for this district, and we have the respect and the support of the Representatives and the Senator from this district.

But this is what Alma Allen writes, and this is addressed to Michael Gerber. "Dear Executive Gerber: The purpose of this letter is to express my support for Cypress Creek at Reed Road. This application has received support from local officials, community leaders, nearby residents because they see an enormous benefit to their community.

"I've reviewed the plans for Cypress Creed at Reed Road development and am pleased with the proposal. The developers have taken great care in ensuring that the community not only has a respectful place to live, but also an atmosphere conducive to community and family interaction.

"Cypress Creek goes above and beyond the basic

amenities, offering a lending library, business center, exercise studio. In a further show of their commitment to the community, Bonner Carrington has committed to adding more than one mile of infrastructure, which will allow for the expansion of business development along Reed Road, and as a byproduct discourage additional dumping sites and industrial development in District 131.

"Cypress Creek of Reed Road development has supported the community for the previous project has raised the bar very high for future developments in District 131. Thank you for taking into consideration my strong support. Representative Dr. Alma Allen."

And I just want to wrap up and say we have done so many great things. This is such a blessing for us and for everything that we're doing through TDHCA. We have -- I've never had support like this, and I've had a lot of support. I've never been adversarial with the neighborhood group or with City Council. And this is unbelievable.

This whole corridor is what's not being into account. It's a development corridor. It is directly in the path of growth, and that's what's going to happen. There is growth there. We were able to figure out this wastewater line using our programs and other things

available to us through housing, and the city loved it, and voted overwhelmingly in favor of it.

And by doing that, we're going to go down there and throw a can of gasoline on a little fire of development, and it's going to ignite. We are not displacing retail right here. What we're displacing across the street from our friends at the Blue Ridge United Methodist Church is a warehouse that would have been built there. And they want it. They want us as a buffer, and they want us to add to the community.

And finally I'll just say that we're not known for building low-end affordable housing. We are known, and we work hard at this, for building high end, very nice affordable housing that has dignity. And that's what we intend to provide here. And I think people are responding to that.

I really appreciate your time, and I'll pass these letters out to you. And thank you for your time.

MS. ANDERSON: Thank you.

MR. CONINE: Mr. Shaw, would you address the 60-percent median income issue as well?

MR. SHAW: Yes, sir, I'd like to address that. We've heard from -- I'm just trying to take the high road here, you all. We've heard from the only person who is --

you know, in the area down there, who opposes us. My cut on that is that there is a market, and the market report says there is.

And every one of these multitude of letters signed by one or another of the Barineaus, every one of them has been responded in kind, conclusively, emphatically stating that there is a market.

And so, you know, I'm following the rules, and we're doing what we're supposed to do, but we're doing -- anyway, so my answer is that there is a market for that.

That's before you ever get to this thing that's being developed here, that we're prime movers and shakers of. We are, with you. We are. This is affordable housing at its best. We're actually doing something that I think we can all be proud of. But I think there is a market right now.

MR. BOGANY: I have a question for Mr. Shaw.

MR. SHAW: Yes, sir.

MR. BOGANY: Mr. Shaw, with the thing about the area median at 60 percent, one of the comments I heard, not at this meeting but out in this area, is that there are people that want to rent a 60-percent, but because of the restraints on doing background checks and things of that nature, they're not allowed to -- they can't get them

because of that.

What makes you believe that you can meet your 60-percent where the other projects around you are having trouble meeting those? What makes you different? Because all of the others build high-end projects too, and they all look nice.

And I guess the biggest disadvantage that you have from me, I know this area quite well.

MR. SHAW: Yes, sir.

MR. BOGANY: And so I guess what are you going to be different to make you be able to lease up your 60-percent area median income?

MR. SHAW: I'm so glad you asked. It is inaccurate, Mr. Bogany, to say that what we're building is what's been built down there. We build a considerably nicer product, period; end of story. And, boy, the proof is in the pudding, and I'd be happy to -- and proud to show you the pudding.

And here it is right here. This is our Cypress Creek Inn at Riverbend in Georgetown, which is just about to start leasing. And it's a dramatically more aesthetically beautiful property.

And, you know, people build to what they see in the community. And I think some people -- and I'm just

going to say this; I'm not talking necessarily about my competitors here, but maybe if the shoe fits they can wear it, but people build to that community, and I think they underestimate the community and they underestimate the number of middle- and lower-middle-class people, upper-lower-class people who would like to stay there.

And we see it all the time. We're members of that neighborhood group. We go to their meetings. We talk to all these people, and I don't claim to know what you know, but I sure know a lot of people down there.

But we actually have a nicer product, and I think we're going to attract more people. But I also -- so, you know, that's my assertion. And I -- you know, our underwriters at TDHCA say that they agree. O'Connor, who my competitors used to use and try to use to fight me on this, but, you know, couldn't, O'Connor says it's okay. I'm saying it's okay.

The only people who are saying it's not okay is the guy who, you know, is doing this weird thing. And I mean --

MR. BOGANY: Okay.

MR. SHAW: -- that's -- it's pretty weird. City Council in Houston thinks it's pretty weird. I invite you to talk to Ada Edwards and see what she thinks

about it. She told them to their face they should be ashamed of themselves. That's what happened in public television in Houston, Texas a couple of weeks ago.

MR. BOGANY: Okay. My next question is in regards to this particular project, if this was a regular market rate, would you go and build there?

MR. SHAW: Yes, I would because I'm close to that 288 corridor. What we're going to be serving is this community, and a lot of communities around there, because we're close to -- we're in that development corridor.

And that development corridor, from a commercial real estate, from a retail, anybody's perspective in commercial real estate, is a distinct development corridor. And, again, it's right in the path of development. So I think it's an exciting area to be in.

MR. BOGANY: Okay.

MR. SHAW: And we're going to be able to support the community next to us, Sunnyside, and other communities. But without -- just having to rely on just that community for our residents, we're going to cut -- Alma Allen, Representative Allen said it well, she said we're going to raise the bar higher.

