

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

Thursday,  
July 30, 2009  
8:30 a.m.

Room 100  
Capitol Extension Auditorium  
1100 Congress Avenue  
Austin, Texas

BOARD MEMBERS PRESENT:

C. KENT CONINE, Chairman  
LESLIE BINGHAM ESCAREÑO  
TOM H. GANN  
GLORIA L. RAY  
JUAN SANCHEZ MUÑOZ

STAFF PRESENT:

MICHAEL GERBER, Executive Director

*ON THE RECORD REPORTING  
(512) 450-0342*

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Adjourn 282

## PROCEEDINGS

MR. CONINE: Good morning. Sorry I ran a little late today, courtesy of Southwest Airlines, and I apologize for Dallas getting a little rain and Austin and South Texas not getting any. But it looks like we may get some down here today hopefully.

Welcome to the July 30 Board meeting of the Texas Department of Housing and Community Affairs. I'll call the meeting to order and do the roll call this morning. Leslie Bingham?

MS. BINGHAM ESCAREÑO: Hear.

MR. CONINE: Mr. Conine's here. Tom Gann?

MR. GANN: Here.

MR. CONINE: Juan Muñoz?

DR. MUÑOZ: Here.

MR. CONINE: Gloria Ray?

MS. RAY: Here.

MR. CONINE: We've got a full deck hopefully. As customary, we normally start with a public comment period at the beginning of each of the meetings. So any of you who wish to speak can fill out -- to the Board can fill out a witness affirmative form and give it to us up front here -- Penny. And we'll go through and have public comment now on any agenda item that you'd like to speak on. Of if you want to speak during the particular agenda item you have the option to do that as well.

I have several witness affirmation forms here as you can imagine on tax credit day. So we'll get into them. Madison Sloan. (Pause.)

Before you get started I want to recognize a couple of folks in the audience. Brian Owens, are you here? There he is back in the back from the Governor's Office. Good to see you out today after a -- I'm sure a much deserved.

And Craig Chick with the Speaker's Office. Where is Craig? Gone. Okay. I'm sure he'll be in and out -- oh, he's over there. Okay. Good to see you. Thanks for coming. Okay, Madison. Go ahead.

MS. SLOAN: Good morning. I'm actually not going to talk about tax credits.

My name is Madison Sloan, and I'm a staff attorney with Texas Appleseed. We are a non-profit who has done a bunch of work with TDHCA on disaster recovery, in particular the use of CDBG disaster recovery funds.

I'm here just to make some comments on the housing guidelines that have just come out from some of the local jurisdictions who are doing housing programs with the 2008 CDBG funds for Ike and Dolly.

I have written comments so I will be extremely brief. I'd like to start by saying, you know, we are fully aware of how the entire CDBG process, both federally and the state, works and the limits and any particular players that influence things. And we also really appreciate that TDHCA has taken a lot of time and a lot of effort to work with all stakeholders and really try to make the process as effective as possible.

We do have some continuing concerns and, as always, we think housing is underfunded, particularly in this round. Only 48 percent of the funds that were sent down to the COGs for allocation are going to housing.

And if you take out the City of Houston and the City of Galveston, Houston's spending 80 percent of its money on housing. Only 27 percent of those funds are going to housing.

After Ike the state never put less than 55 percent into housing and, in fact, went up to 75 percent in round 2 because it was underfunded at 55 percent. You know, again, the FEMA data is bad -- it's unreliable. Eighty-five percent of FEMA claims for housing assistance were denied after Ike. The need out there is greater than the data we have, so housing is even more underfunded.

The other just sort of broad concern I'd like to raise is, in looking at the programs and guidelines many of these jurisdictions have proposed we are very concerned that we're essentially back where we were four years ago with the Rita 1 program. And I think as you'll all recall it took a very long time to work out which rules and policies were effective, how to deal with certain populations -- and a great deal of work went into that.

And I'm just not seeing in a lot of these programs any of those lessons learned being incorporated, and I'm really concerned that we are going that we are going to spend another couple of years going back and forth over policies and having to reformulate these programs so that they work, you know, when we already have a set of programs we know work.

And just one example is the majority of these guidelines require fee simple or clear title ownership. And, as you know, you've recently passed a policy related to Ike -- or, I'm sorry -- related to the Rita funds which allows alternative documentation of homeownership, and, in fact, September 1 the

Legislature passed a revision to the Government code mandating that Disaster Recovery Housing Programs administered by TDHCA accept alternative documentation of homeownership. Most of these rules don't incorporate that.

So, just as an example, that's what we're concerned about.

MR. CONINE: Okay.

MS. SLOAN: I will thank you for your time.

MR. CONINE: Get those over to Joe or somebody and pass them out. Any questions of the witness? (Pause.) Thank you for your testimony this morning. R. J. Collins.

MR. COLLINS: Good morning.

MR. CONINE: Good morning.

MR. COLLINS: Mr. Chair and members of the Board and staff, my name is R. J. Collins and I'm with Tejas Housing. And we're located here in Austin at 8455 Lyndon Lane, 78729.

I'm here today to speak a application -- 2009 application, TDHCA 09121, North Red Oak Seniors. North Red Oak Seniors is a Phase 2 of an 80-unit family development that we developed in 2005. It also ironically happens to be the fourth time that we have placed a pre-ap -- or an application on this second phase. And that's why I'm here today.

We have established through our social services program -- provide a new life housing, a mixture in our communities of seniors and families. Of the 80 units that we have existing there we have 21 elderly families or individuals living there. And what we're trying to do with this 36 units is to sort of separate the seniors with their own community building from

the families with their community building.

One of the things we've found out over the last five years on this property and some of our other existing properties and -- is that by mixing the elderly with the family units that we find that they are very compatible in the majority of the cases. And what I mean by compatible is the kids and the families help keep the seniors active, and the seniors help keep the kids -- by mentoring or keeping them after hours it helps with our turnover. As a matter of fact, in the Red Oak property with 21 seniors our turnover is 10 percent less than the state average.

We are here today to say that we had in this region, which is 8 -- Region 8 -- we had three applications put in in urban, one of which is ours. All three of them wind up tied, which is kind of unique, in score. This is first time we've been able to tie in this region because of other circumstances.

And what we'd like is some consideration on this property because we do feel like it's very unique in the state and -- for either a commitment today or a forward commitment. We had volunteers of over 15 seniors that wanted to come today and we decided not to bring them. But at some point when --

MR. CONINE: Thank you.

MR. COLLINS: -- you talk about a forward commitment, whenever that is, you probably will see 12 to 15 of them. Thank you very much.

MR. CONINE: Thank you. Any questions of the witness? (Pause.) Thank you very much. Mayor Lee Leffingwell. Hope I didn't mess that up too

bad.

VOICE: New mayor of Austin.

MR. CONINE: Ah.

VOICE: Congratulations on being here.

MAYOR LEFFINGWELL: That was exactly right, Mr. Chair --

MR. CONINE: Great.

MAYOR LEFFINGWELL: -- your pronunciation. Good morning, Mr. Chair and Board members. I'm Lee Leffingwell, mayor of the city of Austin, and I thank you for the opportunity. And I also want to comment, as a retired Delta pilot, I'm really glad it was Southwest and not Delta that inconvenienced you today.

MR. CONINE: I think it was more the good Lord than anybody else.

MAYOR LEFFINGWELL: Well, you can't complain about the rain these days, can you?

MR. CONINE: That's true.

MAYOR LEFFINGWELL: First, I want to thank the Board for previously awarding credits for the rehabilitation of the Malibu Apartments. These 476 units will go a long way towards preserving our scarce affordable housing stock.

But I'm also here today to request a forward commitment of tax credits for two other applications we have before you. Both of these are new affordable housing communities in the city of Austin.

The first is M Station. It's a 150-unit multifamily development -- will be located right across from the new MLK rail station. The

second project is Wildflower Terrace, a 201-unit senior community located within the Mueller Airport redevelopment area. In March of this year the Austin City Council approved a -- by unanimous vote a resolution supporting both of these projects.

M Station will be the first new affordable family community across from the new Red Line train station. And this would achieve a major goal to the city's in promoting transit-oriented development. And the concept is families not only having affordable rent, but they have affordable transportation options as well.

M Station is committed to achieve a gold standard LEED rating, green building standard, and it also will include an on-site child care center and includes 15 units of supporting housing for homeless families. And I'm pleased to say that the Austin Heights Neighborhood Association nearby and other neighbors are proud to support this community.

Wildflower Terrace will be a new affordable senior community that's part of the Mueller Airport redevelopment. Mueller is, of course, as you know, a mixed income, mixed use community. Affordable housing for seniors is an important component of the overall Mueller plan.

Residents of Wildflower Terrace will be able to walk to and participate in all the activities in the entire community. The proposed senior development has -- I believe I have some extra donated time.

MR. CONINE: Yes, you do.

MAYOR LEFFINGWELL: Proposed senior development has the unanimous support of the Mueller Advisory Commission, the Mueller

Neighborhood Association, and the neighboring J. J. Seabrook Neighborhood Association.

The developers of both of these projects, Foundation Communities, and Diana McIver, who are both here today, have an outstanding local track record.

As you know, we -- you have the power to award a forward commitment of funds to projects of the highest quality and merit. And both M Station and Wildflower Terrace are exactly the type of projects that are attractive to tax credit investors. I believe these two proposals deserve your support.

In 2006 Austin voters passed a bond issue allocating \$55 million for affordable housing, but we need projects to leverage like these projects. The city of Austin stands ready to financially support all three of these developments before the Board today.

The Austin City Council through its affiliated Austin Housing Finance Corporation will take action next week to support the Malibu Apartments with the 2009 tax credits. And should M Station and Wildflower Terrace applications receive forward commitments as well at your September Board meeting, the City Council will move forward to ensure that these developments receive local financial support.

The bottom line is that these are both exemplary projects with exemplary developers and are ready to go with investors. They serve a critical need in Austin and help achieve major policy goals.

I urge your support for the forward funding and thank you for

allowing me to testify.

MR. CONINE: Thank you, Mayor. Any further questions of the witness? (Pause.) Thank you very much. Appreciate you being here.

MR. GERBER: Mr. Chairman, I would just interject that, Mayor Leffingwell, we work very closely with Margaret Shaw and her team at Austin Neighborhood Housing, and it's just a great and extraordinary skilled professional and just appreciate that change. You've got a great team there.

MAYOR LEFFINGWELL: Thank you for saying that. We think the same thing about her.

MR. CONINE: I'd also mention, as the Mayor so aptly mentioned, that we will not be considering forwards today at this meeting. It's probably going to be at the September meeting, if any at all. And you're welcome to, you know, speak on it and ask for it and all that kind of good stuff, but more than likely our focus will be there in September. Thank you. Sandy Wilder?

MS. WILDER: Thank you and good morning. I'm Sandy Wilder and I'm on the Steering Committee of the Austin Heights Neighborhood Association. So I'm here to talk about our neighborhood support for the M Station project.

I joined the neighborhood association as soon as I moved into the area, and I love living in a wonderful part of town. It's close in, all kinds of shops and stores, but, most important, neighbors of all backgrounds -- all ages, all races, some retired, some students. It's a wonderful place to live -- getting very expensive though. And so affordable housing, and particularly housing for families, is really important in our part of town.

M Station, as you know, will sit right in the middle of our neighborhood association with an exemplary elementary school right there, a creek very close to Airport Boulevard, and, as you've heard, very close to the new rail station.

We've had over this last several months several meetings with Foundation Communities, the organization bringing M Station to us. They first approached us in January -- talked to our Steering Committee. We were very excited about the project.

Brought the proposal to our entire neighborhood association in February. Some questions were raised. So we encouraged those neighbors to go do their research, which they did. Even those people who were not initially in favor of M Station came back saying that all of the Foundation Communities properties are very well maintained and very well run. We also talked with Tom Hatch, the architect for the project, and were impressed, of course, with his portfolio and his approach to this project.

So on March 16 more neighbors than I even knew lived in our neighborhood showed up for our final meeting. It was still a little bit tense because not everyone was in agreement at that point. But when the vote was taken we voted more than three to one to support M Station right in the middle of our neighborhood.

And, as you probably know, we're not alone. There are other neighborhood associations that also support this project -- McKinley Heights, Chestnut, Cherrywood, Rosewood -- all of us in effect saying yes in our backyard.

This is exactly the type of community we need in Austin Heights. We'll have access to financial management programs, after school tutoring, the child care center that will be right there at M Station -- we in the neighborhood can also take advantage. This will be a green project and on the scale to fit our neighborhood. And Foundation Communities will work with us to help clean up Boggy Creek to boot.

We know they'll work with us at every step of the way in the design, construction, and operation of M Station. So we firmly believe this is the right project by the right organization at the right time in the right location. I appreciate the opportunity to tell you this and thank you for your vote that will bring M Station to our neighborhood.

MR. CONINE: Thank you. Any questions?

(No response.)

MR. CONINE: Thank you very much.

Valerie Williams?

MS. WILLIAMS: Good morning.

MR. CONINE: Good morning.

MS. WILLIAMS: My name is Valerie Williams, and I'm a senior vice president with Bank of America. Bank of America is one of those shy investors that purchases tax credits. Typically we do not speak, you know, publicly regarding a project.

But, however, today we felt that it was important to you -- to speak to you today and let you know about our enthusiasm to partner with one particular project, M Station, Number 09130. The bank believes that it is

important for the Board to have some investor feedback as investors are very cautious today.

I request your support to provide a forward commitment for M Station, a new family community to be developed by Foundation Communities. We believe in this project. It has all of the features that are important to make a difference in the lives of Austin families. This project is a great opportunity to provide affordable transit-oriented, family-focused green housing.

I have some good news. Bank of America sponsored an AHP application to the Federal Home Loan Bank of San Francisco on behalf of M Station. It has been awarded a \$1.5 million grant, which is the maximum allowable for 2009. These funds will bridge the funding gap. The AHP round was extremely competitive with 168 applicants. Only 25 percent were awarded grants. M Station was the only Texas recipient.

Given the uncertainty of construction costs, tax credit pricing, and other variables, soft funds have become critical. M Station has not requested Exchange, TCAP, HOME, CDBG funds from TDHCA.

You may ask how did M Station win this grant. M Station stands out as a showcase property. The property will include 15 units of supportive housing which will meet the needs of homeless families, their children, and provide deep supportive services.

Foundation Communities has an outstanding track record in this area. The bank is positioned to provide the financing, as well as purchase the tax credits.

Now for the bad news. It does not appear that M Station will be

awarded 2009 tax credits. In spite of this M Station remains a viable project with a ready tax credit purchaser, financier, and over \$2 million in soft funds raised. I want to be very frank. There are not many projects on your list today that are in this position.

In closing, you, the Board of Directors, have discretion to award M Station a forward commitment or a priority on the waiting list. Thank you for your time. Are there any questions?

MR. CONINE: Any questions of the witness? (Pause.) Thank you.

MS. WILLIAMS: Thank you.

MR. CONINE: Walter Moreau. After pulling out all the stops, you get to speak.

MR. MOREAU: Thank you for the chance to speak. I'm Walter Moreau, the executive director of Foundation Communities. We believe very passionately in this project.

MR. CONINE: Really?

MR. MOREAU: It's not a deal for us. Our mission is about creating housing and services where families succeed, and we're lucky to have grabbed this prime site across from the train station and have room for child care and to build it green. So we're putting our heart and soul into this.

I think the reason that the Bank of America and other investors are attracted to it is there have been very few projects in the city of Austin. So it's a prime spot for banks that need CRA.

This would be the first project in -- large new family project in the city limits in five years. The only other family project was 22 units, La

Vista. Even just in this year's award there's 24 projects in Houston, six in Dallas, but only one in Austin because of the small amount of regional money. And the rehab project scores higher than new construction.

We think it's a one-of-a-kind project. We've already raised over \$2 million for the project, but we're short on the tax credit list. In all of the projects around the state there are 75 new family projects. We have the highest score. So if we were in any other region we'd have all the points we could possibly get for this project type. Not counting any points for child care or exemplary school we'd be at the top of the list, because after you slice it and dice it by region and rural and urban and set-asides, we're just one of those rare 20 projects that doesn't make that cut.

I won't quote chapter and verse of the rules, but in the QAP there's some discretionary room for the Board on the waiting list and how that's set up and also on how forward commitments are managed.

So our request today is that you would look at discretionary factors in the management of the waiting list and/or on a forward commitment.

Some of them would be in our case that we have the highest score of any new family project in the state -- the highest score for any new family project on the waiting list. Austin, compared to all the other major cities, does not have any new family project this year and hasn't for the last four years.

We can sell our credits the old-fashioned way, something that's important. We've already raised 2 million in funding. And we're also the -- one or the only project on the list that includes supportive housing for homeless families. And also market rate -- we have 10 percent of the units at

that wide income mix.

Thank you for your consideration and possibly putting M Station at the top of the waiting list or considering us for a forward commitment.

MR. CONINE: Thank you.

MR. MOREAU: Happy to answer any questions.

MR. CONINE: Any questions of the witness?

MR. MOREAU: And I have one handout to leave.

MR. CONINE: Okay. Hand it over to Joe. He'll see that we get it.

Thank you.

MR. MOREAU: Thank you.

MR. CONINE: John Cowman?

MAYOR COWMAN: Mr. Chairman, thank you. Board members, thank you for allowing me to speak today before you. My name is John Cowman. I'm the mayor of the City of Leander. And I'm here to speak on behalf of the Belmont Senior Village.

But I really want to talk about my city because I love talking about Leander. We've been growing at a sustained rate of 22 percent. We're now down to about 10 percent of which other cities would die for, so we're doing very well in growth rate. Our sales tax is up 8 percent -- other cities are down. But Leander really hasn't heard about the economy woes because we're still doing very well in our city. H.E.B. has placed their -- it's now the third largest H.E.B. in the state. At the time it was the first largest.

This project that I'm referring to, the Belmont Senior Village, is within walking distances of H.E.B. Currently as Mayor our city staff and I are

working with a hospital to be within the proximity of this same project. We just landed Valence Technology. Valence is a battery -- green battery company, which is going to be bringing 4,000 jobs to the city of Leander -- no, excuse me -- 4,000 jobs to this region because they're going to be using commuter rail to get there from east Austin, south Austin, and the like.

H.E.B., hospitals, Valence Technology -- we're also working with another group -- it's a 3,500 employee company that wants to come to support Valence. So things are really popping in Leander.

We do not have a senior component. Although we were awarded the Congress of New Urbanism's best planned city in the United States recently we don't have a senior component in our city yet.

I'm not familiar with tax credits, I'm not familiar with the process that we're going through today, although I am familiar with what we need in the city of Leander.

The LISD school district just recently passed about -- 12 months ago a \$581 million bond election. We have a young population, but we are green also. The city of Leander is green at a slower rate, but with its goal of being the most accessible city in the region, which we're headed there very quickly, a senior component -- the landing zone that we've created for group just like this would help complete our goals as a city.

So we're very fortunate to have this group coming before you today -- the Belmont Senior Village -- and we encourage you all to seriously consider Leander, which we consider -- we consider Austin greater Leander. And so we want to rub off and get folks.

Now, one more thing. I'm also a Board member on the Board of Capital Metro. M Village, the line -- everything like that -- that is our mission -- is to create hubs around our rail that do create some wonderful things for all -- lower income, seniors, and the like. This project is right near our rail station in Leander, as is M Station for this group down in Austin.

So there's a lot of positive things going on in our region. I encourage you to look at everything, but remember Leander has created that landing zone and we really encourage you to look at us. Thank you.

MR. CONINE: Thank you, Mayor, and I apologize for not recognizing you as Mayor.

MAYOR COWMAN: That's fine. I'm --

MR. CONINE: But --

MAYOR COWMAN: That's fine. Thank you.

MR. CONINE: Thank you for being here.

Let's see. Britt Benton.

MR. BENTON: Thank you. My name is Britt Benton. I'm a landowner and neighbor of the Belmont Senior Village in Leander. And I just want to speak just real quickly on behalf of the Belmont Senior Village.

As a neighbor of the project we are obviously concerned about, you know, what this project's going to be. Is it going to be something that we're going to want in our community? We've got a mixed use development that will include this as a portion of it.

And so we're careful in looking at this project. So myself, along with the other neighbors that are going to be affected by this project, we

wanted to do some investigation to make sure this is something that, you know, we could be proud of and would also add value to our community.

And after investigating the type projects that we've seen Dennison Development do in the past and the way they're run, the way they're maintained, we felt that this would be a great asset for us. And we are very excited about the prospect of this being in our neighborhood.

We -- you know, we've been very encouraged by this project all along. It looked like from the scoring this project has scored very high -- and I think it scored in just about every category you can. And it would have been in line for funding had it not been -- you know, from our understanding it seemed like we were in line for funding and then our competition hit a five-run homer in the bottom of the ninth, it come out, and it somehow surpassed us.

But, you know, being leapfrogged aside, I do think that this project is something that the community will be proud of. It's, you know, walking distance from the rail, walking distance from H.E.B., and our neighborhood is very excited and all voted unanimously in support of this. And we would like -- we respectfully request that you consider that when you look at this for a possible forward commitment.

MR. CONINE: Okay. Thanks. Any questions?

(No response.)

MR. CONINE: Thank you. Mark Beggert?

MR. BEGGERT: Good morning. My name is Mark Beggert. I am the CFO of Meridian Solar. We are a Austin-based solar design and installation company, arguably the largest in Texas. We've done more solar

installations and installed more kilowatts in the last ten years than any other company in Texas.

I'm here to support the Leander development that Dennison Development is behind -- the senior village -- Belmont Senior Village. And the reason why I am doing that is because of a larger cause, which is to ask the Board to support programs that incorporate renewable energy into these types of developments.

Currently we, Meridian, are working with Colby Dennison and Dennison Developments on a project in Round Rock in which Colby will be installing a 100-kilowatt solar installation. That will be one of the five largest installations in the state of Texas. The obvious benefits of solar include the environmental impact and the promotion of clean and green energy.

The reason why I'm asking the Board to support these types of projects is because I believe they should be incorporated in this new type of low income living opportunities. I believe that Dennison Development represents -- and has already put his money where its mouth is in regards to promoting these type of developments with solar.

And we believe that Dennison Developments will continue to incorporate solar in its future projects, not in a small way, but in a very significant way. And so I respectfully ask the Board to consider their project for forward funding.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you for your testimony.

MR. BEGGERT: Thank you.

MR. CONINE: State Representative Jose Menendez.

MR. MENENDEZ: Good morning.

MR. CONINE: Good morning.

MR. MENENDEZ: So good to see so many of my good friends up there. As always, I want to thank you for your service.

My name's Jose Menendez. I'm state representative for District 124 in San Antonio. And I know you have a busy agenda, but I feel that the dire times necessitated by being here, and I'll have a couple of items to talk about today.

First of all, I want to start with some general items that have to do with statewide impact. And I think that because of the terrible economy and the fact that we had so many allocations that weren't able to close just recently I think it would be interesting and I think it would be a good policy if you extended the proportionality of the \$2 million cap that you have in place today.

I know that you have an exception that you have in place in order to assist an inexperienced nonprofit, and I was thinking that possibly the Board could consider expanding that proportional allocation of the cap for at least the next cycle so that if there are folks out there with stronger financials and folks with weaker financials that possibly by bringing other parties into a deal with shared allocation that they would be able to get their deals closed.

Yesterday I heard at a roundtable from someone I respect very much -- I believe that he works very hard on behalf of the Department --

when Mr. Gouris said that they feel very positively about the application because 57 allocation applications were turned in.

And I had to -- at the time I mentioned that I have to respectfully disagree with his -- I guess his assertion of whether it's a good -- the policies have been received well by their applications because I think you just have to look to the fact that so many applications recently weren't able to close.

So they applied because they're going to apply because that's what they do. The affordable housing need is there, and there are folks who want to build affordable housing, and they're going to apply under whatever rules the Board adopts. It doesn't necessarily mean that they're the best rules.

And I know that you're working very hard with HUD and the -- many of the unreasonable time lines that the IRS has put out, the Treasury's put out, and I respect that tremendously.

I just think that we are in uncharted waters economically as a nation. And I think that this Board and this state and this Department has been presented with an opportunity -- a huge opportunity. Close to half a billion dollars when you combine the cap and the tax credit allocation assistance and the Exchange money -- and this is all dollars that we could put to use in terms of jobs.

And when yesterday I made the comment that when I first presented House Bill 4275 I was able to get 96 votes. And I just felt under -- you know, 96 votes under most circumstances is a very, very good support out

of 150 members in an evenly divided House. But we knew that we wanted 100 so we could get immediate effect so we wouldn't have to wait till September 1.

And so when I asked some of my colleagues to reconsider their position -- I talked about the jobs, I talked about the economic impact, I talked about what this could do for the state. And on the second round when I had a good colleague -- good friend of mine from San Angelo, Drew Darby, join me, and Charlie Howard from Harris County -- from Fort Bend County join me in the argument for this proposed bill to take these tax credit Exchange dollars in the assistance program and put it to work we were able to get 139 votes -- close -- very, very close to -- 139 to 6. Six people voted against it in my opinion because maybe they didn't understand it or because they didn't appreciate affordable housing.

I guess what that says to me is the Texas House and I believe the Senate really would like to see us put Texans to work. And in the last few days I have heard from architects who are having to take out second mortgages who've worked on nine projects who haven't been paid, who are having to lay off people, who are having family members come to work.

And so, you know, this impacts everybody. This is not just my constituents who are working out of the back of their pickups because, you know, the Sheetrockers and the framers and all those folks who get -- you know, you get approximately 300 people on a per project basis working for an extended period of time.

So here we have an opportunity. And I would like to see what

we could do as a state. And I put it in your able hands to make it as easy and as quick as possible to close on these deals. We heard from a former lender yesterday that it was going to be very difficult for the lending institutions to close on these deals regardless of what we do.

And so I think that instead of focusing on worse case scenario and worrying maybe too much about what the federal government will do to us if we don't exactly dot every I and cross every t if maybe we interpret something a little differently than they do, I think the -- what we should focus on did we do the right thing -- did we do the right thing.

And I know that this Board always wants to do the right thing and has the common sense to approach this from what's best for Texas and all Texans.

And my last item that I want to bring up -- and I bring it up last because in my past visits here I've been very parochial. And I've tried to expand my interest in housing to a statewide approach. But this is a situation that I'm very concerned -- and I've got a copy of this letter for everybody on the Board and I'll be sharing it with my colleagues and the Governor and the Lieutenant Governor. And I want to read this into the record, please.

And it states: "Dear Mr. Gerber, I'm very concerned to learn that the Texas Department of Housing and Community Affairs has proposed to adopt overly restricted rules in the allocation of the tax credit assistance program funds provided as a part of the American Recovery Investment Act.

"Not only has the Department continued to utilize a disproportionate formula to determine regional percentages, but even more

troublesome is the determination of the priorities for the awards of these TCAP funds to eligible developments.

"The TDHCA' s prioritization of 9 percent tax credit priorities as being more qualified than a 4 percent private activity bond financed development for the allocation of these emergency funds is -- defies logic in my opinion.

"The rationale that a 9 percent deal scores higher than a 4 percent application as expressed by Mr. Gouris is insupportable, if for no other reason that the 4 percent applications are not scored in the first place. So the analogy, I don' t understand its application.

"The current policy appears to unfairly penalize regions such as San Antonio that have successfully utilized the 4 percent PAB financing with local gap funding investment to fill the void left by inequitable regional allocation formulas from past years.

"The overall intent of TCAP by Congress is to ensure that sorely needed affordable housing properties are not irretrievably lost because of this crisis. Since the federal stipulations place no such restrictions on the awards TDHCA' s decision to do so is subjective and unnecessary.

"The summaries in the policy puts an estimated 300 construction jobs per site at risk just in the San Antonio region, in addition to the delay or even loss of some 450 to 500 housing units.

"I strongly urge the Board of Directors to revise the supplemental policy by allowing any eligible application within a given region to be considered equally for an allocation from the region' s allotment and

ultimately for any follow-on awards to be made from unused TCAP.

"If there is a preponderance of 9 percent applications within a given region then those should receive a larger share of that allocation. But by no means should other equally qualified developments be denied simply because of the original source of funding -- financing.

"I'd appreciate your attention on this very important matter and look forward to continuing to work with TDHCA to meet the growing needs for safe quality affordable housing for all Texans."

And, Mr. Chairman and members of the Boards, my reason for bringing this up is that 9 percent financing hasn't been working very well in our region. We really haven't had these 9 percent transactions do very well. They're not many of them in San Antonio's region.

So the 4 percent transactions that are currently -- the city of San Antonio is involved with -- one of them is owned by the San Antonio Housing Trust Finance Corporation and the other one would be owned by the Housing Authority.

And in talking to the new CEO of the Housing Authority our waiting list in San Antonio sits around 20,000 people on our Housing Authority waiting list. And these applications are at risk and they're shovel ready projects that the city and the local community are 100 percent behind.

And I just think there's an opportunity here, because if the funds -- if these two projects aren't funded and a collapse occurs there is no guarantee that our region will get any of these job-creating funds and they could go to other parts of the state.

And so I just think that we -- you know, whether I agree or don't agree with how the formulas work out we do have a regional allocation for a purpose so that every region gets some needed affordable housing.

And so here's a situation where I just -- I don't understand and I don't necessarily agree. And I'm not in an antagonistic or an angry position at this time. I just want to see how we can make things work out so that every region gets what it needs, and particularly when you have the local community working hand in hand putting some skin in the game to make these deals work.

And that's pretty much it other than the fact that I continue to be a little worried about getting the TCAP and the tax Exchange money out and getting the state to work. And I want to continue to place myself in a position to volunteer to help this Board in any way possible.

I think that you have a great staff that's working very hard with the same human resources, but yet a hundred times more money from the federal government and very few concrete direction from the federal government, changing sometimes weekly or sometimes daily, and that was evident.

But I think we -- we're all in this together -- everybody in this room and, unfortunately, the 25 million Texans we all represent. And those are the folks that I'm most concerned about -- the folks that are -- you know, we saw yesterday the State may have to borrow \$2 billion for unemployment. And we have an opportunity here to take some of our own tax dollars and put them to work.

You know, I think Texas is always a net contributor to the federal government. We rarely get to see all of our money come back. Here we have some of our money back and I'd like to see us put it to work to put people to work. And, Mr. Chairman, members of the Board, I make myself available for any questions and I'll give you a copy of my letter here.

MR. CONINE: Appreciate your testimony. Any questions of the witness?

(No response.)

MR. CONINE: Now, from my calculations, Representative Menendez, we're probably getting ready to inject over a billion dollars into the economy and over 10,000 units to be built all across the state. That's a heck of a jolt, if you will, for a lot of jobs and a lot of folks that, you know, just need a plumbing job or an electric job or whatever the case may be.

MR. MENENDEZ: Exactly.

MR. CONINE: And we're doing our darndest to make sure that it's done in a fair and equitable manner. And we will take your letter under advisement.

MR. MENENDEZ: I understand, and I appreciate that. And one last comment -- yesterday -- or last couple of days I've had a brief chance to review the policy on the exchange on the sliding scale. And let me tell you, I think between me and many housing authorities, we'd love nothing to do than serve as many 30 percent folks as we can.

