

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

Room E.2.036
Capitol Extension Building
1500 North Congress Avenue
Austin, Texas

Thursday,
April 12, 2012
10:00 a.m.

MEMBERS:

J. PAUL OXER, Chair
TOM H. GANN, Vice Chair
LESLIE BINGHAM ESCAREÑO
LOWELL KEIG
JUAN S. MUÑOZ
J. MARK MCWATTERS

STAFF:

TIM IRVINE, Executive Director

AGENDA

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1. Approval of the following items presented in
the Board materials:

- a) Presentation, Discussion, and Possible Action regarding the Board Minute Summary for February 16 and March 6, 2012. --
- b) Presentation, discussion and possible action on Resolution No. 12-021 authorizing the expenditure of single-family indenture residual funds to redeem bonds in order to mitigate the impact of the application of the Universal Cap Rules under the Internal Revenue Code
- c) Presentation, discussion and possible action on Resolution 12-023 authorizing the Department's interest rate swap policy
- d) Presentation, Discussion, and Possible Action to publish for public comment in the Texas Register the proposed repeal of 10 TAC Section 60.301-.306, concerning the process for assessment of administrative penalties with regard to Compliance Administration and the proposal of new 10 TAC Section 1.13 concerning adjudicative hearing procedures and new 10 TAC Section 1.14 concerning administrative penalties
- e) Presentation, Discussion, and Possible Action regarding approval for publication in the Texas Register of a final order adopting the repeal of current 10 TAC Section 1.10, public comment procedures and topics at public hearings and meetings, a new final order adopting new 10 TAC Section 1.10 public comment procedures and the rescission of Board Resolution 08-011.

- f) Presentation, Discussion, and Possible Action regarding approval for publication in the Texas Register a final order adopting amendments to 10 TAC Chapter 5, Subchapter D, Sections 5.402, 5.407, 5.422, 5.423 and 5.425, the Comprehensive Energy Assistance Program (CEAP)
- g) Presentation, Discussion, and Possible Action regarding the approval for publication in the Texas Register the final order adopting new 10 TAC Section 1.25, Right of First Refusal of fair market value and final order adopting amendments to the 10 TAC Section 1.9 qualified contract policy 19
- j) Presentation, Discussion, and Possible Action regarding the 2011 single-family homeowner rehabilitation assistance, homebuyer assistance and tenant based rental assistance program contract award recommendations.
- k) Presentation, Discussion, and Possible Action to approve the Neighborhood Stabilization Program -- program income, NSP-PI Reservation System Participants
- l) Presentation, Discussion, and Possible Issuance of determination notices for housing tax credits associated with multifamily mortgage revenue bonds from other issuers and of HOME multifamily development program awards
- m) Presentation, Discussion, and Possible Action of Housing Tax Credit program extensions
- n) Presentation, Discussion, and Possible Action on Housing Tax Credit Amendments

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ADJOURN

P R O C E E D I N G S

MR. OXER: Good morning everyone. I would like to welcome you to the -- let's see, the April 12 meeting of the governing board of the Texas Department of Housing and Community Affairs. We will start off by standing and saluting the flags, please.

(Whereupon, the Pledges of Allegiance to the United States Flag and Texas Flag were recited.)

MR. OXER: Michael Lyttle, do you have an item? Hold on. Stand by here.

Properly guided by our General Counsel here, as it may be evident, we have our entire quorum here, but we have to go through the roll call.

All right. Ms. Bingham?

MS. BINGHAM ESCAREÑO: Here.

MR. OXER: Mr. Gann?

MR. GANN: Here.

MR. OXER: Mr. Keig?

MR. KEIG: Here.

MR. OXER: Professor McWatters.

MR. McWATTERS: Here.

MR. OXER: Dr. Muñoz.

DR. MUÑOZ: Present.

MR. OXER: And I am J. Paul Oxer. We have six here. A quorum is present and are certified. All right. Now, Michael.

MR. LYTTLE: Thank you, Mr. Chairman. This week, the State of Texas lost two public service champions who were advocates for affordable housing; State Senator Carlos Truan, and Mr. John Maldonado.

State Senator Truan was the longest serving Senator in the Texas Senate. He passed away earlier this week at age 76.

Among his numerous accomplishments, the Senator from Corpus Christi helped institute bilingual education in our public school system through the Bilingual Education Act. And he also authored the Texas Public Housing Authority Act. Senator Truan retired from his seat in 2002 as the Dean of the Texas Senate.

Mr. Maldonado was a long time affordable housing advocate. He served as the first Hispanic President of the National Conference of States on Building Codes and Standards. He was later appointed to the HUD Advisory Commission on Regulatory Barriers to affordable housing by then Secretary Jack Kemp.

In Texas, Mr. Maldonado was the Director of the Department of Community Planning and Development at the San Antonio HUD office. And he retired after 23 years of service to the federal government in October 2010.

Following his retirement, Mr. Maldonado continued to serve the San Antonio community in a variety of ways, including in March 2011, Mayor Julian Castro appointed Mr. Maldonado to the Board of Commissioners of the Office of Urban Redevelopment.

Both men were definitely tireless in their support of low income

Texans. And both will be sorely missed.

MR. OXER: Thanks, Michael. Okay. Any other notes to begin with, Mr. ED?

MR. IRVINE: Just some comments on the consent agenda.

MR. OXER: Okay.

MR. IRVINE: A couple of clarifications on the consent agenda.

First of all, staff would like to pull off the minutes for February 16th, because those need to undergo some additional changes and be brought back to the Board next month.

I would also like to point out with respect to the item covering the Consolidated Plan, substantial amendment, that the public comment period provided for in there has already occurred.

MR. OXER: That number was?

MR. IRVINE: That was H. Number 1(h). That does not require any change. It can still be on the consent agenda. I just wanted to point that out. I would also comment that we have done something different. This is the first time we have moved all of the report items onto the consent agenda so that if there are any report items where the Board would like to hear about something in detail, the item can be pulled off and addressed.

MR. OXER: Okay. Thank you. All right. Any members of the Board wish to pull items from the consent agenda?

(No response.)

MR. OXER: Okay. Is there a motion on the consent agenda?

MS. BINGHAM ESCAREÑO: Move to approve the consent

agenda with the withholding Item 1(a), which was the minutes for the previous --

MR. IRVINE: And that is just the February 16 minutes.

MS. BINGHAM ESCAREÑO: Just the February 16th minutes.

MR. OXER: And H?

MS. BINGHAM ESCAREÑO: Oh, 1(h) is okay to go as is?

MR. IRVINE: Yes, it is.

MR. OXER: Okay.

MR. IRVINE: It is clarified.

MR. OXER: Okay. All right. Motion by Ms. Bingham to approve consent agenda with the exceptions noted.

DR. MUÑOZ: Second.

MR. OXER: Second by Dr. Muñoz. Any other comments or questions?

(No response.)

MR. OXER: Okay. All in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: Ayes unanimous. Okay. The consent agenda. The next item.

MR. IRVINE: Item 2(a), Mr. Chairman, is requested Board approval of our organizational changes. I previously presented these to the Board. But consistent with our statute, the Board needs to approve any

organizational changes.

One thing that is not clear on the org chart that is in your structure, that I do want to mention, asset management is a major function of this Department. And asset management, which also will involve asset resolution issues will be elevated to a divisional status under this structure. So the chart with that one change is recommended for approval.

I believe that this new organization will do a couple of really beneficial things. I think it will provide for way better coordination in the development and execution of our programs. It has already taken hold with our single-family task force. I think it will dedicate better resource allocation to the issues of asset management and asset resolution.

And I am very excited about the activities that Tom has undertaken. I also notice that he will be working with a newly appointed committee that will be covered in this Board agenda.

And the other thing that I think is really important is, Chief Patricia Murphy in her monitoring function will take on responsibility for monitoring all of the programmatic activity; not just housing programs. But it will take on community affairs.

The last major change in here, that I think does deserve some comment is the creation of the new 3PM, and I can never get exactly right which they stand for. But it is Program, Planning, Policy and Metrics. I got it right; I read it off the chart.

This is overseen by Brooke. And this is going to, I hope, be a function that will really have an impact on strategic planning and on

communicating with third parties, and setting aspirations and goals internally, and frankly, measuring them. If you can't measure it, then you don't know if you did it.

So I think this is a major step forward into making state government more efficient, more effective and more focused. Recommend adoption.

MR. OXER: Okay. As they would say, you can't manage what you can't control, and you can't control what you can't measure. So I'm all over that.

That would offer up a comment that the organization is intended to reflect a change in the perspective that the Agency has, so that rather than looking at program funding and responding, we are looking at constituent needs.

So it is organized, essentially, it is all you see in there. It's basically single-family services, multifamily services, community affairs, management and finance, and then metrics and measurement. Is that a fair summary?

MR. IRVINE: That's a very accurate characterization.

MR. OXER: Okay. So we are going to look -- we are looking towards you, rather than back to the folks that give us money. So help us out making sure that we don't get shot for making that money go to the wrong place. Okay.

MR. IRVINE: Yes. The only other comment I would ask before you entertain a motion would be that although it is not changing any

structure, internal audit is a key part of this organization.

We are not just in the program administration business; we are in the documented, compliant, lawful expenditure business. And you know, unless you have got that independent look into your programs, you are not sure that you are achieving all parts of that mission.

MR. OXER: Of course, we like to recognize Sandy Donovan, who is our internal auditor. And having her taking a look at these things is going to be the way that we'll make an effort to improve the process efficiency and the performance quality for executing all of these, because my impression, having been here -- I've have been here for a year now; it only seems like six or seven.

But TDHCA is essentially a state-owned workforce housing development finance bank with a grant window for weatherization, energy assistance, and neighborhood stabilization.

So if we're going to run it like a bank, then we have got to have bank metrics and procedures. All right. With that, entertain a motion.

MR. KEIG: Mr. Chairman.

MR. OXER: Yes, sir. Mr. Keig.

MR. KEIG: I would like to move to approve. And I would like to thank you for your leadership on these changes and the time and effort that you put in, along with the staff, to make this happen.

MR. OXER: Well, I appreciate that. But as Tim will probably suggest to you, I was the one that pushed the button on the blender that he was on the bottom of. Let's hear it. Right?

MR. GANN: I will second.

MR. OXER: All right. Motion by Mr. Keig to approve the organizational structures suggested by Executive Director Tim Irvine; second by Vice-Chairman Gann. Any other comments, questions or suggestions?

DR. MUÑOZ: I just have a quick question for Tim. Hey, Tim, maybe you -- under single-family, this rotating coordinator?

MR. IRVINE: Uh-huh.

DR. MUÑOZ: Maybe you could explain that?

MR. IRVINE: Sure.

DR. MUÑOZ: It stands out only because it's the only area with that kind of designation.

MR. IRVINE: Right. Well, we have got historically different programmatic activities organized, based on their funding sources. We have got our first-time homebuyer and the single-family bond issuance. We've got HOME, NSP and Housing Trust Fund and Office of Colonia Initiatives.

And each of those retains its divisional structure and everything, so that we can keep our ability to account for our funding sources, and keep our program lines straight. But ultimately, if you are going to develop a harmonized approach to how you put programs together and how you run the programs, you need somebody who takes on the added burden of coordinating it all.

And Paul Romero is -- he's been kind of a leader. And he has been one of these guys that is leaning forward and looking for new assignments and new challenges. And with his background in single-family

finance, he was a really logical person to serve in that role.

So you know, I guess I would sort of say he is first among equals, but he does have significant additional duties in pulling together the activities of developing and expediting single-family closing process, developing a coordinated menu of single-family activities, and -- you know, under the programs. It's a pretty daunting task.

We also did not want to just cast it in stone. We have a lot of other talent in our management team, and we wanted to give an opportunity for rotation, for other people to come in and do it. But Romero, you know, like I said, he was the leaning-forward guy, and he got that first assignment.

DR. MUÑOZ: All right. Very good.