And we are. We're going to significantly raise

that bar down there, and I'm very excited about it, and so are the folks that we're working with down there. And I want --

MR. BOGANY: Okay.

MR. SHAW: -- you to be excited about it because I don't want to be at odds with you about this area. I want to be, you know, with you. And I think what -- if I could have talked to you, and I can't, until right now, but I would have wanted to tell you about all this retail that we have down there because it is unbelievable.

And Ron Dagley, who's here with Betts, and he will tell you if you ask him, the retail down there that people want, the people at the church tell me, we want a place to go eat. We don't want another, you know, developer coming in here building a fried chicken restaurant. We want a place to go after church or go with our family to eat, and they don't have one.

Well, because we're putting in this -- because we, with the city, and with all these elected leaders and these community people solved, over the past three years for this wastewater improvement here -- because of that they can do an enormously higher amount of retail than there otherwise would have been. And that's what we all

want down there, that's what I think you want, that's what I want.

MR. BOGANY: My last question.

MR. SHAW: Sure.

MR. BOGANY: In regards to the water and sewer, are you putting in the water and sewer?

MR. SHAW: The water is there. There's --

MR. BOGANY: Okay.

MR. SHAW: -- probably plenty of capacity. There's capacity for wastewater. You just have to go over here to get it, or do something else, you know. But that's the -- this is the one we focused on and so there is capacity. It's just a mile and a third away.

MR. BOGANY: Okay. And the reason I asked about the water and sewer, and I'm just speaking -- because I have no insight on this, but when I look at it and I see I've got 24 affordable apartments in the area, 4400 units --

MR. SHAW: Yes, sir.

MR. BOGANY: -- in the area, and just to share with you, as a kid, I grew up in Villas America, I grew up in Sunflower, so I'm very, very familiar with living in a housing project in that particular area. I also know the single-family in that area, and I know on average those

houses are 30-, 40-, \$50,000 --

MR. SHAW: Yes.

MR. BOGANY: -- on most, and then I know the city has trouble selling in the Hope area, which is the Sunnyside. They can't -- they're giving people \$30,000, and they still can't get the houses sold over there.

So my concern in all of this, is this really about water and sewer, being able to get water and sewer to that area --

MR. SHAW: You mean the --

MR. BOGANY: -- is that why --

MR. SHAW: -- development?

MR. BOGANY: -- the city is so gung-ho behind this, because you're going to put in water and sewer? I'm just --

MR. SHAW: Sewer.

MR. BOGANY: Sewer. I'm sorry.

MR. SHAW: Well --

MR. BOGANY: Excuse me, not water; sewer.

MR. SHAW: -- I think that Don Sampley said it well, that is long been underserved. I mean, the fact is, it's not served.

As we met with that two years ago with the neighborhood group, we found out that one of the issues

they have is, in unzoned Houston -- there is zoning; it's called default zoning. If you don't have zoning and there's no infrastructure, guess what, you are in an industrial area by default.

And so that's why they lose their ninth battle with a concrete crushing plant, because TCEQ doesn't care if you have a truckload -- or, you know, a busload of residents that follow these rules.

So it's an industrial area, it's underserved, and, yes, everybody's wildly enthusiastic about that. They simply don't have the money to do it. They do not have the money. And so -- and we didn't do this on our own. We've been working with everybody down there for three years to do this, and --

MR. BOGANY: Well, I think you do a nice project.

MR. SHAW: Well, thank you.

MR. BOGANY: Nothing to do with your project. Where my concern is over-concentration. And I just find it very, very hard that everybody in this area is poor. And even the people that's living in the hot single-family homes in that area are poor housing. I mean --

MR. SHAW: Well --

MR. BOGANY: -- it's just -- I just find it

hard that we're concentrating just in one -- in this area.

You know, we -- and it shocks me that we're going to put one or two out in the Katy, and the whole world is uproar, and here we've got 24 and nobody says a word --

MR. SHAW: Well, that shocks me too.

MR. BOGANY: -- other than this one person. So it --

MR. SHAW: I'd love to show you the first Cypress Creek someday, which is in a -- it's in a class A area of Cedar Park, right here in Austin. And that's what we picked for that one.

MR. BOGANY: Okay.

MR. SHAW: You know, so we do it all over the place. We like this area, and we just liked it more and more because we'd gotten to know everybody down there.

MR. BOGANY: Okay.

MR. SHAW: It's in an area, but it's on the corridor, and I just want you to keep thinking about that corridor because it's a development corridor, and I'll tell you what, you see this yellow right here, that's single-family homes, and it's on Alameda, which is a decidedly industrial street. It looks industrial.

Why did it go there? Because that's where the wastewater is.

MR. BOGANY: Yes. Well, I know those single-family --

MR. SHAW: That yellow for single-family will be all over the place and there will be now that there's retail. Retail doesn't go to a place that they don't think rooftops are going because they follow the rooftops. And so what --

MR. BOGANY: Okay.

MR. SHAW: -- you're about to see, I think, is a little renaissance in that area frankly.

MR. BOGANY: Okay.

MR. SHAW: I really think we're all going to see that.

MR. BOGANY: Well, I appreciate your answer to my questions. I'm not going to debate you any more about it.

MR. SHAW: I don't want to debate you, but I still --

MR. BOGANY: But it's not a debate. My thought is that this area here seems to be tax credit USA, or tax credit Houston. And that's what bothers me.

MR. SHAW: Well, my only comment to you is let me go down there and build my Cypress Creek, and I'll set a new standard for what we're doing in that area, because

my affordable project looks like class A.

MR. BOGANY: Okay. Thank you --

MR. SHAW: Thank you.

MR. BOGANY: -- very much.

MR. SHAW: Thank you for your time.

MS. ANDERSON: Mr. Palmer?

MR. PALMER: My name's Barry Palmer, and I'm with Coates Rose and representing the developer.

And I'm not going to take long, because we've heard a lot from both sides, but I would just sum up that this project has the support of the community, it has the support of all the elected officials for this area, it has the strong support of the Mayor, it has the recommendation from staff and underwriting.