My concern is that it's going to mess up the ratio on the debt-to-equity -- on the income-to-debt ratio -- you know, you lose money on a

200 -- you know, say the 30 percent average rent is going to be about \$250 bucks a month in some regions, and it costs \$3,900 to operate that unit, but you're going to collect 3,000, you know, it becomes a net loss to the project and may mess up their ratios.

And so I'd like to see us maybe incentivize the 30 percent in a different way that doesn't cause us -- it's a good intention, it just may not get us the numbers there to be able to close these deals where they still need -- maybe need the 83 cents on the exchange.

And I'm here for -- what I love about Texas is that we believe in a fair process and a fair profit. And we're a capitalist state. And everybody -- and we allow folks to take a risk, and if they do the right thing they can help people. But I just don't want to put people in a position where they -- we're going to set them up for failure. And so I think we need to be careful on what we propose. So thank you very much for your attention.

MR. CONINE: Thank you. Appreciate it.

Larry Stevens?

MR. STEVENS: Good morning, Chairman.

MR. CONINE: Good morning.

MR. STEVENS: Members of the Committee, thank you for your service. My name's Larry Stevens, 2812 Calico Rock, Fort Worth. I'm president of the Crossing and Fossil Creek Homeowners Association. I'm here to speak about the Sedona Ranch Development. I believe it's 09264 in there.

We had presented at the public hearing in Dallas -- a number

of members from the neighborhood and community attended that, all in opposition. I wanted to address several things real fast in the time frame allotted.

Once thing I noticed on there is that there is a state representative supporting that. I spoke to that individual, Charlie Geren. That was an error sent out. He sent a letter last week in opposition to that. I don't know if that's made that in your packet or not, but Charlie Geren has sent a letter of opposition to that.

Our homeowners association unanimously opposes that as it is right now, as well as talking to the other neighborhoods around that.

One of the things I noticed in the review said an HOA opposed it because of apartment density. That's not really a factor at all in there. We happened -- we have about 600 homes in our neighborhood. Additionally, to that is nearly 400 homes -- actually my old neighborhood. Since then there's been a couple of thousand homes built there and a number of apartments.

One of the apartment complexes and one of the big reasons I wanted to come here this morning is that we have low income housing that was put there several years ago. Ironwood Crossing Townhomes -- that is probably one of the biggest reasons -- and that is not conveyed on that sheet.

It's nearly I think about 6-, 700 units there, 60 percent median and lower in that -- many of those. You can pull up on the web and find popular reviews of that. Many of them say stay away, gunshots, et cetera. It takes a lot more tension in our neighborhood to focus in dealing with that.

Sedona Ranch will then be the second low income housing to

completely fill out our northern borders, crossing from the two major transportation thoroughfares that are coming through there that are already overloaded in there. Our elementary school that's about a year-and-a-half old is already overcrowded in there.

We have a very proactive neighborhood working with the community trying to see positive development -- businesses. Apartments who come in we work for win-win situations. This is not one of those.

We are in a sense -- in essence at the crossing, as our name applies to, at I-35 and 820, which is one of the biggest bottlenecks in the city of Fort Worth as -- it's currently a bottleneck there, but as development continues to all of the overflow congests there.

So we have numerous reasons, but namely the low income apartment and a letter of opposition. Thank you very much.

MR. CONINE: Thank you very much. Any questions of the witness?

MR. GERBER: Sir, you might be interested to know this project is not being recommended for funding by staff today.

MR. STEVENS: I see that. We're trying to make certain of that.

MR. GERBER: I understand.

MR. STEVENS: Thank you.

MR. CONINE: Matt Whelan?

MR. WHELAN: Good morning.

MR. CONINE: Good morning.

MR. WHELAN: My name is Matt Whelan with Catellus

Development Group. I'm here today to talk in support of the Wildflower Terrace project, Project Number 09268, in Austin, Texas. It's a senior mixed income community.

Catellus Development Group is the master developer for the redevelopment of the Robert Mueller Municipal Airport here in Austin, Texas, 700 acres just a couple of miles from this building.

It is an ambitious public/private partnership with the City of Austin and when complete will be home to over 10,000 residents, as well as 10,000 jobs. It will include over 140 acres of parks and embraces a variety of important community goals, affordable housing being one of the most central, with a full 25 percent of the housing in the entire project will be dedicated to affordable housing.

It's also built -- every single building built within the project will be built to green standards -- every single building. And the project was envisioned by the City of Austin and by the surrounding communities to be a vibrant, mixed use, mixed income, diverse, and inclusive development that not only provided economic development to the City of Austin, but also achieved important social goals.

To date the project's about 30 percent complete with 3,000 people who are currently employed within the boundaries, as well as about 2,000 people currently living there.

We as the master developer, you know, are committed to the affordable housing aspect. And one of the important vision points that is being implemented is that the affordable housing is interspersed as part of a true

mixed income community, where it is not located in one area of the project but is truly interspersed throughout and mixed in throughout all the residential areas.

We went through a competitive process to select the developer for our senior project, and through that process selected DMA Development in partnership with Carleton Residential. The site that we picked is basically right in the middle of both a rental area, but also for sale residential. The demographics of people moving in is very broad and diverse -- income, age group, ethnicity. And the vision is really starting to take shape that the city and the community espoused.

The -- we are here today basically just to -- in support of the project and to ask that the Board consider providing a forward commitment for the Wildflower Terrace located in the Mueller development here in Austin, Texas. Thank you.

MR. CONINE: You realize you tied with M Station on the score, don't you?

MR. WHELAN: We're acutely aware.

MR. CONINE: Any other questions of the witness?

(No response.)

MR. CONINE: Thank you.

MR. WHELAN: Thank you.

MR. CONINE: Jim Walker?

MR. WALKER: Hello, Commission. Thank you for the time. My name's Jim Walker. I'm also here in support of the Wildflower Terrace

project, 09268.

I won't say the same stuff that Matt said, but I do want to note here that I'm the chair of the Mueller Implementation Commission, which is the City Council appointed citizen body that oversees the redevelopment of the airport. I've also since about 1995 been involved as a neighborhood advocate in all the issues related to the redevelopment of that airport.

There's a very strong cultural affordability in that redevelopment of that 700 acres. There's a very strong single family housing component there. About 130 of 500 single family homes that have been sold so far are at 80 percent of lower to families. Some of those are at 40 and 50 percent MFI -- very strong program there.

The multifamily projects -- just the idea of a tax credit project has been in our minds for about the last decade. And to see one come to fruition and see the specifics of it, both in where it's located within the project -- the J.J. Seabrook Neighborhood Association, which is just to the south of where this project is, is in support of Wildflower Terrace. They're actually very excited. All of the seniors that live in that neighborhood are excited about this being a possible way for them to stay in the neighborhood as they get older and their incomes start the feel the pressure of where they are in the city.

The Mueller Neighborhood Association, which is those 500 residents who are actually on the project, are in support of this project. We will work for the success of the individuals in this, as well as the project itself -- how it fits into the overall development.

But, just to reiterate, we'll be back in September. So if we are one of those projects -- we are tied with M Station. I love Walter, but I want my project to win. We'll be back in September for the forward commitment. We'll bring some more people too. We could do T-shirts -- we've done that before.

But thank you for the time. And, just to reiterate, the culture of affordability that the Mueller redevelopment has aspired to for the last 15 years and for the next 15 we hope that we have additional tax credits project beyond Wildflower Terrace, but getting one in -- the mayor of Austin, Lee Leffingwell, earlier said they're fully behind it. We feel very confident this is a great project. Thank you for your time and unless I'll answer any questions about the neighborhood support.

MR. CONINE: No, no questions here. Any questions for the witness?

MR. WALKER: Thank you.

MR. CONINE: Thank you. I'm surprised Diana didn't sign up to speak so we could have a real good tussle. I guess she's saving that for September. I don't know. Steve Ortega.

MR. ORTEGA: Thank you, Chairman Conine, members of the Board, and Mr. Gerber. My name's Steve Ortega, and I'm a city representative from El Paso representing about 75,000 citizens in the community.

I'm here today to speak for project number 09360, which is the Canyon Square Village proposal by Investment Builders. Just for your own information, El Paso is one of the fastest growing cities in the nation. And

that's for two reasons -- a tremendous natural growth rate and also an induced growth because of base realignment and closure that's taking place at Fort Bliss. So for the next several years we're going to have about 25,000 new troops. When you count their dependents, their family members you're talking about 100,000 new folks move into the community over the next several years.

And that has led to an assessment by the community of a need for multifamily housing to the tune of about 8,000 new units within the next four to five years. And so there's a tremendous need in the community for this type of development.

Currently there's no proposals on the table that are affiliated with the TDHCA tax credit program, and so I'm here to advocate on behalf of the Canyon Square proposal.

The developer, Investment Builders, has three projects in the district that I represent. And I wouldn't have traveled 600 miles today if they all three weren't quality projects. All three projects are at 100 percent occupancy rate and there's a waiting list in the hundreds to get into these projects. So there's a demonstrated need in the community and a demonstrated track record of success.

In anticipation of today several months ago we had a meeting with members of the community. We invited the folks that would live in the periphery of the proposed project to answer any questions that they've had. I've learned in my experiences as a City Council member that it's better to address questions before people learn about the proposal rather than after.

And so we headed off any concerns and left the meeting with a community that was content and supportive of the project.

I wanted to note for you that we have letters of support on the record from Mayor John Cook, who's the mayor of El Paso, and also state Senator Eliot Shapleigh, who is the state senator for the community.

The city is also committed to promotion of these types of proposals. We recently, in an effort to spur multifamily development, have waived the property taxes that get paid to the city and have also waived any associated permit fees for the purpose of spurring multifamily development.

Also there's a letter on the record that will be made available to you that states that this project is eligible for up to \$1 million in HOME funds from the City of El Paso and, if granted a forward commitment, I will be a fierce advocate to make sure that this project is the recipient of that funding.

Again, I want to request -- and I know that it may not happen until September -- but a forward commitment for this particular project or priority placement on the 2009 waiting list. Again, I want to thank you for your service to the state, and I now stand open for any -- I now stand open for any questions that you may have.

MR. CONINE: Any questions of the councilman?

DR. MUÑOZ: I have a question.

MR. CONINE: Yes, sir. Dr. Muñoz?

DR. MUÑOZ: Councilman, I'm just curious. What sort of evidence might you have in hand -- for example, among those hundreds on the waiting list -- that those who are, in fact, waiting would avail themselves of

this project -- these housing units -- are associated with Fort Bliss? Is that anecdotal or are there 25 members --

MR. ORTEGA: I don't want to leave you with the impression that the waiting list is exclusively affiliated with Fort Bliss. As I stated, you have a pretty high natural growth rate that's taking place in the community right now. Mr. Monty, who is the principal at Investment Builders would better be able to answer that question.

As an anecdote beyond any evidence I have right now I would say 30 to 40 percent of the multifamily need currently right now is El Paso is directly affiliated to that growth that's taking place at the Fort Bliss.

DR. MUÑOZ: In general.

MR. ORTEGA: Yes. Any other questions?

(No response.)

MR. ORTEGA: Thank you for your time and consideration.

MR. CONINE: Thank you for your time, Councilman. Appreciate it.

Barry Palmer? Can't go without a July meeting without listening to Barry Palmer.

MR. PALMER: My name is Barry Palmer with the Coats Rose law firm. And I wanted to talk to -- for a minute about an issue.

We're going to have good news today for a lot of developers who are going to receive commitments of tax credits that they have been working on and fighting for a long time. And that's great.

The challenging news is that a number of them are not going to be able to find investors or going to have gaps in their deal because credit

prices are so low. And so they're going to be relying on the TCAP program and the Exchange program in order to get their deals to closing.

And the Board is moving quickly to put those programs in place, and I know the Exchange program will be approved today and applications will go in and results will be given on both TCAP and Exchange in September and October.

The other challenge that developers will face is once they get their commitment letter in a couple of weeks they'll be required to write a very large five- or six-figure check to the Department for their commitment fee without knowing whether they're going to get Exchange funds or TCAP funds.

So what I'd like to ask the Board to consider is postponing the date for making the commitment fee payment until the day after the October Board meeting when people will know whether they have Exchange or TCAP funds. Thank you.

MR. CONINE: Thank you. Any questions?

(No response.)

MR. CONINE: That concludes the public comment portion of the agenda today. We'll close public comment now and only leave public comment open for those specific agenda items that people have signed up for. Okay, Board.

Moving on, the agenda -- Consent agenda Item Number 1.

MR. GERBER: Mr. Chairman, Item 1(g) has been withdrawn from the agenda.

MR. CONINE: Okay.

MR. GERBER: And I'd like to note for 1(a) that we are recommending the approval of Vinson Elkins to -- as our bond counsel. Elizabeth is here and just want to commend them on a job well done and look forward to working with them in the future.

MR. CONINE: Where is Elizabeth? I saw her here earlier.

MR. GERBER: Yes, I did too.

MR. CONINE: She's hanging around. Okay. Any other Board member wish to have any other particular item addressed? I do have a witness affirmation form on one of the agenda items on Item 1. I'll go ahead and take that comment now. Mark Wyatt, Item 1(d).

MR. WYATT: Mr. Chairman, I'd like to talk when the appropriate --

MR. CONINE: Well, this is on the Consent Agenda. So it's getting ready to --

MR. WYATT: Okay.

MR. CONINE: -- hopefully getting ready to get passed.

MR. WYATT: Mr. Chairman and Board, my name is Mark Wyatt. I'm the director of Texas CDBG, and I am here to -- I have spoken with your staff about the recommendation for Midland. And we are in agreement that this is -- as far as the time frame and after she maybe makes some clarifications I would like to support those clarifications.

MR. CONINE: Okay. You want to speak to that, Brooke?

MR. WYATT: I hate to put you on the spot but --

MR. CONINE: You've been put on the spot. You might as well shine.

MR. WYATT: -- clarify the clarification.

MS. BOSTON: There are really two parts to the conditional recommendation for Midland, which is the NSP award. And the clarification I would like to make with the approval is that one of the conditions needs to be met in the next ten days, which is the requirement relating to meeting the 35 percent set-aside requirement, which is a state requirement in our NOFA, but that the other portion, which would relate to the resolution of some outstanding underwriting criteria, have a little bit more time to be resolved -- essentially up to 60 days.

MR. CONINE: Okay. That clarify for you what her intention was?

MR. WYATT: Yes, Mr. Chairman.

MR. CONINE: Thank you very much. Sit down.

MR. HAMBY: Sorry. But, of course, if you're doing a clarify and it's not in the recommendation then that would have to be pulled and treated as a separate document.

MR. CONINE: Was she asking for us? I thought that was a staff.

MR. HAMBY: Well, but that's -- if she's making a clarification and it's not what's in the staff recommendation -- if she's asking you to adopt that it would have to be changed.

MR. CONINE: All right. I need a motion to pull Item D off the Consent Agenda.

MS. RAY: Mr. Chairman?

MR. CONINE: Ms. Ray?

MS. RAY: I move that we pull Item 1(d) from the Consent

Agenda.

MR. CONINE: And do I hear a second?

DR. MUÑOZ: Second.

MR. CONINE: Second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all in favor signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. Okay. Consent Agenda on everything else except for Item D and G, which has been pulled.

MS. RAY: Mr. Chairman?

MR. CONINE: Ms. Ray?

MS. RAY: I move that we accept the Consent Agenda and pass it.

MR. CONINE: Is there a second?

MR. GANN: Second.

MR. CONINE: Second by Mr. Gann. Any discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

Now, back to Item 1(d). Do I hear a motion?

MS. RAY: Mr. Chairman?

MR. CONINE: Ms. Ray?

MS. RAY: I move staff's amended recommendation for Item 1(d).

MR. CONINE: Motion to approve the amended recommendation of staff. Is there a second?

DR. MUÑOZ: Second.

MR. CONINE: Second by Dr. Muñoz. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

Going to Item 2(a). Mr. Gerber?

MR. GERBER: Mr. Chairman, I'm told by staff at the moment there are no weatherization appeals of 2(a). So we're going to proceed to 2(b), which are -- which is the presentation, discussion, and possible action on Recovery Act Homeless Prevention and Rapid Re-Housing Applications which are under appeal.

Promise House, Incorporated, which is here to appeal today,

failed to submit required and acceptable documents as per the HPRP NOFA, and, therefore, their application was deemed ineligible. Staff recommends the denial of the appeal -- of my decision to the Board of Directors on HPRP. And I believe there are folks here to talk about that development.

MR. CONINE: Okay.

MR. GERBER: She's not here. Oh, okay. Shall we ask that my appeal be appealed -- or my denial be appealed?

MS. RAY: Mr. Chairman?

MR. CONINE: Yes, Ms. Ray.

MS. RAY: I move staff's recommendation to deny the appeal.

MR. CONINE: Move staff recommendation to deny the appeal. Is there a second?

(No response.)

MR. CONINE: Hello, second.

DR. MUÑOZ: Second.

MR. CONINE: Second by Dr. Muñoz. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

Item 2(c).

MR. GERBER: Sharon Gamble is going to walk us through the multifamily -- is going to walk us through the housing tax credit appeals.

MS. GAMBLE: Good morning, Mr. Chairman, Mr. Gerber, Board.

MR. CONINE: Good morning, Ms. Gamble. How are you?

MS. GAMBLE: My name is Sharon Gamble. I am great today, Mr. Chairman.

MR. CONINE: Good. Glad to hear that.

MS. GAMBLE: We have just two appeals today. My name is Sharon Gamble. I'm the administrator for the competitive housing tax credit program. There are two appeals today.

The first appeal involves Magnolia Trail, which is Number 09102, and Trebah Village, which is 09103, two applications submitted by the same applicant.

The applicant is appealing staff's determination that since the amount of credits requested and subsequently recommended for these two applications exceeds the \$2 million cap only one of the applications can be awarded. Code Section 49.6(d) of the 2009 QAP --

MR. CONINE: Ms. Gamble?

MS. GAMBLE: Yes.

MR. CONINE: Could I stop you for just a second?

MS. GAMBLE: Sure.

MR. CONINE: Which project -- because we're going to have to do these separately. Which one are you taking now first?

MS. GAMBLE: Well, actually they're together.

MR. CONINE: Okay.

MS. GAMBLE: It's 102 and 103.

MR. CONINE: All right. So Magnolia Trails and Trebah Village.

MS. GAMBLE: Trebah Village, yes.

MR. CONINE: Okay. All right.

MS. GAMBLE: It's the same applicant, and he's requesting --

MR. CONINE: Okay. I was trying to -- it's in a different order in our book.

MS. GAMBLE: Oh, okay.

MR. CONINE: Okay. I can move and bob and weave just a little bit.

MS. GAMBLE: All right.

MR. CONINE: Getting old now but I can still do it. Go ahead.

MS. GAMBLE: The applicant's request is appealing staff's determination that since the amount of credits requested and subsequently recommended for these two applications exceed the \$2 million cap only one of the applications can be awarded.

Per Section 49.6(d) of the QAP the Department shall not allocate more than \$2 million of tax credits in any given application round to any applicant, developer, related party, or guarantor. Competitive housing tax credits approved by the Board during the 2009 calendar year, including commitments from 2009 credit ceiling and forward commitments from the 2010 credit ceiling, apply to the cap limitation for the 2009 application round.

The applicant has requested that the Department allow him to reduce the amount of tax credits requested for one of his applications in order to avoid the \$2 million cap. Per Section 49.9(d)(6) of the QAP an applicant may not change or supplement any part of the application in any manner after the filing deadline, and may not add any set-asides, increase their credit amount, or revise their unit mix, both income levels and [someone coughs] mixes, except in response to a direct request from Real Estate Analysis Division to remedy an administrative deficiency as per described in Section 49.32 of this chapter or by amendment of an application after a commitment or allocation of tax credits as further described in Section 49.17(d) of this chapter.

Each of these applications was reviewed independently of the other, and each was found to be financially feasible and recommended for the amounts of credits in the request.

Review by the Real Estate Analysis Division did not result in the issuance of an administrative deficiency that required the change of the amount of the tax credits requested. And pursuant to the QAP staff cannot change the request for any other reason. Staff recommends the Board deny the appeals of -- pertaining to both 09102 and 09103.

MR. CONINE: I have a couple of -- or at least one witness affirmation form with some time donated. So you've got five minutes. David Koogler. If we can get rid of that feedback on that sound system that would be great.

(Pause.)

Go ahead.

MR. KOOGLER: Good morning, Chairman and members of

the Board and Mr. Gerber. My name is David Koogler. I'm with the Mark Dana Corporation.

We greatly appreciate this opportunity to speak with you today about our two 2009 applications, Magnolia Trails, 09102, as you just heard, which is not being recommended due to exceeding the \$2 million cap, and Trebah Village, is 09103, which is being recommended. And for that we are truly grateful and we thank the staff.

Before I get into this I just want to say that we have spoken with Tom [sic] Gerber and Robbye Meyer and we really do appreciate them making themselves available to discuss this process.

But I do feel like we need to ask for your reconsideration and that's why I'm here today. We have exceeded the \$2 million cap for \$49,370. And because this situation can be remedied easily by reducing the credits in these two projects so that they are within the \$2 million cap we feel the Department should do so rather than impose the harsh result of terminating a high scoring feasible an otherwise recommended application.

Magnolia Trails is very much supported by the city of Magnolia and its residents. The city unanimously passed a resolution of support back in January, and the -- Montgomery County has approved a CDBG grant for this project.

I have just three real points to make for you to consider. First, we believe the QAP provides for a specific appeal process for this situation. In denying our appeal staff stated that the reduction in credits could have only been achieved during the Real Estate Analysis administrative deficiency

process. And because it was not our appeal should be denied.

We respectfully disagree. QAP Section 49.6 provides for an administrative deficiency procedure that is specific to the developer cap provision and also relates to other site and development restrictions.

The administrative -- this administrative deficiency provision is in addition to those that arise during the Real Estate underwriting process. During the underwriting process we did not know whether or not we would have a cap issue. We only knew we had a cap issue when we received both underwriting reports, which occurred when we received the Trebah Village underwriting report on July 15.

In other words, the cap issue did not become an administrative deficiency until both projects were recommended, at which time we believe, pursuant to the QAP, staff and applicants should work together in an administrative deficiency process to resolve and remedy the cap issue.

We have tried to do that by proposing the reduction in credits and the deferral of developer fees as described in our appeal letters.

The second point is that we believe there is precedence for this. Last year staff recommended the reduction of credits at the July 31 Board meeting so that Town Center and Lakeview Apartments, which exceeded the cap by \$85,850, could both be recommended. This year staff has permitted Malibu Apartments, which applied for in excess of 2.4 million in credits to reduce those to within the cap.

We respectfully request similar consideration. While the facts in prior cases may contain differences from our specific situation the end result

was staff agreeing to reduce credits to within the 2 million cap so those projects could proceed.

Finally, I wanted to note that staff indicated in its letter denying our appeal that we should have dealt with our cap issue when we were presented with an administrative deficiency relating to sources of funds. We did address that administrative deficiency specifically, and I think to everyone's satisfaction.

We did not raise the cap issue at that time for a couple of reasons. First, we thought that applicants can only respond to the particular question of that administrative deficiency, and so we didn't know we could raise the cap issue in that procedure. More importantly, we weren't aware, as I mentioned before, that we would have a cap issue. We weren't aware of that until the legislation increasing the cap did not pass -- can I wrap up?

MR. CONINE: Sure.

MR. KOOGLER: -- and, as I mentioned, until we had both underwriting reports. We received the Magnolia Trails underwriting report June 17 and we received the Trebah Village underwriting report just July 15.

In conclusion, we respectfully request that you grant our appeal and reduce the credits in both projects to the amounts described in our appeal letter. Thank you very much.

MR. CONINE: Any questions of the witness? Okay.

Dr. Muñoz?

DR. MUÑOZ: You mentioned that there's a precedent. Describe that again and -- you said that there's a precedent to give this

reduction.

MR. KOOGLER: Yes.

DR. MUÑOZ: And even though the specifics of that case are somewhat different the result was -- the outcome was essentially the same?

MR. KOOGLER: That's right.

DR. MUÑOZ: Or the outcome you would like.

MR. KOOGLER: And I have a copy of the transcript from last year's Board meeting if you'd like to see it. But --

DR. MUÑOZ: For the record. No, I'm joking.

MR. KOOGLER: It's not the whole transcript. It's just the relevant portion. As I understand it -- and it's a rather complicated fact situation so Robbye may want to correct me if I misspeak.

But as I understand it -- I've got it with me -- what happened was an application was withdrawn in a region which allowed another application -- and now I don't remember which of the two -- but it's Town Center, which was 08261, and Lakeview Apartment Home, which is 08262.

Those two applications together exceeded the cap by 85,000 plus. When an application was withdrawn in one of those project's regions that project became recommended. The other project had already been recommended. So at that point in time with both recommendations those two projects exceeded the developer cap. And I believe that staff recommended, and that the Board approved, that for one of those projects they could receive credits that would be coming back into the process through a collapse or other mechanism to be applied to that project until the \$2 million cap so that that

project wouldn't receive, you know, the full amount of credits it had requested, but it would receive credits up until the \$2 million cap so it could go forward.

MR. CONINE: Mr. Koogler, did your original applications both request -- add up to more than \$2 million?

MR. KOOGLER: Yes. They --

MR. CONINE: Wouldn't it stand to reason that if you're in the money with both of them that one of them can't win because you exceeded the \$2 million? Just from the original application. Forget what underwriting did to you.

MR. KOOGLER: Well, a couple of things. I hear your point. But at the time we filed those applications --

MR. CONINE: So does the guy behind you.

MR. KOOGLER: Well, that's right. Well, a couple of things. At the time we filed the application I think the general consensus -- at least ours -- was that the cap would be increased through --

MR. CONINE: Really?

MR. KOOGLER: -- the legislative process.

MR. CONINE: Really?

MR. KOOGLER: Secondly, we did feel like if both -- if we were fortunate enough to be in the situation then we would be -- there would be a reduction in credits. You know, when you go through the underwriting process it's not always clear you're going to get what you ask for. And so, you know, we are a little surprised to be here in this situation. I guess our applications were just maybe too good and so we didn't have a reduction in the credits.

And, lastly, again, we think that both projects are good projects.

They both scored very highly. They're both in the money, as people say. And they both were recommended. And so our view is that, you know, TDHCA policy is to award -- that it's two projects in that rank order that are shown to be feasible. And so to completely terminate an entire project when we could pursue both of those high ranking projects with that reduction, that's what I'm asking you to consider.

MR. CONINE: You've just got a little bit of riverboat gambler in you that I wouldn't have. That's all. I mean, I would have somehow figured out to get -- a way to get under the \$2 million cap and/or realize that if I -- if both of them got in the money one of them would have to go. So that's just my opinion. Any other questions of the witness?

(No response.)

MR. CONINE: Okay. Any further -- so I guess we need a motion on this particular appeal.

MR. MARKS: Mr. Chairman, I signed up for this --

MR. CONINE: I've got somebody signed up for the time.

MR. MARKS: I was on 2(c) so I think I have --

MR. CONINE: Hang on a second. What's your name?

MR. MARKS: Scott Marks with the Coats Rose law firm.

It's --

MR. CONINE: I've got you signed up for Lincoln Terrace.

MR. MARKS: I signed up for that one, but I also signed up for 2(c) and 9. Sorry if I didn't do the forms correctly.

MR. CONINE: All right. Well, go ahead and speak, and we'll --

MR. MARKS: Sorry. I just didn't see it on the form --

MR. CONINE: We're going to need a separate witness affirmation form for you on this particular project.

MR. MARKS: Okay. Thank you, Mr. Chairman and members of the Board. I'm here in support of the appeal for Magnolia Trails, which is TDHCA Number 09102.

And it's very important in this appeal to look very carefully at the language of the QAP. I want to focus on two provisions of the QAP.

The first is 49.6(d), which is the cap. And it says that the Department shall not allocate more than \$2 million in credits to any developer. The second is 49.6(k). And 49.6(k) says, An application found to be in violation -- and I paraphrase -- an application found to be in violation of the cap in 49.6(d) will be notified in accordance with the administrative deficiency process and may also appeal. Okay?

So if you were found to be in violation of the cap you will be notified in accordance with the administrative deficiency process. That's our QAP.

Here there was an e-mail from a staff member -- Sharon Gamble -- on July 8 that pointed out that the cap had been exceeded. That is an administrative deficiency. The cure that Mr. Koogler proposed was a very simple one. We're over the cap by \$49,000 in credits -- \$2,049,000. Very simple problem to fix. There is no financial feasibility issue that's been raised by any staff member in reducing the credits by \$49,000 among these two projects.

The ruling of the TDHCA was that that administrative -- that was not an administrative deficiency -- okay -- and it could not be cured by the applicant requesting fewer credits. That's not consistent with the QAP. The QAP says that an applicant found to be in violation of the cap will be notified in accordance with the administrative deficiency process and may also appeal. And, of course, during the administrative deficiency process you can cure that administrative deficiency by requesting fewer credits.

So it's a very harsh outcome. It's an outcome that's inconsistent with the QAP and with precedent of this agency. Last July at the Board meeting we had 08261, Town Center, where the applicant had requested more credits than were allocated by this Board. The Board allocated enough credits to bring the developer up to the cap and no more.

So there's precedent in support of this appeal. There's QAP language in support of this appeal. And we really recommend to the Board that you grant the appeal and allow the allocation of credits up to the \$2 million cap for this applicant.

MR. CONINE: Any questions of the witness? (Pause.) That's all the witness affirmation forms I have on this particular item. Ms. Gamble, you want to respond to anything that -- or Tom?

MR. GOURIS: Tom Gouris, deputy executive director for housing programs. I believe Mr. Marks is correct that an appeal is allowable under the QAP. The question is did they have an opportunity to cure their situation which is going over \$2 million. In fact, they did.

During the underwriting process there was a question about

their source and uses and the ability for them to reduce the amount of their request was available to them. They didn't choose to do that.

That's in contrast to the Malibu application, which, in fact, did make that request to adjust their amount and present us with information to show that they could make their deal viable with less than that.

These two developments have not been re-underwritten with the lesser amounts of credits. While it's likely that they'd still be acceptable that hasn't been done because that opportunity was during the underwriting process.

MR. CONINE: Got it. Any questions?

(No response.)

MR. CONINE: Is there a motion?

MS. BINGHAM ESCAREÑO: Mr. Chair?

MR. CONINE: Yes. Ms. Bingham. Go ahead.

MS. BINGHAM ESCAREÑO: I move staff's recommendation.

MR. CONINE: You have another question.

DR. MUÑOZ: Yes. I'm sorry.

MR. CONINE: Go ahead.

DR. MUÑOZ: So, Tom, you're saying they did not ask earlier in the process to have it reconsidered with the lower credits?

MR. GOURIS: Correct. Actually they had an opportunity. Staff had questioned them about --

DR. MUÑOZ: They had an opportunity but --

MR. GOURIS: -- their source and uses.

DR. MUÑOZ: -- they didn't take that.

MR. GOURIS: That's correct.

DR. MUÑOZ: So it hasn't been re-underwritten.

MR. GOURIS: With the lower amounts. That's correct.

DR. MUÑOZ: But they could have asked.