MR. OXER: Now, we are going to look at these as TDY assignments, to be able to get some exposure for everybody, so that we are building a -- continuing -- not that we have to worry about this -- but we're continuing to build the intellectual capital within the organization so that it continues to grow in its strength and capacity to take on some of these little tiny programs, like this tax credit business, you know. All right. I'm going to take one item out of order.

MR. IRVINE: We need to vote.

MR. OXER: That is right. We do need a vote. We need A vote on the structure. So all right. We have a motion by Mr. Keig.

MR. GANN: I seconded.

MR. OXER: And a second by Mr. Gann. All in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none. It is unanimous. Thank you.

Okay.

I will take one item out of sequence here, because there was a request for public comment.

Granger, you had a comment you wanted to make on 1(g)?

This room is a little tougher. You got to stand there at the podium in this one.

MR. McDONALD: I rather like it. Thank you, Mr. Chairman.

The boat's already sailed on this one. I realize you have taken a vote. But on 1(g), which is the requirements on sale, I think we're going to be back before this. I don't think this is put to bed, for a couple of reasons.

One, I just had a -- I have a 1997 property that is rolling off the 15 years. I did an -- I had a broker do an estimate of value; Cookman Wayshield [phonetic], a big operation. They said with the time delay that this imposes, I lose a half million dollars in volume -- in dollars, because of the volume of time that is going to be required.

And I think you are going to see a lot of people who are going to be getting hurt by this decision to hold the open period for the not-for-profit acquisition so long. And I think a lot of the not-for-profits will be hurt as well, when they try to do something with the property.

And I think that is going to cause some problems. And I think you are going to see a lot of folks coming back up in here complaining or asking for waivers of that, so I am kind of telling you about that.

Plus, I think there is also the dilemma of -- like I said, mine was a '97 property that's rolling out. That is troubling to me for a couple of reasons. One, that I have been in the program since 1997 and haven't figured out another gig yet.

MR. OXER: Yes. It seems like 1925. Right?

MR. McDONALD: Yes. Right. Exactly. But the other is, these weren't the rules when I signed the LURA. And what I feel like we are having is new rules being put on that weren't in place when I signed the LURA. And I think it is a little bit restrictive on me, because I didn't have the opportunity to discuss that before I signed the LURA. And I think it is a little retroactive punishment by this rule. And it's a little concerning.

MR. OXER: An ex post facto constraint on your options.

MR. McDONALD: Yes, sir. Thank you.

MR. OXER: Okay. Do we have a question?

MR. KEIG: So -- and I appreciate you giving us oral comment. But did you happen to submit some suggestions for something different?

MR. McDONALD: Yes, sir. And through counsel, we discussed it at length. And I think this is one of those things that -- I think this is what the staff wanted.

And I think that a lot of our comments were listened to, but not appreciated, due to the fact of having some specific instances of how our values would be affected. And I think that we'll probably be back up asking to amend this process when I come in and show you, we were hurt X amount of dollars because of this.

And I think that is what the staff was looking for, and we didn't get to that point. And I think it is going to be a problem.

MR. KEIG: How long would it take you to get those types of numbers together?

MR. McDONALD: Seventy-two hours.

MR. OXER: Anything else?

MR. KEIG: No. No thanks. No further questions for right now.

MR. OXER: Okay. Thank you, Granger. Does the Chair have the option to do that? Okay. All right. That is a significant amount of economic impact. I would entertain a motion to reopen the consent agenda to reconsider.

MR. KEIG: Move to reconsider 1(g).

MR. GANN: Second.

MR. OXER: Okay. Motion by Mr. Keig. Second by Mr. Gann to reconsider 1(g) off the consent agenda. We have heard Mr. -- okay. All in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: Okay. There are none. It is unanimous. Okay. So 1(g) is to be reconsidered. Tom.

MR. GOURIS: Good morning. Tom Gouris, Deputy Executive Director for Asset Analysis and Management. And Patricia's here

with me, because this was an effort that we kind of jointly worked on. It started with Patricia, and there's actually quite a bit of conversation, and we've held some roundtables, some discussions to try to get thoughts and ideas and to get folks together on the same page. We've brought the draft rule.

Jump in whenever you're ready.

MS. MURPHY: Well, the one thing --

MR. OXER: Hold on. State it, Patricia. Get it on --

MS. MURPHY: Patricia Murphy, Chief of Compliance.

The one thing that I want to point out is that prior to us bringing this issue forward, the Department's rules regarding the right of first refusal were imbedded in the qualified contract rule, which is 1.9. And that rule goes well beyond what those early tax credit properties agreed to. In fact, it requires a two-year period during which you would look for a CHDO, and then you would look for a nonprofit, and then the tenants.

You have -- it's like a two-year period. So once we started having people make these requests, that is when internally as staff, we said well this is really not what people signed on for when they said they would do this for 90 days. So --

MR. GOURIS: So we were using the 90-day time period. We actually created a couple of options for them to expedite that as quickly as possible through the 90-day period. One of which is, you know, market it for 90 days, and we will market it simultaneously basically, to non-profits.

MS. MURPHY: Right.

MR. OXER: So parallel processing.

MR. GOURIS: Right.

MS. MURPHY: Yes. We have, the land use restriction agreement that they entered into gives nonprofits a 90-day right, which we don't believe we can just waive away, or write some rules to remove that requirement.

So you know, the other thing, further, I'm not sure a '97 LURA would be subject to the rules that we just brought forth. They might actually have a different rule in there, exact land use restriction agreement. Each of these is a tiny bit different.

MR. GOURIS: Right.

MS. MURPHY: But in effect, what this rule does, it alleviates a condition where there is something much more restrictive than what they originally signed on for. And further, those LURAs where they entered into, they all specifically state that the Department has the right to adopt rules to develop procedures for implementing this.

So I don't think the rule is more than what they signed on for, the rule that's proposed. The rule that is currently in effect I would say is much more than what they signed on for, and this is a remedy for it.

MR. OXER: So your position is that this is an improvement over what they -- things have gotten better, basically. Or not as --

MS. MURPHY: For them.

MR. GOURIS: For the subset of the ancient deals.

MS. MURPHY: Right. So it goes from a two-year period to a 90-day period, which -- better or worse, I don't know. It is just two years to 90

days.

MR. OXER: Mr. Keig, any questions.

Any others from the Board?

(No response.)

MR. OXER: We have a sense of the -- they signed a LURA on a QAP for 1997. Does that fix to that contract? Or are they -- or do we know if they are --

MR. GOURIS: It fixes to that property. There is an element of uncertainty with a reference in some contracts to a fair market value. And if that is not fully defined within the contract, this new rule --

MS. MURPHY: That is what we are trying to do.

MR. GOURIS: This new rule will give some clarity on what that means, what fair market value means. And that is where the 90 days comes in. And we kind of emulated, or we kind of repeated what was in the original discussion of those LURAs that have fair market value. There are some additional fair market value language in subsequent LURAs. But the majority of value, evaluation there is going to be based on something that is already fully defined in their contract.

MS. MURPHY: In their contract.

MR. GOURIS: So there are a couple of years, where it wasn't fully defined. And then after that, there were some years, there were some contracts that have a portion of the value that is not defined.

But the majority of the value is defined, is very clearly in their contract. We are going to go by the contract, except where it is not clearly

defined. And this rule kicks in.

MR. OXER: So we go into the contract, as assigned at the time. And in Granger's case, in '97.

MR. GOURIS: That is correct.

MR. OXER: Okay. So it sounds like there is at least a question about --

MR. GOURIS: Yes.

MR. OXER: There is some interpretation on this, on both sides.

MR. GOURIS: And we have had the dialogue. And so we were, I think both sort of surprised this morning by the comment, because we have had -- as I said, at the beginning, we had several roundtables.

MS. MURPHY: Roundtables. And our public comment twice.

MR. GOURIS: IN fact, we pulled it back once, because of some adjustments that everyone felt like was necessary, so we pulled it back. And resubmitted a new draft.

And then this is the -- these are the last comments on that draft. The comments that we received, I think we received three sets of comments. And one was from Cynthia Bast, a series of clarifications and corrections.

And we, I think adopted all of those clarifications and the other two comments were material changes to the concept of the rule, neither of which were from Mr. McDonald. So we were kind of surprised by this

morning's comment.

MR. OXER: Okay. Anything else to add, Patricia?

MS. MURPHY: No.

MR. OXER: Okay. Thanks, guys. Any more comments of any kind?

MR. KEIG: Just that if Mr. McDonald has any response, I'd be interested.

MR. OXER: Granger, do you have a --

MR. McDONALD: Yes.

MR. IRVINE: While he is coming up, I would point out that you know, you do have 180 days after the initial proposal of a rule to finalize adoption. So if there is any desire to work through this issue any further, the Board is under no pressure to take final action on this at this time.

MR. OXER: Thank you.

MR. McDONALD: Yes. My response was, Cynthia was representing us. And a lot of those comments came from us, and we were trying to work through the system.

But since then, he asked me to find the date on where I got -- why I can make -- I asked, I said 72 hours; it was about 72 seconds. But on April 9, I got my estimation of value. And I want paraphrase and then read one line.

Given the first right of refusal language now in effect or proposed to be in effect, we believe the value falls in the range of 3,250,000 to 2 million 9. This issue under this scenario would require the existing loan to

create yield maintenance, and this would create a further reduction in price due to the first right of refusal, \$750,000.

I have got an email back in to the broker and asked them, why the market feels that way? See, this is pretty fresh off the press, since all of this was done April 9 that we found out that we had maybe a bigger issue. And if I could, I would like to -- you can pass it today, based on what Tim said; that's fine. But I would like to be able to revisit this and, say, maybe we have an issue when we are talking to the commercial real estate community, that we may have a value issue; it's something that we may have to -- while we all thought it looked good, when we go to the marketplace, we don't know how the market is reacting.

MR. OXER: You are not the market.

MR. McDONALD: We are not the market.

MR. OXER: Right.

MR. McDONALD: You couldn't sell me one of these things.

In fact, you couldn't give me one.

MR. McDONALD: Thank you.

MR. OXER: Thanks, Granger. All right. I think that would be useful to put this one -- table this one to consider for next time.

MS. BINGHAM ESCAREÑO: So moved.

MR. KEIG: Second.

MR. OXER: Okay. Motion by Ms. Bingham. Second by Mr. Keig to table consideration of 1(g) for more analysis on the next meeting for May 10, I believe -- the May 10 meeting. Okay. All right.

Thanks, Granger. Thanks, Patricia and Tom.

All right. I would like to take a minute here and recognize a couple of guests we have. Rebecca Martinez from the Governor's Office. Good morning, Rebecca. Meredith Fowler. There she is, in the back. Okay, from the Speaker's Office. And Don Jones. Where are you, Don? Did he step out?

VOICE: He must have stepped out.

MR. OXER: Okay. Yes. Don Jones from Representative Jose Menendez's office. Let's see. We have got one more request for comment on 1(g). It has been -- Walter will, where is Walter? Is he here?

Walter, we're going to reconsider -- you're welcome to come speak, but we will reconsider on the next one, if you like. Okay. All right.

That little issue considered, we will go to the next item.

MR. IRVINE: I believe you have got the next one, Mr. Chairman.

MR. OXER: Oh, yeah. I couldn't slough that off onto you?

MR. IRVINE: I can do it.

MR. OXER: Well, why don't you do it, because I am the one that had to sign the paper.

MR. IRVINE: It was actually I think -- it's something that we all had been talking about for a good while. And that is the creation of additional Board committees to create an opportunity for greater in-depth involvement in significant policy issues. And we have recommended and you have approved, in accordance with the statute, the formation of several new

committees.

One is a strategic planning committee, and Mr. Gann has agreed to chair that effort, as I understand it. And I think that that will be a really important effort. And it will probably be the first of the committees to get into regular action, because we are in the strategic plan LAR cycle of the two-year biennial appropriations cycle right now.

We also have wrestled with loan policy issues from time to time, and we would very much like to develop some clear and unambiguous loan policies for both single-family and multifamily activity. And I believe Dr. Muñoz has agreed to chair that effort.