The only opposition comes from a competing developer. The arguments that he has made are the same arguments that he presented to City Council a couple of weeks ago and was unanimously defeated by City Council.

The same arguments that he's made to the underwriting department, and they -- believe me; Tom Gouris has looked at this deal very, very closely, asked a lot of questions, done a lot of work on this, and he's come to the conclusion to recommend this deal.

So I would ask the board to follow staff's

recommendation and to follow the lead of the Houston City Council and all of the elected officials for this area and to support this project. Thank you.

MS. ANDERSON: Thanks.

The next witness is Vaughn Mitchell, then Richard Herrington.

MR. MITCHELL: No comment.

MS. ANDERSON: Thank you. Smart man.

Mr. Herrington.

MR. HERRINGTON: Mr. Herrington also has no comment.

MS. ANDERSON: Boy, we've got just a trend here. Mr. Fambro?

MR. FAMBRO: No comment.

MS. ANDERSON: And then I'll ask one more time for Laura Waller-de la Rosa?

(No response.)

MS. ANDERSON: Not here. Okay. That concludes public comment on this agenda item.

Does staff have some additional presentations to make?

MR. GERBER: I think the staff rests, unless there's any specific questions.

MS. ANDERSON: Okay. Do some board members

have questions for staff?

MR. SALINAS: I only have one on 07133.

MS. ANDERSON: Okay. Who -- of Tom?

MR. SALINAS: Well, on the --

MS. ANDERSON: Who would you like to ask the question of?

MR. SALINAS: Well, whoever put the application --

MR. GERBER: 07133, StoneLeaf at Tye?

MR. SALINAS: Yes. On the -- I'm concerned about the people again who oppose the project on the air strip [inaudible].

MS. MEYER: I'm sorry. What's your question?

MR. SALINAS: On the -- the project that's right next to the air strip in Tye.

MS. MEYER: Yes, sir.

MR. SALINAS: Did you all look at that possibility of having no clients at all close to the airport --

MS. MEYER: Well, not a matter of --

MR. SALINAS: -- [inaudible].

MS. MEYER: It's not a matter of no clients. We were actually going to condition that particular application, and I'll read you that condition. At the

time of carryover they would have to have a certification from the development architect, or a certification from -- and not or -- and a certification from the U.S. Air Force confirming that there are no buildings in the crash zone or accident-potential zone as defined by Dyess Air Force Base in the air installation compatible-use zone report.

MR. SALINAS: So --

MS. MEYER: And that was what we were going to condition that award for.

MS. ANDERSON: I have a follow-up question for Tom on StoneLeaf at Tye. Have you had conversations with the base, or correspondence with -- there's something in the underwriting report about a letter from the base about --

MR. GOURIS: Tom Gouris, director of real estate analysis.

I don't know that we had correspondence as much as we had received information about their concerns and objectives -- objections, and we had seen the pamphlet that they had provided that showed where the crash zone was and where the sound issues were.

And we conditioned our report on the sound issues. After more conversations, we decided -- preliminarily decided to add the condition to ensure that

it's not in the crash zone, per se. We felt like the buildings would be moved back beyond that, but wanted to get confirmation.

MS. ANDERSON: But it'd still be in the APZ, if not in the CZ?

MR. GOURIS: The site itself, a portion of it, would be in the APZ-2, I think is what it is. Right? The -- I would have to get my -- the actual documents, but it's in that level-two zone that's one thing away. A portion of this site was going to be in that.

The building, however, were not going to be in that zone, and they would be moved back, and there's plenty of room for them to be able to do that.

MS. ANDERSON: I have another question for you. On Cypress Creek, the underwriting report makes reference to the -- makes reference to a broker's commission and that that should properly be treated in developer's fee. Is that -- as part of developer's fee. Is that the way it was underwritten and would be treated if awarded?

MR. GOURIS: Yes. The amount of the award takes that into consideration, and what we ended up doing was adjusting the developer fee -- the uses of funds to reduce that amount. In fact, that's where -- it ended up removing all of the deferred developer fee and \$203

worth of credit, actually.

MS. ANDERSON: Okay. Okay. Thank you.

MR. BOGANY: Tom, I have one question for you.

In regards to environmental issues with the airplanes and things, is that -- did you guys know about that before the environmental issues? Did you -- did we look at stuff like that?

MR. GOURIS: Yes, we did. We primarily -- we have a requirement that the ESA consider noise -- the need for noise study. And in this case it was clear that a further noise study was necessary, and a remediation plan would be necessary to go ahead and -- if they went ahead -- went forward with this transaction.

And we conditioned our report based on that requirement, which is what -- which is how we process through that. We don't have any specific gradients or, you know, what that noise study is. We pretty much piggyback off of what HUD requires as far as what's necessary for that.

MR. BOGANY: So if we approve this and they come back with the noise study and the noise study is negative, do they just withdraw the application, or what happens at that point?

MR. GOURIS: The noise study would include a

recommendation for mitigating techniques to try to reduce the noise within the buildings.

MR. BOGANY: Because what I thought I heard them saying is that we don't want to lose our Air Force base and that if we create a residential community right in front of it, it's a possibility that the Air Force could come back in and say, Hey, you're creating a problem here, and so we'll just close the base and go somewhere else.

And I guess that's what I gathered hearing the Representative talk, and I'm concerned about that.

MS. ANDERSON: Right. And I share your concern, and I think having the condition around noise, while helpful, does not address the whole -- totality of the issues that the witnesses brought up.

Ms. Ray?

MS. RAY: I'm not speaking for the project, and I'm not speaking against -- I'm neither speaking for the project, or against the project; I'm just bringing some life information.

I live within five miles of Randolph Air Force Base, which is also an air education and training command base and will do daily landings and takeoffs, and is highly populated all around that Air Force base.

It has not caused a noise problem, we're not losing our hearing, and it had caused no degradation to the operation of that Air Force Base. I just wanted to say that.