MR. GOURIS: Because we asked them about a deficiency piece that they had an opportunity then to recognize legislation didn't pass -- they were going to be over the \$2 million cap. They could have adjusted their credit when we asked them for clarification on a particular source and uses issue. It was an indirect approach, but they could have used that opportunity to clarify and correct their situation.

MR. CONINE: I have a motion on the floor to accept staff recommendation to deny the appeal. Do I hear a second?

MS. RAY: I second it.

MR. CONINE: Second by Ms. Ray. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

Moving on to Lincoln Terrace, I guess.

MS. GAMBLE: Yes, sir. The next appeal is for Lincoln

Terrace. This application was -- excuse me -- TDHCA Number 09135. This application was terminated for material noncompliance under Section 49.5(b)(2) of the QAP.

During the review process of the application the Department performed a compliance status evaluation. This review determined that the Cedar Ridge Apartments, a housing tax credit rental development, was in -- that is listed in the previous participation documents for the Lincoln Terrace application, was in material noncompliance on May 1, 2009, with a score of 53.

Staff terminated the application pursuant to Section 49.5(b)(2) of the QAP which states that the Department is required to disqualify an application for material noncompliance. Staff recommends the Board deny this appeal.

MR. CONINE: And I have some witness affirmation forms here. Brian Dennison, Printice Gary. Which batting order you guys want to go on?

MR. GARY: I'm going to go first.

MR. CONINE: Okay.

MR. GARY: Chairman Conine, members of the Board, staff. My name is Printice Gary. I'm principal in the firm of Carlton Development Limited, which is on the development team for Lincoln Terrace.

I'm here to talk to you today, however, about the termination because it was based on a relationship between Cedar Ridge Apartments and Carlton Development. And my purpose in being here is to explain the relationships and the reasons why it should not impact the application of

Lincoln Terrace whatsoever and ask you as the Board to reinstate Lincoln Terrace as to their application.

Cedar Ridge is a 1991 acquisition rehab -- first project I ever did under the tax credit program. At that point I was 100 percent owner, the developer, general partner -- the whole nine yards. Today that property has completed its initial 15-year compliance period.

Carlton Development on the other hand was formed in 1994. I have two other partners in that entity. And it even exists today as the principal operating entity overhead through which Carlton operates.

Cedar Ridge and Lincoln Terrace are totally unrelated. I've given you a chart here that kind of shows the relationships between Cedar Ridge, as well as Lincoln Terrace, and then how myself, Carlton Development, work in that. And I've made one correction. Where I, as the general partner, I'm the 1 percent owner in Cedar Ridge, whereas THOF is the investor.

Bottom line is Cedar Ridge has no ownership or control over Lincoln Terrace. Printice Gary has no ownership and no control over Lincoln Terrace. Carlton Development has no ownership and does not control the Lincoln Terrace development as we're only a 37 percent interest in that deal.

In the July 27 letter to the applicant that denied their appeal it was pointed out that Printice L. Gary is the prime issue in the situation and the link that's causing this problem. So it begs the question, what do I know, when did I know it, and what did I do about it once I found out.

Well, the applicant received notice about this pending death sentence for Lincoln Terrace on July 6, and in turn notified me of the problem.

One of the first things I did -- I sat down with my staff, discussed it with them. I also came down to Austin on July 9 I think it was and had a conference with Patricia Murphy, who was very cordial, tried to explain the relationship situation to her, and she was effective in describing the process and the circumstances, but begged away from the issue regarding the relationship. Can I have one more minute?

MR. CONINE: Sure.

MR. GRAY: Okay. To make a long story short, came back, talked to my staff, and basically asked them why this situation existed and what can we do about it. Number one, they advised me that most of the elements had already been corrected, some as far back as 2008. But you can't submit corrections to the Department in parts and pieces, which I understand.

There had also been a fire at the property and they had considered during the first part of 2009 doing some of the remediation and work once that general contractor was down there.

Also advised me we're in a recession where this submarket has experienced as much as a 20 percent vacancy. And as the units turn they're going to correct them. But back in November when there was the inspection some of these deficiencies related to vacant units that hadn't been turned yet.

As I stand before you here today all the deficiencies of that November inspection have been corrected and we submitted a letter to Mr. Manual Pena of TDHCA for consideration. This included in Exhibit 4. We did

all this work in 12 days. I submit to you had we been notified we could have easily gotten it done in seven work days, which is really nine work days if you include the weekends.

Bottom line, Mr. Chairman and Board members, in consideration of the foregoing I ask you to reconsider and reinstate the Lincoln Terrace application and allow the city of Fort Worth and the Fort Worth Housing Authority to provide and preserve affordable housing in the Como community over in Fort Worth, Texas.

If you're going to be punitive and tax someone or punish someone let it be me or Carlton Development. But don't punish Fort Worth Housing Authority. Thank you.

MR. PALMER: Good morning. My name is Barry Palmer with the Coats Rose law firm. And I'm here today to speak on behalf of the appeal of the disqualification of Lincoln Terrace Apartments. And, Mr. Chairman, I believe I have extra time from another witness.

MR. CONINE: Five minutes.

MR. PALMER: Fort Worth Housing Authority is the sponsor of this application, which is for the reconstruction of 72 units of Project A Section 8 housing in the city of Fort Worth. This project is the highest scoring project in the state of Texas in the at-risk set-aside, and it is the highest scoring project in Region 3 overall.

So by all objective criteria that the Department has established in the Qualified Allocation Plan this is one of the most worthy projects to be funded in the state this year.

The Housing Authority procured a developer, Carlton Development, to serve as co-developer of this project. And staff disqualified the project because one of the principals in Carlton is the owner of a project called Cedar Ridge that's in material noncompliance. Now, the Fort Worth Housing Authority has no relationship whatsoever with the Cedar Ridge project and it had no knowledge of any noncompliance issues involving Carlton.

Staff did not raise this issue as a deficiency in order to give the Fort Worth Housing Authority an opportunity to cure. Under Section 49.5(f) of the QAP an applicant being disqualified is to be notified in accordance with the administrative deficiency process and given an opportunity to cure a deficiency within seven business days. That was not done in this case.

The first time that the Fort Worth Housing Authority ever heard of the Cedar Ridge project was when they received an e-mail from staff on June 6, and no opportunity was given to correct the deficiency.

Now, this process is different from the process used by staff in other termination issues. For example, this applicant was notified of outstanding fees due to the TDHCA by the developer which would have been grounds for termination. But because they received notice those fees were paid and disqualification was avoided.

Had the Fort Worth Housing Authority been given notice and opportunity to cure these deficiencies they would have been able to make sure that their developer resolved any compliance issues raised.

In this situation, to hold the Fort Worth Housing Authority

accountable and to impose a penalty upon them for a project that they have no involvement in whatsoever, and when they've been given no notice or opportunity to cure, is totally unfair.

I'd like to point out that this is not the first time that this issue has come before the Board. In November of 2006 a similar situation came to the Board when Ike Monty as a developer of a project -- the project was notified that it was going to be disqualified because Mr. Monty owned a minority interest in a project that was in material noncompliance.

Now, there was a nonprofit that was in control of the project that was responsible for the material noncompliance and Mr. Monty did not have control over that project. And because of that this Board decided to overrule staff and reinstate his application because Mr. Monty was not in control of the project that was in material noncompliance.

Now, this situation is even more extreme. The Fort Worth Housing Authority has no ownership or relationship whatsoever with the project that's in material noncompliance. In addition, they were given no notice or opportunity to cure the noncompliance and to avoid the termination. So we ask the Board to reinstate this application.

MR. CONINE: Mr. Palmer, it seems to me the issue is not for the Fort Worth Housing Authority knew whether or not the particular project was in noncompliance but whether Mr. Gary did. And what I heard him testify is that -- I think I heard him testify -- is that in November those -- that issue -- the noncompliance issue became known to whoever the owner of Cedar Ridge was. Is that correct as far as your understanding?

MR. PALMER: As far as I understand Mr. Gary -- or the owner of Cedar Ridge became aware of that. But the Fort Worth Housing Authority as the sponsor of Lincoln Terrace application as the sole owner -- keep in mind Mr. Gary's going to have no ownership position in this project. He was procured as a co-developer. So if he is held to be in material noncompliance and Carlton is in material noncompliance we would ask this Board to allow this application to still forward.

The Fort Worth Housing Authority is perfectly qualified to serve as the developer of this project. They have co-developed over 800 units of tax credit housing. They can do this on their own or they could procure another developer post-allocation.

But they shouldn't be held responsible for another -- for a developer on a project that they had no involvement in, no control over -- they had no knowledge of the noncompliance.

MR. CONINE: Gotcha. Okay. Any other questions of this witness?

DR. MUÑOZ: And, Mr. Palmer, all of the material noncompliance issues have been resolved. Is that what was read earlier?

MR. PALMER: To the best of our knowledge, yes. Again, the Fort Worth Housing Authority is not in -- has received no communication because that's strictly between Carlton and the Department.

MR. CONINE: Brian Dennison?

MR. DENNISON: Thank you, Mr. Chair and Board. You've heard from Mr. Gary and Mr. Barry Palmer. And I want to put a face on this property and this project so that there is some significance to what's taking

place with the disqualification.

First, let me start by saying that Lincoln Terrace is a 40-year-old property and those who have been around -- you know what that looks like -- a 40-year-old property. It's located in a very low income census tract. And we commissioned a third party property condition report. And across the board it stated that the mechanical components and the life of the property is at its near end. And so this -- the significance of this tax credit and this award.

I'm also a -- Lincoln Terrace is in the at-risk category of -- and also by HUD that our HUD agreement will expire in October of '09. And so we are at this eleventh hour left to scramble pretty significantly for the tenants who are there and their whereabouts as we go forward.

Also, as mentioned previously, we did have the highest score. But not only do we have the highest score the closest score was within 12 points or less to us. So that, in our opinion, put us head and shoulders in terms of its viability and its capacity to maintain itself over time.

The neighborhood of Lincoln Terrace is in the Como neighborhood. And, again, to go back to the project and the specifics, it -- this is going to be the catalyst for development throughout this entire area. One of the letters that you have is -- that was passed out is a letter from one of the community organizations there. Ms. Dorothy Debose has been a part of this here at every step of the way in the process over the last couple of years.

Also, we've already started with the tenants starting to move out and being relocated into different locations in different properties. And as

we come up to this upcoming school year in the next 30 days, you know, they're being prepared to move. That's going to be a devastating impact not just on the property but the tenants themselves.

And with that I'm just going to -- would ask you to reconsider and reinstate this application and allow this to go forward. And I'll answer any questions with that.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Okay. Thank you.

Mr. Hamby?

MR. HAMBY: Kevin Hamby, General Counsel for the Department. Board members, this is similar to the situations we had last month. The Board does not have the authority to waive the noncompliance. And so that is not really an issue that's before you.

The partnership, by the admission of the people who testified here today, is owned by the property. The rules are clear that if you have any ownership in a property that in major noncompliance that that terminates the application.

So about the only direction that this Board could go with, if you choose to, is to allow them to suspend all the rules that we do for everybody else and allow them to recraft their structure -- restructure their deal as to who's in it and who's not in it. I remember the Board that they chose who is in this deal. They selected them. They put the deal together. And they brought forward the application.

So that's about the only direction this Board has because noncompliance once it's found, according to the rules, is terminated automatically.

MR. CONINE: Let me ask -- make sure I understand that the deficiency notices actually went out in November. Is that correct?

MR. HAMBY: That's noncompliance notices, yes. And --

MR. CONINE: I'm sorry.

MR. HAMBY: -- for the correction. And they were. And Ms. Murphy is here if you'd like to hear the litany of things that was involved. This is not a insubstantial -- and, again, as we've discussed before, when you reach major noncompliance it means that you had over 30 points, that you received your corrective action notice, you had 90 days to correct it or ask for another 90-day extension, and you have not completed the major -- you have not completed the noncompliance within that period of time, and, therefore, you're in major noncompliance.

Also -- I don't know on this particular one -- but usually if you file a corrective action plan the staff works with you to lower that major noncompliance. And so that's kind of where we are. Patricia can address the specifics if you want -- that they probably didn't file a plan, they didn't finish the project -- didn't finish the compliance within the corrective action period or didn't request an extension.

So that portion of it, as we've discussed before, is not within the Board's purview. You would exceed your statutory authority because your rules are clear that you cannot waive major noncompliance.

MR. CONINE: I prefer to hear from Patricia than you any time.

MR. HAMBY: Thank you.

MS. MURPHY: Good morning. I'm Patricia --

MR. HAMBY: Just for the record, because she likes to do it, don't listen to her legal opinion.

MS. MURPHY: I'm Patricia Murphy, chief of compliance and asset oversight. A Uniform Physical Conditions Standards inspection was conducted on the property on November 5 of 2008. The property scored a 48 out of a possible 100 points.

Numerous physical deficiencies were identified including exposed wires, infestation, hot water heaters missing pressure relief valves, walls in need of paint, inoperable windows, damaged gutters, missing downspouts, missing splash blocks, holes in walls, and broken windows.

A notice of noncompliance was sent on December 2, 2008. The corrective action deadline was March 2, 2009. No response was received. The 8823s were issued in April 27, 2009, putting the property into material noncompliance.

After the Fort Worth Housing Authority was notified of the potential termination of the application because of Cedar Ridge as Mr. Gary said he did come down and meet with me on July 9. On July 13 we did receive a partial response to the UPCS report, and the response indicated that some items were corrected but additional work still needed to be done and that would be corrected by July 27. Apparently some response has been received in the last couple of days and we do need an opportunity to review

the response that was submitted -- the issues were quite extensive -- and make sure that things are corrected. And, if so, we'll issue corrected 8823s.

DR. MUÑOZ: Ms. Murphy, to whom was the initial notice of noncompliance sent to?

MS. MURPHY: David Kornhauer [phonetic].

DR. MUÑOZ: Is he -- is that --

MS. MURPHY: He's the owner/contact for Cedar Ridge Apartments.

DR. MUÑOZ: Is he affiliated with the Fort Worth Housing Authority?

MS. MURPHY: This is where I beg off.

MR. HAMBY: No, sir. The Fort Worth Housing Authority has nothing to do with these particular apartments except for the fact they brought in the development team.

DR. MUÑOZ: Well, that's the point I'm trying to elucidate.

MR. HAMBY: And that's where it is. They chose their development team. And so they have selected the person that was in major noncompliance, which terminates their application.

MR. CONINE: But what you're saying is David -- you mentioned an individual. Was it sent to the partnership -- the ownership?

MR. HAMBY: It was sent to the people that they list in our records as wanting them to receive this material.

MR. CONINE: And are they still affiliated with Printice Gary?

MR. HAMBY: As far as we know.

MR. CONINE: Okay. Thanks.

Mr. Palmer?

MR. PALMER: Could I just address something? -- because I think Mr. Hamby has misstated the case on a couple of things. Number one, this is not at all the same as the appeals that you heard last month on termination. In those situations the developer that was being terminated was the same one who had a material noncompliance issue on another project.

Here we've got the Fort Worth Housing Authority that has no involvement in the project that's in noncompliance, didn't know about the noncompliance until July -- or June 6, had no opportunity to cure that.

And as far as going forward, while you can't waive material noncompliance you can allow this application to go forward with -- and allow the Housing Authority to develop it on their own or with a substitute developer, and without suspending all your rules, as Mr. Hamby would suggest -- certainly something that's been done in the past by this Board to use their discretion to be fair to someone here -- to be fair to the Housing Authority when they didn't do anything wrong. They had no opportunity to correct what was done by their developer. And just to allow their project to go forward and to allow the residents at Lincoln Terrace, who have done nothing wrong here -- to allow them to get a new home.

MR. CONINE: Mr. Palmer, wouldn't it stand to reason though that the Fort Worth Housing Authority, knowing that Mr. Gary had participated in the program for years, would ask this very simple question -- do you have any compliance problems -- sometime before January 1 or 2 or whatever date the

application was submitted? And if he answered that truthfully at that time, assuming he got the notice that we sent out in early December, he would have to say yes.

MR. PALMER: Well, you know, the Department knew that the project was in material noncompliance in November. The Department knew on February 28 that the Fort Worth Housing Authority and Carlton Development had filed an application that involved Carlton.

The Department could have notified the Fort Worth Housing Authority sometime before May 1 of this issue so that they could have had some input with their developer to make sure that it was fixed. Could they have asked their developer who they've been working with for years -- it's not like they just procured them for this deal -- they've been working for them -- with them for years -- could they have been asking them on an ongoing basis, Have you got any noncompliance, have you -- you know, have you been convicted of a felony, have you done this.

But that's just not what people ordinarily do in the course of business when they've had a relationship on an ongoing basis with a very respected developer who's done a great job for them on a number of projects.

MR. CONINE: I don't argue with that. Let me ask staff, if I could, what our normal procedure is, I mean, for -- I'm assuming we're putting the onus on them and they're trying to put the onus on staff. What is our normal procedure? Did we follow our normal procedure as we've done in years past of --

MR. HAMBY: Yes, sir.

MR. CONINE: -- not notifying that one of the partners had a compliance problem prior to May 1? Because I don't see any evidence that we did.

MS. RAY: That's my problem.

MR. GOURIS: We notified the partner that had the compliance issue that they had a compliance issue.

MR. CONINE: Correct.

MR. GOURIS: And that is who we --

MR. CONINE: That's who --

MR. GOURIS: -- that's who we would notify.

MR. CONINE: And that's what we standardly do. We don't cross-check all the applications that come in in January or March or whenever they come in --

MR. GOURIS: No.

MR. CONINE: -- to see if that's the case.

MR. GOURIS: Once we run our material noncompliance scores we notify the applicant that one of the partners is in material noncompliance. But they don't --

MR. CONINE: But that was after the May 1 deadline.

MR. GOURIS: That was after the May 1 deadline because that's when we run that.

DR. MUÑOZ: And that's what --

MS. RAY: That's my problem.

DR. MUÑOZ: And that's when the Housing Authority found out? After May?

MR. GOURIS: Yes.

MR. CONINE: July sometime -- this month I guess.

DR. MUÑOZ: That's when they -- Mr. Hamby, can I ask a question? How would allowing this application to proceed be the equivalent of waiving all of our rules?

MR. HAMBY: It wouldn't be waiving all of your rules. It would be waiving material rules because we don't let people change their application after the deadline -- we don't let people restructure. As a matter of fact, in the QAP you're not allowed to transfer ownership at all. And, again, the development team is not owning part of the property as the development team. You're not allowed to transfer ownership at all until after 8609s are issued unless it's for good cause.

I'm here -- this is a bad marriage. They just -- they found out things after they got married that they don't really want to know. And that's -- you know, it's unfortunate for the Fort Worth Housing Authority, but, as Mr. Conine points out, sometimes you have to ask questions of the people you're going to go into business with, or hopefully if you know that you have a problem and you're part of that development team you have the honesty to step up to your partners and say, Look, I'm bringing a problem to the table you need to know about, or you fix them, because he had a potential to fix them before the May 1 deadline and he chose to ignore that long litany of problems that you heard Patricia Murphy discuss.

Fort Worth may be innocent in this by not asking the questions --

DR. MUÑOZ: You know, my greater concern is not so much asserting the -- you know, the quality of innocence or ascribing blame. But there's going to be a whole number of units and families that are not served.

MR. HAMBY: In this region. But there's another deal right behind it waiting for those dollars and a whole other groups of families that will not be served if you allow somebody to change the rules and not follow the rules and go forward and the person behind it did follow the rules and can go forward.

MR. PALMER: You know, once again, Mr. Hamby is misstating the case.

MR. HAMBY: I am not misstating the case. I made it as clear as I can. I even said that Barry said. I just didn't say it in the way he wanted me to say it.

MR. CONINE: Wait a minute. I want to hear what Mr. Palmer has to say.

MR. PALMER: The Fort Worth Housing Authority followed all the rules. And for him to say that they didn't follow the rules and somebody behind them did -- that some lower scoring application should be awarded --

DR. MUÑOZ: Let me ask that question because I appreciate that there is -- there's always another deal behind. But is the other deal behind close in scoring from what I understand to be the highest scoring at-risk project in the state?

MR. PALMER: That's an excellent point, Dr. Muñoz. And let me point out that in the at-risk category this year there were only two urban application -- two. The other one was terminated last month for material noncompliance.

DR. MUÑOZ: So now is there only one?

MR. PALMER: Yes, this one.

DR. MUÑOZ: This one.

MR. PALMER: Without this one there are no urban at-risk deals being funded this year.

DR. MUÑOZ: So there isn't another position waiting -- another --

MR. GOURIS: In the tax credit world there's always another deal waiting. In this case the at-risk set-aside was originally oversubscribed. There were many more applicants. A number of them withdrew or fell out for various reasons. And so at this point the at-risk set-aside is undersubscribed.

Those funds go to -- go back into the regional allocation and they go back into this region and get allocated to this region.

DR. MUÑOZ: Not necessarily to at-risk projects.

MR. GOURIS: Not necessarily to an at-risk project but to another transaction in this region.

DR. MUÑOZ: However, is it safe to assume that at-risk projects and the ability to fund those can be on occasion more desirable, given --

MR. GOURIS: We certainly have some preferences --

DR. MUÑOZ: -- serving at-risk?

MR. GOURIS: We certainly have some preferences for serving at-risk transactions. But, again, there is someone who is ready and willing to provide a new development -- you know, new construction development in this region that would be affected.

MR. CONINE: Do you know how many projects the Fort Worth Housing Authority has done with us in the past?

MR. GOURIS: A fair number. I don't know enough to know --

MR. CONINE: So several.

MR. GOURIS: Several.

MR. PALMER: 800 units.

MR. GOURIS: 800 units is what Mr. Palmer said.

MR. CONINE: And if we were to recommend to allow the project to go forward with the Fort Worth Housing Authority but with the elimination of Printice Gary and Carlton would you have an underwriting issue with that?

MR. GOURIS: Well, we might because this development team, you know, helped evaluate and determined how much the construction costs would be and decided what the construction criteria and what that would look like. If a new development team came in they may change that and their cost may be different and that might pose some underwriting risk. But absent that --

MR. CONINE: Don't we --

MR. GOURIS: -- absent that small thing --

MR. CONINE: Don't we fairly routinely through the executive

director's approval process change out partners post-awards before construction?

MR. GOURIS: We don't without good cause. Though sometimes --

MR. CONINE: It has happened in the past.

MR. GOURIS: Yes, it has. And, in fact, sometimes when there's a weak developer we've made recommendations to add a development partner to a transaction on a rare occasion.

MR. CONINE: Have you underwritten this particular project?

MR. GOURIS: Yes, sir.

MR. CONINE: And are there any issues related --

MR. GOURIS: I haven't.

MR. CONINE: No, I know.

MR. GOURIS: Thankfully.

MR. CONINE: Has your staff --

MR. GOURIS: Yes, sir.

MR. CONINE: Has Ms. Gamble underwritten it?

MR. GOURIS: Mr. Stewart is here.

MR. CONINE: Okay. Mr. Stewart. And there's no issues on the underwriting side that you know of?

MR. GOURIS: You know, there's always issues but I don't think there's any not recommended issues.

MR. CONINE: Okay.

MR. GOURIS: I think there's adjustment to the credit amount.

MS. RAY: Mr. Chairman, may I ask staff a question?

MR. CONINE: You may, Ms. Ray.

MS. RAY: What population citizen in terms of income will this project serve as a percentage of income? What percentage? What I'm trying to get to -- and I'm talking to staff, Mr. Palmer -- thank you.

MR. GOURIS: If you'll give me a minute I'll get the underwriting report.

MS. RAY: Well, let me show you where I'm trying to --

MR. GOURIS: Okay.

MS. RAY: -- my consideration. As this Board knows, my concern is serving the citizens of the state of Texas.

MR. GOURIS: Sure.

MS. RAY: I know we have rules.

MR. GOURIS: Right.

MS. RAY: I understand that and they're very important for this competitive process. But if you strictly go by the rules, you don't need the Board. I see us here to split the baby. I need to know, are the lowest income citizens of Texas to be served by this project should this project go forward? Who's being served here? Beyond the rules, who are the people that are being served here?

MR. GOURIS: There are eleven 30 percent households that would be served, 26 50 percent households, and 35 60 percent households.

MS. RAY: So some of the lowest income citizens.

MR. GOURIS: Correct. That --

MS. RAY: By virtue of them being in housing authority property.

MR. GOURIS: Correct.

MS. RAY: Okay.

MR. GOURIS: I can't say what the next deal -- I mean, I can pull it up in a second if you want. But the next deals --

MS. RAY: I understand.

MR. GOURIS: -- who they're serving. And they may be serving as low a folks.

MS. RAY: And this deal also involves additional resources as part of the financial package from HUD also -- or to --

MR. GOURIS: Yes, many transactions are receiving additional sources of funds this year.

MS. RAY: Thank you. You've answered my question.

MR. CONINE: Any other questions of the staff? I hate to -- I don't want to ignore you guys down here. You all are welcome to participate. We're just closer to Gouris down here.

MR. GOURIS: I'm sorry for that.

DR. MUÑOZ: I'm prepared to make a motion, Mr. Chair.

MR. CONINE: Dr. Muñoz?

DR. MUÑOZ: I move that we grant the appeal and allow the application to proceed.

MS. RAY: I second the motion.

MR. CONINE: There's a motion.

MR. HAMBY: I need to have clarification on the grounds on which you're doing that because otherwise you're exceeding the scope of your authority if you're waiving the noncompliance.

DR. MUÑOZ: I mean, are you -- would you like me to explicate at this moment?

MR. HAMBY: Yes, it needs to be on the record, sir, so we can have it -- make it clear because otherwise it's in conflict with what the rules say that you don't have in your authority to waive on -- in the current standards. It's fine to say that you are doing it to allow the applicant to replace the developer on this particular transaction. I just need to make sure that's clear on the record so it's not a confusion.

DR. MUÑOZ: I need the language.

MR. HAMBY: Just that. You're allowing the staff -- you're allowing the applicant to replace the development team and to change the development team after the deadline.

DR. MUÑOZ: I move that we allow the project the opportunity to replace or restructure the developers that are involved and thus allow the application to move forward.

MS. RAY: And I second that motion with that clarification.

MR. CONINE: I have a question on your motion. Rather than allow I would say must just in order to --

DR. MUÑOZ: The friendly amendment is accepted.

MR. CONINE: Okay. Thank you. Any other discussion of the motion? Do you guys understand what the motion is okay? All those in favor of the

motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(A chorus of noes.)

MR. CONINE: Motion carries.

We're going to take a ten-minute -- excuse me.

MR. GANN: Can we rehear that motion?

MR. CONINE: Sure. All those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

MR. GANN: No.

MS. BINGHAM ESCAREÑO: No.

MR. CONINE: Motion carries three-two. I'm sorry. I didn't hear you guys. We're going to take a ten-minute break, and we'll be back.

(Whereupon, a short recess was taken.)

MR. CONINE: As usual ten minutes turns into 20. Just for informational purposes the Board does not need a executive session, but we are going to try to break for lunch probably around noontime, depending on, you know, how the agenda goes for an hour or so. So you can plan accordingly. But we do need to get a nourishment today I would imagine. Okay. Item 2(d).

MR. GERBER: Mr. Chairman, there are no HOME appeals.

MR. CONINE: Okay.

MR. GERBER: Tom, are there any underwriting appeals?

MR. GOURIS: Yes.

MR. GERBER: We have one. Okay.

MR. CONINE: Item 2(e). Mr. Stewart. Retread. He didn't hear me -- probably thankfully.

(Pause.)

Mr. Stewart not prepared?

MR. STEWART: No, sir. I'm certainly prepared.

MR. CONINE: Oh, good. Okay.

(Pause.)

MR. HAMBY: We have a timing issue. Can we have like two minutes? Can you go to something else?

MR. CONINE: Yes, we'll go to something else. We'll go to something else.

MR. HAMBY: And, Tim, can we borrow you?

MR. GERBER: Mr. Chairman, we're going to go to 3(a), which is the approval of the 2010 draft operating budget.

MR. CONINE: Okay.

MR. GERBER: The budget corresponds to the first year of the General Appropriations Act passed by the 81st session of the Legislature and it includes additional funding for disaster recovery, HERA and ARRA.

The Department's going to temporarily expand by an estimated 62 FTEs, 58 to be temporary full time and four to be regular full time equivalents. To accommodate this expansion the Department's working with

the Facilities Commission to occupy some already leased office space at the Twin Towers Business Complex, which is up in north Austin. That will give us a little bit of extra room as we grow for this period.

Again, given the unprecedented change in growth and programs it may be necessary to bring -- and we expect that there will be -- several amendments to this over the course of the upcoming year.

There are a couple of other issues on the horizon. You know, obviously there will be, you know, likely other appropriations that we'll be dealing with Congress. There's also a lawsuit that we're dealing with that might have other budget implications. The Department is anticipating hiring -- has received approval to hire an outside attorney to assist us with the ICP lawsuit. And we are estimating at a minimum it's going to probably cost between \$750,000 and a million dollars. And that will certainly have budgetary implications for this as we defend the State's laws and the position of this Board in awarding of tax credits.

David Cervantes is our head of financial affairs and administration. Is there anything you want to add to the mix, David?

MR. CERVANTES: I think just to reiterate, we're bringing two budgets to the Board this morning. The budget that you have -- the internal operating budget that you have before you is about \$33.3 million. It is about \$10 million over the budget that we brought to you a year ago.

And as Mike just noted the primary changes are related to disaster recovery initiatives. We have the HERA money that we're getting -- the ARRA money as well. And those are contributing to the primary increase

in the budget that you have there.

As Mike just noted as well, we are anticipating the possible expansion of 62 full-time equivalents; 58 of those would be temporary employees that would make their way into the agency in 2010. There are also four -- as we went through session we got additional general revenue so there are four additional full-time equivalents that got included in our cap for this year.

And you work your way through the details that are in your packet in Items 3(a) you can see the correlation there in terms of the disaster recovery HERA and ARRA monies working their way through in terms of the additional cost to salaries, professional fees, in-state travel, and other categories that we have in there that will attribute to getting resituated.

As Mr. Gerber mentioned, we are pursuing some lease space up north, so we will be at headquarters and we will possibly be up north at another location. So lease cost, furniture and equipment, temporary help to help us move -- those types of items are also in this budget.

Our methods of finance I'll just tell you very briefly. They remain fairly steady from a year ago in terms of the types, but, again, the difference is made up again -- disaster recovery ARRA and HERA funds making their way into the agency.

And the only other thing that I would touch on is on Item 3(b) because the housing finance budget is a subset of the larger budget that you have in front of you under Tab 3(a). And the importance of the second part is that the housing financial budget has to do with the fees that we collect for the

agency -- bond admin fees, compliance fees, tax credit fees.

The budget that you have in there is \$12.3 million. Last year we were at about 11.7. The difference is made up of a new fee that we anticipate getting this year. It's known as a disaster recovery tax credit commitment fee. And there's about \$572,000 in this budget that we've added under the housing finance budget.

And, in summary, I think that describes how we're balancing this year's budget and how we're incorporating the housing finance budget behind it. And I would conclude there. I'm available if you have any questions.

MR. GERBER: Mr. Chairman, we would ask approval of the Board of our 2010 draft -- or 2010 housing finance budget, as well as our operating budget, again understanding that we're likely to be coming back with amendments over the course of the next several months.