And third, not exactly a regular committee in the usual public posted action type sense, but we have created a small group of less than a quorum of the Board to provide input and guidance as we work through the issues attendant to the response to the ICP litigation. And Mark McWatters has agreed to chair that effort.

So we have those three new groups that have been formed. And we also have a change in the chair of the audit committee, you know. We love you, Leslie, but you are just too darned busy. Her time is in extreme demand in South Texas.

And Lowell Keig has been extremely active and interested in audit issues and has agreed to chair that committee. So I think these are four really great efforts and will give us sort of that offline time to get into more policy issues, deeper discussions.

MR. OXER: Yes. And I would point out that each one of

these committees is made up of three, which does not constitute a quorum. We will announce meetings. We expect them to meet at least once a quarter, or more often as needed.

The Audit Committee will be consistent. We just changed the chair on it. The rest of the committee membership is listed in your Board book. I think you'll recognize everybody up here.

TDHCA has got a lot going on. We have got a lot of things working. The Agency is expanding and growing. We have got a larger and larger profile and portfolio to manage and a portfolio of issues.

So it just occurred to me that we needed a more operational structure to take some of these on, because we need some of these issues aired out in a smaller component of the Board before we get to the decision, and more input into the resolution of those when the staff brings those to the full Board for consideration.

I would point out that none of these constitute a quorum of the Board, nor will they be able to execute anything that does not require Board authorization, or majority authorization by the Board and a quorum thereof. So okay --

MR. IRVINE: Which is all a very nice way of saying I need more guidance and oversight.

MR. OXER: Like he doesn't get enough input. So if you need some more help, there is a lot going on. And I have to say that whenever, whatever successes I have encountered in terms of my contribution to this has largely been a matter of the contributions that the staff has made, and

principally through Tim.

So I frankly can't imagine doing this without you sitting there, Mr. ED, so thanks for that. All right. So do we need a motion on that.

MR. IRVINE: It is a report item only.

MR. OXER: Report item only. Okay. All right. Let's go.

All right.

MR. IRVINE: Next we have our Director of Bond Finance.

MR. OXER: Good morning, Tim.

MR. NELSON: Good morning Mr. Chairman.

MR. OXER: Tim, let me. Can I ask. Don? Would you like to speak now?

MR. JONES: I will wait until the Senator gets here.

MR. OXER: Okay.

MR. JONES: Thank you.

MR. OXER: All right. Go ahead, Tim. I'm sorry.

MR. NELSON: Mr. Chairman, members of the Board. The first item we have before you is a discussion and possible action on resolution 12-022, authorizing the Department's investment policy.

The Board is no doubt aware that state law requires the Board, with regard to both our investment policy and our swap policy, to both develop the policy and then annually to approve it.

On the consent agenda, you approved the swap policy, and staff has reviewed the investment policy that was last approved by the Board

on March 3 of 2011. And we have a black-line copy of what we are proposing as far as changes attached to your materials.

I would like to just highlight the number of the changes that we are proposing. First of all, we have made changes to reflect changes in the Public Funds Investment Act.

One of the changes that was added in this last session was a requirement that agencies do an ongoing monitoring of the ratings on all of your investments. So we have added that into the policy.

Another thing that we have done is that we have provided I think clarification regarding the investment policy does not apply to any investments that are made under our various bond indentures.

I mean, we think that was sort of in there before, but we didn't think that was entirely clear. In each of those instances, you have an indenture that is your contract with investors, and it outlines in there what you are allowed to invest in, and all of the various requirements.

So to have this policy sort of try to overlay on top of that would be inappropriate and probably illegal in certain instances. So we have added some clarification to that. This just has to do with our non-indentured funds.

The other thing that we have done is we have tried to do a streamlining of the monitoring and approval of the various entities that we are allowed to do investments with.

I think the old policy had a very outlined procedure that we were supposed to be gathering audited financials and doing various things. What we propose to do is we do all of our investing through the Comptroller's

Treasury Safekeeping.

They have an entire group over there that monitors all this. They have investment committees. They have, you know, frankly a lot more expertise in this area than we do. So we have gone through the policy and sort of set it up to say basically that if you are on the approved list for the Comptroller, you are on our approved list. And we have added to this policy. And we will report to you on a quarterly basis who was on that approved list.

And certainly, I guess if there is somebody on there that we are not comfortable with, we can certainly take it off. But we felt like that was a much more streamlined and a much more prudent approach than what we had outlined in the prior policy.

And with that, I'll say the staff certainly recommends approval of this. And I would be more than happy to address any questions.

MR. OXER: Okay. Any questions from the Board?

(No response.)

MR. OXER: So essentially we are drawing the fine line -- or a fine line between where our policy is generally established and where specific policies are established on the bond indenture.

MR. NELSON: Correct.

MR. OXER: Okay. Operational clarification. And nothing -- there is no operational difference. It is just a little --

MR. NELSON: We are still operating the same way. We just wanted to make sure the policy was clearer: that it only applies to these other funds.

MR. OXER: Sorting out the fit. Okay. Okay. Entertain a motion.

MR. GANN: Move we approve resolution 12-022 authorizing the Department investments policy.

MR. OXER: Okay. Motion by Mr. Gann authorizing the investment policy.

DR. MUÑOZ: Second.

MR. OXER: Second by Dr. Muñoz. Any other questions?
Any other comments?

(No response.)

MR. OXER: All in favor?

(A chorus of ayes.)

MR. OXER: All opposed?

(No response.)

MR. OXER: Okay. It is unanimous. Thanks, Tim.

MR. NELSON: Thank you. The next item that we have before you is really in a report item we have in the past tried to -- especially in this environment that we are in and have been for the last several years, a very volatile market, that we try to give the Board.

It is kind of an annual update of where we think we are in terms of markets. So they can hopefully better inform you in terms of decisions that you have to make that that has a bearing on. And so we would like to do that today.

We have materials in your packet. I promise you that we won't

be covering all of these. I would like to bring up our financial advisor, Gary Machak and Barton Withrow to cover this. And certainly, if anyone had got questions, we would be more than happy to address those as well.

MR. OXER: Good. Thanks, Tim.

Hi, Gary.

MR. MACHAK: Mr. Chairman, thank you. Thank you, Board members. Tim, thank you. I will make this brief. We have got a lot of content here, but please interrupt me if you have any questions.

Our market, as you know, has seen substantial changes since the year 2007. On the short term, what we have seen is our lowest rates in the municipal market hit on January 18. After that, they did go up. They have gone up mainly because of supply.

Our market does react to supply and demand. Let me just give you something that is not in the table, and just a key interest rates in our market. One is called a STMA index; that is the short-term seven-day floater.

This week, it was at a 1.8. Again, that is a seven-day rate. A year ago, it was at a .23, so that is 18 basis points and 23 basis points.

Again, we are a lot less. Our bond buyer revenue index, which takes into account water and sewer revenue, other types of transportation-type revenue issues, this week, it was at a 488. And last year, it was at a 561.

What that means in terms of housing bonds is that on the long end, we are still not able to really reach the levels -- the low levels of interest rates that we need to make our programs competitive. So we need to look for

alternative sources. There is a little bit about that later in the presentation.

Just to finish up on this page 2, supply has increased. And there has been a return from buying in our market from bond funds. Before 2007 all the way up to about 2011, we saw retail investors enter into the market. They cannot take the place and the volume in terms of bond investors.

But they did enter, and they are now retracting from the market, looking at alternative investments that are higher. But bond funds have come in on the long end to replace that.

On the short end, in the last few weeks, we have seen the opposite. Short-term bond funds have lost funds to the tune of about a billion dollars a week. That puts pressure again on what we call the seven-day floater instruments, which you do have in your single-family indenture.

Other sort of macro-type headlines to watch are, as you have all probably heard, the sovereign credits, especially over in Europe. Things have seemed to move away from concentration on Greece, but now we see Portugal and Spain coming up. That was a headline earlier in the week.

And then the banks decided that they had plenty of resources to buy their paper. Yields spiked up on their paper and then it recently spiked down. That created some volatility in the stock market and in our bond market.

The Fed, what are they going to do? All of the indication is that they will remain with the short-term rates low. At first it was projected out into 2013. Just recently, and even in today's papers, there has been

comments by the Board of Governors with regards to keeping rates low even into 2014.

There has been mention of quantitative easing, which is purchasing of bonds, possibly coming back. That has been discounted and brought up at various levels. So there is not a lot of credence put on that.

I think I have basically covered most on the general market. What I would like to do at this point is hand it over to Barton to take a few slides and things on the housing market in particular.

MR. WITHROW: Thank you, Gary. Good morning. I will give you a little bit of an update on the general housing market and a summary on the Texas market, if I could. A little over a year ago, when I was here, a little bit more doom and gloom in the housing market. Now, you can kind of summarize it. As I have said, there is --

MR. OXER: Now we just have Granger. He doesn't want to buy any; he doesn't want to sell any.

MR. WITHROW: Well, multifamily is -- yes, for the record, Barton Withrow.

Basically you could say it is better, but we are still far from good. And I tried to get some graphs here to tell the story in pictures. In the first graph, in the upper left corner, you can see stabilization compared to a while back. But it is stabilizing at low records.

Just recently, in the last few months, though, it is starting to come up a little bit more in terms of the single-family housing starts. Moving to the right, the inventory two, we're back to the long-term average in the -- in

inventories. And that is a very good indicator.

On the lower left, potential demand is up. I mean, if you believe these things, in terms of surveys of who wants to buy a home, you know, it has made some spikes recently. So that is always a good sign. Whether they have the money to do and will do it, we don't know. But it is at least some indication there.

And then finally, if you look at delinquencies, which is a good indicator, they are falling, but they are still 50 percent higher than the historical average on that.

On the next page, on the national housing market, there is more positive signs. Again, in the upper left hand side. Houses are more affordable. More affordable now than they have been in a very long time. And that is -- it has continued to go up. And this is relative to rents and things of that sort.

Right below, you can see an example of that when you look at how. When you factor in all of the costs of making payment on a mortgage. A house right now is priced somewhere between a two- and a three-bedroom apartment. And that is a good indication.

Over in the lower right-hand graph, this has always been my favorite one. This is the young adults, 18 to 34 years old living at home with their parents. This would tend to demonstrate pent-up demand. And I am not sure if that is the demand for the kids or for their parents. But either way, it is an indication.

MR. OXER: If you have 13- to 18-year-olds, you want to get

out of the house.

MR. WITHROW: I would say this is probably initially an indication of the rent market, which is why I put it underneath the multifamily fundamentals. Those are still strong.

As you see, the household formation is strong. The supply of multifamily, unlike in previous recoveries, we now have a glut. If I know in your own markets, that rents if anything are going up, and people are coming in and buying up what there is. Sir?

VOICE: What's echo boomer?

MR. WITHROW: Echo boomer would -- oh, say, you know, the generation that would be baby boomers, and those would be their kids. So that would be more --

MR. OXER: The generation this side of the baby boomers.

MR. WITHROW: Yes.

MR. OXER: Twenty-six to 65.

MR. WITHROW: Yes. Somewhere in the 30s and so forth. It echos on, I guess. I don't know.

MR. WITHROW: Reboomers. There is probably another one there.

VOICE: It is not a tsunami; it's an echo.

MR. WITHROW: I am not sure if it is Generation X, Y or Z, but somewhere in that. Let's see.

I tell you, I will just jump over. Let me skip over the other slide. I will wrap up and turn it back over to Gary a little bit. But just comments on

the Texas housing market.

Last time we reported on this, we were better than most markets. And there were some few downsides. At least as of the most recent we have looked at, for the most part, we are better than the national average, and the statistics there bear that out.

Home sales are up. The prices are flat, but not falling. In fact, the prices have been very stable over the last year. You know, we are still more affordable.

People are moving in from out of state, and you can decide whether that is good or bad. But nonetheless, they are keeping the market.

MR. OXER: It depends on where they are coming from.

MR. WITHROW: Fewer foreclosures, not only in the state in general, but when we look at your specific TDHCA portfolio, the single-family, you look at the 90-day-length delinquencies, we were considerably below the national average.