MR. GOURIS: And if I might, you know, we did not consider the potential impact from a base --

MS. ANDERSON: Right.

MR. GOURIS: -- closure. I mean that would be very difficult for us --

MS. ANDERSON: Right.

MR. GOURIS: -- to do. Among the many things that are difficult for us, that one would be really difficult.

MR. CONINE: You'd be real popular if you --

MR. SALINAS: I just want you to make sure that --

MR. GOURIS: Yes.

MR. SALINAS: -- I just want you to make sure that if the Air Force has some objections, I want you to know that I will not be supportive of the project.

MR. GERBER: Mayor, the only objection, specific objection that was raised by the Air Force was a letter to Ms. Martin, the letter from the Air Force dealing with the noise issue. Do you want to read that?

MS. ANDERSON: It didn't just deal with the noise issue, Mr. Gerber.

MR. GERBER: I'm sorry; that was a little broad.

MS. ANDERSON: It talked about the site.

MR. GERBER: It talked about the site as well, but --

MR. SALINAS: Just the site, right next to the -- it wouldn't work. It wouldn't work.

MR. GERBER: -- and the noise.

MS. ANDERSON: You ready?

MR. CONINE: Yes, I'm ready. Madam Chair, given the discretion and the authority given in the 2007 QAP to the board, I'd like to make a motion to amend the list, if I might. Certain issues that have come to light on a couple of projects, and I'd like to make a motion that we take project 07110, which is the Poteet Housing Authority Farm Labor project; project 07021, which is the Fenner Square binding allocation agreement; and project 07183, which is Sunset Terrace, if we could remove those from the list.

Now, fellow board members, I have some issues and concerns about those projects that -- a lot of which may get answered in the next few weeks, and it would

probably be my intent to bring those back as forward commitments for our August meeting if we do forward commitments. But I would ask for those to be removed from this list before we move on with it.

MS. RAY: Second.

MR. FLORES: Mr. Conine, would you add to that Cypress Creek at Reed Road, 07291, or do I have to make my own amendment to that?

MR. CONINE: No, I wouldn't accept that as --

MR. FLORES: Okay. That's fine.

MR. CONINE: -- an amendment at this time.

MS. ANDERSON: Would you accept, Mr. Vice Chairman, the removal of 07133, StoneLeaf at Tye?

MR. CONINE: Yes, I would accept that one as an amendment.

MR. SALINAS: That would take care of my problem.

MR. CONINE: Mr. Hamby?

MR. HAMBY: Mr. Conine, I just want to clarify. The projects you mentioned -- 07021 is a binding allocation that's already been signed, so we wouldn't have a forward commitment at the next -- are you asking us to rescind that binding allocation?

MR. CONINE: My understand is those were --

even though they were binding allocation agreements, they still required formal approval of the board. Correct?

VOICE: Yes.

MR. HAMBY: No, that's already been -- that particular one has already been done. It was just on the list to show you what we've taken out of this year's credits. We've -- that was --

MR. CONINE: Okay.

MR. HAMBY: -- as of last year, so -- okay.

MR. CONINE: Well, I'll amend my motion, then, to take 07021 off the list --

MR. HAMBY: Okay. Thank you.

MR. CONINE: Put it back on the list; I'm sorry. Off of my list. So that just leaves me with 07110 and 07183 --

MS. ANDERSON: And --

MR. CONINE: -- and what's the other one?

MR. BOGANY: 07133.

MR. CONINE: 07133, the StoneLeaf at Tye.

MR. BOGANY: Madam Chair, I have a question.

MS. ANDERSON: Yes, sir.

MR. BOGANY: So after we vote on this to remove those three, do we then come back and vote on the group as a whole, or --

MR. CONINE: Amended list, yes.

MS. ANDERSON: Is staff going to tell us what impact this would have?

MR. HAMBY: Yes, ma'am. What we would end up doing, if we could have a little short recess, the staff would go and examine what changes would be made so we could create the final list which has to be approved by tomorrow. So we would create the final list based on any motions that you've made to withdraw those, so you could see the final list. Assuming that would be all the last ones that you were going to change.

MS. ANDERSON: Right.

MR. HAMBY: Right.

MS. ANDERSON: Right. So, okay, so we have three right now that are on a motion for removal.

MR. BOGANY: And if we decided to add another one for removal --

MS. ANDERSON: Well, it sounds like we have to do that in a separate amendment.

MR. BOGANY: Okay.

MR. HAMBY: Yes.

MS. ANDERSON: So, Mr. Hamby, do you suggest we vote on this amendment, which is to remove the three we've discussed?

MR. HAMBY: Yes.

MS. ANDERSON: Okay. Is there discussion on the amendment -- or on the motion on the floor for the list minus the three --

MR. FLORES: Madam Chair, a point of order. I think we're voting on the amendment --

MR. CONINE: Yes, that's --

MS. ANDERSON: Okay.

MR. FLORES: -- and only on the amendment; not on the main motion to the entire list.

MR. CONINE: Right. My motion was just to take those off the list.

MR. HAMBY: I believe that Mr. Conine took any suggestion to remove -021 as a friendly amendment and he made his motion as the three that he has.

MR. CONINE: Right.

MR. HAMBY: So you're looking to do a motion to remove these from the list --

MS. ANDERSON: And then we could have another motion to --

MR. HAMBY: And you could --

MS. ANDERSON: -- motion to remove --

MR. HAMBY: -- have an additional --

MS. ANDERSON: -- something else --

MR. HAMBY: -- motion on any others that you may or may not want to add --

MR. FLORES: That was my point. Thank you.

MR. HAMBY: Okay.

MS. ANDERSON: Okay. So this is a motion to remove 07110, 07183, and 07133 from the recommended list. Was it seconded?

MR. SALINAS: Yes, I think I already seconded.

MS. ANDERSON: Okay. Thank you.

Is there 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: The motion carries.

MR. FLORES: Madam Chairwoman, I move to delete the Cypress Creed at Reed Road, 07291.

MS. ANDERSON: Is there a second?