MR. CONINE: Any questions of either of the witnesses?

MS. RAY: Mr. Chairman?

MR. CONINE: Ms. Ray?

MS. RAY: The only comment that I would like to make to staff on development of this budget -- we've had some significant challenges with all of the money that is -- I don't want to use the word "dumped," because it's a great blessing for the citizens of the state of Texas.

MR. CONINE: Right.

MS. RAY: But I understand there's some challenges not only for the budget and finance department but also on the management of the

overall department. I appreciate the effort that had to go into putting this together in such an exemplary fashion at this time. And with that, Mr. Chairman, I move that we approve Items 3(a) and 3(b) for the budget as presented by staff.

MR. CONINE: Motion to approve. Is there a second?

MR. GANN: Second.

MR. CONINE: Second by Mr. Gann. Any other discussion? (Pause.) I just want to point out to the Board that I think, you know, focusing on the income side of our balance sheet is very important so we understand where --

MS. RAY: Yes, it is.

MR. CONINE: -- where we gain revenues from. And I asked staff to highlight that in this particular round so -- because we're all concerned about how we're going to cover the costs of what we're doing. And so I appreciate staff doing that.

MR. CERVANTES: Thank you very much, Mr. Chairman.

MR. CONINE: If there's no other discussion all those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. Item --

MR. CERVANTES: Thank you very much.

MR. CONINE: Are we ready to go back to 2(e) yet?

MR. GERBER: I don't think so yet.

MR. CONINE: Okay.

MR. GERBER: Can you -- Mr. Chairman, I'd like to -- if we could hold off on 4(a) and go to Item 4(b) --

MR. CONINE: 4(b).

MR. GERBER: -- which relates to the presentation, discussion, and possible approval of the Recovery Act Homeless Prevention Rapid Re-Housing award recommendation.

HUD's providing the State of Texas through the Department \$41,472,772 in HPRP funds. The Department received 95 applications with a total request of \$67.1 million; 59 are being recommended for funding, including five pilot projects proposing to serve persons at higher risk of homelessness, including offenders leaving correctional systems, persons exiting foster care, persons released from institutional care, disabled, and victims of domestic violence.

Staff is recommending approval of the list for Homeless Prevention and Rapid Re-Housing awards. And we're excited to -- that we're making a significant amount of resources available to communities to address emerging homeless challenges caused by the recession and other issues that their communities are dealing with.

MR. CONINE: We're passing out 41 million. Is that right?

MR. GERBER: Yes, sir.

MR. CONINE: Okay. That to me is substantial. Any other questions of the witness?

MS. RAY: Do you have any witness affirmation forms?

MR. CONINE: Let me check. I'm glad you -- no, there is none for this particular item. Do I hear a motion?

MR. GANN: I make a motion to approve staff's recommendation.

MR. CONINE: Motion to approve staff recommendation by Mr. Gann. Is there a second?

MS. RAY: Second.

MR. CONINE: Second by Ms. Ray. Any further discussion?

(No response.)

MR. CONINE: All those in favor signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

MR. GERBER: Mr. Chairman and Board members, I also want to note on the homelessness issue that we also received from the Legislature as part of our budget an additional \$20 million to make available to the eight largest cities in the state. And we will be doing a conference call with the mayors or the mayors' designees this coming week -- or next week to discuss the distribution of those funds and be making some recommendations to you hopefully either the September or October Board meeting.

But we want to move those funds as quickly as we can. And, again, that's the first time that State dollars have actually been appropriated for homelessness to this agency. So it's an exciting trend dealing with, you

know, an issue that's unfortunately posing more and more of a challenge to our bigger urban areas.

I'd like to go back, Mr. Chairman, to Item 4(a), which is presentation, discussion, and possible approval of Recovery Act Weatherization Assistance Program awards for the existing subrecipient network, temporary WAP providers, and the competitive pool award recommendations from the list that's before you.

And Tim Irvine, our chief of staff, if going to walk through -- would you like me to -- I'll let you go ahead and walk through those.

MR. IRVINE: Thank you, Mr. Gerber. Mr. Chairman, members, my name is Tim Irvine. I'm the chief of staff of the Department. In your Board materials under Item 4(a) are staff recommendations regarding the awarding of Weatherization Assistance Program funds provided for under the American Recovery and Reinvestment Act of 2009.

Staff is recommending all of these except for five that I would specifically like to point out and explain and then address how they will be handled -- Greater East Texas Community Action Agency, Community Action Corporation of South Texas, Community Services of South Texas, South Plains Community Action, and West Texas Opportunities.

These are all members of the existing network who also administer HOME funds under other program activity.

MR. CONINE: Uh-huh.

MR. IRVINE: And in the performing of our previous participation review we identified noncompliance issues with all five of these.

These are material noncompliance issues and/or uncorrected compliance issues that necessitate under the operation of our Department rules that their applications for these Weatherization funds be terminated. This would not be an appealable matter.

We will be preparing a staff request for proposals to seek to procure alternative providers to make sure that these funds are timely expended and that all areas of the state, including these impacted areas, are served until such time as we have prepared that procurement notice and posted it -- sent it to the *Texas Register* for posting.

We will continue to work with these community action agencies and members of the Weatherization network to try to resolve their noncompliance issues to see if there is any possible way that they can administer these funds. However, in the event that they can't, as I said, we'll proceed with that procurement effort.

And with those five agencies excepted, staff recommends these awards. Be glad to try to answer any questions.

MR. CONINE: Okay. I do have one witness affirmation form for this item. Barry Halla?

MR. HALLA: Mr. Chair, only if the question --

MR. CONINE: All right. Thank you.

MR. GERBER: Mr. Chairman, I would just note that we do have a strong presence from the community action agency network that has been engaged in providing weatherization services that are here today. And I appreciate them working with us in earnest to try to resolve the compliance

issues. We hope that we'll get as many as we can across the finish line before we bring it back to you in September.

MR. CONINE: Okay. Any questions from anybody?

(No response.)

MR. CONINE: Otherwise, I'd entertain a motion.

MR. GANN: I move staff recommendation.

MR. CONINE: Move staff recommendation by Mr. Gann.

DR. MUÑOZ: Second.

MR. CONINE: Second by Dr. Muñoz. Any further discussion?

(No response.)

MR. CONINE: All those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

MR. GERBER: And Brooke or Michael DeYoung, out of the \$327 million the State has received in stimulus funds what amount was just -- did the Board just award? Almost 300 million --

MR. CONINE: 288 was --

MR. GERBER: 288 million.

MR. CONINE: Yep.

MR. GERBER: So we're -- that was a big decision.

MR. CONINE: And if you're an insulating contractor or a caulking guy,

you need to get busy.

MR. GERBER: Are we ready on the underwriting appeal? Can we go back to --

MR. CONINE: Brent's disappeared.

MR. GOURIS: Yes.

MR. CONINE: Oh, there he is.

MR. GOURIS: What we're asking to do on the underwriting appeal is to hold that until later in the day. We would like -- I think Kevin would like to have an executive session with you.

MR. CONINE: All right. Sit down. Let's go to Item 5.

MR. GERBER: Item 5?

MR. CONINE: You're up.

MR. GERBER: Brooke, do you want to talk for a moment about our ARRA awards? I know there's a detailed report about ARRA activity in your Board book; we're available to talk more in depth about those items, but note that we've made tremendous progress on the award of homeless funds, weatherization funds, still working through the issues remaining there, and obviously TCAP and Exchange are significant.

MS. BOSTON: Brooke Boston. I think all the other Board action items relating to ARRA kind of speak for themselves as to what we're doing. The only other thing I would note is we've put out a training and technical assistance RFP also, which is on our website and available for procurement. So we're excited about that.

And Brenda Hull, as the manager, has been doing yeoman's

work working on all the reporting requirements with the Comptroller's Office and working on GAO stuff. So we're keeping busy.

MR. CONINE: Are we doing okay on the reporting requirements?

MS. BOSTON: We are. We are. We've had to do one submission so far, and we did that and it went fine. We're working actively -- I shouldn't say we. Brenda and Curtis are working very closely together to make sure that we have all the right modules in place by the right timing that we need to start really getting the numbers in on job creation and retention, tracking every dollar coming in.

But since the contracts aren't out yet, our timing is lined up still correctly.

MR. CONINE: And how are we doing staffing-wise?

MS. BOSTON: We're doing great. We are having a job fair in a few weeks and we have about 24 postings that we're going to do there, many of which are temporary postings associated with ARRA or Fast Recovery.

MR. CONINE: How many postings?

MS. BOSTON: I think it's 24.

MR. CONINE: 24.

MS. BOSTON: And that's not all of the postings we have, but those are the 24 that fit neatly into the job fair design.

MR. GERBER: And we're going to be ramping up as we need people, and we're working hard to get several key managers in place, looking to replace -- as Brenda moved to head up the ARRA accountability and

oversight office -- replacing our housing resource center manager. We're working to find a replacement for our community affairs division director.

But we do -- so we're working to fill those key positions and the folks that we really do need as we move and roll the programs out -- sort of those day one, you know, first few months folks. And then slowly but surely we'll build out.

Obviously our objective is to hold on to as many dollars as we can to -- and to see those move into benefits to folks -- we don't have to spend the full amount of administrative dollars available. That's obviously a win for low income tax.

And so we're trying to be conservative, but obviously we'll staff as we need to in order to get the job done effectively.

MR. CONINE: And when's that office space supposed to be ready?

MR. GERBER: Soon after Labor Day we'll be --

MR. CONINE: Labor Day.

MR. GERBER: And the intent is to -- Manufactured Housing will be moving over there, as will Bill Dally will be spending quite a bit of time over there with our IT folks who will be moving. Matt Pogor in bond finance and Eric Pike and his team in the Texas Homeownership Division -- those two divisions in particular work very well and closely together. So they'll be on deck to move over there. And if we need to move others we'll do that.

MS. BOSTON: And as a nice example of Mike's comment about us trying to put more money towards actual activities as opposed to just for admin, with the Weatherization money that you just approved, for the

competitive part that was the 7.5 million competitive we actually got applications in excess of nine. And we went ahead and awarded all of it with that difference coming from our admin funds so we could make sure that we're getting it out.

MR. CONINE: Great.

MR. GERBER: We're also anticipating visits from the Department of Energy next -- late next week. And we also have -- and then we also have another visit from the Department -- from the Secretary's staff coming towards the middle of the month. I know they're meeting with us and with the State Energy Conservation Office, which is also administering very large amounts of Department of Energy dollars.

And Texas, of course, is one of the what's called the sweet 16 states identified for special additional review by the General -- the Government Accountability Office. And so we're participating very actively in those reviews.

And actually Brooke and Brenda also participate most for the staff -- for the Department in twice weekly meetings in the Governor's Office that are interagency to make sure that we're coordinating with the Comptroller and with the Texas Workforce Commission which have special reporting responsibilities. So it's an audience on deck.

MR. CONINE: Thank you, Brooke. Appreciate it. Kind of like the issue before, I'd much rather listen to her than you sometimes. You want to skip to 6?

MR. GERBER: Sure. Item 6 is the Self-Help Center program rules and

the final order adopting a new 10 TAC Act Chapter 3 for the Self-Help Center Program. We are requesting final approval to repeal the current Colonia Self-Help Center rules and asking for final approval of the new rules to be published in the *Texas Register*.

On May 21 the Board approved the draft rules and on July 5 the draft rules were published in the Register for public comment through July 8.

The current and these first ever Colonia Self-Help Program Center rules were adopted by the Board on February 1, 2007, and no longer contain all the required guidance that's needed to administer the program. And these new rules will further define and ensure compliance with all statutory requirements.

The new rules incorporate a number of changes that have been recommended by our Department's Internal Audit Division, and we really appreciate Sandy and her staff's help. So we're recommending approval of these new rules to be adopted.

MR. CONINE: Okay. I've got no witness affirmation forms on this particular item.

MS. RAY: Mr. Chairman?

MR. CONINE: Ms. Ray?

MS. RAY: I move that we adopt the Department's Colonia's Self-Help rules.

MR. CONINE: I have a motion to approve Item 6(a). Is there a second?

MS. BINGHAM ESCAREÑO: Second.

MR. CONINE: Second by Ms. Bingham. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

MR. GERBER: Mr. Chairman, Board members, Item 6(b) relates to the distribution of Community Services Block Grant Funds and a change to that rule to deal with the client income eligibility requirements.

We are recommending -- under those rules Department staff has recommended that the Board review and approve a final order adopting amendments that would concern the client income eligibility requirements in that program.

We're recommending withdrawing the original rule and changing it to increase the distribution allowed from 125 percent of the federal poverty income level to 200 percent. This comports with what is happening at the federal level. And so our Community Services Block Grant recipients would be able to go up fully to the poverty level that was envisioned in federal law and meet more persons of low income in their communities and meet their needs.

So we're asking for a motion to make that approval to this rule.

MR. CONINE: No witness affirmation forms here either. Do I hear a motion?

MS. BINGHAM ESCAREÑO: Move to approve.

MR. CONINE: Motion to --

MS. RAY: Second.

MR. CONINE: -- approve by Ms. Bingham. Second by Ms. Ray. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion?

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

Let's go on to 7 and keep doing that.

MR. GERBER: Okay. I'm going to ask Sara Newsom to some forward and give us a quick overview of Disaster Recovery.

MS. NEWSOM: All right. The 7(a) is consideration of granting conditional approvals of the following subrecipients under Ike 1. Funding -- I mean, funding source -- these applications have been submitted from Fort Bend, Deep East Texas COG, HGAC, Cameron County, the City of Brownsville, and Hidalgo County.

So we are asking that -- we have a conditional approval -- we're continuing to develop a more detailed analysis of the eligibility criteria and the coverage from the Ike/Dolly allocation so that we can use that

information to better set our parameters for the Ike 2 and make any necessary adjustments.

I know that we have given you kind of a summary for each one of these applications that were submitted. And I can go over those or you can rely on what we have provided in your Board books.

MR. GERBER: Mr. Chairman, I guess we would encourage you to look at the tables that are included in your Board book. In response to concerns expressed in the last Board meeting we've tried -- understanding that we wanted to give communities and COGs in particular some flexibility but that we did need more detail.

And with the awards that you awarded conditionally last time we do have much of that additional detail in your Board books for you to review it again. We've made clear to local governments the desire of this Board to again push those dollars down to those at the lowest income level to ensure that -- and to make sure we have an appropriate distribution hitting single family, rental, as well as multifamily.

And so we'll continue to work through those through the contracting process and we'll continue to report out to you all as they work to further redefine -- to further refine and define their programs and the population that they're serving.

The same will be true of the applicants that we're making recommendation that you make awards for conditionally today as well -- Fort Bend County, DET COG, Houston-Galveston Area Council, Cameron County, City of Brownsville, and Hidalgo County -- with more information again

coming. And, again, this would be a conditional approval.

MR. CONINE: Well, let me ask a little bit about the math here just a minute. We've got 621 million. We've got 58 million in rental activity set-aside or designated. But then as I look at this 25 million, are they a subset of the 625 million or --

MS. NEWSOM: Yes.

MR. CONINE: -- are they -- in other words, if I see -- let me ask -- the \$561,326 that says single multifamily rental -- is that coming out of the \$58 million set-aside or is that coming out of the --

MR. GERBER: No. It's coming out of the --

MR. CONINE: Coming out of the major fund.

MR. GERBER: -- what's been set aside for them. We'll be completely running separately that \$58 million.

MR. CONINE: Okay. I had -- I just had a general concern of the lack of rent -- you know, rental activity in each of these -- is it six different areas? It's mainly single family.

And I know it's the first chunk of money that's going out, but, you know, 30 percent of the world lives in multifamily rental communities. And I don't know that 30 percent was damaged down there. There's probably -- they probably have a better knowledge than I do of that. But it just -- it seems really disproportionate in this first round to me. And if there's plans on correcting that later as we go down the line and monitoring it and keeping track of it, that's great.

MS. NEWSOM: Right. Well, we can certainly take that into

consideration for round two -- and that's kind of what we're thinking is that we may need to make some adjustments with round two to compensate for some of the deficiencies that we can identify here.

MR. CONINE: Well, even our set-aside's less than 10 percent. So, you know, I just want to make sure we're doing as much in the rental area for Galveston and areas hit by Ike as we are for the single family folks on a proportionate basis.

And I know the local constituency probably responds to the cries of homeowners before they respond to the cry of tenants or residents in apartments complexes. But they suffered just as much damage, as I see it.

MR. GERBER: And I know in the case of, again, those largest communities -- those communities are seeing the largest pots of money, they really do have it heavily skewed to rental. And I know Mr. Sampley's here from the City of Houston.

Donald, what's the percentage? You have to fill out a witness form afterwards.

MR. SAMPLEY: Donald Sampley of the Housing Department of the City of Houston. Of our 87 million round number of housing, we did 62-and-some change million in multifamily rehabilitation. So 75 percent of our money -- of our -- and we did -- 80 percent of our overall \$109 million grant went to housing. So the preponderance of our money is in housing, and the preponderance of that money is in multifamily rehabilitation.

The Department has been very helpful. We're still working on our contract, but they've already processed our environmental, and so

we're ready for -- to complete our first round and submit all of our properties into the council pretty quick for approval.

MR. GERBER: And, Mr. Chairman, our approach on the second round is a little different. We're going to be -- the State will take claim to all the funds awarded on the housing side, which we expect will be even larger this time because of the larger -- obviously larger pot of money. And we think it's going to be split where we'll receive about \$850 million.

Rather than rely on the COGs to go ahead and make those choices about how funds should be divided between housing, economic development, and infrastructure, but at the end of the day the State will take claim to the housing portion of it. And then communities will have the option to opt out if they're able to prove up capacity.

And we expect a lot of our entitlement cities and prove that up and administer their own program. And for those that don't the intent would be to run an extension of the State program and other things working effectively today for --

MR. CONINE: Single family.

MR. GERBER: -- single family.

MR. SAMPLEY: We ran a Request for Proposals mid-December until the first of May. And I had a little over \$150 million in feasible rehabilitation projects multifamily. I've got 62 that have the highest priority to be done, but we're still working those other 90 million to --

MR. CONINE: Again, I appreciate Houston because I've been there and seen it. But I've also been to Galveston and I've been there and seen

that too. And it's nasty everywhere.

MR. SAMPLEY: I've been there. It's there.

MR. CONINE: I do have one witness affirmation form on this item.

John Henneberger?

MR. HENNEBERGER: Good afternoon. My name is John Henneberger. I'm the co-director of the Texas Low Income Housing Information Service.

MR. CONINE: I see you got the message this time. That's good.

MR. HENNEBERGER: I know. This is so much better.

MR. CONINE: You look a lot better in that -- look more normal shall I say.

MR. HENNEBERGER: I feel more normal. I want to use this opportunity to raise -- to restate our continued concerns regarding the Ike round money and to restate the problems that we think exist with the program.

Many of those are not within the purview of this Board. They are decisions that the Governor has made. Yet this is the only opportunity that we have in a public hearing to raise those concerns publicly, so I have to take advantage of what I've got.

I've given you a sheet that outlines the six areas of major concern. Previously Maddie Sloan, an attorney with Texas Appleseed and the Citizens Communications, gave you a lengthy briefing paper outlining much more detail concerning each of these problem areas that we feel exist with the program.

I'd like to agree with the Chairman's observation that rental

housing has been woefully underfunded in round one. If you take out Houston and Galveston and the money that they've put into housing overall only 27 percent of the money that has been allocated for disaster relief has gone to housing.

Again, take out Houston and Galveston and for the rest of the areas they're only devoting 27 percent of the money for housing. So housing got short shift overall, but, in addition to that, rental housing really got shorted.

In the city of Galveston 57 percent of the estimated people who suffered from the hurricane were renters, yet 20 percent of the money is going to help renters. So there's a huge gap between, first of all, adequate funding for housing and then, secondly, adequate funding for renters.

And that is not going to be fully able to be rectified with the amount of money you have in round two. In essence, you're going to -- the round one money's going to go out and it's going to be really heavily skewed to infrastructure restoration, not to housing. And there's not going to be enough money to balance things out in round two. That's very unfortunate.

And a decision to allow the Councils of Governments to make the allocation decision in round two between infrastructure and housing I believe will result in a similar disproportionate allocation toward public infrastructure and public spending as opposed to helping those low income people and the taxpayers who lost their homes to the hurricanes be able to restore their housing. And the Governor needs to take a step to ensure that we restore the balance between housing and public spending on these programs.

Secondly, we're concerned very much about what we see as inconsistent program benefit levels between various jurisdictions. If you're in one county you're eligible for \$125,000 new home. If you're in a next door county you may be eligible for as little as \$60,000 of assistance. And that's a type of inequity which should not exist within these programs.

Furthermore, there's grossly insufficient funds for rehabilitation. A lot of the people who suffered damages -- their houses are rehabitable. But the preference by the contractors who are implementing your round one program are overwhelmingly for new construction for the replacement of units -- buy new mobile homes and giving people new mobile homes -- buy new stick-built houses and giving people new stick-built houses. Not adequate funding for rehabilitation, where there's tremendous needs.

The -- we believe there's a fundamental -- there are fundamental issues concerning the failure to affirmatively further for housing within the program. There has been overall in this process, by virtue of the way the Governor has structured the program, I believe a lack of an opportunity for giving the public the opportunity to make in depth comments about these details. We really haven't had the setting -- just these last month and this month -- in order to have the really type of in depth public comments that should be allowed under the HUD regulations.

And then, finally, we're very concerned about what we see as inappropriate standards for establishing title being applied by these -- by the round one administrators.

The Legislature passed, I think in response to the very good

work that this agency did in Rita round two, a law which basically clarifies what the standard will be for establishing title for a homeowner in order to get rehabilitation assistance. Yet, the -- I've reviewed -- and I've read every one of the applications that has come to you last -- couple of weeks ago and today by the round one participants. And most of those program guidelines are not in compliance with that standard which you adopted and applied as you administered Rita round two and which is -- will be -- I suppose on September 1 will be the law because the Legislature basically enacted that same requirement.

So we've got a lot of serious concerns about round one. We think we'll be playing catch up and we won't be able to do so because there won't be adequate funds. And I really don't know that it's within your authority to deal with a lot of these issues. But, again, it's the public forum so I have to raise it.

MR. CONINE: We certainly appreciate you taking the time to get on the record. That's very good.

MR. HENNEBERGER: Thank you very much.

MR. CONINE: Any questions of Mr. Henneberger?

(No response.)

MR. CONINE: Thank you. Okay. I think you're finished with your report. We have -- that's all the witness affirmative forms I have. Do I hear a motion?

MS. BINGHAM ESCAREÑO: Mr. Chair, I'll move to approve staff's recommendation on this round two.

MR. CONINE: Okay. Ms. Bingham moved to approve Item 7(a). Is there a second?

DR. MUÑOZ: Second.

MR. CONINE: Second by Dr. Muñoz. Any further discussion?

Seeing --

MS. RAY: The only discussion that I have, Mr. Chairman, is I'd like to ask the executive director to work with staff to take under consideration the issues and concerns as presented by Mr. Henneberger for future -- consideration of future rounds --

MR. GERBER: Yes, ma'am. He --

MS. RAY: -- as we progress to adjust the rules.

MR. GERBER: Yes, ma'am. He and Ms. Sloan and their other folks in the advocacy community have been very involved in this for now many years, and they've brought a lot of folks to the table, particularly with respect to consistency.

I mean, that was one of the big things that we worked to address and was one of the problems with I think the COG program last time. The COGs did some tremendous work, but you go across -- you know, you got across to the next county over, you know, you're getting \$30,000 less to -- you know, to get a replacement home. And that posed some real challenges.

Likewise, I think with this round and approaching it, instead of letting locals tell us for housing I think this time we're going to be going back and saying, We've identified needs, you've identified needs, we need to fill

those gaps and we need to have a pretty intensive public dialogue about that.

And we're going to start that public comment process we believe -- we're working through drafts. We want to get lots of public comment before we go out with those drafts and then have more formal public comment with the Office of Rural Community Affairs as obviously in the lead role of sort of working through the determination of who gets how much money.

But, yeah, we're -- yes, ma'am. We're taking it to heart.

MR. CONINE: Okay. Yes, Ms. Bingham?

MS. BINGHAM ESCAREÑO: I'm sorry. I'll amend my own motion. This is actually the first of Ike and Dolly. I said round two.

MR. CONINE: Okay. All right. Round one. Accept that friendly amendment, second?

MS. RAY: Yes, Mr. Chairman.

MR. CONINE: Okay. All those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All those opposed?

(No response.)

MR. CONINE: Motion carries.

Items 7(b).

MS. NEWCOM: Okay. 7(b) is concerning the cap for wind and flood insurance that we brought to you in previous Board meetings. Currently we have a cap at \$4,500 a year for -- that would cover flood -- not flood

insurance -- but wind and hazard insurance for those residents in -- that -- who are replacing their homes or rehabbing their homes and they have to carry the insurance. We'll do that for a year in flood areas only.

We have had large increases in insurance coverage amounts here in Texas, especially under the wind damage section -- the wind insurance. We brought this to the meeting last time. You asked us to come back with some specific numbers. We have provided those numbers for you so that we could put specific numbers in the caps.

The insurance is based on valuation of the house and it's so much per \$100 of insurance covered. So it depends on the size of the house.

We provided the math for you in a table in your Board book. And so the caps for like a two-bedroom would run about 5,880, a three-bedroom about \$6,300, four-bedroom home 6,720.

Any questions?

MR. CONINE: Any questions of staff?

(No response.)

MR. CONINE: Okay.

DR. MUÑOZ: Mr. Chair, I move staff recommendation.

MR. CONINE: Motion by Dr. Muñoz for staff recommendation on 7(b).

Is there a second?

MS. RAY: Second.

MR. CONINE: Second by Ms. Ray. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor signify by saying

aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

MR. GERBER: Mr. Chairman, we're going to come up, just for purposes of Ike One, with a better reporting mechanism by those communities that we'll submit to you all in the Board book each month and make that a requirement of the contract. And so you'll be getting more detail on what it is exactly they're -- they've proposed and implemented. And you'll see that roll out much as you did the COG program.

Likewise, we will be pushing hard to acquire public comment. And if the public doesn't get it locally we're going to make sure they get it here. So we'll make sure that we build that part of it as well because people need to know how their dollars are being spent. So just to make sure that's clear.

MR. CONINE: Okay. I'd like to pause and, again, welcome Julie Franks from the Senate Intergovernmental Affairs Committee, Staff Director. Good to see you again. I question the wisdom of you sitting over there by Kevin, but that's okay. We're glad you're here.

Mr. Hamby made a liar out of me in that we do need a quick executive session over in Room 20. What we're going to do is go directly over to 20, have a quick executive session, then we can scatter for lunch and try to be back here at one o'clock.

At one o' clock we' ll take up the Exchange Program, Item 5(b).  
So all of you go, you know, get your bellies full and get good and ready.  
(Whereupon, at 11:50 a.m., the board adjourned to meet in  
executive session.)

AFTERNOON SESSION

(1:00 p.m.)

MR. CONINE: The bell tolls one o' clock.

MR. GERBER: Mr. Chairman, the Board completed its Executive Session of the TDHCA Governing Board on July 30, 2009, at 12:10 p.m.

MR. CONINE: Thank you. Okay. Where do we want to pick up?

MR. GERBER: Why don't we start with Item 8, the Housing Trust Fund Program Division. Brooke Boston's going to walk through the Biennial Plan that we propose to use \$21 million.

MR. CONINE: We get Brooke again. Okay.

MS. BOSTON: Brooke Boston. You have the Housing Trust Fund Biennial Plan before you. It's the first time we've brought it to you this way.

This past session we got an 87 percent annual increase in our Trust Fund, almost doubling it, which is fabulous. We have about 21.9 million appropriated to us to allocate. We're required by the Legislature to provide an annual plan, but the approach we took this time was to actually program the funds for the full biennium so that we can really try and get the money moving.

Part of that is, as you've seen -- you know, after we get this step of permission from you guys there's NOFAs and then getting the money out, so it will still take a little while. We just wanted to get the ball rolling on all of it.

We are sticking with some of our successful past programs and

creating a few new ones, which are detailed in here. And I won't get into each one unless you'd like specific questions.

But I would like to say, looking back at the funds that we have had we're doing really, really well with getting funds contracted or reserved into specific contracts. We have done that on almost -- on all of our funds except three out of all the funds in the past that we've programmed through Trust Fund.

And then I just wanted to point out that one of our most successful in terms of actual expenditures has been the Bootstrap, which has expended 80 percent of all the funds reserved. So, with that, I have a couple of clarifications that I'd like to make before I ask for your --

MR. CONINE: Okay.

MS. BOSTON: -- approval. And the first is that we have on page -- we have a program that is the Home Free Barrier Removal Program, which is on page 10 of 15. And I'd like to add a couple of clarifications on that one.

At the top it says that it's 1.5 million a year, and it's actually 1.5 million for the biennium. We also have -- this is restricted to only existing owners, and we'd like to just strike the word "existing" and make a few administrative or clerical changes as well. And then also on this one --

MR. CONINE: Where was existing again?

MS. BOSTON: On the top of page 10 of 15, the last sentence of the first paragraph, it says that it's for rental tenants or existing homeowners --

MR. CONINE: Oh, okay.

MS. BOSTON: -- which would preclude someone who's purchasing a home, and so we just kind of want to leave it more broad.

MR. CONINE: Okay.

MS. BOSTON: And then the other distinction is, in here I allude to the Texas Architectural Barriers Act. And what I would like to do is strike that from this write-up with the understanding that whatever the Code we decide to adhere to will be listed in the NOFA. I want to continue to do more research on that before I limit us in the plan that we turn into the Legislature.

And the other item is on the next page, 11 of 15. And this is a program that we were creating. It's for rental funds, and it was for support of housing. And I've been getting some feedback. We've gotten some public comment. And what I would like to do with this one is keep it earmarked at 2 million and keep it earmarked for a rental housing activity that would potentially work with a unique or special housing need, but not limit any of what else is on this page at this time.

In the write-up I already had noted that in 2010 we would do a bunch of research, work with advocate and rental development community, and then release the funds in 2011. I'd still like to do that, but with essentially right now no restrictions except for the 2 million and with the understanding, of course, that we'll bring it back to you for concurrence on whatever we decide to do. And those are my proposed changes.

MR. CONINE: Okay.

MR. GERBER: And I'll just add, we're real excited about this. We've

had some conversations -- we've had several conversations with the public, including a roundtable, to gain their insights as to what housing needs should be addressed with these dollars. We're effectively doubling the Bootstrap program resources, which is that very important sweat equity and self-help housing.

We've got money in here for continuing to meet the gap financing needs for disaster victims in southeast Texas. We have -- continuing the programs that we -- have been very effective for veterans' housing assistance. And then, of course, the Department has made clear its commitment to persons with disabilities, and so addressing supportive rental as well as barriers to accessibility are also important programs that are included in here. So we're excited about those, among other priorities.

And this is just a tremendous opportunity that the Legislature's given us, and hopefully we're putting important seed money into a variety of categories that will make the case across a spectrum. There's additional Housing Trust Fund needs to be met and that were deserving.