And then there are very few negatives reported this cycle. I am sure I'll come back in a couple of months, and we will see there were some dips. But if you look at year-over-year statistics -- and I think we have a publication in there, in the packet -- it will kind of break out the details. You can look at specific cities, and markets and so forth and see, on a month by month basis, and year over year, whether they are up or not. But in general, it is looking pretty good. We just don't have as many headwinds to face.

MR. OXER: So an essential summary of this would be that Texas, while it had soft spots in there, didn't get jacked up as high as

everybody else, didn't fall down as far.

MR. WITHROW: Absolutely.

MR. OXER: So it just mitigated the wave.

MR. WITHROW: That is right.

MR. OXER: Is that a fair --

MR. WITHROW: It is. We were very -- we are probably one of the least volatile states in the country.

MR. OXER: Great.

MR. McWATTERS: I have one question.

MR. MACHAK: Yes, sir.

MR. McWATTERS: Are the Big Four banks that did the second-lien mortgages, particularly the home equity loans, are they beginning to work those out, or still overhang there, or not?

MR. MACHAK: There are still credit concerns. There are some expectations of possibly credit action on maybe one of those banks and on possibly others. That would be -- affect the markets.

Those banks will also provide liquidity to our market, and so a downgrade there would hurt any bonds that had liquidity from those banks. But most of them, I guess, have developed reserves. There may be just, you know -- maybe right now, I think in the headlines for the rating agency, maybe one of those banks.

MR. McWATTERS: So what you are saying is that their writing off the second-lien loans, it is potentially impairing their capital.

MR. MACHAK: That is right.

MR. McWATTERS: Okay.

MR. MACHAK: Second lien. Any of the assets that they have that may be lower grade with regards to lower-grade loans of not only the housing, but other types of assets, too.

MR. McWATTERS: Are these loans being refinanced? Because I know a lot of people are stuck in the loans that have above-market interest rates, but they cannot qualify to refinance for the simple reason that they can't get it put in an appraisal on the property, because the appraisals are going to come in less than the mortgage that is due. And so the only way out of the jam is to forgive the principal, which impairs capital, which leads to rating downgrades, which leads to stock price falls, which leads to management receiving less bonuses, but maybe I'm cynical.

MR. OXER: We can only hope, anyway.

MR. MACHAK: Yes. That is the way it is supposed to work.

MR. McWATTERS: But what's the solution?

MR. MACHAK: It is hard to say a solution. I think it is a regional -- if you look at it region by region, I think there are areas that are much harder hit than others.

Texas I think is in good shape with regards to the equity that people have in their homes, when you look at other states like the Michigans and the Californias and the Nevadas, and the Arizonas. It certainly doesn't look as good.

MR. McWATTERS: Is there any movement to relax the appraisal rule for homeowners can be refinanced at a lower rate, and

therefore, be able to make their payments?

MR. MACHAK: Yes. Unfortunately as you know, in the credit crisis, there was tightening of that.

MR. McWATTERS: Absolutely.

MR. MACHAK: And I haven't -- we haven't seen. There has been a lot of talk, I guess concrete proposals with regards to loosening those. We have had discussions, I mean, very recently. And just about every day. What is going to happen to those Government sponsored agencies that really drove the market in insuring those loans. You know, they ventured out into some other types of products, subprime and things like that. But the core product is still very good. So maybe there is a solution there, in getting back to basics.

MR. OXER: Gary, do you have --

MR. MACHAK: That is a little bit above my pay grade.

MR. OXER: Do you have any data on the number of homeowners, particular in Texas, but anywhere, the number of homeowners that are underwater on their mortgage, but are still making their loans. But they had to engage, or protect against foreclosure. Because if the valuation falls below the mortgage, the bank will call for capital to bring that back up. But to close their loan on that --

MR. MACHAK: Right. They are not making a payment.

MR. OXER: But they are making their payment. If they are making their payment there is not going to be an issue. It is back to a mark to market problem that I have -- if everybody in this room I have seen one of the

more severe mark to market problems you know, fall around me, okay. So is there any indication that there would be some capacity for those about who are continuing to service the loan and make the payments on that, to keep the wolf away from the door.

MR. MACHAK: I think our delinquencies have been below national average. So I think that is good. We can probably, may be able to get a run on that. I mean, one very simple solution may be, the bond program that all of the state agencies, and this is something again for Congress to take up, but to -- it used to be that these programs --

MR. OXER: I was encouraged, right up until the time you said Congress.

MR. MACHAK: These programs used to be available to non-home -- first-time homebuyers. You know, the vehicle that you provide in terms of single-family mortgages could be a way for these owners to refinance into lower mortgages if they allowed state agencies to develop programs like that.

Just to give back, state agencies now are in much better shape than they were a year ago. This is from a Moody's report. Their revenues over expenditures are more robust.

TDHCA itself is better than the national average with regards to state agencies. That has to do with continuing to do bond programs but also has to do with policy that we have implemented with regards to sale of mortgage loans and looking for efficiencies with regards to the bond calls that your assets are backing.

There are hurdles ahead with regards to continuing with your programs. The NIBP program is not as favorable to us as it once was. And as I mentioned, long-term investors are demanding higher yields. But given that, there are many initiative that we are looking at, and we are well positioned with programs like what we call a TBA or to-be-purchased program, which we have taken proposals on, and we are developing.

So with your down payment assistance and with these other alternatives you are looking at, I think your position is very strong for the future to continue to provide this program.

And if I didn't answer your question, I would be happy to --

MR. OXER: No. That answers the question. I am just -- I continue to want to see that I expect TDHCA and the Texas community that we are dealing with to be above average. I want it to be well above average.

In fact, I want it to be able to match what the chief does in our police work, okay. We want to be the first one to be able to solve this problem.

MR. WITHROW: We have already gone a long way with this program, with the down payment assistance program. It is the first in the nation and a role model for turning what was otherwise an expense into a very high rate of return, providing down payment assistance not only now -- I mean, 99 percent of the loans that originate now are with the down payment assistance. Not only do you get that money out at attractive rates, but to have an evergreen residual from that to fund new ones as time goes on, and that's a big step that is yet to be replicated at other state agencies.

MR. OXER: So we look at it as an investment portfolio with returns on it, rather than a cost up front.

MR. WITHROW: Absolutely.

MR. MACHAK: That is right. And we appreciate the Board, because we went through a lot of discussions with regards to the change in that program. And it doesn't seem to have made a difference with regards to demand. The demand is still high for that product.

MR. OXER: Good. Some more questions?

MR. McWATTERS: Yes. One more question. In the general housing market, are you seeing more second-lien lenders write off loans with equity kickers, meaning a right to participate in future appreciation? Meaning, striking a deal with the homeowner, saying we will write your loan down, but you're going to give us a contract that says that if the house appreciates, we will share that appreciation with you.

MR. MACHAK: I mean, that is a novel way to do it. I do not have any statistics with regards to the level of participation in something like that.

MR. McWATTERS: Okay.

MR. OXER: Everybody has been wailing about this problem for the last three or four years.

MR. McWATTERS: So then, I mean, we had this problem, which could be substantially solved by refinancing at lower rates, and perhaps with equity kickers.

MR. MACHAK: Right.

MR. McWATTERS: Okay.

MR. MACHAK: And clearly, I agree with what you are saying, is that the banks really need to get innovative with regards to helping to solve this problem within the constraints that they have.

MR. WITHROW: Mr. Chairman, one last point. To your point about whether being below would cause somebody who's making their payments to affect, for instance, TDHCA's portfolio, almost all of those are Ginnie Mae and qualified loans. I am not aware of any provision that if a person is on time making a payment and their house happens to be 10 percent below appraised market that they are going to have a call on that. So it is a contract, a 30-year contract. As long as they are current on that, then there should not be any risk of --

MR. OXER: That is for the Ginnie Mae backed --

MR. WITHROW: Which is almost all Ginnie Mae --

MR. OXER: Which is all we are doing. I am looking at the larger market, trying to think of some mechanism that is available to TDHCA to help those who are basically underwater and being pushed down; you know, being hammered because of it, for no failure of their own, because they continue to make their payments.

MR. MACHAK: That is a great point. And again, we are somewhat constrained in that the lowest rate we can get is by issuing tax-exempt debt. But yet that comes with tax law constraints from a first-time homebuyer with regards to our market.

MR. OXER: Well, I assume that if this was easy, we would

have already fixed it.

MR. WITHROW: We're working on it.

MR. OXER: Great.

MR. MACHAK: Well, if there aren't any other questions --

MR. OXER: Other questions from the Board?

(No response.)

MR. OXER: Okay.

MR. MACHAK: We certainly appreciate your time and interest in the topic.

MR. OXER: Yes. We appreciate the effort and the details you bring to us.

All right. I would like to recognize Senator Van De Putte. Good morning. We would like to have you come forward.

We appreciate that you are here. I will let you come in and interrupt our agenda because you are the agenda. So you can get back to making sure we have enough money to go do our job. Okay.

MS. VAN DE PUTTE: Well, thank you very much. Good morning. Thank you very much, Chairman Oxer.

Board member Keig was -- and, of course our Executive Director, and Governmental Affairs Director Michael Lyttle, thank you so much for taking the time to visit us in San Antonio and Haven for Hope on Monday.

My name is Letitia Van De Putte, and I am the State Senator for District 26. I have the honor and privilege of representing about 820-some-odd thousand folks all within Bexar County.

And San Antonio is very proud of the Haven for Hope. And we appreciated the opportunity to show you first-hand what has been accomplished and how effectively funds are being used in transforming lives. I know that as members, you know that homelessness is a significant problem in Texas and especially in our larger metropolitan areas.

The Legislature has for the past two sessions authorized the Department to create a Homeless Housing Services Program and to allocate those funds to support various initiatives and the eight largest cities in the state.

And as always with our Legislature, the needs are greater than available funds, and so we appreciate the job that you are doing to make sure that the limited funds are distributed where they will do the most good.

Merely providing just that -- temporary shelter, food, and limited health care services -- doesn't solve that core problem that causes the mass majority of homeless cases.

Until we really look at those root causes and they are addressed, a concerted effort is made to provide supportive services and programs, the cycle will just continue to repeat itself over and over again.

Six years ago, in my community, a group of civic and business leaders committed to this problem in the community, that a program that would completely change our own approach to the growing problems of homelessness.

We did a survey. And as you know San Antonio is Military City, USA, and we are very proud of that. What we found was that over 33

percent of our homeless population were veterans. And we knew that that commitment led us to widely recognize what is now a national model of public-private and not-for partnership that does transformational services at what we call the Haven for Hope.

Other communities in the country have come to visit San Antonio and looked at the leadership at Haven for Hope to really look at it as a cohesive operation that in less than two years has changed the direction and purpose of hundreds of lives.

Those of you who know Malcolm Chadwell, the book, *The Turning Point*, and all of that, in his newest book it is *What the Dog Saw*. And he -- in one of the chapters, he looks at the problem of emergency room visits of homelessness.

And much like all of our population things are in a Bell curve, that is not the case with this population. It is more like what he would call a hockey puck, where the majority of folks may experience homelessness and they need a little bit of help here.

But what happens, it's like that stick of the hockey puck. You have a very few people who keep cycling. And emergency rooms -- as a pharmacist for 32 years and part of the practice that I have was in the pharmacy we called them our frequent flyers. They were in and out. They were in and out of the jail. So a very small number of folks were really utilizing services at the county, the city, and the national level.

And so with that in mind, we know that -- Haven for Hope is very different, in that it goes after -- it is not just a cot and three meals. It is

not just to get you off the street. It is transformational.

The effects that are just seen in individual and family units -- we've got crisis intervention, substance abuse, mental health services -- are making a profound difference at local government level; greatly reduce the population levels in our county jail. On-campus medical facilities and the mental health center are significantly reducing the number of non-essential emergency room calls.