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

MR. FLORES: Madam Chair and fellow board members, although the project may be all within the rules

and it had been graded well by the staff, it is bad social policy to constantly pool people together, and that's what's happening at Reed Road.

Anybody that lives in Houston and has traveled up and down that road is well aware of that. Mr. Barineau is correct; this is cannibalizing the adjacent units that are there also. My worst concern is the overconcentration of tax-credit units like this throughout that area.

MR. CONINE: Madam Chair, I'd like to speak against the motion. The City of Houston obviously supports this project in earnest, and I'm impressed with that; not only just their verbal support, but their monetary support.

I've also looked at the opposition handout provided by Mr. Alexander, and if you look at all the vacancies up and down there, it looks like to me they're certainly less than 10 percent vacant and you can make a case -- I don't know what the 248-unit deal is, but if you take that out of the mix, their vacancy rate's running about 5 percent in that area.

So to me there is a market, and I'd speak against the motion.

MS. ANDERSON: Ms. Ray.

MR. SALINAS: How much is the City of Houston

coming up with? Is that 1.5 million?

VOICE: [inaudible]

MR. SALINAS: The City of Houston is giving the developer \$1.5 million for Cypress Creek?

MR. SAMPLEY: Cypress Creek at Reed Road, 1.5 million. The project across the street with 4.25 million. Both of them HOME funds.

MR. SALINAS: Is that for this project?

MR. SAMPLEY: That's for these two projects, yes.

MS. ANDERSON: The 4.2, Mayor, is for the wastewater extension.

MR. SAMPLEY: No, the 4.2 is for hard costs involved in the construction of the apartments. You can't use HOME money for wastewater extensions. Regular --

MS. ANDERSON: Mr. Gouris?

MR. SAMPLEY: -- construction money is moved into that --

MR. SALINAS: So the City of Houston did that for what, for -- to be able to get some more businesses down --

MR. SAMPLEY: That opens a significant area of Houston that is now underdeveloped and underserved for future development and perhaps a mixing of incomes in this

area that we have not seen in its hundred-year history.

MR. SALINAS: So that would help the --

MR. SAMPLEY: We believe that would help bring a lot of development and a lot of other people to here and provide good housing. We have made an effort to spread our tax-credit properties. We have one at the front door to Kingwood, we have one at the HP plant, we have one today that you're considering, at Bray's Bayou on 35.

We have them almost -- the last two years we ringed the city, but we're not willing to just abandon putting tax-credit properties in the south part of Houston.

MR. SALINAS: Thank you.

MR. BOGANY: Madam Chair, I have a question for the man from the City of Houston.

You know, one of the things that bothers me more than anything else is that you've made a comment that you're bringing in more income people to this area. I don't see it that way. I see you bringing more poor people to the area, or 60-percent median of the income people to this particular area.

And I sit here in good conscience, and I just cannot see supporting this matter. I think we ought to take care of this issue in QAP also, so -- and I've said

this several times, when it gets to 288, you have no development from 610 up to Alameda-Genoa Road, where they're beginning to put some single-family homes farther out.

It is no -- the only reason this area's never been developed, because it's a minority area. The only reason -- it's close to 610 Loop, it's close to the medical center, it's not far from the rail system, but the primary reason it has never been developed with retail spots is because it's no -- it's a minority area.

And we all know that in a minority area retail development comes less. It comes very small, very -- it's just real tight when it gets into those particular areas.

And my whole deal here is the concentration of no one in that general area, it's a census tract. That's why you can put HOME funds in that area.

And what really bothers me is that you're putting all the poor people right together. You're -- there's nothing -- even the single-family are poor. It's no income coming in that area.

Mr. Shaw talked about the homes that are being built on Alameda Road. I agree with him wholeheartedly. But those are at about a \$190,000 clip of having any homes building up through that area. But those are not in Reed

Road. And I think anybody here that would drive that area, you will see the concentration.

Now, I'm looking at his map -- it's great, but I'm also looking at this map here, and I see all these dots. And what bothers me, if it was in River Oaks and I had a tax credit across the street from another one, I'd have a problem with it.

And so that's what concerns me; it's just they're all in this one area. And it just bothers me how the city is going to promote this when it's all in just one area. I assure you, other than Ada Edwards, none of them live in that location. Okay. Ada lives over there, but not the rest of them.

And so it really gets to my point that you've got one across the street, next door. If Mr. Shaw had put the elderly there, then he comes right back and puts another family deal across from his elderly deal. Those elderly people could live in his family deal.

But, you know, it just -- it bothers me because of the concentration, and that's what -- and I don't understand why the city is being -- what it's being pushed so hard to put these units right here. I really don't understand it.

And I hadn't heard a good reason yet from other

than what Mr. Shaw wants to do. I like -- when's that retail outlet going in, Mr. Shaw?

MR. SHAW: It's been vacant for the last 100 years.

MR. BOGANY: I know, but when are you going to build your retail outlet there?

MR. SHAW: I'm not, sir. You know, the developer who's got it under contract to -- Representative Borris Miles, who's working -- who is one of the representatives of that area, is working with the retail developer, a long-time Houston retail developer, and that's who he just put it under contract for 65 years.

So for 100 years you have nothing, then all of a sudden we've got all this stuff happening. So you're about to see retail down there, but I'm not doing it, and I didn't say I was.

MR. BOGANY: Okay. Well, my thought is -- and what I've seen in minority neighborhoods, it doesn't happen; it's all talk. And I'm just telling you, from your -- from my end, you're creating a tax-credit city. That's what you got right there.

You got -- and so you got low-income people. How are they going to be able to afford the retail people that come in there and go in? How are they going to be

able to afford the shops?

MR. SHAW: Everybody needs a new grocery store --

MR. BOGANY: I totally agree, but as many minorities are in that area, you have not one major grocery store in that area.

MR. SHAW: That's what we're doing.

MR. BOGANY: Okay. And I'm just telling -- it's not, you've got to go all the way to Pearland and get it done. And I don't understand from the city side how the city, in good conscience, could do this.