MS. BOSTON: And if I could -- I always like to make a plug for staff when I can. And as some of you realize, Sharon Gamble accepted the manager of Trust Fund -- of the Housing Trust Fund position with the understanding she would start when the cycle ended, and she ambitiously has already been getting very involved.

So we have meetings working on SOPs and has helped us write the plan. And then also Dee Copeland, who's our Trust Fund administrator -- they're right here -- has been doing a great job. She's

pretty new to the agency and they've kicked -- they've done a great job.

MR. CONINE: We're all for people doing a good job. That's for sure. Hate to lose you on the tax credit side but we've still got you here. Okay. I've got some witness affirmation forms. Belinda Carlton? And she has time donated to her, so she's got five minutes.

MS. CARLTON: Good afternoon.

MR. CONINE: Good afternoon.

MS. CARLTON: Chair and members and director, my name again is Belinda Carlton. I'm a policy specialist with the Texas Council for Developmental Disabilities. Again, we had a 27-member board appointed by the Governor, 60 percent of whom are individuals with disabilities or family members.

Our purpose in law is to encourage a policy change so people with disabilities are fully included in their communities and exercise control over their lives. I want to -- I'm not going to give my written comments because they're kind of out the window after Brooke's overview. She -- staff -- you just have a great staff who are very responsive to stakeholders in low income housing and low income housing for people with disabilities.

But I want to talk a little bit about the Home Free Barrier Removal Program. We're very excited about this proposed new program. It will provide grants with no lien on the individual to make their homes accessible. And this is wonderful and we applaud you all.

Sometimes the path to a nursing home or institution can be as simple as an accessible home -- a ramp or a bathroom -- not just for young

people with disabilities but for elderly. I mean, this was an issue we faced with my father.

But we would -- the only thing about it is -- we have concerns about is that things get done competently. I mean, we know the Texas Architectural Barriers Acts standards out for now will put in some sort of code. But contractors in Texas are not licensed. They're not required to do certain things. And they still don't know everything they need to know.

And we would like to see a slice of that fund -- a slice of that million-and-a-half go to a training for those entities, housing authorities, nonprofits that get these grants, allow the recipients -- you know, because we want this consumer controlled, because sometimes I could -- you know, you could build a ramp that adhered to the Texas Architectural Barriers standards, and that's good. I mean, that's always going to be usable. But a bathroom might adhere to the standards but not be usable by that individual.

So we just want to make sure that we have that program used in a way that it's usable by the consumer, plus it meets a standard, you know, that we don't have a ramp that's not usable.

I want to let you know that TCDD -- we -- our agency provides over 5 million a year in grants, and we have done grants in the past just looking at this issue of accessible homes. And so we'd love to work with TDHCA on this issue of, you know, how we can make sure this program gets implemented in a way that, you know, the consumer has what they want and we have the safeguard against fraud and abuse and that we, you know, have efficiency of the dollars.

And the second thing on the barrier removal program is currently as it's written the proposed maximum allocation for a housing authority or whatever is up to 500,000 per unit. Well, that -- with a million-and-a-half that's only three entities potentially that could get funded.

So we'd like to get the geographic reach maybe stretched by cutting those maximums in half to 250,000. And then that also gives us greater reach and greater experience with the program.

And then, you know, as I said, the supportive housing rental -- that one did present some concerns for the Council because of, you know, that bill serviced enriched hadn't been defined. So we're -- there are forms of supportive housing that certainly do work. My daughter lived in what I would call a form of supportive housing which was integrated apartments. But that often has, you know, not resulted in things -- has resulted in things that have taken away from individual choice and control over their daily lives. So we'll be glad to be part of that process to further define how that rental program will work.

And, again, I thank each of you Board members here. You ought to get awards for your stamina at these -- and the length of your meetings and your attention -- you're very attentive to this process and I thank you very much for your service to Texas.

MR. CONINE: Thank you.

MR. GERBER: Thank you.

MS. CARLTON: Any questions?

MR. CONINE: Brooke, you want to comment on her -- I guess the two

areas that I heard was the training dollars and the geographic disbursement by lowering the award amount.

MS. BOSTON: Sure. I think the reduction to 250- would be great. And, you know, maybe what we could do is if we don't get sufficient applications for that or they don't get this done by a certain point, we could reoffer it to the folks who are performing on their contracts.

Related to the training -- and she and I have talked about this a little bit. I'm a big fan of the training, although I'm a bigger fan of hard construction dollars in this case.

MR. CONINE: Right.

MS. BOSTON: So one of the things we talked about would maybe be to try and partnership with them on finding a way without using the Trust Fund dollars to also find a way to create some type of a training module that would address this issue. I agree with her. I'm just kind of protective of the dollars in this case for the barrier removal.

MR. GERBER: Brooke, I wonder if -- maybe Belinda could speak to this. Would the DD Council have some funds that maybe they could match with us and we'd go together for training?

MS. CARLTON: I will certainly meet with our Council. I mean, we do have funds. Our federal allotment is coming up soon, you know.

MR. GERBER: I'm sorry. You need to come up here; we need her at a mike.

Sorry, Belinda.

MS. CARLTON: Sorry.

MR. GERBER: Because maybe if we were to, say, put \$50,000 towards it and the DD Council put 50,000 towards it maybe that would be --

MR. CONINE: I don't want to put words in your mouth, but you said you'd go match her.

MS. CARLTON: Did I say I could match it? Well, I can't. I don't have that. But we have a Council; they meet quarterly and that's when we take proposals such as this would be -- you know, Brooke and I could work before the next Council meeting to prepare a proposal to take to our Council for \$50,000.

MR. CONINE: Sounds great.

MR. GERBER: Then this plan directs the board to be approving, provided that match came -- of us providing up to 50,000 for match.

MS. BOSTON: Yes. And if we could I'd like to amend it where if we have that from loan repayments that aren't part of this appropriation plan, but just additional Trust Fund loan repayment, that we'd also have the ability to use that --

MR. CONINE: Okay.

MS. BOSTON: -- instead. Either one.

MR. GERBER: And I just want to say that we would love to cross-market this with you. I know you probably have some work that you all have done and there's probably a good opportunity to make it easier on persons with disabilities to get the message out about this program.

MS. CARLTON: Yes.

MR. GERBER: So that would be a great partnership.

MS. CARLTON: Okay.

MR. CONINE: Thank you. Next witness is Sarah Mills.

MS. MILLS: Good afternoon.

MR. CONINE: Good afternoon.

MS. MILLS: I'm Sarah Mills, and I'm with Advocacy Incorporated. And I'm just going to be brief and say I want to thank Brooke Boston and Dee Campbell and Brenda Hull. They've been great. They're working with the stakeholders.

I'm also a member of the Disability Advisory Work Group, and they came and worked with us there, took our suggestions, and I think it's been a good partnership. And we are supportive of the Barrier Removal Program and the comments that Brooks has made today. And I won't take up much time, but we are in support.

MR. CONINE: Thank you very much.

MS. MILLS: Thank you.

MR. GERBER: Thanks, Sarah.

MR. CONINE: Nancy Cates?

MR. GERBER: While Nancy's coming up I'll just mention Sarah's been on the Disability Advisory Work Group for going on probably over two years and we really appreciate it -- approving our programs with your help.

MS. CATES: Good afternoon, Chairman and Board.

MR. CONINE: Good afternoon.

MS. CATES: My name is Nancy Cates. I'm with the Mary Lee Foundation, and I do have some handouts for everybody.

I am here representing Mary Lee Foundation, which is a 501(c) nonprofit that began 46 years ago here in south Austin. Charlene Crump is the founder and still serves as executive director. And Don Lilljedahl, her director, has been with our nonprofit for 40 years, so we are a long-life organization.

Mary Lee Foundation began its life in 1963 with supportive or service-enriched housing when Charlene Crump decided to prove that women who -- with developmental disabilities could learn to take care of themselves, work, and live independently. That was a new concept in 1963.

She began with four girls from the State School and she rented a two-bedroom apartment in south Austin. And with the help of an assistant she stayed with the girls, taught them how to take care of themselves and their house, and eventually helped them with job skills and their own paying jobs. They were able to live like everybody else.

That's the main thing with people with disabilities or very low income or any of that sort of thing. Everybody wants to have a life like everybody else. And so that's kind of a buzz word that we use at Mary Lee.

Forty-six years later Charlene and Mary Lee Foundation are doing the same thing in a neighborhood of multifamily housing in south Austin. Over these years Mary Lee has helped thousands of people through state-licensed programs, affordable housing, and support services to live like everyone else.

We applaud the fact that \$2 million has been put into the Housing Trust Fund with TDHCA, especially for the supportive housing part of

that. Mary Lee asks that special emphasis be put on what we call very extremely low income persons whose income is only between \$500 and \$1,000 a month. People at this income level are typically people who live on social security or social security disability.

Age and/or disabilities put these persons at 14 to 29 percent of the median family income in Texas; much lower than the 30 percent MFI that is the lowest income level shown on HUD and other Government income charts.

And I provided you a chart there that we did up at Mary Lee that indicates in the yellow highlights there, those income levels. Supportive housing provides these people, like the girls in 1963, the opportunity to live, to continue to live like everyone else at less cost than other programs, especially in nursing homes, and that sort of thing. Supportive housing can and should be many different things, depending upon the location and the persons needing the support.

And I extend an invitation to all of you to visit Mary Lee. It is right here close. You can come. And if we could be of assistance, please call us. Thank you.

MR. CONINE: Okay. Any questions of the witness?

(No response.)

MR. CONINE: Thank you very much. Last but not least, John Henneberger.

MR. Henneberger: See, I will let the ladies go first this time. I am John Henneberger, Texas Low Income Housing Information Service. We

support the staff recommendation. We think is a great combination of programs.

It is a historic situation, because this is such a large leap forward in the amount of funding that the State is making available for these programs. And these programs are very effectively targeted at those with the greatest housing needs. And we congratulate you and thank the staff for their good work. Thank you.

MR. CONINE: Thank you. Okay. I guess we need to approve the plan.

Dr. Muñoz.

MR. MUÑOZ: How will this be advertised? How will people discover these kinds of programs, number one, particularly this program and the program affecting low-income veterans?

MS. BOSTON: That is a great question. With each of these, at this point, as you are approving it, you are just approving the general policy concept. Now we are asking for permission at the item to not necessarily bring the NOFAs back to you, as long as we are sticking with the policy guidance you have given.

But in all cases, when we do release the NOFAs, we will publish them in the *Texas Register* and on our website, put them on our listservs. And for instance, for the veteran line, we will get in touch with the other advocacy and consumer groups who serve veterans, and make sure they know about it.

Similarly, with disabilities, we would share that with our

disability advisory workgroup, the DD Council, Advocacy. So we will make sure that the targeted consumer groups who would access the funds know about them.

MR. MUÑOZ: Okay. So they would make, recommend almost a marketing planner. A network of outlets.

MS. BOSTON: I don't think I have a marketing budget. That would be awesome.

MR. MUÑOZ: No. I just don't know too many low income veterans who are surfing the net, even for the NOFA.

MS. BOSTON: Oh, well, and that is a really good distinction. I am glad you said that. In pretty much every one of these cases, the direct recipient of the money is a non-profit entity or a for profit in some cases, but an entity who serves consumers of a certain group.

So for instance, a non-profit who helps veterans with disabilities would get one of our Listservs announcements, and they apply and get the money. And then they help their clients. And so that would be happening kind of on each of these cases. That is how we would get the money out.

MR. MUÑOZ: Okay. Here is my second question. I am not sure if this is possible now, but there would be direct Executive Directors stance, to look at this issue of extreme, very extremely low income. You know, there shouldn't be a category like that. But there is. Maybe something could be done to assist these particular populations that live on an unlivable \$500 to \$1,000 a month.

MS. BOSTON: Sure.

MR. GERBER: Well, with supportive housing, I mean, that certainly is the intent. We are trying. And I think you see that, and others in the room have talked about supportive service housing and why the Legislature felt the need to create this service-enriched housing council.

We are going to be really addressing, how do you hit those with effective, hit those populations with dollars effectively to provide what they need in a sustainable way. And I think that is going to be the goal of this NOFA.

MR. MUÑOZ: I want to underscore that point.

MS. BOSTON: Yes, definitely. And I think because -- and that ties in really neatly with the fact that I have kind of asked us to step back and let's just earmark the dollars and that it is for rental unique housing needs, and not pinpoint exactly how that is going to look yet.

And as we go through the next year working with the different advocacy communities, including the Mary Lee Foundation, you know, we will really try and talk through how we can use this money to best advantage, to hit maybe some groups that we haven't.

MR. GERBER: I think it is also important to remember what Dr. Muñoz said. You know, as a finance agency, we are often part of the very complex finance puzzle. And the Mary Lee Foundation, just by way of that example, I am confident, has lots of different funding streams which if they choose to apply for some of these dollars, will be a piece of that finance puzzle, with an array of services, that are arranged, based on the financing that they get.

We are working with similar non-profits who have demonstrable capacity, and will tell us how many people they intend to serve over a period of time with our piece, with that piece of the puzzle. But it tends to be, we tend to be a small part of a much bigger picture, which is great. We often receive money, if we are allowed new initiatives and programs, and hopefully expand capacity in the process.

MR. CONINE: Okay. Any other comments or questions?

MS. RAY: I have one comment.

MR. CONINE: Yes, Ms. Ray.

MS. RAY: We haven't voted on this yet, though. The motion hasn't been through.

MR. CONINE: Okay.

MR. GERBER: And I also would just add to the marketing piece of this, is that we certainly, you know, certainly the non-profits and the others that we generally partner with to get many of these dollars out, there are certainly a -- there is problem networks that are there. Particularly, we are always looking for ways to really hit those underserved folks and people who don't have access.

And that tends to be tougher, especially in rural communities where we know there is a lot of need. And especially in our border communities. And we are always looking for different ways to effectively outreach to them, and that oftentimes means working with local governments, Councils of Governments, other groups that might have access to other agencies, that might have access into those populations who may not have

considered it, but once they become aware of these program dollars, might want to apply.

MR. CONINE: Okay. I will entertain a motion.

MS. RAY: Mr. Chairman.

MR. CONINE: Ms. Ray?

MS. RAY: I move staff's recommendation to approve the plan with the adjustments as articulated by Ms. Boston.

MR. CONINE: Okay. Do I hear a second?

MS. BINGHAM ESCAREÑO: Second.

MR. CONINE: Second by Ms. Bingham.

MS. RAY: Mr. Chairman, I would like to speak.

MR. CONINE: Ms. Ray.

MS. RAY: I want to take this opportunity to thank the disability community. I have seen us grow exponentially.

Ms. Wills, where are you? I haven't seen you in a while. It is so good to see you.

Thank you all, John Henneberger, Mary Lee Foundation, for forcing us to hear for the needs of this community. When I first came on this Board, we sometimes had almost open warfare.

I also want to commend the staff for working to pull together the disability advisory workgroup, so that we are hearing both sides, both public, and private, but most importantly, for us to hear what the citizens in this group are saying to us. Thank you for making us hear.

Thank you for helping us to build a program that serves some

of the least heard of the citizens of Texas. And I am very grateful. Thank you very much.

MR. CONINE: Any further comments, questions?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries.

Moving on, back to Item 5(b), the exchange policy.

MR. GOURIS: There is a rumble in the crowd, I think.

MR. CONINE: They have been fed.

MR. GOURIS: Raw meat, anyone?

MR. CONINE: Why do you think I took a lunch break beforehand?

MR. GOURIS: Thank you, sir.

MR. CONINE: Otherwise, you would be the lunch.

MR. GOURIS: That is right. Tom Gouris, Deputy Executive Director for Housing Programs. Today before you is the Tax Credit Exchange Program policy proposal. The Tax Credit Exchange Program is the last of the continuum of tools that we have been trying to develop for the development community for properties that have tax credit allocations, and deals that are ready to move forward as provided in the American Recovery and

Reinvestment Act.

The first series of tools was part of the TCAP or Tax Credit Assistance Program. And it had three pieces that you approved in May; the equity bridge, which is a repayable loan to the partnership, that can be repaid out of subsequent investor contributions with the intent to enhance the yield and the price.

The debt replacement initiative, which is an attempt to exchange some of the existing debt for a repayable loan from TCAP in order to also make a stronger investment transaction for the syndicator investor. And then finally, the credit replacement initiative, which is a forgivable loan to replace some of the unsellable credits in a transaction.

That program, the first round of that closed, as you recall. We extended them until last Friday.

We received 57 applications, that we are still working through. But we feel pretty good about 57, because we think that that is almost half of the pool that was potentially able to take advantage of that program from '07 and '08.

The exchange program is similar to the TCAP credit replacement program except that this -- except for the fact that this is, as proposed, is proposed to replace 100 percent of the credit in exchange for cash, a cash award, which is intended to fill the gap of funds needed. Some of the highlights of the program are that it will be available for 2007-2008 9 percent developments which have not previously returned their allocation. And they will be able to return their credit allocation. They have a priority in

receiving exchange funds.

The 2009 9 percent transactions will also be able to participate and compete for approximately \$180 million in exchange funds through additional preferences given to developments at risk of losing their federal funding and developments in rural areas. We adjusted those from the typical 15 percent for at-risk to 20 percent at-risk and typical 20 percent of the funds go to rural and that will be 30 percent for the exchange funds.

Exchange funds will be written like in a grant-like fashion with limited partnership interests for the Department that will help the Department ensure compliance and proper asset oversight, as well as provide some residual income potentially down the road, if it is available. If you will recall, the exchange program is a two-step process. We get the return credits back to us. We return them to the Treasury for 85 cents, and then we have this cash that we can then exchange, or not exchange but then reallocate to eligible applicants.

We are proposing that the price at which we provide funds back to applicants be the lesser of three things. The gap of need that they have there, because we are also not wanting to write more than is necessary.

The limit that federal guidance provides for base and eligible basis, which currently suggests that it is 85 percent of eligible basis, including 130 percent boost if they are eligible, and it is a 30 percent boost. Or a cap price which we instead of floor -- we are proposing instead of a floor of 75 cents for the price of what they -- based on the number of credits they would have received, had originally totally received, times 75 cents would be the

third limit.

We also provided a mechanism in the plan to try to achieve, based on the comments we received last time, a deeper rent targeting for some additional 30 percent units by increasing the price, by increasing the price for deals that increase the number of 30 percent units. And the mechanism there is equates approximately, it is a 10 percent increase in the total number of 30 percent units that are there, you get a 5 percent increase in the price. So we did it in two different levels so that we didn't have the sliding exact perfect sliding scale. We just did two options.

If you do 10 percent more 30 percent units, you would get 79 cents. And if you did 20 percent more, you would get 83 cents. That is your cap price. You still have to look at the other limits to see if that what you would actually be able to achieve.

There is also another sweetener that we put on that, and that is, we are looking to create a residual for the Department of 20 percent of any cash flows that are residual on a sale to be returned to the Department in some form of the trust fund or other. If you are willing to do the extra 30 percent units at the 10 percent level, that residual, TDHCA participation in that would drop to 15 percent instead of 20 percent.

And if you did 20 percent of 30 percent units, the residual would drop to 10 percent so 90 percent would stay with -- through them. Two minor typos that I know Mr. Conine loves to have me share with everyone is --

MR. CONINE: You made a mistake?

MR. GOURIS: Yes, sir. Now, I am just doing it just on

purpose, just to get some time. On page 2 of the write-up, it says, in the incentives, it says 78 cents. It should be 79 cents in the middle there.

Throughout the rest of the report, the rest of the documents, it says 79 cents. It was late that night, when we finished that. And on page 3 of the supplement, at the bottom of the page, there is a reference to when construction must begin. And it references January 31, 2009.

And while we would have all had hoped that construction would be begun for these transactions by then, we know that it has passed. And so we meant to say 2010.

MR. CONINE: You are forgiven on those two.

MR. GOURIS: Thank you, sir. Let me talk a little bit about time lines.

MR. CONINE: Yes.

MR. GOURIS: There is one critical time line is that what we are proposing is that by August 7, all 2007, 2008, and 2009 awardees of actual tax credits that wish to exchange submit to us notice of intent to exchange. And that notice is part of the documentation that we have in this packet.

That by August 31, we would have evaluated those requests to exchange and make a determination on who we think can still exchange and post that log to the Board. And then by the September 3 meeting, we would bring back that list, and request from you all, the authority to exchange with Treasury, and move that process forward, and go ahead and reallocate, once we get that exchange approved by Treasury.

Our expectation is that by October 15, we would have final

exchange awards presented to you all, and immediately thereafter have contracts out for folks for the exchange dollars. Try to close within 60 days and start construction by the end of January, if not sooner. All of the funds need to be disbursed by the end of 2010, as it stands right now.

And so we would be structuring transactions with construction lenders if possible, that would allow for participation sort of a draw process that would allow our funds to be drawn earlier or faster than the construction lender, so that we could get them all drawn by the end of next year. I think that pretty much is an overview. If you have additional questions --

MR. CONINE: We have a plethora of witness affirmation forms.

MR. GOURIS: Surprise.

MR. CONINE: We will start off just like we did the last one. Belinda Carlton.

(Pause.)

MR. CONINE: No, I don't want to hear him first. Come on. Do you want to come first, John? She wants you to come first for some reason.

(Pause.)

MR. HENNEBERGER: I am John Henneberger with the Texas Low Income Housing Information Service. And I am here today to speak in favor of the staff recommendation regarding the exchange program, and its relationship to providing incentives to developers, not mandates, in order to create additional units at 30 percent and below median family income.

This is, in our opinion, this is a very creative and manageable way to accomplish this very important goal. I spoke to the Board last, a couple of weeks ago about the importance of doing this. I think that this is a -- I think that staff has come up with a really good way to do this.

First of all, it is optional. The developer, if the developer doesn't want to participate, the developer doesn't have to participate. It is simply optional. If they decide to go in, they get a little more money in the deal. It is an incentive. It is not a mandate.

So you know, I think that works out best for everybody, that we don't impose mandates on people. It is cost efficient. If all of the developers who have deals that have come back in want to go for 20 percent units at 30 percent of median family income, it will cost the program 10 percent of the exchange amount of money. That is a very small amount of money for the single largest contribution of housing units for the poorest Texans that we have ever been able to achieve by far.

It is simple. It requires no new scoring on the staff's part. It doesn't pit one developer's application against another developer's application. Again, it is only optional. They come in, they want to do it. If it doesn't work for them, don't do it. Don't ask for the extra money.

And finally, it is the right thing to do. And I gave you a page that I copied out of the State Low Income Housing Plan that the Department prepares and submits every year. And I just wanted to point out one more time, Ms. Ray has been very gracious about the advocates' role.

But the real thanks goes to you all, because this Board really

has made a very conscious and recognized demonstration to try to deal with these unmet housing challenges at the bottom end of the income scale. But I want to give you a little reinforcement for that. And this is, as I said, a page out of your Low Income Housing Plan.

If you look at the first column down the page, at the top is the households which are defined by HUD as having a housing need. And that is a household that pays more than 30 percent of their income for rent, or has inadequate kitchen facilities, or inadequate plumbing. Those are the three national indicators of housing need.

And what this illustrates is how many households in Texas fall in each income level of need. So the zero to 30 category, there are 418,000-plus households earning 30 percent or less of MFI that have a housing need. And as you go up the ladder, you will see that the numbers begin to fall off, and fall off considerably.

Now the tax credit program traditionally hits 50 to 60 percent of median family income. We have this huge overwhelming need at the bottom. That is what we are trying to do. This is a one-time opportunity. You only have this flexibility this one time, that you could put some serious number of units for these folks on the ground.

Staff has come up with a great suggestion on how to do it. It doesn't penalize anybody, it simply provides incentives. Thank you very much.

MR. CONINE: Thank you.

Any questions of John?

(No response.)

MR. CONINE: Belinda? After Belinda, we have got Sarah Mills again.

MS. CARLTON: Belinda Carlton, Texas Council for Developmental Disabilities. I just want to say that we certainly firmly support this proposal by the staff, and see it as just a historic opportunity to provide some units out there for those folks on that chart provided to you by Mary Lee, those at the zero to 30 percent income.

I mean, these departments that have been at that range before are units that are sometimes what we call in the better end, they are apartment units usually we are going to find where there is going to be greater access to goods, services and public transportation. Just the thing that people, a great number of people with disabilities need is that access to transportation and easier access to goods and services.

So we think this is a great proposal. It not only balances the needs of developers, it balances those needs with those of those in the most critical need. Sorry I am stuttering. I was at the beach with my grandson all weekend, so I still haven't recovered.

MR. CONINE: It is also cold in here, too.

MS. CARLTON: That is all. Thank you.

MR. CONINE: Okay. Thank you. Any questions of Belinda?

(No response.)

MR. CONINE: Sarah? Jeff Crozier will be next.

MS. MILLS: Hi. Sarah Mills with Advocacy Incorporated. I am

also here as the Chairperson for the Disability Policy Consortium. And we do have an issue brief of building more affordable, accessible and integrated housing. And that is exactly what this option that your staff is recommending does. We can't say how more excited we are, because it is possible.

People with disabilities typically are an underserved population that don't have the opportunity to live in these types of properties, because they do sort of, like John said, hover around the 50 to 60 percent. For somebody to become integrated in their community, to be independent living, to gain employment, you have to have access to transportation and your services. And that keeps people out of institutions, too. So we are very much in favor of what staff is recommending today. Thank you.

MR. CONINE: Great. Thank you very much. Jeff Crozier. Sarah Andre will be after him.

MR. CROZIER: And then there is rural Texas. Jeff Crozier, Executive Director of the Rural Rental Housing Association. I agree; the plan certainly has a lot of merit to it, and we appreciate the staff's effort in putting this together. And I appreciate John and everybody else's comments.

But you know, yes. The option, you have the option of setting aside some more of your units at the 30 percent level or whatever level you want to choose. And that may work fine in urban Texas, but in rural Texas, that is just not an option. So it is not optional for our rural Texans, it is a mandate.

If you remember, we were turning away people, and our managers are turning away people that make minimum wage, as it is. If you

have a couple that makes minimum wage, they make too much money to live in affordable housing in rural Texas. So my saying that we need to get -- it is hard to put a deal together in the rural areas.

And if we need to exchange dollars at 78, 81 cents, whatever. Whatever it falls below the limit that the federal government is willing to give to us, I sure would hate to be that limited, because we are not able to do those lower units. Most everybody in rural Texas is as low as it comes.

And we certainly, whatever our markets bear, we try to get as many people into our units. But like I said, when you start putting rules and time streams and doing that kind of thing, what may be optional to other parts of the world becomes a mandate to us.

So I would like you to at least reconsider the concept of either opting out rural altogether or, you know, just give us some kind of leeway to where we can, if we want to have an option of some kind, make it where the rural folks can have an option to them, instead of being left out of the mix.

That is all I have.

MR. CONINE: Well, I don't understand. What do you mean, you don't have an option? Mr. Henneberger articulated the fact that the 30 percent program is an option.

MR. CROZIER: Well, but if our guys can't -- if we can't set aside any additional units at the 30 percent level, then all we are stuck at -- we get the 75 cents credit exchange price, and that is all we ever get. We don't have -- there is no way we can even do this to try to get the 79 cents or 83 cents or something like that. So that is why I say, we don't have the

option.

MR. CONINE: Okay. Any other questions of Mr. Crozier?

(No response.)

MR. CROZIER: Thank you.

MR. CONINE: Thank you. Sarah Andre. After her, I have got Michael Hartman. And Sarah has got some time donated to her.

MS. ANDRE: Good afternoon. My name is Sarah Andre. Don't worry; there is no grammar lesson prepared for today. I just wanted to talk to you all about common sense.

(Simultaneous discussion.)

MS. ANDRE: I know for some, grammar is easier. '07 and '08 deals were underwritten and approved with a rent and a unit mix that was feasible for that individual deal. Then last winter, the economic crisis reduced our equity bids. That created really large gaps. It put our projects in limbo.

And since then, things have only gotten worse. You know, back in March or April, I think a few notable members of our community predicted interest rates at 10 percent. And just a couple of days ago, a very prominent Texas developer, someone with a national presence reported that he was quoted a perm rate of 9.8 percent.

For this gap financing that we have got before us today is there not just to help out with reduced equity prices, but it has also got to help with our interest rates situation. And now the proposal that we have before us today, it is asking us to change our rent schedules, to reduce our ability to cover operating costs, reduce our ability to cover debt service, and it makes

projects even less attractive to lenders.

And you know, I really do, I applaud the spirit that wants to get more very low income units out there. I think that is incredibly important. But let's do that up-front. Let's not do it after the fact. Calling it optional and an incentive, is really just a denial of the reality of how hard it is to finance deals right now.

The development community is not here complaining. They are not just whining over evaporating fees. They are here, and we are here reporting to you the very real facts of how difficult it is to do a deal, and how the proposal that is before you today is threatening our ability to put housing on the ground at all, as well as all the jobs that go along with the production of that housing.

Our national leaders set the exchange rate at 85 cents because '07 and '08 deals need an exchange rate in that range in order to work. Our Texas staff today even said, you know, the exchange is here to fill the gap. And changing the Texas program away from that 85 cents is only going to delay deals. It is going to ultimately kill deals, and it is going to cost Texas and our citizens housing and jobs. That is it.

MR. CONINE: Okay. Thank you very much. Michael Hartman. Bobby Bowling is after Michael.

MR. HARTMAN: Mr. Chairman, I think I have some donated time also.

MR. CONINE: I will find it. Go ahead.

MR. HARTMAN: Okay. Good afternoon. My name is Michael

Hartman with Roundstone Development out of Dallas. Mr. Chairman, members of the Board, Mr. Gerber. Nice to talk to you again.

I applaud the staff. You have got a lot of things in this program that we like. We think that it just needs some tweaking to work a little better.

The first thing I want to talk about was credit price ceiling. And I wanted to talk about how things have changed even since February. Back when I first looked at this program, I thought that 75 cents would be a good number for us to be able to do these deals. However, since then, as we have worked through the program, we have seen where it is going.

There are three significant things that have changed, and have changed the amount that we need to make these deals work. When we did all of our deals, even in February, we underwrote them at a 1.15 debt service coverage. Now we are going to underwrite them at a 1.25 debt service coverage.

And let me begin by saying, all these changes are prudent, and we approve of them, because the deals need to be financially secure, because TDHCA is going to be the limited partner. So we agree with that. But as we change from a 1.15 to a 1.25.

The second thing that has happened as other people have said, interest rates have gone up. Even in February, we were using probably 7-1/2 percent. So even if we just go to 8 percent, we have got a further erosion of permanent loan proceeds.

The third thing that has changed since February is that most of the deals were submitted with a three-month operations and debt-service

reserve. Now we are going to go to a twelve-month reserve, which again is prudent, because it gives the deal more financial security.

So what happens is, in February, we started out with cost here, and our permanent loan here. Costs have gone up prudently, because we have a bigger reserve. Debt has gone down again, prudently, because we are making the deal more financially secure. So that gap has widened.

And when I take the numbers from an actual submission from 2009 and I run them with these changes, the number that I am coming up to would be 79 cents needed. And for the additional 10 percent ELI, I come up to a number of 81. And for the additional 20 percent, 83 seems to be okay.