And this Legislature put in \$6.1 million for the detox and crisis intervention center in 2007. That has doubled the amount of cost savings as a result of jail diversion in our community. So the number of lives that are affected and the tax dollars saved will really grow.

With less than two years of operation, our data that has accumulated so far -- it may be difficult to actually account for the final long-term economic impact, but I think it's very safe to say that without the very unique and progressive efforts and a continued investment of funds, these results will be significantly degraded.

Unfortunately, you know what happened, that the State's legislative budget crisis has not allowed nearly enough funds to meet the needs. But it is imperative that the funds that are available from the state are really allocated to the programs that are achieving that long-term success instead of just that temporary shelter and services that do little more than keep what Malcolm Chadwell recognizes that hockey puck, just to keep that cycle going.

Today, I am so thankful that the Board will consider and I hope

approve the staff recommendation to post for public comment the proposed rules and formula that will be used to allocate what funds are available, both now and in the future.

Local providers, governmental entities, and others involved in the effective programs I think will have the opportunity to carefully examine the Department proposals and then offer input.

I appreciate your effort so much, and particularly the staff, to recognize that we need to allocate funds, kind of from two different perspectives. The sheer numbers of the homeless citizen, growing ranks of our nation's veterans; as we see that drawdown from the fighting forces, Texas has more veterans per capita than any other state. We also, by the way, have more Reservists and more National Guard than any other state.

But as that drawdown happens in Iraq, we are thankful that that war is over, but those of you who have family in military service and those who have worn the uniform know that the war's not over; it's just coming home.

And with that, we know that we are going to have the sheer numbers of our veterans, especially women veterans -- that's what we are finding. is the huge uptick in women veterans who are homeless or become homeless, and particularly as the military continues to downsize. We know that also our folks with developmental or mental disabilities play a significant role in this population.

So the draft formula that you have considered for this category I think is a great improvement from the original 2010 allocations. It is equally important that the Department is making an effort to support those programs

that are having unique and exceptional results stemming from those innovative techniques or programs.

Again, I want to thank you and particularly in paying attention to what is going to be, with these limited precious taxpayer dollars, the best return on investment.

Mr. Chairman, you've made that pretty clear in all of your statements in the past. Those are I think the programs that we really need to look at because of the limited resources.

As a member of the Legislature, we look forward to working with the Department and the Board in developing -- as you develop these rules and guidelines over the next couple of months. And we are hopeful that during the next session, when the budgets will be probably just as restrictive -- but that we have got some results to show how this really affects other parts of the state budget, in criminal justice and in health care.

And so, thank you for your time and service and the commitment to helping our communities address the need of so many citizens, and particularly with their families.

And I am thankful personally for your time and effort to come to San Antonio and for allowing me to come and just kind of push in here with these folks.

As you know, we have got several Senate committees that are just right above you. And I would have been here earlier, but I was wielding the gavel and couldn't get away until then.

So thank you so much. Please know how much we appreciate

the time that you put into this. And we are just so excited about the Department's direction on this. We can't thank you enough.

MR. OXER: Thank you. Are there any questions from the Board?

(No response.)

MR. OXER: I have to say that having been down there Monday, I was encouraged. And my summary of Haven for Hope is, they are teaching them to fish.

It is not a warehousing operation; it's a survival. They are getting skills that will hold them in good stead for a long time, so I would like to see if we could do something to help them out. So any questions?

DR. MUÑOZ: I would just like to comment, Senator. I so much appreciated your remarks, particularly about the impact on veterans and women soldiers and Marines and sailors.

Yesterday, at my university in West Texas, Texas Tech, we held the first ever West Texas Veterans Education Summit. And it was unbelievably revealing what the support agencies are dealing with as the drawdown is taking effect and as people are transitioning out of uniform, men and women and their families.

And so I think you're right on point with developing programs on the front end that will help them transition back into civilian life.

MS. VAN DE PUTTE: Thank you, Dr. Muñoz. You know, we hopefully can learn lessons from past mistakes. As a member of that Vietnam war era, we did not treat those troops very well when they came

home. And henceforth, you see them under the bridges; you see them with the significant mental health and substance abuse problems.

I mean, we are -- I think just so blessed to live in the best state. We can build billion-dollar sports stadiums, but tonight, there is going to be a veteran without a place to stay, without a place to live, and I know we can do better.

So thank you very much. And particularly, it was amazing to us to realize how many of our homeless population really have served in our nation's armed forces.

Thank you. We appreciate it.

MR. OXER: All right. Thank you. We'll let you get back to work now.

MS. VAN DE PUTTE: Yes, sir.

MR. OXER: Mr. Jones -- before we start with you, we are going to take a -- we have an urgent request from the Board to take a brief time out, so we are going to a brief recess -- not recess; we're just going to stop and take a ten minute break here so somebody doesn't die of a shattered bladder.

(Whereupon, a short recess was taken.)

MR. OXER: Following in our player program here, you may have noticed that we've moved on to Item 4(a), and that was the one on which Senator Van de Putte was commenting.

So we would like to call Mr. Jones, Don Jones, representing Representative Jose Menendez.

MR. JONES: Mr. Chairman, thank you. Members, thank you for taking just a moment.

MR. OXER: And while I have identified you, you need to identify yourself.

MR. JONES: I know. For the record, I am Don Jones. I am Chief of Staff for State Representative Jose Menendez, District 124 in San Antonio. Jose apologizes for not being here today. Over the weekend, his daughter got a real bad abscess and got an infection in her eye and nose. Finally got out of the hospital late Tuesday, but they had to take her back for a follow-up this morning.

And he did ask me, though, to just briefly echo the remarks that Senator Van de Putte made concerning the Haven for Hope, and especially the draft initiative that is Item 4(a) on the agenda today that you all are going to consider.

As the Senator mentioned, simply providing three hots and a cot, sending a first and at worst a family, you know, back into the same cycle, back into the same circumstances is not really solving any problem at all.

And by the way, Director, the terms three hots and a cot is an old Army terminology that was often associated with people who had no place else to go, but it was the judge telling them or the sheriff telling them -- and quite often, they were homeless. They joined the Army out of desperation. They got three hots and a cot; they got three meals and a place to sleep.

And we got some good soldiers out of that. We got some good top quality soldiers. But we also had a lot of folks that just, because of

the various problems they brought with them, they just weren't desirable.

That kind of really just drives a lot of the homeless population, and it kind of really says what we do when we just provide a little bit of humanitarian. And it is essential, it's critical when we do that. But sheltering and meals and a few things, and then they are back out on the street. The cycle just keeps repeating itself.

The initiative that you all have done on 4(a) today kind of, as you know, combines both the formulas for addressing raw numbers, the numbers of veterans, and the numbers of homeless or of the population, income population, and some other numerical factors.

And that's great, but it doesn't take -- you know, that takes into account the chronic homeless, the under the bridge, the panhandler you see on the street. As I pulled up onto 15th street today from I-35, there was a woman crouched down with a sign that just said 25 cents, please. Okay. Well, we can put those folks in a Haven for Hope or a bridge or whatever program, and the odds are not very good that she is going to be anyplace else but back there on that corner again.

The rules that you consider today make a really good start on doing that, looking at both results-oriented characteristics of the different providers. And we need to grow that. The Senator talked very well and spoke to that, and so I am not going to belabor it.

But we definitely support the draft today. Representative Menendez is committed, fully committed. And by that, I assume that he means, I'm fully committed -- that is generally is how it translates -- to working

with you all, working with the other stakeholders.

MR. OXER: He says yes, and you start work. Right?

MR. JONES: I'm sorry.

MR. OXER: He says yes, and you start work. Is that the way it works?

MR. JONES: Exactly. Sometimes he doesn't even have to say yes; I can see it in his eyes. But looking at somebody out of the box, out of the normal, the unique and the different. Different approaches are actually results oriented. So we look forward to it.

I would add, Tim, we talked briefly before the meeting started about perhaps having a little stakeholders meeting of the Big Eight that are participating so everybody has a chance to sit down and get their input in and make sure we all understand where we are going, and what we are doing with this.

But we want to thank you. Subject to your questions, I appreciate it, and I will be out of here.

MR. OXER: Any questions from the Board? Any comments?
(No response.)

MR. OXER: I would like to make one comment. And I would reiterate what I suggested Monday when we were there at Haven for Hope.

I have a background in engineering. And nothing like engineering to help you generate numbers. And numbers -- you can be bored senseless with numbers, or you can be scared senseless, or you can be beaten to death with numbers.

So all of those are useful tools in going to the Legislature to be able to use those numbers to make the argument for more funding for this. So gather the numbers. It will take time, but you are on the right --

MR. JONES: I think you would be very interested in having listened in on the conversation I had with George Bloch yesterday afternoon about that subject. He is working on it.

MR. OXER: Good. Glad to hear it.

MR. JONES: I appreciate it. Thank you again.

MR. OXER: Thank you. Appreciate you being here today. Okay. Michael.

MR. DEYOUNG: Michael DeYoung, Director of Community Affairs. Item 4(a) is being brought to the Board for authorization to publish a proposed rule for the HHSP program that you've just heard two eloquent discussions.

Staff has drafted a proposed rule. It is a fairly simple rule. It has the purpose of the funds distribution and eligibility for the funds. Some benchmarks that are fairly broad in that we are trying to accommodate a variety of projects at the local level for the eight large cities. It also goes over the formula for distribution of funds.

And then the final piece and especially important component of this, it is the part that the Senator and the Chief of Staff of the Representative just talked about. It is the flexibility to award funds based on performance.

And this is a portion of the rule that if we, as it is drafted right now, we would come to the Board for approval to enact that provision. But

we anticipate that this will garner significant public comment from the eight cities, and we invite their input. This is just the beginning of the discussion. This puts out the marker for where we think this program can start. And look forward to input.

MR. OXER: So we are effectively staking a claim that it will --

MR. DEYOUNG: Yes.

DR. MUÑOZ: I have a question.

MR. DEYOUNG: Sure.

DR. MUÑOZ: When you seek public comment in the different municipalities, the largest eight that you are referring to, do you also notify elected officials and their offices? This is their public input opportunity. I am just curious. Are the other city officials of these municipalities aware that we are out there soliciting the opinions and input of their constituencies?

MR. DEYOUNG: I myself don't do that. I would have to turn to Michael Lyttle.

What communications do we have?

DR. MUÑOZ: If we don't, there will be?

MR. DEYOUNG: I mean, we have a dialogue.

DR. MUÑOZ: You must have seen the look in my eye.

MR. DEYOUNG: Yes. We have had some preliminary discussions with a couple of the entities on the visit to San Antonio and recently with Fort Worth. And I think there is a plan to talk to each of the entities to try and get a marker for where is everybody in this? The interest is trying to keep the program broad enough and the rules simple enough that

everybody can accomplish what they need for their city.

And you know San Antonio has that huge veteran population. They have focused their efforts on Haven for Hope. There may be -- in El Paso, there may be a different need. And we want to be able to comment both scenarios.

DR. MUÑOZ: The point I am trying to make is I just don't know of any city council person, commissioner, mayor that is insensitive to the need and the issue of homelessness, and I just think that they want to be apprised, with the state representatives, et cetera, that the Agency is trying to be proactive in garnering the opinions of constituents that live within their areas of representation.

MR. DEYOUNG: And I think the point is well taken. And we talked about it in a meeting with Tim earlier this week, that we reach out to each of the communities, and see that they are notified. That the proposed rule is out there, to gain their comment. It is a 30-day comment period. Again, this is TDHCA's first cut at the rule. So any other questions?

MR. OXER: So we are working with a compass and no map right now, finding our way through this. Okay. So we are looking at results oriented -- we are looking at results of the program, being able to establish the metrics for whether or not these programs will be successful.

It is going to take a change -- perhaps a change in the perspective that we have on what is actually a valuable metric. You know, one of my favorite quotes, actually a theoretical physicists: Everything that you measure doesn't count. Everything that you count is not valuable.

Okay. So I would like to ultimately see a benchmark performance measurement on all of them, so that you can get a benchmark against all of the others.