I really -- I just think this is by this overconcentration and every NIMBY that's in this office -- in this audience today can go to this area and say, this is what we say when we put too many in our area. And that's what really bothers me, the concentration.

Mr. Shaw, you do a great job. I've seen your projects, you don't know it, but I have. Great projects, no problem. It's the concentration issue.

And it just bothers me that nobody poor is able to come up here and fight and say, hey, we don't want them in our neighborhood because we've already got 17 in our neighborhood. Not one, 17. We hear Mr. Callegari gets up here and comes and he talks about two. These people got

24.

And we can justify this as a board? I just -- it just blows me away that we can sit here and justify this. And I think its bigger than the units; I think it's about the sewer tab line. I really do. I think it's bigger than that. I think it's the sewer tab line. It's nothing about the tax credits.

MR. SAMPLEY: I might also add that we proved in our consolidated plan building a new fire station right on the west side of Reed Road at 4.2 million using CDBG money.

MR. BOGANY: Okay.

MR. SAMPLEY: All total, these three projects that we're talking about are right at 500 units. Mr. Shaw's will be right at 400 -- no, 100 and -- right at 300 units. That's about the economic size that you could actually run an apartment project.

I think all of you know that at 150, 180 units it's not economically possible. That's now how you do a regular development. You've got half, roughly half family, half senior across the street, you actually can manage efficiently a property as opposed to 72 units.

I'm hopeful that we would not look just east along Reed Road, but we would look north-south along the

corridor of 288 and believe that we'd get growth moving north-south, not east-west, along Reed Road. That's our view.

MR. BOGANY: and I applaud you for looking at -- because I think you know what I'm talking about.

MR. SAMPLEY: I understand what you're talking about.

MR. BOGANY: Because you go up -- down the street, and you've got the city college, the community college, all that vacant land around the community college, nobody doing single-family, it's close in.

And I'm not against Mr. Shaw doing his project. I just don't see why it has to be next to every -- and actually I don't care about Reed Park thinking it's cannibalism. That's not my issue. It's a concentration issue for me.

MR. SAMPLEY: I guess what I was -- I would say that it meets the state's concentration policy, it meets our concentration policy in the city. And so we don't consider this a concentration.

MR. BOGANY: Concentration issue.

MR. SAMPLEY; Five hundred units to us is not a concentration.

MR. BOGANY: Okay.

MR. SAMPLEY: It's Gulfton with 20,000 units in a mile radius that's here. We have no other -- other than Park, no unstable units within a mile radius of this property.

MR. BOGANY: Okay.

MR. SAMPLEY: And that's what passes our number.

MR. BOGANY: Thank you very much. Appreciate you.

MR. FLORES: I'm glad you mentioned the Gulfton area, because that's my concern, that it would be full of apartments in there. I notice that the City of Houston housing department has never contacted either one of the two representatives on this board that live right down the street from this area.

But there's an area called the Gulfton ghetto, that is hopefully changing. It's caused a huge amount of problems to Houston. That's the poster boy of tax credits. And I think this could be the same thing all over again. I don't want to be a part of it.

MR. SAMPLEY: Again, I would say within a mile, at a mile radius of the point we chose in Gulfton, there's almost 19,000 units. In a mile radius of this site there are 500 units. Five hundred units to me is not an

overconcentration in a city that has 600,000 units.

MS. ANDERSON: But in the market area that I think you're talking -- I think Mr. Flores is talking is talking about, they're more like 4500 units.

MR. SAMPLEY: Right.

MS. ANDERSON: Yes.

MR. BOGANY: One question of staff, and I'm going to let -- I'm going to get off this horse. The thing is, I think in the next QAP we're going to have to probably look at concentration issues in the urban area. This area of having one across the street from each other to me is just -- we've had it where if it was stable -- I think we're going to have to broaden our concentration issue, we're going to have broaden our issue when it comes to senior projects, especially in these urban areas, because in Houston we're getting a ton of senior projects too. That's been the caveat to get around it, the concentration issue.

So I would like to see staff start looking at that on the QAP in regards to maybe broadening it from one year -- one-mile rule to taking it a little bit broader since -- to help us on concentration.

Mr. Shaw did follow the rules. I have no -- not against that. He did everything just the way he was

supposed to do it, and -- but my concern is just the concentration issue, and I'd like to see staff work on that and improving that.

MR. CONINE: Call the question.

MS. ANDERSON: Question has been called.

All -- there is a motion on the floor to remove 07291.

All in favor of the motion please say aye.

MR. BOGANY: Aye.

MR. FLORES: Aye.

MS. ANDERSON: Opposed to the motion?

(A chorus of noes.)

MR. FLORES: I would vote with them.

MS. ANDERSON: I'm sorry, sir?

MR. FLORES: No.

MS. ANDERSON: The motion fails.

VOICE: The motion -- thank you.

MR. CONINE: Madam Chair.

MS. ANDERSON: So -- I'm sorry. Oh, recess.

Break.

MR. CONINE: Yes, we need a quick break.

MS. ANDERSON: Quick break. Ten minutes.

Okay.

(Whereupon, a short recess was taken.)

MS. ANDERSON: Okay. I think we were on break

so that staff could --

MR. CONINE: Scratch their heads.

MS. ANDERSON: -- tell us what the impact is of the motions that were made just before we took the recess.

Ms. Martin.

MS. MARTIN: Audrey Martin, competitive housing tax credit program administrator.

VOICE: Turn your microphone on. Is it on?

MS. MARTIN: Can you guys hear? Okay.

MR. CONINE: Yes.

MR. MARTIN: Audrey Martin, competitive housing tax credit program administrator.

Just to summarize the motion that just took place, the board decided to delete three applications from the award recommendation list. Those applications are 07133 in urban/exurban Region 2, which is StoneLeaf at Tye; next is application number 07110 in rural Region 10, Poteet Housing Authority Farm Labor; and finally 07183, Sunset Terrace, which is in urban/exurban Region 11.