The second thing I wanted to talk about was the priority for awarding exchange funds, specifically the urban. When I look at the list today that you have under Item Number 9, we are talking about awarding \$14,107,000 of credits to rural deals. When you take that times ten years, times 79 cents, that means those rural deals need \$111,448,000 worth of exchange money to make those deals work.

I would like to repeat something that I have said previously. There is no market anywhere that I have been able to find for equity for rural deals. It is not. So if we stay at 30 percent, what I am afraid is going to happen is that over half of the deals you approve today in rural Texas will never be built.

That is why we would recommend that the set-aside for rural, instead of being at 30 percent, be set at 65 percent. When you look at the chart, out of the 163 million, it would take that much to fund the rural deals that

are on the approved list right now.

The third thing I wanted to talk about was, the funding of draws. I just wanted to clarify that because there is no tracing rule, and the word "eligible" is not capitalized, that we are talking to the extent feasible that we are going to fund all costs first out of exchange dollars to make sure that they are all used by 12/31/2010.

The other thing that I wanted to talk

about was the fact that it mentions a maximum of three draws. And when you look at the numbers, it will probably take six or seven draws on a monthly basis to draw down all the exchange dollars.

If we are limited to three draws, we would have to go out and get an unnecessarily high construction loan to bridge between the draws. And that would result in increased interest costs to the deals. And it would result in an increased loan origination costs of deals, thereby driving the cost up, which means the gap that needs to be funded by exchange for a deal would get even bigger.

I wanted to make one more point, if I could real quick. If we do fund all of the exchange money up front, I think you could probably be a little more lenient on the 2009 deals in terms of when they have to be permit ready, and when they have to close. If in fact, you were doing that. Most of the rural deals can be built completely in seven months.

And even on the urban deals, if you are funding up front, they can be funded completely under the exchange money in about six to seven months. So I would recommend that for the 2009 deals, that they would have to have final building permits by February 15, close by February 26 and be

under construction by March 10. Thank you.

MR. CONINE: Any questions of the witness?

MR. MUÑOZ: If you look at the bottom of page 1 of the supplemental, under 2B, it says at the end of 2B, with a maximum of three draws.

MR. HARTMAN: Okay. All right. No problem. That answers one of my questions. Fair enough.

MR. CONINE: Bobby. After Bobby is Granger McDonald.

MR. BOWLING: Mr. Chairman, I have another affirmation form from Dimitri Jiminez to give me the max.

MR. CONINE: Okay. You get five minutes.

MR. BOWLING: Okay. First off, I would like to address the notion that this is an optional program for us as developers. And I would maybe agree with that, if we didn't have underwriting criterion and rules. We have got a situation like in my application.

You know, when we submitted the application, just to give you some perspective, in 2007, we closed a deal for 98 cents. And in the fall of 2007, when we were preparing our 2008 application, we were in the midst of closing another deal for 98 cents.

So when we were putting in letters at the time for our 2008 application, we made some assumptions, and we thought 85, 88 cents which is what we put in our application, 88 cents was a pretty reasonable and conservative number. Now that the market, and I closed a rural deal last month, or last week, at 67 cents, and the pay-in is terrible. I mean, it is 25

percent during construction and 75 percent when it is converted; when it is breakeven.

So the fact of the matter is, it is not optional for my 2008 deal to take less than about 78, 79 cents, like what Michael was saying. The flip side of that is, I can't make it operate, and I can't make it debt service by adding more 30 percent units to it.

To give you the perspective of that, the 30 percent rent on a two-bedroom in El Paso, Texas, after utility allowance, is \$203 a month. So I can't really pay for anything. Operating expenses. It barely covers the property taxes at that. So you know, adding the 30 percent units, while in some communities where there is a \$60,000 median family income, it might work.

But I can tell you, along the border and probably in the rural areas, like Jeff was saying, with Mr. Crozier, when you have an area median family income in El Paso of around 38, and some places like Brownsville, I think, are even less than that. You have some places of less than \$35,000 of area median family income. We can't add those 30 percent units and do a feasible deal.

So and I was thinking about this, when we got this is the last couple of days. Really, this is a policy matter. I would suggest an alternative solution to you. The QAP in the selection criteria, in Item Number 3, the state-mandated list of what has to be in the QAP talks about goals reaching income levels and rents for tenants. And it is a different breakdown than just tacking on 30 percent units.

Like for example, the two items that you can reach the maximum points on in our QAP, even the present one is 80 percent of 50 percent units, and 20 percent of 60 percent units. Or you can do a breakdown of 40 percent fifties, 60 percent sixties, and at least 5 percent of those fifties have to be thirties. So that is how you get the maximum points in scoring. And now we are like, throwing all of that out, and just focusing on the thirties.

In 2008, in El Paso, in the urban El Paso region, there were four applications. There was only money for one deal. And the deal that got awarded was my deal. It was called Tres Palmas. It scored the highest. I submitted two applications. I also had the lowest scoring project in that cycle.

And what I did is, I put one in, where I went for the maximum points in the QAP. I tried to get the lowest rent and the lowest incomes, and I scored the highest.

On my other one, I didn't go after that. I tried to put a really healthy deal together that at a low syndication price would get full developer fee and a nice debt service coverage ratio and I didn't get that one awarded in the regular cycle. But then it got forward committed. The funny thing is, the lowest scoring project in the region for El Paso, I can do this. I can do this, more 30 percents, and get the maximum amount of dollars.

So I think maybe that was an unintended consequence of this. I mean, it is really penalizing the highest scoring deals that got awarded under the QAP criterion. So I would suggest that if you are going to put something out there, whereas you give an incentive for reaching the lower rents, or the

different income levels, it ought to be in accordance with the QAP.

For those of us that got the maximum points for rent and income levels, we ought to be able to get the maximum dollars for the exchange program. So that is the main proposal that I have.

And the other thing I wanted to just touch on, was like Jeff Crozier talked about, with minimum wage. Minimum wage, if you factor it out at about \$7 an hour, or 40 hours a week, that comes to about 15- or \$16,000 a year. If you are 30 percent or below, in a border region, or in most rural areas, you make too much to qualify for a 30 percent unit.

One income earner making minimum wage can't get into a 30 percent AMFI unit in El Paso, Texas, because they make too much money. Now, I don't want to get into statistics, but sometimes there is an assumption that that means 30 percent of your city who is below 30 percent AMFI, but that is not how that works. I mean it is just, AMFI is the median and half are below it, and half are above it.

And if you have a situation with working class people like El Paso, I think most of those people are right below the AMFI. And so you have a lot of 50 and 60s that we can help, that we are not really going to help by sending them off as 30s. So that is my testimony. If there is any questions, I would --

MR. CONINE: Any questions of the witness?

(No response.)

MR. BOWLING: Thank you.

MR. CONINE: Thank you. Granger. Mike Sugrue is next.

MR. McDONALD: Good afternoon.

MR. CONINE: Good afternoon.

MR. McDONALD: I think you are hearing an overriding tone, that in the rural areas, it is exceptionally hard to make these deals work with an additional set-aside. It is primarily because we start off with lower rents, and we still have the same high expenses.

And I would offer a compromise, that if you already have deep targeting, a deep skew into 30 percent, for example, if you took 10 percent at 30 already, that you get to step up to the 79 cent-mark. And if you want to take an additional 10 percent at 30, you get to go to the 83-cent mark. And the reason why, you have got people that already took those, who went into the very low income, and they can't take another bump down.

The testimony you heard earlier about the permanent loan. We just had a 9.52 percent forward commitment that was quoted to us. If you put a 952 on a rural deal that has already got 10 percent at 30, because that is why you did it, for scoring, and then you try to go to another 10 percent at 30 or a 20 percent at 30, the numbers won't pencil out.

MR. CONINE: Yes. But you don't have to go 952. You only have to go eight.

MR. McDONALD: If you are going to get a forward commitment, it is going to cost you 952, sir. That is the way it is going.

MR. CONINE: That is not what we are requiring.

MR. McDONALD: I understand. But if your bank, if you go to the bank to get a loan, you are going to have to get a permanent. And when

you go get that forward commitment with permanent, today's rate is 952.

And when I say this, I am kind of cutting my own throat, because two lines down from that, it speaks of the excess funds generated by this will be allowed to go back to the 4 percent and 9 percent developments as return credits.

And you have heard me up here advocating the fact, that being one of the people that returned credits, I feel like we should have some sort of shot back at this money. So I know I am reducing my own pot by saying that, and shooting at myself. But that is how seriously I believe that this is something that has to need to be addressed.

I would also like to see a little more definition about what can be done for the people who did do the right thing, and did step up and send their credits back, before there was a stimulus package.

MR. CONINE: Did we just hear Mr. Bowling testify that he closed a rural deal at 66 cents? Isn't that what I heard him say? I think he said 66. That is below 70, and we are offering 75 at least, for the blanket. How do you reconcile that?

MR. McDONALD: I can reconcile, looking at numbers on my deals, and what you have to have, to have them. And I am looking at somewhere around 78 to 79 cents. And that still defers about 65 percent of the developer fee.

MR. CONINE: Okay. Any other questions?

(No response.)

MR. CONINE: Mike Sugrue. R.J. Collins, after Mike.

MR. SUGRUE: Good afternoon, Mr. Chairman, Board members. Mr. Gerber. I am Mike Sugrue, Solutions Plus. I would like to be the first one to say, I will take your 8 percent loan. Granger is exactly right. I get the rates every day. Today's rate is 9.62 for an unfunded forward commitment of Fannie Mae.

There are some non-Fannie, -Freddie lenders that will give you somewhere in the low nines, the lower nines. But that is probably the best debt we are going to find. I tend to agree and I heard what Bobby said. And I don't know all the particulars of his deal. I don't know how it works.

But I tend to agree, especially in rural Texas. And as we are talking about these things, how these work, the incentive is a good idea. We would love to serve as many lower income tenants as we can. That is not an issue there. We would love to serve those people.

But we have known for years and years, without some type of RA, it is almost impossible. When you are getting a max of \$250 per month rent, and your operating expenses are a minimum of \$300, it doesn't take a rocket scientist to figure out each one of those is losing money every month, that is coming out of what cash flow may be available.

Granger's point about the '08s at 10 percent in them already, if someone were coming to this program and not have any 30s, they would have to do 10 percent, and they would get a bump in the deal. So those that already have some, you know, should be able to play at that.

I tend to think that looking back at the deals, and I reran the numbers on the Dowbert [phonetic] deal and 78 cents is the appropriate

number. We would need 79 to service. It works, and still defers a bunch of fee. However, we would like to do what we can.

And I too, am where he is. And I wish I could do it at 75 cents, because I would like to see some more money left over for the remainder of Chandler. But that being said, I think that we have a workable program. We have a compromise that we can work out that makes everyone happy. And we would like to see it. But we do move forward. Thank you for letting me testify.

MR. CONINE: Thank you. R.J.? Pat Barbolla is next.

MR. COLLINS: Mr. Chairman, members of the Board and staff. I won't take up a lot of your time, because you have heard the same thing that I have on my list here, with the exception of one case where, and this was personal to our business and what we are doing.

I am looking at an '07 rule. I am looking at an '08 rule. And I have got one '09 rule, I am looking at. If you cap the minimum at 75 cent, none of those three work. At 78 and 79 cents, they do work. So I would ask that you consider moving the cap up.

I like the incentive. If we are going to work ours, and if we can put more 30 percents in, we are going to try. But the floor needs to be around 78 to 79 cents. Thank you very much.

MR. CONINE: Thank you. Terri Anderson. Oh, excuse me. Terri is next after Pat.

MR. BARBOLLA: Patrick Barbolla, Fountainhead Companies, Fort Worth, Texas. Mr. Chairman, and members of the Board, I appreciate

this opportunity to spend about two minutes to talk about the exchange program and how it will impact the rural at-risk set-aside for tax credits. The exchange program will be very good.

Later on this afternoon, you are going to be asked to approve, by staff, twelve USDA at-risk properties. Unfortunately, without a difference, or making a little tweak to the exchange program, eleven of the twelve probably will never be built. Now you ask, how can this possibly be?

Well, the rural properties frequently rely on the HOME funds. Later on this afternoon, you will see a list of HOME properties, and one rural at-risk property will be funded. Now how can you -- what can we do? We are at this deadline.

Staff tells us, unless you get HOME funds, even though you get exchange and credits, you are not going to be deemed feasible, and you are going to lose your deal within two or three weeks. What you can do is this; under the exchange program, allow us to exchange our tax credits for the deals that are approved later on today. And for properties that have received the financing from USDA 515 program that are at-risk properties, allow us to exchange them at 83 cents at the option of the developer, if the developer will do two things.

One, first you would allow us to use the exchange money to replace the so called non-existent HOME funds that you don't have to give us yet. But we would be willing to turn around, or the developer, and say, I would put 100 percent of my units at 50 percent or below local area median income, you know, excluding one unit.

Now I know there has been talk earlier about John Henneberger and what he said today, and last week. But going back to his transcript, John did make a distinction that the rural 50 percent units would be the equivalent of the urban 30 percent units. Look on page 69 of the transcript, and I will read.

He said, I would like to see us be able to achieve 15 to 20 percent of units in urban areas, affordable at 30 percent of median family income. And within rural areas, to achieve a similar percentage of units affordable at 50 percent or 45 percent of median family income.

So basically, what you have been hearing about, to me, an urban 30 percent unit is the same as a rural 50 percent. Now this is a little tweak in the policy, in the normal policy of the Agency, by allowing us to substitute exchange funds at either 83 or 85 percent, and take the place of the HOME funds, which we haven't received yet. We may or may not.

But I would like to -- if you have any questions, I will be answering. I heard the time go off, so I am out of time. But thank you very much for your attention.

MR. CONINE: Any questions for the witness?

(No response.)

MR. CONINE: Thank you. Min Pak is next, after Terri.

MR. PAK: No. My time is for Terri.

MR. CONINE: Oh, it is going to Terri. Terri has got five minutes.

MS. ANDERSON: Thank you, sir. Good afternoon to the

Board. I am Terri Anderson with Anderson Capital. I appreciate the opportunity to come before you all today, and actually discuss the exchange program. And I do thank staff for trying to put together a program to hopefully get our entire state moving, at least from the affordable housing perspective.

Again, while I am grateful, I also need to be very realistic about where we stand. For 2007 transactions, there has been a distinct difference in a couple of underwriting criteria that have changed the development of transactions in '08 as well as '09. '07 transactions did not have the benefit of the 9 percent applicable fraction. They were underwritten at a smaller number.

In addition to that, there was a deal limit which obviously was raised, not in 2008, but in 2009. That would allow 2009 applications the benefit of not only a 9 percent applicable fraction but also having a maximum of \$2 million in tax credits that are going to each development. To the extent that you have those two numbers, what it translates into is more tax credit dollars per development for the same number of units.

Therefore, a 75-cent ceiling for, certainly, '09 transactions is probably very feasible. 2007 transactions on the other hand did not have the benefit on the front end of structuring a development using a higher applicable fraction, which gives you more tax credits. And then 2007, as well as 2008 transactions did not have the benefit of requesting more than \$1.2 million.

So when both of those year transactions were awarded, they put together a transaction that made sense according to the world as we know it. We have heard discussions already about interest rates, where interest

rates are at 9-1/2 percent. Those '07 and '08 transactions were probably underwritten at interest rates south of 7-1/2 percent, because that was the reality at the time.

When you are going in, and also in those '07 and '08 transactions where you have already got at least 10 percent of your units set aside at 30 percent AMI, the reason we desperately need an 85 percent ceiling, obviously to be used on a gap basis to go into those developments is because there are fewer tax credit dollars awarded on those transactions for the same number of units. To further require a reduction in your income with effectively 10 percent of your income, in order to achieve 83 cents on the dollar, as opposed to 85 cents on the dollar, you are doing several things.

You are reducing your loan amount, which clearly reduces the sources for you to achieve maximum proceeds and really get the deals funded. In addition to that 10 percent number, reducing your loan proceeds and your overall sources to complete your development, you are also increasing your expense ratio.

To the extent you exceed your expense ratio, which Mr. Gouris is very adamantly opposed to doing in excess of 65 cents on the dollar, you will develop a property that yes, it may stabilize. However, within the first five years will probably be highly infeasible.

If you go in and reduce the net operating income, your rental income, minus your expenses by 10 percent in order to achieve maximum equity, you will effectively be creating transactions that may in the future falter much easier than other developments that would not. I again, would

respectfully request your consideration to have a different ceiling for 2007 and 2008 transactions that would go up to 85 cents on the dollar, to be determined based on gap as needed, and as approved by Mr. Gouris.

And then in addition to that, on another note, completely respecting Mr. Henneberger and others who are looking for 30 percent AMI rents, I would like to encourage the Board to the extent you all have the ability to do so, take any recaptured funds or any income that is received from this 20 percent or whatever percentage profit, effectively, the Department receives, and how about dedicate it in the Housing Trust Fund and have that go towards future development of 30 percent AMI units. So if we are getting income that is coming in from these exchange proceeds, I do believe we have an extraordinary opportunity to do extremely effective housing.

And when clearly, if you don't have enough sources to get the deal done, it is never going to get done anyway, at any level. But if you are able to get housing put on the ground that is generating future income and that profit is dedicated to the Housing Trust Fund, then those funds could be used in the future on an ongoing basis to serve the lowest income residents, that I know everyone here is interested in achieving.

MR. CONINE: Thanks. Any questions of the witness?

(No response.)

MR. CONINE: Thank you very much.

MS. ANDERSON: Thank you, sir. I appreciate it.

MR. CONINE: Tim Smith? David Koogler will be after Tim.

MR. SMITH: Good afternoon. My name is Tim Smith. I will

just keep it short, because I would be reiterating all of the things that everybody else has said. You know, the equity pricing is very key, especially on some of the '07, '08 deals. A lot of the '09 deals have applied for additional gap financing that are just kind of structuring their deals. I don't know exactly how Mr. Bowling's was structured, but I am sure there was some either rental assistance or other soft money that allowed a 66-cent credit pricing to allow that deal to work.

But nevertheless, the other item is, I know under a federal deadline to get all the funds expended by the end of next year. But for many non-profits, for many other projects, once you exchange, construction and perm lenders are having a little bit of difficulty, because they are wondering who is going to -- you know. There is no syndicator with really deep pockets that they know they can call on if the developer can't step up and meet their guarantees good.

MR. CONINE: They thought the syndicator had deep pockets? Think they'd probably part with the money?

MR. SMITH: They used to. I don't know how it is working now. But anyway, with that, a lot of people are going to have to move to the FHA process to acquire the debt, which is actually perfectly married with the extra for the amortization, other advantages you can get.

But with that, that is a lot of time to try to get deals closed before the end of the year, going through the FHA process. I know one gentleman suggested moving the closing dates back towards the end of February and starting in the beginning of March, would be much more feasible

for trying to close a lot of the FHA transactions that are probably going to be coming on board for this.

MR. CONINE: Okay. Thank you. David. Jeff Spicer is next.

MR. KOOGLER: Good afternoon. My name is David Koogler with Mark Dana Corporation. Chairman and Board members, thanks again for the ability to speak before you. I really just want to be sure that I understand the policy. And I don't know if I can ask a question.

But I want to make sure that the exchange is -- that the Ike credit deals are eligible to participate in the exchange. The previous policy that had been posted spoke specifically to that, and I notice in this policy, there is really no mention of it.

So obviously, if the Ike credits are not eligible for the exchange, then that means the '07, '08 and some of the '09 projects in Regions 5 and 6 won't be eligible to participate. So I don't know if that was intentionally left out.

MR. CONINE: We will make sure he answers the question when we get him back to the microphone.

MR. KOOGLER: All right. Thank you.

MR. CONINE: Jeff?

MR. SPICER: Thank you, Tom. Jeff Spicer with State Street Housing, and I want to reiterate that I think the underwriting has been kind of beaten to death here today; the underwriting interest rates should be about 9-1/2 percent. But what I want to point out to the Board is, in the current policy, as it stands, the '09 structure for exchange is really creating somewhat

of a chaotic situation.

You have said that you will allocate based on the Regional Allocation Formula. That formula leaves only one region out of all the rural regions able to exchange any deal. There is not enough funding in any region but Region 11 to fully fund any deal. So you don't have enough funds to even do one deal in any of the regions. That is problematic.

That leaves chaos among the deals in stating, we don't know which of these deals will be funded. Similarly, in the urban regions, only three regions could fully fund even one deal. We need to change the policy and change what you are doing so that we don't have chaos among these deals. No one of the '09 deals knows that they will be funded.

I think that is problematic. What I would propose, as I had proposed in my letter last month is that funding for Regions 3 and 6 be moved to the rural funding, so that all the deals in the rural funding, the rural set-aside can be funded.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you. That is all of the witness affirmation forms I have on that particular item.

Tom, do you want to, I guess, address some of the comments that you have heard to this point?

MR. GOURIS: Sure. Let's start with the pricing tranches there. The idea -- well, I should have been more clear about this at the beginning. The idea was that the options wouldn't necessarily make

everyone whole per se, compared to where they were when things were originally underwritten.

Obviously, things have changed. A number of transactions in '07 had pricing above the 85-cent range, and that is not where we are today. As of last November, we resized everyone with a new additional amount of credits.

And a comment that was made that folks, Ken and Sue address the applicable percentage issue. All of those transactions, all of the '07s and '08s were allowed to take advantage of the 9 percent applicable percentage. So when we look at those syndication prices from last fall, we did a quick, assuming nothing else has changed kind of evaluation to see if there would be enough gap at what price.

Or enough exchange at different prices to see what would be -- which deals would still survive. So if you looked at all of the -- and of course, not all -- many of the deals, some of these have already closed and they are done. And they are what they are.

So a lot of them are going to show likely wouldn't make it. But they really aren't going to exchange, because they have already closed. But at 75 cents, 29 of the '07 deals would have a deficit beyond what they could support with deferred developer fee. Only 11 of the '08 deals at 75 cents.

And there is a trend there, so at 76 cents, nine of the '08 deals would not be able to make it. At 79 cents, three of the '08 deals wouldn't be able to make it. And the last deal wouldn't be able to make it -- would survive at 85 cents, for an '08 transaction.

There is still a number of '07 deals that if they hadn't closed at 85 cents, they still wouldn't make it at 85 cents, based on what we knew in November, and not knowing whether they closed or not, looking across the board. So there is some likelihood that some transactions won't, at 75 cents, won't be able to survive.

The reality is though, as you mentioned, that is significantly above what the average price is today in the market. And so this is still a much better deal than not doing anything. If we were to adjust that price, I would recommend that we adjust all of the two other options accordingly.

And we can, if we adjust that base price, we can adjust everything else up accordingly. I would still recommend that the max price be 85 cents or less, so that we can ensure that we have enough funds when folks return to actually exchange back, and potentially have additional funds to fulfill certain requirements. The other applicant's request.

The three draws thing, I think we mentioned that was an error. That was an overlay from a prior report. Such needs to come out. We weren't intending to do that. Let's see.

Terri mentioned the 65 percent expense-to-income ratio, that is a concern of ours. That does -- when you have more 30 percent units in a deal, you reduce, you increase the expense-to-income ratio. And especially in rural areas, that will be something that we'll likely, since so many of those deals, especially in '08 were already maxed out at the 65 percent expense-to-income ratio, that is probably something we need to add to the policy to waive outright, if we wanted to include the additional 30 percent units.

But in so doing, we do face that potential downstream effect of having a tighter deal. I think Mr. Koogler asked about the Ike credits and their eligibility. The way we have described that is, that all transactions would be allowed to return '08 awardees will be treated as if they got regular credits, and we will exchange those as regular credits.

This year's awardees of credits will likely be receiving Ike credits, whereas they may have thought they might be getting regular credits, they will be getting Ike credits. We will still exchange what we can exchange this year of the 40 percent of the 9 percent regular allocation in those regions. And all folks in those regions will be eligible to participate in that, up to the amount of funds that we have available in that region.

And so the breakdown that is in your materials is of the '09 allocation. Anything that returned from '09 would be in addition to that. So for example, in Region 6, the number there would be significant -- is going to be ultimately significantly higher, because that doesn't include those returned '08 credits, which are now going to be regular credits.

I think that is most of the things that I caught, of the additional things. The 9-1/2 percent interest rate, we talked about underwriting at an 8 percent rate. Not because we think that is what the forward rate is, but because we think that is what an achievable rate two years hence will be, or a year hence.

The question really is, will a construction lender take that same leap of faith with us, and not require a forward commitment. And I think you can hear the thoughts of the crowd that, that is not very likely. I am not really

sure how to further address that, because there is --

MR. CONINE: I wouldn't go 9-1/2 or it would all be unfeasible. I mean, that is kind of the way I see it, because it is unrealistic to underwrite it at 9-1/2. At 85 cents you probably can't even get there. So I just know when lenders run scared like they are running scared right now --

MR. GOURIS: Right.

MR. CONINE: They overcharge for forward commitments. And that is what, we are in the midst of that right now. And there is so many other options available for immediate funding. In the old days, in the '70s and '80s, when construction lenders always asked for forward commitments, there wasn't a constant source of permanent money out there. Today, there is.

There is Fannie and Freddie and FHA, in whatever form they may be in, in 2011. There is Federal Home Loan Bank match funding advances that are available out there. All kinds of more financing available that is competitive.

If you look at the current funding rates on 223F today, which would dovetail into one of these tax credit deals wonderfully, you can still get a 6 percent interest rate. So I just think those lenders are running scared, charging 9-1/2 or 10 percent today. It is not fair for low income Texas to be penalized essentially because fewer projects will be built if we underwrote at 9-1/2 percent.

So the Department is willing to take the risk. If you can find a construction lender that is semi-willing to make a 30 percent construction loan and take the risk to go forward and see what happens. The worst thing that

can happen is you keep paying them LIBOR plus 200 for another year or so, until things square away. I just don't see it as a huge risk.

And in the meantime, the Department will be looking to find other responsible sources for permanent financing for this block of units that we are putting on the ground. And we have got a lot of potential resources and a lot of conversations to have between now and then.

MR. GOURIS: Certainly.

MR. CONINE: And that is just to give the development community a semi reason for why we came upon this policy again. It puts more units on the ground that way. Otherwise, we just put a few units on the ground, and that is it.

MR. GOURIS: That is correct. There is that question about timing as well, extending some timing of things. There are a couple of areas of that.

One, I am not sure if it was brought up here, but it was brought up in the break, about the HOME transactions, transactions that have HOME awards associated with them that may not be getting a HOME award today because of the need to allow the Regional Allocation Formula to run its course, runs the RAF. And because there is other potential HOME funds for persons with disabilities, what have you, that could be applied for.

Those folks that relied on the HOME funds as their source of additional funding for points and what have you, would typically be required to submit their commitment for that by the time they get a commitment for tax credits with the intention of being able to allocate both at this meeting. Since

some of those wouldn't be allocated at this meeting, those that had applied, and might still be able to reasonably get credit or HOME funds from us, might be given an opportunity to extend their commitment for tax credits so they could still be eligible for exchange, if that makes sense.

That is one thing that came up during the break. And I don't know if that is something that you all might want to come take on, or add to.

The other was at the back end on the closing for transactions that might be needing more time. And with you all's guidance, I think we would fund in time frames would be pretty firm and pretty hard. But as we got to December and closing, I think we would be looking for on a case-by-case basis.

MR. CONINE: Sure, flexibility.

MR. GOURIS: Find some flexibility there.

MR. CONINE: Let me ask you about, along with the time frame, aren't we asking for an update from the project sponsors, a sources and uses update when they apply for the exchange?

MR. GOURIS: Not when they give -- we hadn't contemplated doing that when they give us the notice. We are just going to do a calculation based on what they think they need, and what we think we are going to get back, so we can just purely see how much exchange people think they need. And it is up to them to make sure that that works for them.

If we agree to take that amount back and exchange that amount, then they would have a period of time, 30 days I believe to get us back. Maybe it is less than 30 days, actually. But they would have this period

of time to get us back sources and uses. And then final commitments within 60 days, so we can get it all rounded out. I can give you the exact timing.

MR. CONINE: Where I was headed with that was, when are you going to be able to see whether or not 75 cents as the base rate is going to work for the majority of these transactions or not. That is what I am getting at.

Because in the older projects cases, they are going to give you a new loan amount, that is going to be reflective of today's rents and today's expenses and today's underwriting. Even though what they submitted might be a tad different than that. And that is going to give you some indication of how much, how many dollars it is going to take to plug the gap, and whether that 75 cent cap is going to work or not work.

MR. GOURIS: Yes. Well, the idea is, we would have between September 3, when we said, here is what we are going to exchange, and October 2, approximately to digest all of that information, and prepare for the October 15 Board meeting.

MR. CONINE: So we are going through the selection of the projects first, just based on --

MR. GOURIS: What they say.

MR. CONINE: The regional allocation and where they fall.

MR. GOURIS: Right.

MR. CONINE: And then we are going to essentially re-underwrite them during the month of September.

MR. GOURIS: Yes. At least their numerical source and uses

and the numbers page. My underwriters in the room aren't really happy with that.

MR. CONINE: Yes. They are pulling -- well, again, I am just thinking out loud, and on the spur of the moment. But if he starts squawking mid-September that none of these deals are working, we are going to have to do something different. And the Board would have the ability to do something different, even though you have got fresh information, we can still do something different at the October meeting, probably, and still meet the deadlines that we are thinking about.

MR. GOURIS: Well, the time line is that we would have exchanged. And so we have taken that risk with -- and people would have returned.

MR. CONINE: Right.

MR. GOURIS: So if we have to provide -- if we exchange based on what we are given --

MR. CONINE: Well, they wouldn't be exchanging unless the alternative was less than, I mean.

MR. GOURIS: Right. But they may exchange. And then it turns out that exchange wasn't such a good deal for them, because we don't have enough funds left, because now we are not going to do 75 cents, but we are going to do 85 cents, or something.

MR. CONINE: Right. So somebody is going to lose.

MR. GOURIS: Somebody could lose. Yes. Thinking out loud.

MR. CONINE: What would you say if I suggested that we

move our benchmarks up two cents on each one, right now?

MR. GOURIS: We can do that. That would take care --

MR. CONINE: We are putting fewer units on the ground, probably. But we are at least --

MR. GOURIS: Exchanged a fewer number of deals. Whether they would have closed these tax credit deals or not, we are getting more deals than would have gotten done if they aren't getting done.

MR. CONINE: Right. What -- on the rural regional allocation, Mr. Spicer was commenting, they haven't got any money in any of the regions to do one deal?

MR. GOURIS: Yes. I am not sure about that comment. If you look at the breakdown.

MR. CONINE: He is a pretty smart guy.

MR. GOURIS: He is a pretty smart guy. But there is, for example, in Lubbock, Region 1, there is \$3 million in exchange. I am not sure what the first deal in that region would need. But I guess, if it is more than \$300,000 in credits, he would be right.

MR. CONINE: Right.

MR. GOURIS: So those would be either partial awards, and that is something that we need to consider here. Would we try to keep to this, and give partial awards to those folks. At a higher price, that makes that dollar even go less far.

MR. CONINE: Well, it just puts this Board in a position of do you support rural or do you support urban? And I hate to get in that position.

We are trying to allocate more than our normal allocation in that direction.

But I do have a concern, because those guys have got no chance at all with syndicators, from what I keep hearing, at least this year. Maybe next year, it might be different. But this year, it is going to be awful tough.