MR. DEYOUNG: Yes. And we have kind of had a dialogue with these agencies, trying to talk about what are the metrics that we need to collect, to measure our performance, so that we can again, go back into the flexible portion of this formula to divvy out the funds, what would be success, and get their input.

I think each of the eight would probably give you a different idea of what their measure of success is, and we've got to kind of coalesce around one measure.

MR. OXER: Since we are going to be the ones handing out the money, I think we are going to establish the metrics on which we will establish their success. Which I would like to see happen.

So there's more discussion coming on this, but this is to start the process, to get a rule going. Is there -- do we have plans, Tim, for holding a workshop or some variety of engagement with all of these folks, so that we are not just passing them money?

MR. IRVINE: Yes.

MR. OXER: My sense on this -- allow me this for a second. My sense on this, if we look at this, just passing out money to do this warehousing problem, you know, that goes into a strict cost. And it is just something that is just -- it is a lost cause, sunk money. We've got to do it again next year.

But if we put it into something that was as impressive as Haven for Hope appears to be and as I expect that their results will be, then that constitutes an investment in the -- in my business, we call asset management.

In this case, it would be the human assets that the State has, and a lot of those being veterans. It is very important to see that they get -- have an opportunity to return to something meaningful when they come home.

So I would like to think of it -- we have had, here's dollars, so anything we can turn into an investment and take it off the costs column helps us out in the long run.

MR. DEYOUNG: Agreed.

MR. OXER: The Board? Any other thoughts?

(No response.)

MR. OXER: Thanks, sir.

MR. IRVINE: I would just say it was extremely gracious of the entire San Antonio delegation to invite us down to their city and give us an opportunity to see some of the great things that are going on in San Antonio. And I really appreciate your initiative, Mr. Chairman, to go to cities all over the state to see what is going on and to connect with local leaders and elected officials.

You know, we absolutely will have a roundtable and workgroup that will include at least representatives from the particular eight cities that are funded under this program.

But I would also say this is really a process where we are going to throw open the doors to all Texans, as we do with all of our public

processes, because ultimately, this is about finding best practices.

And best practices in El Paso or San Antonio probably have applicability through smaller towns and smaller cities. Homelessness and recovery of the returning veterans, you know, these are important issues that impact pretty much all of Texas.

MR. OXER: Right.

MR. IRVINE: All over the country. And I think Texas has an opportunity here to take great thinking from a lot of programs and be a national leader.

MR. OXER: Well, the observation that I would make about the Haven for Hope for those that -- and Mr. Keig and I were there with the staff, and I would toss this out for everybody who represents a city that is not in San Antonio.

While San Antonio has a large percentage -- 33 percent of their homeless population are veterans, and it has a large Defense Department population, the other advantage that San Antonio had and Haven for Hope has, it had a champion in Bill Greehey, who was the former Chairman of Valero.

As he mentioned to me in a conversation as we were walking through the campus out there, he was, as he called, he was the irritation that ultimately produced the pearls in this opportunity.

And I would like to see -- there are other cities out there. All of these other cities, it is going to take somebody. We have got to replicate Bill Greehey, is what we have got to do, okay, and drop him into these other

places to create that interest, because he was a certifiable champion for the process and put the time and effort into it.

So my compliments to the San Antonio delegation and to Mr. Greehey on our behalf for the Board. But this is not the first -- that is not the last time you are going to get up here on this issue.

MR. DEYOUNG: No, it is not.

MR. OXER: Great. Thanks, Michael.

MS. BINGHAM ESCAREÑO: Move to approve staff's recommendation to publish the proposed rule in the Texas Register.

MR. OXER: Motion by Ms. Bingham to approve the proposed rule.

MS. BINGHAM ESCAREÑO: Approve to publish.

MR. OXER: Approve the publishing of the proposed rule.

MR. GANN: Second.

MR. OXER: Second by Vice-Chairman Gann. Any other comments?

(No response.)

MR. OXER: All in favor?

(A chorus of ayes.)

MR. OXER: All opposed?

(No response.)

MR. OXER: Unanimous. Thank you very much. Okay.
Elizabeth.

MS. YEVICH: Yes.

MR. OXER: Good morning

MS. YEVICH: Good morning. I'm Elizabeth Yevich, Housing Resource Center.

Item 4(b) is being brought to the Board for a final order adopting the repeal of existing 10 TAC 1.24 regarding foreclosure data collection. And new 10 TAC Subchapter A, 1.24 concerning foreclosure data collection.

If you recall from previous meetings this past fall and winter, Senate Bill 1233 is a bill from the 82nd Regular Session, requiring the collection of certain data regarding foreclosures of residential property across the state.

The bill names Texas Department of Housing and Community Affairs as the agency to promulgate the rule and report quarterly, and we did, as these rules were produced by this Board in November 10, 2011.

However the vast majority of county clerks have been complying, a few counties, especially those with much higher foreclosure activity objected, contending that the rule improperly shifted the administrative burden of compilation to their offices by our rule requiring electronic summary form submission.

After several meetings with both the offices of the bill author and with representatives of the counties, after these meetings failed to resolve these points of disagreement, staff recommended to this Board in February to replace the existing rule with the new rule.

And the proposed new rule provides county clerks with a choice

as to how they will transmit the required forms. They can send the foreclosure forms themselves or use the electronic summary form. So the Department released this new rule for a 24-day public comment period from March 2 to March 26. Comments were received from ten county clerk offices.

And the majority of these ten counties had the same two comments; the first comment was that the county clerks appreciated the rule revision, which now allows the option of being able to turn in the foreclosure forms themselves, rather than compile and submit an electronic summary form.

And the second comment, most popular comment, was the commenters requested that clerks be allowed to send the Department electronic copies of the foreclosure forms, scanned ones, rather than the original forms or copies of the original form.

Staff agrees with the general sentiment of these comments, so the rule has been revised to reflect this change, and counties may either email the scanned foreclosure forms, or mail the CD, if they are very large. So staff recommends adoption of the new 10 TAC Subchapter A concerning foreclosure data collection. Any questions?

(No response.)

MR. IRVINE: Just a comment, that this will involve a cost that we will absorb within our staff and current constraints. It will be a significant effort of data compilation.

MR. OXER: So we have got to do some milling and grinding

on the stuff that they send down.

MR. IRVINE: Correct.

MR. OXER: Okay. Would this data go to support the whatever it is. To support that thing you were asking our financial advisors, Mr. Machak and Mr. Withrow. Like those, whatever the foreclosure data, does it include things on that data point about whether or not they were above or below their mortgage line?

MS. YEVICH: No.

MR. OXER: It is just -- it happened, or it didn't happen?

MS. YEVICH: Correct.

MR. OXER: Okay.

MR. IRVINE: It would certainly be useful data to assist in making policy decisions for addressing foreclosure issues. Because you will note the magnitude and concentration of foreclosure activity.

MR. OXER: Okay. Comments from the Board? Any questions of Elizabeth?

(No response.)

MR. OXER: Okay. Entertain a motion.

MS. BINGHAM ESCAREÑO: Move to approve.

MR. OXER: Okay. Motion by Ms. Bingham to approve staff recommendation.

MR. KEIG: Second.

MR. OXER: Second by Mr. Keig. Any other comments?

(No response.)

MR. OXER: All in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: Thank you. It is universal -- unanimous and universal. Okay. We have no appeals. There is no public comment we have on 4(b). Our next public comment is down at five to seven. All right.

Tom, we are all right with appeals?

MR. GOURIS: That is correct.

MR. OXER: Okay. Any other questions of Tom?

(No response.)

MR. OXER: Okay. Then tell us about the asset management, Item 6.

MR. GOURIS: Good morning, Mr. Chairman and Board. Again, I'm Tom Gouris, and I'm Deputy Executive Director for Asset Analysis and Management.

Staff is asking you today for authority to develop, publish and accept responses for a request for proposal to obtain third-party representation on real estate transactions. Specifically, we need to buy or sell properties with some sort of -- with some ability to be less than direct about being the seller or the buyer in the initial stages of the negotiations.

We feel like in some cases, it may be beneficial for the State to be able to have a third party to help us with those negotiations. So we are asking for you all to give us authority, the ability to do an RFP and solicit some

on that representation.

MR. OXER: So essentially we are engaging outsource staff?
Specialized outsourced --

MR. GOURIS: Specialized outsourced staff. They wouldn't be making decisions for us; they would just be representing us in the transaction. So we may have a liability in a transaction that has been foreclosed, for example, and now we need to try to reacquire that property.

And if we go directly and say hey, this is -- the State of Texas acquired this property, it could be considered a potential liability. Instead of doing that, hiring a broker or an attorney to step in and say, We have a confidential buyer who is interested in purchasing this property would help us with negotiations. That's it.

MR. OXER: Okay. So they would exercise some discretion in negotiations, so that whoever owns it doesn't jack the price up because they know it is us.

MR. GOURIS: That is correct.

MR. OXER: Okay. Mr. Keig.

MR. KEIG: Anytime we start talking about hiring lawyers, it makes me nervous, because everybody charges more than I do per hour.

MR. OXER: That says something about your rates.

(General laughter.)

MR. KEIG: So where are we going to come up with the money for this? We have already got it budgeted, or?

MR. GOURIS: No. We have a small amount of funds in a

what is called Beemer [phonetic] -- the old Beemer fund, and that was allocated to be or budgeted to be used for asset management as to resolution activities.

We hope to be coming to you later in the year, maybe in twelve weeks, maybe next month, with a proposal for some other sources of funds to try and help to be utilized for this activity.

MR. IRVINE: But typically real estate commissions are absorbed in the cost of the transaction.

MR. GOURIS: Yes.

MR. IRVINE: Aside. So this would not -- we would not anticipate that it would necessitate cash outlays from us. It would affect negotiated prices.

MR. OXER: Affect the price, not the cost of the transaction? Correct?

MR. IRVINE: We think that it would not be to our benefit to use these professionals.

MR. OXER: Okay.

MR. GANN: I have got just one comment I have to make. And that is, I think if you don't want to hire a lawyer, you could hire a real estate broker.

MR. OXER: Which, by the way -- I'll leave that -- which, by the way, he can give you a list of.

MR. GOURIS: And I think we would be -- we are going to compose an RFP that would allow those options.

MR. GANN: Good idea. Okay.

MR. OXER: All right. Any questions from the Board?

(No response.)

MR. OXER: We have no other comment from the public?

(No response.)

MR. OXER: I will entertain a motion.

MR. GANN: I move we accept staff's recommendation.

MR. OXER: Okay. Motion by Vice-Chair Gann to accept staff recommendation on Item 6 for asset management.

DR. MUÑOZ: Second.

MR. OXER: Second by Dr. Muñoz. Any other comments?

(No response.)

MR. OXER: All in favor?

(A chorus of ayes.)

MR. OXER: All opposed?

(No response.)

MR. OXER: There are none.

MR. GOURIS: Thank you.

MR. OXER: Thank you very much, Tom.

Michael, you're back up. I'm sorry. Cameron, you're back up.

MR. DORSEY: Good morning. Cameron Dorsey. I am the Director of Multifamily Finance.

MR. OXER: Take that stunned look off your face.

MR. DORSEY: I am -- I've got to say, I'm glad that we are not

debating the QAP today, because I don't think I could stand here for four hours without fainting. I'm glad for a short agenda.

The first item, 7(a), we are dealing with -- we are asking for the Board's approval to move forward with the modification of the terms to three existing TDHCA bond transactions. These were 2003 to 2004 bond transactions. Like I mentioned, we were the issuer on them. They also have 4 percent tax credits, as well.

We are bringing this to the Board today because these modifications rise to the level of constituting a reissuance under state law and federal tax law, and so we need the Board's approval to move forward.

But in essence, what we are doing is we're modifying three components of the original indenture for each of the transactions.

One is, we are -- for two of the deals, there will be a partial redemption of the tax-exempt bonds, and a full redemption of the taxable bonds that were on the deals. And then on one of them, that is not the case.

On all three, we are going to move down with splitting the original interest rate. On two of them, it was 6.6, and on one of them it was 6.75.