And as a result of these removals from the recommendation list, staff went back and looked at the individual regions, as well as the regional collapse and the statewide collapse.

And the result of these removals is the

addition of two applications: first in urban/exurban Region 2, application 07114, which is Washington Village Apartments. An underwriting report has not been completed for this application, so staff will recommend an award not to exceed \$877,338. This recommendation will be conditioned upon underwriting, and in addition will be conditioned on compliance and financial administration reviews by the Department.

And then next added application is 07206,
and --

MR. CONINE: Go ahead. What region?

MS. MARTIN: Rural Region 11. This is Villa Estella Trevino. An underwriting report has --

MS. RAY: What was the number?

MS. MARTIN: 07206. An underwriting report has been completed for this application, and the recommended credit amount is \$1,151,989.

I want to give you guys enough time to look through what you're looking for.

Now, in addition, as you all probably noticed in your board write-up, staff originally recommended a partial award of 2007 and 2008 credits for application number 07234, which is in urban/exurban Region 7. This is Tuscany Park at Buda. This award recommendation remains

the same, in that we are recommending a partial award of credits, but the dollar amounts have changed as a result of this movement.

So now staff is recommending that 07234, Tuscany Park at Buda, receive an award of \$681,450 from the 2007 credit ceiling, and the remainder of the credit amount, which is \$518,550, from the 2008 credit ceiling.

MR. CONINE: Well, that didn't add up. My numbers anyway.

MS. MARTIN: Okay.

MR. CONINE: I'm showing a total tax credit of 860 on Tuscany Park at Buda. Is that the one you were talking about?

MS. MARTIN: Yes. The credit recommendation is 1.2 million.

MR. CONINE: Oh, geez. I'm -- why am I looking at 860-?

MS. MARTIN: Oh, I'm sorry. Let me clarify that the credit amount shown on your reports is the credit amount that we had remaining in the ceiling to play with, so we showed that partial award. If you look in the far right column under the comment section --

MR. CONINE: Yes.

MS. MARTIN: -- you'll see that there's a note

about the remaining credits.

MR. CONINE: Okay. All right.

MS. MARTIN: So that's -- okay. Sorry about that.

MR. CONINE: I thought the 339,505 was a part of the 860- but you're saying it's on top of those.

MS. MARTIN: It's on top of --

MR. CONINE: The 860-

MS. MARTIN: And so now those numbers have changed.

MR. CONINE: Okay. So can you give me the 2008 number one more time?

MS. MARTIN: Sure. \$518,550. That's for 2008.

MR. CONINE: Thank you.

MS. MARTIN: Sure.

MS. RAY: Madam Chair, may I ask staff a question --

MS. ANDERSON: Certainly.

MS. RAY: -- about application fees?

MS. ANDERSON: Sure.

MS. RAY: When we removed 07110, Poteet, in Region 9, there was a rural that moved the one at Buda up into Region 9 application for rural --

MS. MARTIN: Well, actually in rural -- this is

in rural Region 10, there were only two applications in rural Region 10, and under original staff recommendations both were being recommended for an award.

The only change in Region 10 is that Poteet is -- I'm sorry; I keep saying 10. It is Region 9; you're correct. Okay.

MS. RAY: Region 9.

MS. MARTIN: Okay. So in rural 9 the only change -- and actually in Region 9 altogether is that Poteet is now not receiving an award. The other application in rural 9 will still receive an award.

And kind of the trickle-down effect through the different collapses is pretty minimal, because the last application we were recommending in the state collapse was Tuscany Park at Buda. It still is Tuscany Park at Buda; we're just recommending different credit amounts based on the different amount of ceiling we have left to play with. Does that make sense?

MS. RAY: It makes sense. But I guess, to clarify the numbers, is that in order for another rural 9 to have risen to the challenge in rural 9 -- because there wasn't one.

MS. MARTIN: Right. There wasn't an additional --

MS. RAY: That is what I was talking about.

MS. MARTIN: I'm sorry. Yes. You're right.

MR. SALINAS: On 07183, which we took off the list, do we have an understanding that it's going to come back as forward commitment later on?

MR. CONINE: That's my intent.

MR. SALINAS: Okay. That's what I wanted to make clear.

MR. CONINE: I'm just one person though.

MR. SALINAS: Yes, well, 07183.

MS. MARTIN: I'm -- did he have a question?

MS. RAY: Yes, he --

MR. SALINAS: We took it off the list --

MS. MARTIN: Right.

MR. SALINAS: -- hoping to have it on a forward commitment --

MR. CONINE: We're going to do those next month.

MS. ANDERSON: Those are on --

MR. SALINAS: That's fine.

MS. ANDERSON: -- the agenda next month.

MR. SALINAS: As long as we all understand that, because --

MR. CONINE: I've got my little piece of paper

right here.

MR. SALINAS: Okay. That's okay.

MS. MARTIN: Okay. So that summarizes all the movement of the list. Does anyone have any additional questions?

MS. ANDERSON: I have a question that -- and it's on several -- as I was reading underwriting reports this weekend, I saw it in several places where the scoring -- like in the first early pages behind the green paper it would say that zoning or local subdivision funding was required at commitment. And then in the underwriting report in several places it says it's required at carryover.

It's -- for our purposes of this list, it's -- I mean, they've got to prove that at --

MS. MARTIN: It's commitment.

MS. ANDERSON: Okay.

MS. MARTIN: And we try --

MS. ANDERSON: Why do was say it's carryover in the underwriting reports?

MR. GOURIS: My bad.

MS. ANDERSON: My bad, whooo.

MR. CONINE: Here comes the guilty party.

MR. GOURIS: Yes. Tom Gouris, director real

estate analysis.

We -- yes, we didn't have that down the way that we needed to. And we --

MS. ANDERSON: Okay.

MR. GOURIS: -- should have been watching the QAP for when it's required there, and I was trying to catch it on zoning. There were two items, and I thought I caught it all, but obviously I missed --

MS. ANDERSON: A few -- several, more than one. Okay.