And we are at 30 percent, and Mr. Harbin [phonetic] suggested 65 percent. Is there another number that makes some sense to you, say 40, 45?

MR. GOURIS: I am not smart enough to be able to do that on the fly.

MR. CONINE: Thanks for pushing that policy decision across the table.

MR. GOURIS: Sorry. I think what Mr. Harbin was saying was that he felt like 65 percent would cover the majority of the rural deals. It is going to reduce significantly --

MR. CONINE: The urban.

MR. GOURIS: The urban deals, yes. And some of the urban areas, you know, they are already -- you know, if you look at Region 1, the rural amount of funding from exchange is estimated to be \$3.1 million, whereas the urban amount is \$2.4 million. Can't either, from that perspective.

So what would happen normally, is there would be a collapse, a statewide collapse. And then we would -- there would be one of those regions would get a deal. One of several regions, whatever is most -- has the

bigest hole.

MR. CONINE: When you are only dealing with 40 percent of the pot, you can't feed everybody.

MR. GOURIS: That is right.

MR. CONINE: That is the problem.

MR. GOURIS: Now on the pricing thing, one of the things that helps us is that since we are getting at 85 cents, we are getting back, whatever we get back at, that is what is left over from '07 and '08 we will get to fill these pots a little bit. So this is kind of a minimum starting point, assuming the breakdown that we have.

So there will be a little bit more there. Again, not knowing exactly who is returning, it is really difficult to calculate what that would be, because they would fall back into the pots they came from, as far as the region goes.

MR. CONINE: Any of the Board members have any other questions?

(No response.)

MR. CONINE: Based on what we have heard, I think we will probably cave to the additional two cents. Oh, I know. I had one other question.

MR. GOURIS: Can I throw one more thought in there, while you are thinking?

MR. CONINE: Sure.

MR. GOURIS: You know, one thing we might do is, if there

isn't sufficient funds to do a deal in that urban region --

MR. CONINE: Yes.

MR. GOURIS: -- with what is allocated here, and what comes back, whatever comes back, that that amount be moved into the rural region to see if that deal could get done, the next deal get done there. And then at least it stays in that same region, so the 2.4 and the 3.1 in Lubbock would stay in the Lubbock Region 1, it would just go to rural first. That is one thought.

MR. CONINE: I am okay with that. That sounds good.

MR. GOURIS: I will think about how we write that up, but it is a concept.

MR. CONINE: What about the guys that already have submitted applications that have 30 percent units in them already? I know we are trying to incentivize more 30 percent units. But what about -- there are some that have 30 percent units already in there.

MR. GOURIS: And that is another good point that was brought up, that 30 percent probably, you know, probably is sufficient, 30 percent units is probably sufficient to cover operating expenses in an urban area, but it probably isn't sufficient to cover it in a rural area. It is probably something more like 40 or 45 percent.

And so tapping out a differential there might make sense. And it something that frankly slipped my mind when we were working on the policy of that. That was brought out in the last meeting that maybe a 45 or a 50 percent threshold --

MR. CONINE: Do you want to opine on this subject?

SPEAKER: It is way over my pay group.

MR. CONINE: If it is over yours, it is way over mine.

MR. GOURIS: Brooke suggested looking at the state median as the benchmark.

MR. CONINE: What is the state median nowadays?

MR. GOURIS: You brought it up, Brooke.

MR. CONINE: Is it up to 42?

MR. GOURIS: I think it is higher, and I think that would provide some relief. On the fly, I am not sure I could test that, to see if that worked. But it would be better for most places.

MR. MUÑOZ: Borders are less than rural.

MR. CONINE: Say that again?

MR. MUÑOZ: Borders are less than rural.

MR. GOURIS: Borders are less than rural.

MR. MUÑOZ: Less than rural, across the board.

MR. CONINE: Yes.

MR. GOURIS: So it would address the border issue.

MR. MUÑOZ: Well, I was just going to bring up the point that Bobbie made earlier, privileging that 30 percent -- actually cut it in half; rural, it impacts rural, more so along the border. But what would the logic be behind that?

MR. GOURIS: Yes. The logic --

MR. MUÑOZ: And then the point being made, if I represent it correctly, that it is sort of contrary to the logic of the QAP, where you score

points for 50 percent --

MR. GOURIS: The logic of how we came up with this is, first you have to send out a 30 percent unit covers all, most or all of your operating expenses. So that going beyond a 30 percent unit is going into your debt service, serviceable debt amount.

So if you reduce the number, or if you increase the number of 30 percent units, you decrease your debt service amount. And with the assumption there is not much effect on operating expenses. And that is the part that I mentioned that I was missing.

So if you follow the logic, if a typical deal, let's say a deal costs \$100 for simplicity sake. And 30 percent of that is debt. And you take 10 percent of the service, the units out that are going to service that, that means that you would have -- you would be able to service 27 percent of the deal with debt now, instead of 30 percent.

So it is a reduction of 3 percent of your total costs, or total sources. If you increase the price, you increase the price by 5 percent and that represents 70 percent, your equity represents 70 percent of your costs, that is about a 3-1/2 percent increase.

So the idea was a 5 percent increase in price offsets by a little bit more your decrease in serviceable debt with all of those assumptions about you know 30 percent of this. That is where the genesis was. And I looked at a couple of transactions.

And to be fair, I didn't look at nearly enough, I am sure. And each transaction is very different. Some deals are structured with, you know,

80 percent of their funding with equity. And that is a different scenario than this. There are a lot of other variables that go into it.

MR. CONINE: We are fine-tuning it almost probably a little too much on the fly here.

MR. GOURIS: Yes. I apologize for that.

MR. CONINE: If you have got a \$300,000, you know, that is 3 million and two cents on 3 million is \$60,000. I would rather get them in and kind of see how they look, and give the Board the flexibility to make changes in September and October if we need to.

MR. GOURIS: Would you want to increase what we are asking for right now, and try to get more information at this point, as far as the sources and uses statement from the entire --

MR. CONINE: Yes. The sooner the better. If they could give us some indication, you know, now, kind of what their latest conversations have been with lenders and syndicators, it would be helpful.

MR. GOURIS: Part of our difficulty is scheduling things. And I don't mean to make our work load be the obstacle here. But with 57 TCAP applications, we want to be able to evaluate and underwrite those by the next Board meeting and have something for you on these, if they apply. So if we get 120 exchange applications or more, that may be -- well, that is more than we are going to be able to digest before September.

MR. CONINE: Yes. I know. We were trying to save September for that, which I understand.

MR. GOURIS: We can ask for it now, and work on them, and

get through as many as we can get through.

MR. CONINE: Yes.

MR. GOURIS: But that is no --

MR. CONINE: If you have got a representative sample --

MR. GOURIS: Yes.

MR. CONINE: You could see where they were in their application versus where they are now.

MR. GOURIS: Yes.

MR. CONINE: And you could kind of get a feel for what was going on. I guess I am inclined to bump the scale from 75, 79 and 83 to 77, 81 and 85, and let's see what happens.

MR. GOURIS: Okay.

MR. CONINE: And you know, if we are running short in the rural areas, and the rural preferences, let's go from 30 to 40, which is kind of where our conversation started, I think originally. And let's try to collapse in from urban into that region, back to the rural. I like that idea, to give them another shot. Any other ideas, concepts?

MR. GOURIS: On that, we have been emphasizing 100 percent return, one that may be problematic if we don't have 100 percent to exchange back.

MR. CONINE: Right.

MR. GOURIS: So what I would suggest is, we need to kind of make a decision on, if we collapse back to rural, then what do we do? Do we give to the next deal that can take a partial exchange, or do we collapse back

to one statewide, or two statewide deals?

MR. CONINE: We are not in the partial business, I don't think.

MR. GOURIS: So, statewide.

MR. CONINE: That is what TCAP is for.

MR. GOURIS: Right.

MR. CONINE: I would put that, I guess, out in the form of a motion?

MS. BINGHAM ESCAREÑO: Can you just clarify, what were you suggesting they do with rural?

MR. CONINE: Go from a 30 percent set-aside up to 40 percent of the pool. And then also, if there is not an urban deal that can make within the urban allocation, that that money collapses on the rural side in that same region.

MS. BINGHAM ESCAREÑO: Okay.

MR. CONINE: Those are the two changes, I think.

MR. GANN: You need a second?

MR. CONINE: I do.

MR. GANN: I will second.

MR. CONINE: Mr. Gann seconds. We lost Ms. Ray, I guess. Any further conversation on the motion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries.

MR. GOURIS: Thank you.

MR. CONINE: Thank you, Tom. You guys did a good job with that. You have got more work ahead of you, than you have got behind you, so good luck. Let's go on to Item 9.

MR. GERBER: Item 9, presentation, discussion and possible approval of final commitments for the 2009 State Housing Credit Ceiling for the Allocation of Competitive Housing Tax Credits, and the waiting list for the 2009 Housing Tax Credit application round.

Mr. Gouris and Ms. Meyer, give a quick overview and pick up a couple of comments.

MR. CONINE: You know what I am going to do before you start? Take a five-minute break.

(Whereupon, a short recess was taken.)

MR. CONINE: And now for the fun part of the meeting. I am tired already.

MS. MEYER: I can make this short and sweet if that is what you want.

MR. CONINE: Just one more push here.

MS. MEYER: The grand finale.

MR. CONINE: You have got the floor, Ms. Meyer.

MS. MEYER: Okay. Well, it has been an extremely busy year.

Oh, I am sorry. Robbye Meyer, Director of Multifamily Finance. We had an extremely busy year.

I am going to recognize a few people before I get started, and that is the multifamily staff. And they are responsible for all of that work that is in front of you. And the RDA staff. So every one of you stand up. Multifamily staff, RDA staff.

(Applause.)

MS. MEYER: Also, I don't want to leave out the HOME staff, because Cameron, and all of you, stand up over there.

(Applause.)

MR. CONINE: Let's go.

MS. MEYER: And Compliance staff, are they here, besides Patricia? Okay. Well, we want to thank all of them for helping out. It has been an extremely busy year, and challenging to say the least. We have had \$92 million to allocate this year, and that in itself is scary. We have had \$51 million, just in our base ceiling. 1.7 of that, we carried over from last year.

We had 4.7 of that was return credits, and we had 4.8 that was part of the HERA money. We had \$30 million that was in Ike credits. And if you will remember correctly, you forward allocated from last year. So you have used \$12 million of that 92 million that you had to allocate.

Mr. Conine asked me to hurry, so I am going to speed up here. At the Board's direction, when we started to allocate this year we reserved the Ike credits first. And so when we were going through, those were the first credits that we went through. So we used that methodology first in the Ike

regions.

And I am going to show you how to read your logs here in just a second, and you will understand how we did that. We went through those, and they went strictly by score, with the ones that were in the Ike counties. And then we did the regional allocation.

Once you get to the regional allocation, we went to each subregion. We identified the applications that were the highest scoring needs subregion. We identified those up to the amount that was available in that subregion, without exceeding it.

Then we had the rural collapse. We took the remaining amounts in each one of the rural subregions, collapsed them into one pot. Identified the highest scoring application in the most underserved subregion in rural. And we identified each one of those applications. We used up that rural allocation until it was used up, there wasn't any remaining.

And then we collapsed into the statewide collapse, using what was left over from at-risk, the urban area, and what was left over from rural. We did the same thing in the statewide collapse that we did in the rural collapse. We used the highest scoring application in the most underserved subregion and exhausted the funds from there.

Right now, we have 109 active applications. There are several changes to your log. And if you want me to go through those, I can. Let me kind of walk you through it. The log that you really want to pay attention to right now, and it is the recommendation log. And it is your report. It has 1A at the top of it. And that is your recommendations log.

There is one application that is missing, and that is the appeal that you granted earlier today. With that application, if you add that to that log, you will not change anything else on the recommendations, and we won't have to shift anything around. I saved a little left over so that you can make changes today.

If you make that one change, there will be -- I am on the bottom of my speaking notes here. You will have \$796,883 left in normal ceiling. You will have \$585,795 left in like credits. There are still ten underwriting reports remaining to be underwritten.

What staff is recommending is that you hold that until those underwriting reports are completed. The next available application for statewide collapse is a million dollars. Depending on how much hair trimming is done with underwriting, we may be able to reach that application, or it will be less than that application would have to trim on their deal to take that.

The staff recommendations are to approve the recommended list with that one amended application from the appeal. And leaving those amounts that I have just suggested. Also approve the waiting list as outlined in your report, too, which is the second report, the biggest report that you have there, and that outlines the waiting list.

And also, any situations where any condition of a commitment notice is not substantiated by the required deadline, approval to grant the commitment notices without first bringing a decision to the Board for approval. The conditional gratification of that action by the Board at the next subsequent meeting. And this will ensure that the subsequent awardees being allocated

have sufficient time to proceed.

MR. CONINE: Okay. I have got a few people who would like to speak to the Board, as you might have known. Any questions of Robbye at this point?

(No response.)

MR. CONINE: I'm sure you will have a bunch later on. Three minutes, unless you got somebody to sign up for you. And in some cases I have got the same guy signed up twice. So I don't know what they are trying to do here. Jeff Crozier.

MR. CROZIER: Mr. Chairman, thank you. Jeff Crozier, executive director of Rural Rental Housing Association. If you don't mind, I would like to have Pat Barbolla come up here and explain. We had a little meeting out in the hallway. Something has come up on our -- an unintended consequence, I believe, that we need to get somebody at the Board level to address for us.

And since Pat is a developer and knows how to -- what is really going on here, I would like to let him lead us off. And if there is any other questions -- but I wanted to come up, because like I said, this concerns more than just one of my members. This is four or five of them that are in the room and I don't know how many more of them at home. So I would like, if you don't mind, I would like to let Pat come up here and lay it out for you guys.

MR. CONINE: So your job is in jeopardy?

MR. CROZIER: I hope my job is not in jeopardy. But I just

think he could explain it better from the developer standpoint.

MR. CONINE: Okay. Pat, come on up.

MR. CROZIER: My side.

MR. CONINE: Patrick.

MR. BARBOLLA: Patrick Barbolla, Fountainhead Companies, Fort Worth, Texas. Again, Mr. Chairman, members of the Board, in a few minutes you are going to be asked to approve a list of tax credit properties for 2009. Many of the rural properties requested HOME funds.

At the time of the application, we submitted, the tax credit properties, we submitted a request for some HOME funds; some, more than others; some amounts as low as \$175,000, up to the 6- and \$700,000 range. At today's meeting, eleven of those twelve properties, at least I know eleven of the twelve properties and rural at-risk set-aside plus many more in the rural set-aside are not going to be funded today.

What we are asking for is two things. One, to grant us additional time on our commitments. We are right now, under the rules. When someone within their next 30 days, the time of commitment, we must prove up our additional sources of funds. And generally, that means if it is a commitment for HOME financing.

At this time, there is not enough HOME funds available. However, from the policy you all just made of going to 85 cents on the exchange funds, some or all of our properties that we are talking about will possibly have a good chance of exchanging their tax credit dollars for exchange funds that would basically make up the gap, the difference between

of our HOME funds.

So we would no longer need HOME funds to make the projects feasible. If we would have less than, say, \$100,000 of deferred developer fee, that could easily pay back over the next 15 years. So what I am asking for is one, if I understand the Board, if you really want exchange funds for the staff, to reunderwrite the properties, the people that are requesting exchange.

In that regard, we are requesting additional time on the commitments for the properties that are requesting HOME funds. You have until, I guess, the September Board meeting or October Board meeting, to have to make a decision on the exchange.

For us to meet the commitment of the condition that we would have to prove up our additional financing, because the HOME funds, we know there is going to be probably \$5 million of additional funds allocated in September. With many properties, if we underwrite to 85 cents on the credit dollar, we are not going to need HOME funds.

But the Department is taking the position that well, since you requested HOME funds, you are going to have to show that same amount of HOME funds over here, from a similar source and not use exchange funds to fill the gap. To me, it makes sense. When you have deals that are feasible -- I am not sure if that is my five minutes. I know I had two additional minutes allocated to me.

MR. CONINE: All right.

MR. BARBOLLA: But now, I will wrap up quickly. These deals are feasible. We can make them work with exchange. We do not need

HOME funds. We would just like additional time to take use of the exchange program and the Board's policy to be allowed to make these rural deals.

If not, you are going to have at least eleven of the twelve at-risk rural properties fall out, and many other ones in rural Texas. Thank you for your time and consideration.

MR. CONINE: You are saying that you need more time to prove up your sources and uses?

MR. BARBOLLA: We can do it. I mean, we can do it. But after discussing with staff, within a week, I can tell you, if I can exchange property at 85 cents on the dollar with my additional 30 percent units, I can prove a feasible deal.

Staff is telling me no, I need to wait. You have got to fit within our procedure, and request additional time at commitment. Let them run through the exchange, and then see if you are going to get it. That is what I think they are trying --

MR. CONINE: Can someone translate that for me?

MR. BARBOLLA: I had a hard time, too. That is why I had to disregard my entire written --

MR. CONINE: I am translating to staff language.

MR. BARBOLLA: Oh, okay.

MR. CONINE: That is what I am trying to do. Specifically, what is he asking for?

MR. GOURIS: I think what he is asking for is to allow their existing transactions that anticipated HOME funds, applied for HOME funds,

and found there were insufficient HOME funds or won't be awarded HOME funds to, one, be able to either have more time to get to HOME funds or two, be able to, if they get a conditional award today, with the commitment for HOME funds, be able to have more time to be able to show that they can substitute either exchange or TCAP for those HOME funds.

MR. CONINE: We are not going to magically have more HOME funds in the next 30 days, are we?

MR. GOURIS: Well, there is a small pot that I mentioned earlier that is going through the Regional Allocation Formula that will be freed up by, what is the date?

MR. DORSEY: August 31.

MR. GOURIS: August 31.

MR. CONINE: How big is a small pot?

MR. GOURIS: Five.

MR. DORSEY: Five million. And given the size of the request --

MR. GOURIS: The two deals that are -- there are two deals that I might fund. Another thing that might happen is, folks might return their HOME funds between now and then. And then the third thing that might happen would be, that they might be able to apply for persons with disability --

MR. CONINE: So what is the drop-dead date he is asking to be extended? The August 31 drop-dead date?

MR. GOURIS: I think he is asking to be extended on the commitment for -- past, sometime after the next Board meeting. So that if

you could -- if they could receive HOME funds, or if HOME funds became available, they could be awarded at the next HOME meeting. That is one thing that he is asking for. He is also asking --

MR. CONINE: All right. Let me get back to you, Pat. If it doesn't matter to you which one you get, and you could make the assumption that 85 cents would work on the exchange during the month of August, well, why would you need more time?

MR. BARBOLLA: I am willing to make that assumption. It is staff telling me I can't do it.

MR. CONINE: Did you hear that?

MR. GOURIS: I am sorry.

MR. BARBOLLA: The question was, if it doesn't matter to me, if I get HOME funds or exchange funds, why do I want an extension? And I am saying, it doesn't matter to me. I will take whichever one comes first. And it is the staff telling me I shouldn't do it.

MR. GOURIS: The exchange funds are predicated on getting a tax -- the exchange funds are predicated or TCAP are predicated on a tax credits award being feasible as it is, and getting an award.

MR. CONINE: But he is going to get a commitment notice in mid-August. He is going to have to return it in a few days. He has got between now and mid-August to figure out whether a 77-, 81- or 85-cent number is going to work for him. Right.

MR. HAMBY: No, the problem is of course, Mr. Conine, that you have to actually have the committed tax credits before they can be

exchanged, because they have to have the award, and we can take them back and exchange them.

MR. CONINE: Oh, there is your problem.

MR. HAMBY: So there has got to be a -- they actually have to have signed the commitment document. It has to go in. We have to have it. And then we have to do the math on the 40 percent.

MR. CONINE: You can't give up something you don't have.

MR. HAMBY: Correct. And that is why they had to prove their sources and uses, before they can do the final commitment. The problem is of course, with the Regional Allocation Formula, and the close of the HOME funds round, it is statutory that it has to be left out there in the regional allocation until such a time that it hasn't been asked for. And that collapse can't happen. And you can't revoke those funds until September 3.

MR. CONINE: All right. So the issue for staff to then answer to me, or to the Board, excuse me, is can we wait on the commitment until after the September Board meeting? Because otherwise, these rural deals are just going to fall out anyway, aren't they? They are not going to syndicators --

MR. GOURIS: I think it is a QAP deadline, is it not? The commitment? It is just an internal --

MR. CONINE: Huddle.

MR. CROZIER: Now you know why I stepped out of that.

MR. CONINE: Yes.

MR. GOURIS: Okay.

MR. CONINE: You get to keep your job.

MR. GOURIS: The issue is that we try to get the commitments sent down for everyone so that we can make sure that they are in the deal, and get the fees back for everyone. We could, by your direction delay issuing the commitments or requiring the return of the commitment for specific transactions because of a certain circumstance, the fact that they had HOME funds associated with them.

I would be cautious about allowing everyone to delay their commitment and commitment fees, because that is just going to make more uncertainty of who is really in this game, who is coming to the dance, and who is not.

MR. BARBOLLA: And we are concerned about fees. Since this year, most of my deals, or all of my deals this year are in the at-risk set-aside. And I feel confident under what the policy of the exchange policy, I feel confident about sending in my commitment fee as soon as I receive it, and being committed.

To me, the issue is if the Department will allow me, if I am successful in getting exchange funds, to substitute those for my HOME funds to make sure my deal is feasible. So I mean, I can meet the deadline. The staff is requesting --

MR. CONINE: I would think the Department's answer is, they would rather you take HOME funds if they are available. Because we want to make the exchange dollars go as far as possible.

MR. BARBOLLA: It doesn't matter to me, if it comes first. But I am concerned now that funds will not be there. When we had uniform

application cycles in Texas, as required by statute, we had no problem with this, because at this meeting, the Board would allocate funds to tax credits and HOME.

A couple of years ago, it was changed to going, instead of a uniform application cycle for all multifamily properties, it was decided to go -- uniform application cycle for tax credits and first-come first-served for HOME. That sent everything off into this wild type of deal. At the same time, many developers decide, I am going to forget tax credits.

Instead of requesting -- where we had a \$1 million limit on HOME awards, there was no limit. And now people are going for 2, 3, 5 million or whatever, however many million dollars. And the ones that just want 170- here, 350- here, 400,000 here, we are kind of in trouble.

MR. CONINE: Okay. Have you all got a solution? Because I am tired already.

MR. HAMBY: It would seem to me the solution would be to allow them to pay the commitment fee, but allow a delay in the completion of the commitment, which would require the knowledge of whether they have HOME funds or not, and delay that until after the next Board meeting or at the next Board meeting. And if they don't have that, if we can't make an allocation of HOME funds at that next meeting, we could then make a decision of whether we withdraw those commitments for those tax credit deals to go someplace else, or give them more time, except it has to be limited to only those people that don't get HOME funds awarded to them today, because we need the people who are getting the HOME funds who may not need them to

prove up their sources and uses and return the HOME funds so there are more available.

MR. CONINE: And you need Board action for that?

MR. HAMBY: Well, you are actually going to -- that is on your next agenda item. But if you are going to allow that extension, yes. You will have to make that as part of the motion for approving the tax credit cycle is that you are going to extend the commitment fee beyond the September, or not the commitment fee.

It is not a fee issue, as much as it is proving up the sources and uses so we actually know who has a legitimate application moving forward, because we can't do the exchange program until we know who has got the awards and who is in the program.

MR. CONINE: Chicken or the egg.

MR. HAMBY: Correct.

MR. CONINE: Okay. Anything else, Mr. Barbolla?

MR. BARBOLLA: That is it. Thank you.

MR. CONINE: Thank you. Granger McDonald. And I have got two forms filled out for you. I didn't know what you were trying to slip through or what.

MR. McDONALD: I would speak on 09-110, sir. And the other one, I will pass.

MR. CONINE: Okay.

MR. McDONALD: As you all know, because I have been up here complaining for about three months, that we turned back our credits on

our Sweetwater project last year. And did it in good faith because of the penalty and the amnesty and all that. Obviously we had, none of us had any way of knowing that there was a stimulus package coming that would have given us those credits.

We did reapply for those credits this year, 09-110. We are out of the money, but we would like to ask to be put back in the money, in an order of fairness, because we were awarded credits last year. And we would like to be added to the list.

MR. CONINE: Okay. Any questions of the witness?

(No response.)

MR. CONINE: Thank you. David Potter?

MR. POTTER: Well, thank you. David Potter, City of Austin. This is my first time at a TDHCA Board meeting. I really only need to talk once.

MR. CONINE: I am sorry.

MR. POTTER: Instead of like three times.

MR. CONINE: Okay.

MR. POTTER: I just want to confirm what Mayor Leffingwell said earlier this morning, that this city, or the staff is going to recommend to the Austin Housing Finance board of directors on August 6, \$3 million in G.O. bond funds for the Malibu Project, project number 09-159. And should forward commitments be made for Wildflower Terrace and M Station, we will also be bringing forward recommendations to provide general obligation bond funding for those two projects as well.

MR. CONINE: Okay.

MR. POTTER: Thank you.

MR. CONINE: Thank you. Charles Woods? And I have got Karen Loper after Mr. Woods.

MR. WOODS: Thank you, Mr. Chairman. I have a handout. Speaking on reference of 09-156. I am Charles Woods, Deputy Superintendent for Alief Independent School District. We are speaking and opposed to Park Lane Project.

It is one of the last ones on the list, as far as the scoring. This project is right smack in the middle of Alief Independent School District. We're 36-1/2 square miles; we have 45,000 students.

It is virtually across the street from a complex that is a rehab complex that is currently at 57 percent occupancy, by the name of Jadestone.

That project was non a TDHCA project but was a complex that in 2007 received HOME loans and CDBG loans from the City of Houston to acquire a rehab complex. And seeing as that they are at a 57 percent occupancy currently, after talking to that management two weeks ago, they may be here tonight or this afternoon, I don't know.

We have, in our school district 55,000 apartment units with 45,000 students and 36-1/2 square miles. So that means from the property where this is proposed to be, you look south, north, east or west, three miles, and there is 55,000 units within that radius of this proposed project.

The occupancy on all of those 55,000 units is currently at 87 percent. On the tax credit complexes on your property inventory, there are 15

of those properties that are currently at a total weighted average of 84 percent occupancy. So we wanted to bring to you the fact that we have a -- State Representative Vo has written a letter, who will be talking.

County Commissioner Steve Radack from Harris County Precinct 3 has written a letter, and basically said that it is against their Harris County concentration policy. They are opposed to it. It is against their multifamily apartment complex has, they have significant number of neighbors in the area who spoke out against it. The hearing was downtown in Houston. There wasn't a hearing at the site or local to the site by the developer. The developer did contact the school district. Our superintendent wrote a letter against it. We did recommend that they look into doing an elderly complex, because in Alief we do have a very high occupancy on our elderly complexes. The school that this would serve is over capacity already. So the infrastructure is not there to support it.

The county is not supporting it. The school district is not supporting it. And we have a representative not supporting it. Since it is near the lowest on the scoring on there, I plead for you to approve the other applications on today's agenda item and exclude Park Lane. Thank you.

MR. CONINE: Any questions of the witness? Karen Loper? And she has got maybe some extra time from Josephine Bowen? I don't know.

MS. LOPER: Okay. My name is Karen Loper. I am chief of staff of State Representative Hubert Vo, who had to be out of the city today on business, so he wrote his statement and asked me to read it to you, so I will

try to read it fast to fit the time frame. These are his words:

"I am here to speak in opposition of the proposed apartment project, Park Lane Apartments in Houston, number 09-156.

"Let me first tell you that I am not opposed to affordable housing, and I certainly understand the need for it. However, I feel there are compelling reasons that are unique to this area, that have convinced me to oppose this project.

"The Alief area, a Houston suburb, where this project is proposed to be built, has experienced a large economic downturn in the last few years. That is the reason I passed legislation to establish a management district in the area, to bring revitalization to Alief. As has been said before, there is a high concentration of apartments in this area; 217 complexes with 55,000 units. Fifteen of those complexes are TDHCA.

"Let me give you a little bit of comparison of the density of the TDHCA units in our area. Alief has 83 TDHCA units per square mile. The City of Houston has 58. Harris County has 24. Fort Bend County, which is right next to us and is half the size of Harris County has 1.9 units per square mile. And the City of Sugar Land, which is next door to us, has zero TDHCA units.

"I think that this shows that Alief has a disproportionate number of TDHCA units at this time. I also have concerns about the rapid and continuing growth of these multifamily complexes, and how it affects our policy, fire, schools and other infrastructure, which are, as we speak, struggling to keep up. Board members, I believe that revitalizing this area requires a fair balance of residential, commercial and multifamily

developments.

"The work of myself and others on the management district who are trying to bring about that balance will be made more difficult if we keep adding more and more family complexes at this time. We need time for this renewal. We need time to develop and implement badly needed improvements. We need time to put in place the needed infrastructure, and attract new business.

"I represent the most diverse area in Texas. And we want to welcome everybody to Alief. But we want to have the infrastructure and amenities in place to accommodate them. For all of those reasons, I will ask you not to approve the proposed Park Lane development. I would, however, tell you that there is a great need in our area, with as many apartments as we have, to have a lot of rehabilitation of those existing apartments.

"In closing, I want to thank you for your service on this Board; I know it is very time consuming, and for your attention to date. Thank you."

MR. CONINE: Thank you. Any questions?

(No response.)

MR. CONINE: Josephine Bowen, are you here? She said she wasn't speaking, but signed a witness affirmation form. So I am a little bit confused.

Cynthia Bast. And she has got some time dedicated, so we get five minutes of Ms. Bast.

MS. BAST: Good afternoon. I am Cynthia Bast of Locke Lord, representing the developer of the Peachtree Seniors Apartments in Balch

Springs, which is in Urban Region 3. I am here on behalf of Ron Pegram, who is the principal of the developer.

This application has the highest score in the region, that is not at-risk, with 214 points. But it is not recommended for an award today. And that is what I am here to talk to you about.

The applicant first applied for tax credits in 2007. It received an award and it proceeded with the development. It acquired the land. It admitted its syndicator to the partnership with a pre-development loan of over \$1.2 million. It met the 10 percent test time length, spending a few hundreds of thousands of dollars more to have the project ready for building permits.

Unfortunately, this development, like some others, fell victim to the economic downturn. When financing terms changed, the applicant found itself with a gap in its financing budget. And it was clear that it was not going to be able to finance and complete this project timely, as anticipated.

So the Department encouraged the 2007 recipients that found themselves in this position to return those tax credits and apply again in 2009. And in fact, the Department agreed that if these applicants would return their credits and reapply for the same development, then they could use some of the materials from their 2007 application, and avoid paying certain extra fees for the reapplication process.

In fact, if you go back to the December transcript, the Board indicated to staff that they wanted to see an asterisk beside the names of those applicants that had received 2007 awards and turned them back, and reapplied in 2009, so that they could keep track of those projects during this

application process. And so that when we got to this very day of the award, they could, if necessary, exercise some discretion. The concern was expressly stated that, you know, there could be deals out there with over a million dollars in them that needed some additional discretion or some additional help.