We are going to move forward to splitting that rate into two component rates. One is a must pay interest rate of, I think 4.75. And then the difference between that original rate and the 4.75 would be a contingent interest component that will effectively be payable out of residual cash flow.

And the reason -- and the last modification is to the sinking funds schedule. There are some slight modifications, but I wouldn't say that

those rise to the level of being really material.

It is really the interest rate changes that are causing this to come back to you all today. The reason we are moving forward with these three deals and we are asking for your approval is because they were never able to reach stabilization and convert to permanent within the parameters of the original indenture.

And so they have gone through a series of ownership changes, and the original investor limited partner has stepped into the role of general partner to facilitate basically a workout of these deals. The restructuring will allow for the must-pay debt service to meet a 1:15 debt coverage ratio.

We have evaluated this internally as well, and we concur with that conclusion. And the contingent interest fees that will -- I suppose, the all-in debt coverage ratio, including that contingent interest piece, would be right about at a 1.0. You know, they're barely able to cover it but are, based on the projections.

So this would be a way -- this modification would really be a way to make sure that these transactions continue as affordable transactions with the tax credit LURA in place on the properties, rather than a potential alternative, which would be foreclosure of the bond holder and then elimination of these from the affordable portfolio.

So we're asking for your approval to move forward with that.

MR. OXER: Okay. Any questions?

(No response.)

MR. OXER: No comments from the public. That is all right.

MS. BINGHAM ESCAREÑO: Move to approve staff recommendation.

MR. OXER: Okay. Motion by Ms. Bingham to approve staff recommendation.

MR. KEIG: Second.

MR. OXER: Second by Mr. Keig. Any other thoughts or comments?

(No response.)

MR. OXER: Okay. All in favor?

(A chorus of ayes.)

MR. OXER: All opposed?

(No response.)

MR. OXER: And there are none. It is unanimous. Thanks very much, Cameron. All right. Cameron, here's what we're going to do. I mean, since we've got a fairly extensive request for public comment on Item 7(b) and since we have a fairly extensive Executive Session agenda we have got to deal with, we are going to take our break here now, break for Executive Session. We will take up 7(b) when we come back at 1:15.

VOICE: I don't like that. I request that if we could go on with 7(b), because we have two City Council members that are speaking today, and if we could at least just take that item. Could we indulge the Board to do that?

MR. OXER: You identified those from back there.

VOICE: Two council members from Waco.

MR. OXER: Okay. Hold on. I have got to get them. I have got them. All right. Well?

VOICE: We appreciate that. Thank you.

(Pause.)

MR. OXER: Yes. I wanted to have the -- let's hear the comments, and then we will see how that goes. And then the -- what is your presentation on this, Cameron? Can you do it in a minute?

MR. DORSEY: I will try to be relatively brief, and you can hear the bulk of my presentation when we come back. And you can ask questions.

MR. OXER: Yes. Give us an outline of what we are talking about. We'll hear them, and then we will break.

MR. DORSEY: This is a waiver request for a 2012 9 percent tax credit transaction. We had the application in house. The waiver request is of the units requirements for developments located within the Central Business District. Those unit-mix requirements are that basically limit three-bedroom units to 20 percent of the total units in the development.

They've got in excess of 20 percent and would like a waiver of the requirement to continue moving forward. That's the short version.

DR. MUÑOZ: How much in excess?

MR. DORSEY: 27 percent of their units, I believe, are three-bedroom units.

MR. OXER: Okay. Stay right there for a minute, Cameron. All right. Yes, that's going to be a problem.

MR. IRVINE: The procedural problem is that under our

statute, we have to have a motion on the table.

MR. OXER: It has to be on the table before we can -- so it needs to be -- all right. Let's have it.

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

MR. OXER: Okay. Motion to deny by Ms. Bingham.

MS. BINGHAM ESCAREÑO: To deny.

MR. OXER: To deny the waiver. Staff recommendation to deny the waiver.

MR. KEIG: Second.

MR. OXER: Second by Mr. Keig. Okay. The motion is in place. I want to make sure that -- I have Toni Herbert.

MS. HERBERT: Mr. Chairman, I understood that I was going to be the second speaker, but I'm fine going first. But Sarah --

MR. OXER: Sarah Anderson was going to -- asked to plead off; you've been asked to allow time.

MS. HERBERT: Okay. All right. That's good. I am done. My name is Toni Herbert. I am the City Council Representative for the district that included the recently demolished Parkside Village Apartments. And the district that will be the home to the proposed replacement development, Barron's Branch Apartments. And just as an aside, Barron's Branch is a historic geographic feature that figures prominently in Waco's history, so we are happy, very happy with the name.

As you know, I am sure, the Parkside Village was a troubled 4

percent TDHCA property that, at least over the last two decades, increasingly brought our neighborhood down. We as a Council and as a community are determined to replace that failed property with housing and amenities and supportive services that will help to bring the neighborhood back.

The neighborhood is the Brook Oaks neighborhood. And we hope to again -- to make it once again a neighborhood of choice, rather than the neighborhood of last resort that it became primarily, I think, because of that failed property.

With your permission, my remarks will address two specific TDHCA purposes. First, the preservation of affordable housing and, second, providing for the housing needs of individuals and families.

Regarding the preservation of affordable housing, this is a proposal for replacement housing. Our agreement with HUD calls for accommodation not just for the new residents, but for the folks who were displaced by the closure and the demolition.

Unfortunately, we can't comply with the terms of that agreement with HUD or keep faith with the people who have to move if we underrepresent families in our unit mix, because Parkside was a 200-unit family development. It had 136 three- and four-bedroom units.

And because of serious ownership issues, it fell into disrepair. And even though it was under the oversight of HUD, TDHCA, and the City of Waco, when HUD finally foreclosed on the property last year, the City was actually, much to our amazement, allowed to purchase the property with the stipulation that existing units would be demolished and replacement family

housing would be built within four years.

The City has since put in over a million taxpayer dollars into asbestos abatement and demolition in order to attract a developer of the caliber that we have ended up with, which is V-Square; a developer that will build, has agreed to build what the neighborhood needs and the neighborhood has asked for and what the neighborhood will be proud of.

In reading over some of the Board's discussion of the conditions at Parkside Village two years ago, I noticed that Mr. Keig asked what could be done to assist the residents, and I certainly appreciate that.

At the time, staff unfortunately had to respond that there was nothing that could be done.

(Timer sounds.)

MS. HERBERT: Is that a time limit thing?

MR. OXER: Three minutes.

MS. HERBERT: Okay. I didn't know there was a three-minute time limit. So I haven't even gotten to the second thing. I had no idea there was a time limit.

MR. OXER: Okay.

MS. HERBERT: Do you want me to stop?

MR. OXER: No. If you can, summarize briefly.

MS. HERBERT: Okay. Well, I will just -- I will go along to my second point, which was providing for the housing needs of individuals and families. Barron's Branch Apartment project is exactly what our markets say and what our local experience tells us that we need there. I

mean, we know how many families were displaced. We know how many families. We have a pretty good idea, we think, of how many people want to come back. And it is not all seniors, believe me.

I mean, this was 136 out of a 200-unit property that was a family property. I am not sure where the figures have come from, but they don't jibe with what we have found.

Also, I have looked over the summaries of the other projects that are in this competition, and it looks like we are the only actual family project there. There is another one that is categorized as family, but it is also 75 percent proposed for senior housing. So if this project is knocked out of the competition now, well, families won't even have a chance of being represented in this year's tax credit round.

So I must skip my second page here. But just one final thought, and that is that we are not just here supporting a developer's project; this is Waco's project. We bought the property. We own the property. We will continue to own the property. We will have a lease agreement with the developer that allows us to monitor and to be sure that this property doesn't go the way of Parkside Village. So a support of this waiver is for us as the City of Waco, for us as city officials, and of that neighborhood, not just the developer.

MR. OXER: Good. All right. Let's do this. I want -- if you would if you would, please have a seat right there.

Do you have a question?

MR. KEIG: Yes. Just a couple of quick questions. One

question I had was, do you know how many families have expressed an intent -- you said, we have a pretty good idea. So my question is was there a survey done of the former residents to see how many families want to move back to that area.

MS. HERBERT: To quote something that I heard earlier today, there will be. No. I don't know. The developers have actually done a market study. And regardless of how many of those residents decide to move back, we promised them the opportunity to move back into a shiny new, you know, above-standard apartment complex.

MR. KEIG: It just seems to me that, you know, consider that at this meeting, that is the kind of information I would like to hear about how many. I mean, we pulled out of a hat, it seems, 27 percent, rather than the 20 percent that we are supposed to have.

And although HUD has its requirements, we have ours, and we're trying to set forth rules that everybody can live by and they know that things are not going to change on them, for all people, to have a level playing field.

So when something comes in like that, for a waiver, it really throws a monkey wrench into the system.

MS. HERBERT: Well, I think that going beyond the question of the waiver, going to the spirit of this, from everything that we understand, the rule -- I mean, I have read lots of your proceedings and the minutes.

And it sounds like to me -- I mean, it actually said that this was -- that the rule was adopted to make things more flexible, to make

development more flexible in the downtown area.

We're not Houston; we're not a big city with high-rise development. We are a mid-size city with residential neighborhoods very close; I mean, within blocks of the downtown.

On a deeper level, it just seems like that rule has some unintended consequences that we have been caught by.

MR. OXER: They always do. Okay. Stay with us for a second, in case there is more. But we would ask Mr. Duncan.

MS. HERBERT: This is Mayor Pro Tem Duncan.

MR. OXER: Good morning, sir. Welcome.

MR. DUNCAN: Good morning. I'm Malcolm Duncan. I'm the Mayor Pro Tem of Waco. I also did not realize that we had a three-minute limit, so I will keep my remarks brief.

Our request for this waiver also hinges on our belief that one of the primary goals of TDHCA is to assist local governments overcoming environmental, social, and financial problems in delivering fair and responsible housing for our citizens.

And in dealing with the Parkside project, which was failed but still operating, we extended considerable additional expense in code enforcement and police actions at that property, not to mention that we are now involved in a case in bankruptcy court with a trustee over a portion of ownership of the previous project was in a tax-free foundation and the trustee has claimed back taxes from us.

In terms of crime, we have reports from the first -- within the

first five months of that project being closed. 144 incidents in the Brook Oaks neighborhood occurred in September, and only four occurred after this project was closed.

I am going to kind of skip through this. In terms of the school and all, which speaks directly to the issue of having families wanting to go back, the principal of Brook Oaks Elementary, which is the primary school in that district, says 17 percent of her students lived at the Parkside project.

Now we have a report from the paper, the Tribune Herald in September, which is the start of the next academic year after the project was closed. They built a brand new school with a total project, a bond project of \$170 million. And this school forecast enrollment of 550 students. 703 students showed up on the first day.

And of those -- many of the students come from the Brook Oak area lived at the Parkside Village, so they were then busing 50 students back to the primary school in their neighborhood from where they had gotten vouchers, and were moved over to a different part of town. So we are relatively sure that those people will want to come back.

We have also had significant discussion with HUD when we put this project back out -- when they put the project back out for bid. We met with them. They agreed to many of our requests for multifamily and for mixed use. There were no bids. The project was failed. It was sitting there for five months. We waited for bids. We got none.

We realized as a City that we needed to take responsibility for this project. It was the million dollars that Councilman Herbert mentioned to

us, to get this site cleaned up. Once we agreed to do that, we then put it out for very similar request for proposals and got eight strong bids, of which we picked D-Squared.

There was a lot of public comment. There was a lot of input from all of the neighborhood and all over the City on this project. Everybody in our town feels like this is our project and are very comfortable with this developer and would ask for your consideration of our request.

MR. OXER: Good. Thank you. Any comments or questions from the Board?

(No response.)

MR. OXER: Okay. So Cameron, all right. This is -- let me ask you a question. This is a consequence of the strict interpretation of the law of the rule of the QAP. Is that right?

MR. DORSEY: That is right. Do you mean the need for the waiver?

MR. OXER: Right.