And then I have one other question, Tom. There is one in Region 6, New Hope Housing; there's a -- you recommend the deal, but it's conditioned on board acceptance of ongoing operating subsidy provided by the sponsor parent, blah, blah, blah. And so when we vote this list, you deem that we have accepted these conditions. Is --

MR. GOURIS: Yes.

MS. ANDERSON: -- that right? There's nothing --

MS. RAY: Yes, ma'am.

MS. ANDERSON: -- explicit needed?

MR. GOURIS: That's correct.

MS. ANDERSON: It was the only like that. And

that's another one of those -- that's it. Thank you.

MS. MARTIN: Okay. Right now I'd just like to go through the rest of staff recommendations for this agenda item, as it includes other things than just this award list. So I'm just going to go ahead and read from your board write-ups so I don't miss anything.

Staff is seeking action on the following: approval of staff recommendations to issue commitments for allocations of competitive housing tax credits to applications in the 2007 application round, as amended and approved by the board.

In addition, approval of a waiting list as outlined in Report 3, 2007 competitive housing tax-credit award recommendations and waiting list, as amended and approved by the board.

The waiting list is composed of all applications that have not been recommended for an allocation and have not been terminated or withdrawn. The recommended prioritization of the waiting list for approval is as discussed earlier in the staff recommendation and in the board write-up.

And finally, in situations where any condition of the commitment notice is not substantiated by the required deadline, approval to grant commitment notices

without first bringing the decision to the board for approval, but conditioned on ratification of that action by the board at the next subsequent meeting. This will ensure that the subsequent awardee being allocated has time to proceed.

MS. ANDERSON: We've done this before in the past, but as it effectively -- you're not talking about doing that between now and August 23, it would only be after that that we would be in that kind of --

MS. MARTIN: Right.

MS. ANDERSON: -- cycle. Okay.

MR. CONINE: Madam Chair, I move approval of the 2007 housing tax-credit award list, as amended and subject to staff recommendations and conditions.

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: The motion carries.

MR. BOGANY: Madam Chair.

MS. ANDERSON: Yes, sir.

MR. BOGANY: Before we move from tax credits, I'd like to bring up to staff and wanted to see if I could get a report. You know, over the years I've talked about HUB points and how important it was to get minority contractors and developers involved.

And a couple of years ago we put in place about where the minority -- where developers had to show they had a plan and they were going to hire minority contractors and developers to work with, and kind of give us a plan of what they were going to do to try to be more inclusive.

And at this point in time, two years later, I'd like to see what that report looks like, and I'd like for staff to put something together by August 23 based on the tax credits for the last two years on how -- where we were, because we've got the QAP coming up, and I know Mr. Hamby said this is the way we were -- try it this way let's see what happens.

Well, now we've got a track record; let's just see how many minorities and developers were inclusive in this developing a plan of how we use the HUB, because I'm sure some people are still claiming a HUB point or so.

So I would just like if you could do that

August 23 meeting, just give the whole board a list of those who have -- did the points, how well they met the points, and whether or not they achieved what we were trying to achieve with the HUB points.

MS. ANDERSON: Can we do that as an executive director report item?

MR. BOGANY: Yes, that'd be great.

MR. GERBER: Madam Chair?

MS. ANDERSON: Yes, sir.

MR. GERBER: If I could just quickly interject. I'd like to ask our multifamily staff and our REA staff to stand. They have done just yeoman's work on this tax credit round, and I really --

(General applause.)

MR. CONINE: I'd like to echo those plaudits as well. I think -- at least in my review, I thought the board books and the presentation were exceptional this time. Very good job.

MR. BOGANY: Did a great job.

MS. ANDERSON: Okay. We aren't quite through. Almost, but not quite. We now need to go to agenda item 5(a).

MR. GERBER: HOME awards and --

MS. ANDERSON: HOME awards --

MR. GERBER: -- Jeannie Arellano, our director of HOME will walk us through them. Quickly.

MS. ARELLANO: Last, but not least. Jeannie Arellano, director of the HOME division.

Madam Chair, and board members, in December 2006 the Department released a \$5 million competitive cycle NOFA for the HOME --

MR. CONINE: Quiet, please.

MS. ARELLANO: -- for the HOME preservation and rental housing development program. The NOFA included a \$2 million set-aside for at risk preservation developments.

Applications were accepted on March 1, 2007 to coincide with the tax-credit cycle. The Department received 12 applications for funding, requests totaling 8.3 million.

The applications were reviewed and processed according to the competitive threshold and scoring criteria established in the NOFA. The award recommendations before you today were prepared by first ranking applicants by score per service region, and then by urban/exurban or rural area type.

Additionally, the applicants that applied for housing tax credits, but are not being recommended for an

allocation of HTC today, are not being recommended for a HOME award.

Since an insufficient number of applicants were received per region, recommendations are being made to fund all eligible applicants that are also being recommended for an allocation of HTC today. Only one application being recommended is not layered with tax credits.

No awards were identified to have non-compliance problems. The applications that are layered with an application for HTC and were on the HTC award recommendation list in your book are conditioned upon the award of allocation of HTC at today's board meeting.

All applicants approved by the board for an award will receive funding commitments that reflect all conditions based on the final underwriting report and any additional conditions deemed appropriate by the Department or board. These awards are also contingent upon any unresolved audit findings and questioned or disallowed costs. Staff recommends approval of the 2007 HOME investment partnerships program preservation and rental housing development program award recommendations.

MS. ANDERSON: So we're voting on 5(a) and 5(b)?

MR. GERBER: Yes, ma'am.

MS. ANDERSON: Okay.

MR. CONINE: Move approval.

MS. ANDERSON: Sir.

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: The motion carries.

MR. GERBER: Madam Chair, I'd just like to acknowledge our HOME staff, which has done a great job as well.

(General applause.)

MS. ANDERSON: Seeing no other business to come before this board, we can stand adjourned until August 23.

(Whereupon, at 4:15 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 30, 2007

I do hereby certify that the foregoing pages, numbers 1 through 283, 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) 8/3/2007
(Date)

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