So this applicant did exactly what he was encouraged to do. It applied for the same development in the 2009 round. It received the highest score in the region, though it is not at-risk. But we are standing here today and we are not on the list recommended for an award, because the underwriting review has deemed it to be financially infeasible.

Why is it financially infeasible? Because the applicant listed TCAP funds as an anticipated source to fill its gap. The staff asserts that because the TCAP funds were not available at the time the application was filed, because there can be no assurance that the TCAP funds will be received, then the application is financially infeasible.

I think everything else, and Mr. Stewart, I believe would attest, that everything else in the underwriting report is okay. This is the hangup with this deal. Now if you are going to do the same development in 2009 that you applied for in 2007, then you are going to have to recognize that syndication prices are down. Construction costs are up. And you are going to have a financing gap.

So how do you fill that gap? There aren't that many places to fill a gap for Balch Springs, Texas. This deal already has money from the City. It already has money from the Economic Development Corporation. It

already has assistance from the Dallas Housing Authority. It doesn't have anywhere else to go but the TCAP funds to fill the gap.

There may be others from the 2007 cycle that recycled themselves into 2009 that found a way to fill their gap, but this applicant could not. So the stance that is being taken to not recommend this project for an award ignores the purpose of the stimulus program that Congress created.

The Tax Credit Assistance Program was created specifically to help those 2007 and 2008 deals that were shovel ready but unable to be completed, because of the change in financing circumstances. They wanted to get these deals out of the ditch, get jobs going, and get shelter on the ground.

Peachtree is exactly the kind of deal that the ARRA is trying to help. Yet we are being denied this opportunity because of this technicality with the TCAP funds as not being an available source of financing at the time the application was signed.

Well, President Obama had signed the law at the time this application was filed. And frankly, I think that makes TCAP funds perhaps more of a certain source than some of the banks out there today.

(General laughter.)

MS. BAST: Sorry, guys. So exacerbating this problem, and very briefly, as I wrap up. The underwriting determination of infeasibility came out Friday evening. And so we are still in the appeal period. And an appeal has been timely filed. But since it has not been decided by the Executive Director, it is not ripe for you to hear today.

The appeal could be heard at the September Board meeting, but that would be too late. Statutorily, you have to award tax credits today. So even if the appeal is successful on September 3, you wouldn't have credits from the '09 round to award.

Taking that a step further, if we don't have the '09 credit award, we can't apply for exchange. We can't apply for TCAP. Can't fill that gap. This '07 deal, for which the investor, the developer, the vendors, the other financing partners have been hanging on for over two years, with approximately over \$5 million would be lost. So this doesn't have to happen.

We are asking for you today to put Peachtree Seniors back on the recommended list, so that an award could be made. Of course, conditioned upon the project receiving TCAP or other appropriate funds to fill that gap. And I believe that alternative is covered in the underwriting report.

Now I understand that if you put Peachtree back on the list today, it knocks someone else off. But Peachtree again, is the highest scoring project in its region for a non at-risk deal. It deserves to be on the list.

If I read the list correctly, the deal it would knock off has 176 points as compared to our 214. Before Mr. Hamby comes up and says that the rules are the rules, let me also say that the rules say that the Board can exercise discretion for good cause shown. So the rule is that you can waive the rules.

I am looking at the big picture. Congress intended the stimulus funds to help deals just like this. So we are relying on you to do what you

indicated that you wanted to do back in December and put Peachtree on the list for an award today. Thank you.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Let me make sure of something right quick. All right. We are going to go back to Brian Cogburn and Darrell Jack, both who want to talk about Park Lane some more. You can do it in whichever order you want to, guys.

MR. COGBURN: Brian Cogburn for Park Lane Apartments, 09-156. I would like to make a few points to counter the earlier arguments, and I think Darrell can probably support from the market study point of view. This particular property does not violate the state's concentration policy.

It is not opposed by the City of Houston. It does not have City of Houston money in it, and the County's concentration policy is a non-issue for this particular application.

The market area, I sent some of the letters that had been written in opposition to our market analyst. Okay, what is the truth here? And essentially, we have a market here of about 50,000 people. One tax credit property that was 260 units, of which 256 of those units were leased. So it was 99 point whatever fraction leased.

This particular property is in an area that does not have hardly any tax credit units at all. It is on a street that has just been redone. It has a bus route right in front of it. It is very near the schools. It has retail, medical, on a major street, very close by. And that is it.

Go ahead, Darrell.

MR. JACK: Thank you. My name is Darrell Jack. My firm is Apartment Market Data, and we did the market study on Park Lane Apartments. Just to give some of you on the Board that don't know my firm, we database over 1.6 million apartment units around the state every quarter. So we are watching rents and occupancy levels from corner to corner, from top to bottom of the state.

This particular project happens to be in an area of Houston that I am quite familiar with, having managed some of the apartments right down the street for many years when I did property management. What I can tell you, since I wasn't really prepared to come and speak to rents and occupancies on this project is that first of all, it met the state's underwriting criteria for both rents and occupancies. Otherwise, it would have never been on the list.

What you also need to understand is that Hurricane Ike had a significant impact on the southwest area of Houston. If you drive the Beltway today, north of Highway 59, you will still see blue tarps littering the tops of the roofs on the apartment buildings in this area. So when you hear an occupant, an overall occupancy rate of 85 or 87 percent, you have to understand, many of those units are downed units. And that those people that were living in those need a good quality place to live, not only today, but in the coming years.

I thought about how to put this politically correct, so that you understand this neighborhood. Most of these apartment units were built in the

early '80s.

Having managed them, rehabbed them, chased the local pharmacy folks off the corners of the streets, many of the units, most of the units in this area going down Beechnut and some of the other areas, you wouldn't live in. You wouldn't live in them. You wouldn't let your children live in them. You certainly wouldn't let your children live in these units, as they are today. What Park Lane will do for the neighborhood is help to revitalize.

You know, we have seen it time after time that when a new project goes into an old neighborhood, and this particular site is surrounded by apartments, townhomes and single-family homes that were built 30-plus years ago. This site isn't going to be developed as single-family homes. It is too small for a single-family home developer to go in and make it feasible.

So I just want you to understand the whole picture of the area surrounding this particular property. It is going to add more to the community. There is already senior projects built close by that are serving that profile of resident. And this particular project will do nothing but benefit the Alief area in whole. Thank you.

MR. CONINE: Thank you. Richard Washington?

MR. WASHINGTON: Good afternoon. My request, or my presence here is pretty simple today, given some of the other things you have been hearing. I am here to speak on 09230, Darson Marie Terrace in San Antonio, Texas.

This project last year was given a forward commitment. And

unfortunately, we turned it back, thinking that we would not be able to meet to meet the terms, which subsequently were changed. And so we applied again this year. We are turning out to be number three on the list.

And I wanted to appeal to you, to give some consideration, if you have the ability, to give this project a forward commitment. We are standing in pretty good stead. The last piece of this pie is actually the tax credits. We have very good discussions going on now with the debt and equity providers. We are at the final throes of those negotiations. So the credits are the last piece of the puzzle. Thank you.

MR. CONINE: Thank you. Terri Anderson.

MS. ANDERSON: Good afternoon again, Board. Terri Anderson, Anderson Capital, LLC. I am here to speak on behalf of Taylor Farms Development, application number 09314. Taylor Farms would be the application that would basically be kicked off of the to be approved list to the extent Peachtree Seniors is added. I would respectfully request that there be at least a forward award to this particular development today. We have seen a situation where a transaction that also falls within Region 3 was reinstated for material non-compliance which effectively would affect us and knock us off.

In addition, any special consideration for Peachtree Seniors would also knock us off of this list. And as I recall in December, the Board did make a statement to offer special consideration to the extent possible for '07 transactions that reapplied. However, as an '09 application, I do see that the '07 application that didn't necessarily follow the rules of the 2009 QAP should either be receiving special consideration in the form of a forward

commitment or at least not negatively impact a development.

When I heard the statement with regard to our score of 176, that is true. The score was 176 on this development. However, given the current economic conditions, my client made the prudent decision to structure a development that would make sense and work financially, as opposed to chasing points. So in this particular instance, I believe on a couple of occasions, the list would effectively working our favor to the extent that everyone followed the rules of the Qualified Allocation Plan, which we did do.

And we did develop a development not for a points-scoring effect but for a feasibility effect. I would appreciate your consideration and thank you for your time.

MR. CONINE: Thank you. Casey Bump.

MR. BUMP: Good afternoon, Mr. Chairman, Board members. My name is Casey Bump. And I work for Barner, Carrington, LLC. Stewart Shaw, the owner of our company could not be here today, and he asked me to share an interesting story with you, and a brief letter of support.

I am talking to you about 09-281, Mariposa at Keith Harrow. This is a 180-unit elderly community that three weeks before the date the support letters were due from the Representatives and Senators, we received a call from the Katy Times and asked us if we could comment on the neighborhood meeting that occurred with more than 500 residents. We went and met with the residents, and wanted to share this letter of support with you.

"Mr. Shaw, I acted as moderator at the meeting with you, last

week. Thank you so much for taking the time, and making the trip to talk with us about your projects. We are very enthused about the Mariposa for 55-plus citizens.

"Further, we are very supportive of your mission to build quality developments that will stand the test of time, lower the burden on the electric grid and bring badly needed green space to the suburban area. Some of us will be at the April hearing to state our support for your development and the reasons for support.

"We are impressed with your gracious integrity. I am particularly impressed with the fact that you wanted to meet with us, and introduce yourself and your development model.

"Your concern about electric costs is well founded, as the rates for electricity in Harris County are very high. I am glad to see that you are energy efficient, conscious, and that you are flexible on solar. I believe there are tax credits issued for solar building, as well as the dual-pane windows rating variant and other energy efficient items you have mentioned.

"In Houston we are used to tacky developers and sloppy, cheap construction. We have watched apartment complexes decay literally before our eyes. This has resulted in a blight on the neighborhoods. You are a breath of fresh air, Mr. Shaw.

"I would be happy to attend any development meetings that you hold with the community and explain why we welcome you and your projects in our community. I hope you choose to do more in West Harris County in the senior citizen housing.

"Many of the residents in Northside have only their Social Security and small pensions after they retire. They have neither the financial means, or the desire to constantly maintain a single-family dwelling when there is an upscale apartment option offers so much more in lifestyle, and so much less in cost and hassle.

"They will sell their homes, do some traveling and happily live in your apartments. For many of these people, you are offering an attractive alternative to growing old in a home that requires lots of maintenance. I know you will fill Mariposa before you have it built.

"Please consider the other neighborhoods south of I-29, north of I-10, between Bear Creek and the Katy city limits. You are the kind of developer who reaffirms our faith in capitalism balanced with social conscience.

"By the way, we will be opposing the proposed senior citizen apartment complex, or Addicks Satsuma in the Bear Creek, which is east of the Keith Harrow land. I am sure you can understand our position on that. My best, Annette Mennet Baldwin."

This is our preferred community. And because of a small capture rate issue, we will not be able get an award on this project today. The lady who represented this group represents 20 neighborhood organizations in the area. And because of a small capture rate item, that we are trying to work through with staff, will not receive an award.

And I thank you for your time. And good luck with the rest of your day.

MR. CONINE: Thank you. Tim Smith. You are not Tim Smith. Tim Smith is not here. David Potter?

MR. POTTER: I have already spoke.

MR. CONINE: You already spoke. Diana McIver. I know she is here.

MS. MCIVER: I couldn't resist. Chair, Board, Diana McIver, DMA Development. And we are the developer of Wildflower Terrace with 200 units, senior development 09268.

And as you have heard today from the Mayor of Austin, staff of the city, neighborhood organizations, Catellus, master developer for Mueller, this is a fabulous project, and an opportunity to do 200 units of senior housing.

Our score is 211. And it wasn't because we were point chasing, even though that is every point we could achieve. But through the assistance from the City of Austin, it allows us to do green building. It allows us to do deeper targeting.

And so really, as that partnership with the City that makes a lot of that possible, as well as our partnership with Mueller. Foundation Community has achieved 211 also. That is all the points we can qualify for.

So we can come year after year and we are still going to get beat by rehab. And we are still going to compete against Leander, because they have got a need score of six and Austin has a need score of five. So we are there.

Now, what is interesting about our development and interesting about M Station is that we have significant interest from investors. We have,

we -- Wildflower have two CRA investors pursuing the development. So we can do it the old fashioned way, and we are willing to do it the old fashioned way. We want to do it the old fashioned way.

What is happening though is, investors today, it is no longer that you sign a letter of intent. They are totally underwriting you. They are spending lots of time with you.

So what I am suggesting as food for thought is that the Board at its September meeting, consider forward commitments for projects like ours, specifically ours, but also I support Foundation Communities project too. Forward commitments so that we can proceed. In our case, we would like to go forward with 221(d)(4) financing. So give us that extra time.

But the big issue I think, with 2009 is, we as a state are not going to use 60 percent of our credit allocation that has to go to investors. We can come off the waiting list. But you do a huge disservice coming off the waiting list in November or December, because these are both; ours is a 200-unit project, and we need that extra time.

So if we were granted a forward commitment, that gives us the chance to work with investors, to work with HUD to get financing in place. And then if you find that you need us to come off the waiting list because other folks can't do their deals the old fashioned way, then we would be in a position to be able to do that as well. So that is just my food for thought for your September meeting. Thank you.

MR. CONINE: Why do you need more time if you have got until into 2011 anyway?

MS. McIVER: I don't need a lot of time. But I sure would rather be effectively using September, October, November than not.

MR. CONINE: How about, since you and Walter are tight, can we do a mud wrestling thing between the two of you?

(Simultaneous discussion.)

MR. CONINE: We can charge for tickets and do all of our gap financing.

MS. McIVER: I have to check with my counsel.

MR. HAMBY: It is not in the rules.

(Simultaneous discussion.)

MR. CONINE: Ike Monty. There is our third mud wrestler.

MR. MONTY: Thank you Chairman, Board. I first of all, just want to say thanks to the staff and to everybody for their endurance. I mean, even the speakers are getting tired at this point. But I am Ike Monty for the record. I am speaking on behalf of Canyon Square Apartments, TDHCA number 09-306.

Representative Ortega spoke earlier about the need in El Paso. And I won't belabor the issue of the troop expansion. The city has kind of come to the table to help in any way they can, because they understand that the financial markets are kind of in disarray.

But to use your term, Chairman, it is the chicken and the egg. They would like to see the commitment. I would like to echo what Diana said. If we could have some form of a commitment, and then stand ready in the wings to use '09 credits if they are not used.

It would really help us to have a forward at the September meeting so we could kind of get to work, because I don't know if anybody will truly admit it. But nothing is for sure out in these markets at this time. And I know there is a lot of details that the staff are having to hear.

But this is probably the roughest time, and I have been in the program since '95. It is probably the roughest time for all developers. So whoever says they are not having a rough time is just keeping positive. I think everybody is keeping positive, but unfortunately, that is the reason for all of these minor details. So thank you very much.

MR. CONINE: Thank you. Any questions of the witness?

(No response.)

MR. CONINE: Bill Fisher?

MR. FISHER: Thank you, Chairman Conine, Board members, Bill Fisher, Odyssey Residential. Just real quickly, if you are considering the issue of the extension of the commitment for financing for HOME monies as discussed with Mr. Barbolla, my Galveston applications is in the exact same circumstance with the CDBG application with the Texas Department of Housing and Community Affairs, which you will not get to until at least the September Board meeting.

Unlike Mr. Barbolla, I don't need any other moving parts. That is a \$58 million open NOFA, first-come first-served. We have already applied for both our Galveston applications, and they don't have applications for all two using all the money.

So it is very likely we will get that funding. And that funding

commitment will be necessary for us to meet the conditions of our commitment notice. So we would simply ask if you do consider making a motion to allow for an extension of time for that response, that you include the CDBG applications pending with the Department or with other agencies.

MR. CONINE: Okay.

MR. FISHER: Thank you.

MR. CONINE: Okay. Do you concur with that, Tom?

MR. GOURIS: No.

MR. CONINE: You don't concur with that?

MR. GOURIS: I don't.

MR. CONINE: Can you speak to that?

MR. GOURIS: I was trying to pull up the underwriting report on that. But all of the transactions should have been viable within the terms of the transactions to be able to be financially feasible in order to get the credits.

The exception for the USDA transactions was because we knew that there was HOME money available. We knew that they had applied. You know, there may still be the opportunity for them to get the HOME money that they applied for.

Both with TCAP and with the CDBG funds, those funding sources weren't known and available, and the mechanisms for them won't fit the -- what is available now. Particularly with the first round of CDBG apps. This project is way over the size limit for that. So we don't believe that the TDHCA program, that that would work.

Now if they have some other source of funding from CDBG funding, it is a different story. That is fine. But they still would have to meet the same commitments that any other tax credit development would have to meet as far as proving up their LPS point commitments or whatever local commitments they have. Do you want to talk about the Peachtree one for a second?

MR. CONINE: No. Let me get in my head what we are doing with this one, first. You are talking about the one that they walked. Is that the one that you are talking about?

MR. GOURIS: Yes. And in our underwriting, we had City of Galveston HOME funds that he had indicated to us, when we underwrote it. So with that, we allowed them to prove up those HOME funds just like any other LPS points.

Apparently he is talking about substituting now for TDHCA CDBG funds which weren't contemplated in the evaluation. And you know, extending that now, just extends the life on a transaction that isn't ready to be go forward. The next deal get a good chance to go forward.

MR. CONINE: Okay. Come on back, Bill.

MR. FISHER: Because yours come in, I will still have to get funds from the City of Galveston for my LPS points. The rules clearly allow in order for your feasibility, to bring other substitute funds. So whether it is HOME funds, CDBG funds, project-based Section 8 vouchers, any of those funds for feasibility, I am allowed to substitute other sources.

And since I have a substitute source that will very likely be

awarded by the Department, I still have to get sufficient funds from the City of Galveston for the local political points. So I will be providing those. But ultimately, it relieves the pressure on the City of Galveston to use their CDBG allocation to fund my project, where they could use it somewhere else.

The Agency is undersubscribed at this point for the 58 million in the second round. So again, it is simply a timing issue. And this is the City of Galveston, where the hurricane money is supposed to go.

MR. CONINE: But that --

MR. FISHER: The rules clearly allow me to substitute --

MR. CONINE: Oh, I know. I know, but what do they have to do with committing to the tax credits, though?

MR. FISHER: For the tax credit commitment to be good, this is -- I don't think Mr. Barbolla was clear. But we get an award letter. And it has a deadline.

MR. CONINE: All right.

MR. FISHER: And it says pay your fee, and show us you have your other funding required for feasibility.

MR. CONINE: Right.

MR. GOURIS: Because you receive points.

MR. FISHER: Not for -- well, that is true. For both. Agreements both for LPS as well as for feasibility. So in the standards --

MR. CONINE: It is already feasible in the package. He already --

MR. GOURIS: You got a commitment.

MR. FISHER: It is, if I got sufficient funds from the City of Galveston.

MR. GOURIS: Can I jump in real quick?

MR. FISHER: Yes.

MR. GOURIS: At application, they are allowed to submit. I am going to apply for these HOME funds.

MR. CONINE: Right.

MR. GOURIS: At commitment, they have to say they have applied and they have gotten an award.

MR. CONINE: Okay.

MR. GOURIS: And what he is saying is, I want more time to get that award or substitute TDHCA funds for that award. Now he could in fact, substitute that for something else, but still meet that deadline. And that is how we have treated it historically.

He is asking now for, I am going to switch on you, and I want to use your funds. And because your funds aren't available yet, give me some more time.

MR. FISHER: To address that issue, so I am not getting more time, I would be happy to put you up with my LPS points which preserves my award. Financial feasibility funding, then, coming from the Department certainly sustains my application as a substitute.

MR. GOURIS: Let me through. And that would mean that from what he underwrote would be oversubsidized, because he has got funding sources for everything else. So he is saying, I am going to keep my HOME

funds in there, for my HOME funds but now I am going to get some more CDBG funds.

There is no issue there. When we come down to HOME, reviewing the CDBG funds, we will say, look. You don't need those funds, because you have got enough money in the deal.

MR. CONINE: Right.

MR. GOURIS: So he doesn't need an extension of time in that case. If he is going to keep his HOME funds in the deal, and meet his deadlines, and he doesn't have a deadline issue. It is a moot point if what he is telling us is true.

MR. FISHER: No. Mr. Conine, that is not what I am telling you. It is late. There is no duplication. It is a substitution of funds. Right now, Bay Walk requires \$4 million in block grant, HOME funds or other support from the City of Galveston.

MR. CONINE: Okay.

MR. FISHER: The City of Galveston has allocated their money, about \$25 million in block grant money. They would like me, since their sources are held from TDHCA to access those sources, and then they will consider the minimum amount required for the local political subdivision contribution.

Since TDHCA's awards will not take place until September, I am perhaps in a chicken and the egg thing where I have sources of funding, I will lose my credit allocation, even though I got a support from the City, but not enough to balance the sources and uses.

So it takes the pressure off the local community funding. It substitutes TDHCA money. I still have to get money from the City of Galveston sufficient to sustain my points.

MR. CONINE: So are we making the CDBG award on the September meeting?

MR. GOURIS: Not for this project. Well, probably not, because we have just received the first round of applications, and the second round closes when?

MS. MEYER: Possibly. The second round closes, it finalizes in August 15. And we have nine applications. And we are hoping to bring the first awards to you in September.

MR. GOURIS: But this won't be one of those.

MS. MEYER: Possibly. If we can get there. I don't know yet.

MR. GOURIS: There is also again the timing issue with what is left in the TCAP and other underwriting things to do. This application for CDBG, there are other applicants that may come in between now and August 15 for the same CDBG funds.

MR. CONINE: Okay.

MR. GOURIS: I think what he is saying, is he is going to reduce the amount of local HOME funds.

MR. CONINE: Yes. I hear what he is saying, I think. And I understand what he is saying. And I am all for Galveston doing whatever Galveston needs to do, but --

MR. GOURIS: But if he brings that LPS point documentation

in, then I think he is still going to meet the documentation for LPS points. He will have a gap, and we will issue him a deficiency for the difference. And we will work through the time frame, that way. I don't think he needs an extension.

MR. CONINE: Okay. If this issue comes back up, I am going to kill somebody.

(General laughter.)

MR. CONINE: That is all of the witness affirmation forms I have.

(Applause.)

MR. CONINE: We are going to take a five-minute break.

(Whereupon, a short recess was taken.)

MR. CONINE: We're back. You're up. Do you have any comments at this point, based on all of the testimony you have heard. Anything else you would like to change, any staff recommendations that are going to change?

MS. MEYER: The list did not change after all of that, unless you are making any changes. The recommendation is still the same, unless you make a change.

MR. CONINE: And the staff recommendation is to approve this list as presented.

MS. MEYER: With the change with Lincoln is back in, Lincoln Terrace.

MR. CONINE: Yes.

MS. MEYER: It is back in, because of the appeal. You granted the appeal. The rest of the list has not changed, though, because we left enough in there for you to make a decision.

MR. CONINE: Right.

MS. BINGHAM ESCAREÑO: And bumping, excuse me, Mr. Chair.

MR. CONINE: Go right ahead.

MS. BINGHAM ESCAREÑO: And putting Lincoln in does not bump anybody?

MS. MEYER: No, it does not. Ken said to also add in the extension of the commitment for the HOME funds.

MR. CONINE: For the HOME funds. Right. That is the staff recommendation. Okay. I would like to offer to add to that, or amend that, if you will, to alternate the wait list to put three projects on the top of the wait list in this particular order; 09108 Peachtree, 09110, out in Sweetwater whatever the name of that project is, and 09138, Belmont Seniors, so that the first credits that come back through this process, those would be the first three that would be on the wait list. And then beyond that, the wait list would then fall to the normal per the QAP waterfall.

MS. MEYER: Okay.

MR. CONINE: And I guess I just did something wrong.

MR. HAMBY: No, Mr. Conine, not wrong. It is just that you needed to add that extra statement of your doing that wait list change, changing staff recommendation because of the testimony you heard here

today that compels you to move that list.

MR. CONINE: I am very compelled, thank you. Now, I will also say that I have talked to most of the Board members individually, and we are inclined to look at the forward commitments at the September meeting as I stated at the beginning of this meeting, a long time ago. But for those three, we think them jumping to the top of the wait list is preferable based on the testimony today. Mr. Gouris.

MR. GOURIS: Can I ask a clarifying question?

MR. CONINE: Sure. You may.

MR. GOURIS: The Peachtree application is not being recommended by underwriting. Would you want them to continue through their appeal process to be considered at the September meeting on that issue, or are you saying that you are overriding underwriting.

MR. CONINE: No. I think that is a separate issue, that appeal. And it needs to go its own course, continue on its own course.

MR. GOURIS: Okay.

MR. CONINE: But if there is enough credits that fall out for whatever reason between now and our September meeting, and it becomes "in the money," then it will be in the money in September. We will hear the appeal, the underwriting appeal at that point in time.

MR. GOURIS: Excellent.

MR. CONINE: Make a decision on that, and then what will happen is what will happen.

MR. HAMBY: So to clarify that, what you are saying there is,

even if between now and September 3, we sent out a large number of commitment notices and they come back. We reserve the amount of tax credits for that deal on the waiting list pending the appeal.

MR. CONINE: That is correct.

MR. HAMBY: Thank you.

MR. CONINE: Because if we leapfrogged it, we could be out of credits again and lose the spot. I will make that as a motion if no one else will, or I will take a motion. Either way.

MS. BINGHAM ESCAREÑO: I can make a motion, Mr. Chair.

MR. CONINE: Perfect.

MS. BINGHAM ESCAREÑO: I move for staff's recommendation, with the addition of Lincoln, the extension mentioned by staff regarding HOME and to prioritize the wait list for Peachtree, Sweetwater, Belmont. And I think we were compelled by M Station also. That would be my motion.

MR. CONINE: What were you saying about M Station.

MS. BINGHAM ESCAREÑO: Well, they said that you were compelled.

MR. CONINE: Yes.

MS. BINGHAM ESCAREÑO: And there was one other that really compelled us.

MR. HAMBY: I believe that is number four on the wait list. Is that what you were saying?

MS. BINGHAM ESCAREÑO: Yes. That would be my motion.

MR. CONINE: Okay.

MR. MUÑOZ: Second.

MR. CONINE: Is there a second. Dr. Muñoz seconded. Is there any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries.

(Applause.)

MR. CONINE: I think we are on item what now?

MR. GERBER: Item 10.

MR. CONINE: Ten.

MR. GERBER: Mr. Dorsey, we will move through this one very quickly.

MR. DORSEY: Once again, I am the one standing between you and home. I am going to have to talk to Nettie about where she puts me on the agenda next time. Okay.

Item 10(a), Mr. Chair and Board members, Item 10(a) is HOME program awards. Today staff is recommending one CHDO rental housing development and several general rental housing development awards.

All of these applications are layered with 9 percent Housing Tax

Credits and are recommended subject to the conditions in the final underwriting reports. The 2009 rental housing development NOFA was approved at the June Board meeting which set aside approximately \$5.9 million in funds for CHDO applications.

In addition to these funds, approximately \$2.3 million in funds remains available under the 2008 CHDO NOFA. Staff is recommending that these remaining 2008 funds be combined with approximately \$62,000 from the --

MR. CONINE: Please give deference to Mr. Dorsey.

MR. DORSEY: From the 2009 CHDO set-aside, from the urban subregion of Region 3, to fully fund one CHDO application, Evergreen at Vista Ridge, a total of \$2.4 million in funds. Staff also recommends a \$50,000 CHDO award of CHDO operating expense funds to this applicant to support the ongoing operations of the CHDO.

In addition to the CHDO award, staff is recommending seven general rental housing development awards. The Board approved \$5 million in 2009 funds for the general set-aside of the 2009 rental housing development NOFA at the June meeting. These funds are currently subject to the regional -- are currently being regionally allocated in accordance with Texas Government Code.

And due to the relatively small dollar amounts in each subregion in the 2009 NOFA, when regionally allocated, and the relatively large funding requests, staff cannot recommend any full application request for funding from these 2009 funds. These are the funds, the \$5 million in funds

that you all heard about earlier, that we won't be able to award until the September meeting. However, at the previous Board meeting, the Board determined to move \$6.5 million in deobligated HOME funds to the 2009 general set-aside.

These funds already went through the Regional Allocation Formula, were awarded to several applications and were subsequently deobligated. So we can now award these as one pot. They don't have to go back through the Regional Allocation Formula. This \$6.5 million in funds, and approximate \$794,000 in remaining funds from the 2008 NOFA are recommended for use today.

Additionally, due to the significant oversubscription of applications, staff recommends the Board utilize an additional \$5,775,128 from the available and deobligated balance of HOME funds to go deeper down the priority list of pending applications. The current balance of deobligated funds is approximately 6.7 million, which will leave a balance of 940,000 for possible reprogramming at a future date, or use for disaster application should the need arise.

Staff is recommending that the \$794,000 in remaining funds from the 2008 NOFA, the \$6.5 million in funds that is available to award today because it is no longer subject to the RAF under the 2009 NOFA. And the approximately \$5.7 million in deobligated, available deobligated funds be awarded to seven applications totaling approximately \$13 million in funds.

MR. CONINE: Okay. Any questions of Cameron?

(No response.)

MR. CONINE: Do I hear a motion to approve?

MS. RAY: Mr. Chairman, I move staff's recommendation.

MR. CONINE: Move staff recommendation to approve. Is there a second?

MS. BINGHAM ESCAREÑO: Second.

MR. CONINE: Second by Ms. Bingham. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries.

MR. GERBER: Excellent.

MR. CONINE: On to the Executive Director's report, Mr. Executive Director.

MR. GERBER: Mr. Chairman and Board members, there are a couple of report items at the back of your Board book that I commend to you, including the CDBG disaster recovery program award descriptions that address issues raised at the last Board meeting, giving clarify to the awards that were made. I commend that to you. The next Board meeting of course, is September 3.

I want to thank Tatiana Orrin and Nicole Gibson, who have

been sticking with us all day today. They are from Representative Yvonne Davis' s office. And so we appreciate your presence.

And we just want to mention once again to the Board that I think what you saw today was just another reminder of what an extraordinary and gifted staff we have across the Department. There are a lot of folks who -- you see Tom up front and Robbye up front, and Kevin and a couple of others. But there is an incredible team who have backstopped them.

And it doesn't matter if you come to the Department on Saturday at 6:00 a.m. or Sunday night at 9:00, you will find staff that have just really worked very hard to get this job done right for you all. And so if you have the chance as you are walking out today, to give them an attaboy, that would be most appreciated.

MR. CONINE: Well, publicly I would like to back that up and say thank you to every one of you. You guys have done a tremendous job once again. And as I said earlier, you have got more work ahead of you, than you have got behind you, I am afraid, because August and September and October are going to be very busy months.

But I, for one, am really appreciative. And know that you are well respected, not only in this state, but around the country as other state housing finance agencies look to Texas for leadership in the staff direction. So we are proud of you. Thank you very much.

(Applause.)

MR. CONINE: Seeing nothing else to come before the Board, we stand adjourned.

(Whereupon, at 4:45 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, 2009

I do hereby certify that the foregoing pages, numbers 1 through 235, 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.

08/3/2009  
(Transcriber) (Date)

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