MR. DORSEY: Yes.

MR. OXER: Okay.

MR. DORSEY: Do you --

MR. OXER: No. That's okay. It is just a straight up interpretation. And I have to tell you that there were people that sat in rows right there. I remember a year ago we had a meeting, and there were -- he had 700 people show up for an elementary school. We had damn near that many show up for the first meeting I chaired. And most of them wanted to

Speak, too, you know. And almost every one of them asked for a clean, clear set of rules to go by to limit the interpretation that had to be done.

MR. DORSEY: I want to give you a little bit of perspective real quick. We might actually have a unit mix issue on another transaction come up at the next meeting.

I think one option that you have available to you is to table and hear both at the same time. That might be something that you would want to do.

If you don't want to move in that direction, I can speak a little bit more on actually what they supply to support the need for this waiver, or for anything.

MR. OXER: Was that information provided to you with the application or afterward, when you denied the --

MR. DORSEY: We receive a market study with the application. It does indicate that there is sufficient demand for the three-bedroom units, but the demographics of the area would actually support a unit mix that complies with our requirements.

We are talking about 13 percent of the population of households as five- and six-person households. Keep in mind that the rule does allow three-bedroom units. There is no prohibition against families whatsoever. So we are talking about a pretty balanced number of ones, twos, threes and the ability to also have fours.

MR. OXER: So it is more of a family-size issue than a family issue.

MR. DORSEY: It is more of a family-size issue, that is correct. But like I said, the demographics of the market and in Waco, they don't have -- the proportion of large families just isn't the same proportion. It is somewhere in the realm of 13 percent of households are large families that would actually need units that are these sizes.

The other thing to know is that this is in a four-way tie with three other transactions. And this one would win that tie breaker if it gets the waiver. If it does not get the waiver, then someone else would win that tie breaker that isn't asking for a waiver.

MR. OXER: Mr. Keig.

MR. KEIG: The point system -- I was not convinced that the applicants' proposals for leveling the playing field were really going to do so. Do you have any suggestion, if we were to approve a waiver, to level that playing field on this issue instead of giving them a leg up?

MR. DORSEY: Sure. I think one option that would be available -- I think that the previous speaker's characterization of the area is appropriate.

It is not like a Houston or a Dallas downtown area. This is located in a single-family neighborhood on a few blocks from what would probably in the most conventional sense be considered the central business district.

So if you wanted to, you could just not award the points for location within a central business district. That would be -- or say, because you weren't able to comply fully with the requirements of a location in a central

business district, not award all of the points for being within a central business district, which is four, and provides a pretty significant -- highest score you can get for development location.

MR. OXER: Okay. Any other comments from the Board? I think this one is worthy of some more thought and consideration here. We've got several other folks that want to comment on this.

And while I hesitate to -- well, I hesitate. Grab a seat, sport. All right. Stay in the saddle. Sarah Anderson. Let's have it. Don't be slow.

MS. ANDERSON: I would hesitate to call me up, too.

MR. OXER: The clock's running. Okay?

MS. ANDERSON: Okay. So I'm going to skip all of my remarks and try and address the items that you brought up.

MR. OXER: Name.

MS. ANDERSON: Sarah Anderson. Here not just as a consultant, but also as the 51 GP HUB owner of this development, a new role for me.

So rather than going over my whole speech and everything else, I would like to discuss some of the items that Cameron brought up. And I think what we have here is a unique circumstance.

The interpretation of this particular, which is a new rule, says there is no limitation -- there's very little limitation on the ones and twos, and there is a limitation on three bedrooms of 20 percent. It is entirely silent on four bedroom, which if I were here asking for 100 percent four bedrooms, I guarantee you you would say that was not allowable and that, by virtue of the

construction of it, if you are specifically discussing ones, twos and threes and you leave out fours, you must have done it on purpose.

So I would contend that this is a family deal that is being limited to 20 percent large families, which I think the Department needs to be sensitive to. We have -- we are equating central business district with high opportunity area.

They score the same. They get the same benefit to the deal. Yet we are not allowing large families to live in what is in essence a high opportunity area.

We've been through this in Dallas. I feel like it was an unintended consequence. I was here, more than anybody saw the evolution of this rule. And it was always about more flexibility and who could be served, and it was always about new construction high rise.

And what we were asking for a waiver and what waivers are allowed for are for things that are unique circumstances. And I believe that Waco is a unique circumstance.

I spoke with the person that put in the three-bedroom provision. He's no longer on the Board. I asked what he was thinking. I told him about this. And his first comment was, well, that was only supposed to be for new construction. And you should ask for a waiver; it should be a no-brainer. Well, I wish he was here to back that up. Obviously he's not.

But you know, I feel like we have -- you have -- if you turn this waiver down, yes, you're still going to provide affordable housing. But I think at the same time, you have to be cognizant that you are going to actively be

deciding to ignore four important items that are within your charge as an agency, three of which have already been brought up, which is the preservation of affordable housing.

You have a failed TDHCA property that took down this neighborhood. And that you know, I believe that it is within the Board's responsibility to try and fix that. You also have a responsibility to serve families. And by the nature of this rule you are limiting your ability to do so.

The third has to do that you are supposed to be assisting the local governments. And this is a property that unfortunately your property helped bring down and harm the community. They are asking for help through this waiver.

The fourth is a fair housing issue that we have an attorney, we have an opinion that we have given the Department that we believe that this provision actually violates fair housing.

And so I think that there are four items that you can choose to do nothing, but you are choosing to actively disregard four of your charges as an Agency.

MR. OXER: Questions?

MR. McWATTERS: I have one. You are making a fairly emotional visceral argument in favor of this particular project, but I hear from Cameron that there are three other projects in Waco that are competing for the same tax credits.

MS. ANDERSON: In the region. Yes.

MR. McWATTERS: In the region. Is that true? I assume

that those three developers, if they were in front of the microphone to make a similar argument, compelling argument for their case, but they are not here.

So it is very difficult to -- I understand what you're saying; I accept it on its face. But it is very difficult to compare that to three other projects without representation here.

MS. ANDERSON: Sure. And I guess my response would be that the waiver process is not about setting precedent. It is about addressing and identifying that sometimes there are unique circumstances. And I would say those three projects don't face a unique circumstance like this one.

MR. McWATTERS: But it seems like what Cameron was saying, if the waiver is granted, you win, the others lose. Is that --

MS. ANDERSON: We don't win by virtue of the waiver. You are not waiving something to give us points. You are giving us the ability to just stay in the round and compete. So there is no specific help except for keeping us in the round. I know that there has been a discussion about whether or not --

MR. OXER: We are not picking winners. We are just not knocking you out.

MS. ANDERSON: Correct. And I know that there are issues about the tie breaker. We have no intention of this giving us any kind of advantage. And we have written that in our write-up. We don't want an advantage on the tie breaker.

We have given two ways that you can take away any of the units that are over and above what is allowed. Do it in a fair way. We expect

you to do it in a fair way. If I was on the other side, I would also.

If we win the tie breaker on a level playing field, it is because we did it better. And I would hope that our competitors would appreciate that also.

MR. OXER: Okay.

MR. McWATTERS: It would be helpful to me to hear from Cameron as a response to that. If the waiver is granted, does that affect the tie breaker? And how will that --

MR. DORSEY: Well, hindsight here is 20/20. I mean, these folks --

MR. OXER: Who are you? Cameron, who are you?

MR. DORSEY: Cameron Dorsey, Director of Multifamily Finance. Like I said, hindsight is 20/20. And so, we are operating with a known playing field. But this application was not structured within the known playing field. And the tie breaker is actually based on the number of bedrooms in the total development, the tie breaker we are talking about.

And so there is an incentive to try and put more bedrooms in the development so that the number of tax credits per bedroom is lower. So in an effort to strategically put an application in an advantageous position, before knowing what the playing field looks like, applicants strove to create unit mixes to win.

Now, in hindsight, they win that tie breaker with the current unit mix. Or if you go to the maximum number of bedrooms that complies with the rule, they would still win the tiebreaker. They are offering those up because

they know that they win either way.

MR. McWATTERS: Let me ask you this. Is there a way to grant the waiver at 27 percent, but in computing the tiebreaker, use 20 percent?

MR. DORSEY: Yes. We could do that. That is what they have offered up.

MR. McWATTERS: Would that level the playing field, in your opinion?

MR. DORSEY: No. Well, it would calculate the tie breaker on a compliant unit mix. But they would win the tie breaker still. They have offered that up. They have offered that up because they would win the tie breaker in part.

But it doesn't level the playing field because it wouldn't be on the playing field with a non-compliant unit mix. Does that make sense?

MR. McWATTERS: It makes sense to me.

MR. OXER: Nice work, Sarah. You found a little tiny crack we fell through again. Right.

MS. ANDERSON: I guess my only comment -- Sarah Anderson -- would be the fact that we are on a playing field, on a level playing field win the tie breaker really isn't relevant --

DR. MUÑOZ: But, Sarah, you don't get to be on the playing field if your application is ineligible.

MS. ANDERSON: Correct. Right. And you know, the waiver process is the way that we go about doing this; that, you know, it is incumbent

upon us to point out that there is a unique circumstance and how it will further your goals.

DR. MUÑOZ: Well, let me ask a question of Cameron about the goals, because you alleged that your sense is that the failure to extend the waiver would at least in one of your instances possibly violate fair housing practices.

And, Cameron, in your response, you indicate that the staff does not believe that fair housing would be violated.

MR. DORSEY: That is correct. Yes. That is absolutely correct. You know, I think you guys are a bit between a bit of a rock and a hard place, because of the timing and the waiver. There was an opportunity to request a waiver, preapplication.

If it was denied at that point, then they could have submitted a compliant unit mix complying with the rule, and move forward. The fact that they are asking for it now is kind of what creates the need for the waiver in the first place.

VOICE: That's correct.

MR. OXER: Okay.

MR. IRVINE: Although the issue of consistency in the context of waivers, I believe Ms. Anderson has made the comment that each is unique. And it is simply a question of whether they should, given their facts and circumstances be given a waiver or not be given a waiver. I do think that consistency is important, because, I mean, this is a rule by which we tell people either you are playing or you are not playing.

And I do appreciate very much Cameron's pointing out that there will be another unit mix waiver request before the Board next month, and it could be appropriate to consider them contextually. I do think consistency is very important.

DR. MUÑOZ: Mr. Chair, I know that there is a motion and a second on the table, but if we could maybe take a vote and see how supportive the Board is? Because I am prepared to make a motion, depending on the outcome of the earlier vote to table this issue and to hear what may or may not be presented in May related to a similar situation, in the spirit of the Executive Director's point of consistency, that we understand the rule and act in a way that is consistent and defensible and fair.

MR. OXER: All right. What I understand is the best of Parliamentary procedure here, rather than getting to your motion, we will have to rescind the former motion which is currently on the floor and seconded for which we are holding comment.

MR. KEIG: Withdraw my second.

MS. BINGHAM ESCAREÑO: I will withdraw my motion.

MR. OXER: Well, there you go. The motion and second is withdrawn. The motion is withdrawn and the second withdrawn. Motion by Ms. Bingham and second by Mr. Keig are both withdrawn.

DR. MUÑOZ: I will make a motion to --

MR. OXER: My point is consistent with what the Executive Director said. I think we have an obligation for consistency in this. And for that, we should have it all heard at once.

And so let's have your motion, Dr. Muñoz.

DR. MUÑOZ: I move to table this issue until the next Board meeting, until the May Board meeting.

MR. OXER: Okay.

MR. GANN: Second.

MR. OXER: Okay. Motion by Dr. Muñoz. And second by Vice-Chair Gann, to table this motion for consideration at the next meeting.

All in favor?

(A chorus of ayes.)

MR. OXER: Time out. Are there other comments?

(No response.)

MR. OXER: Any other?

(No response.)

MR. OXER: All right. All in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none. It is unanimous. We will assume that as the Chair -- I will assume that Tony Jackson and, let's see, Mr. Walk, Sarah Andre, okay? The three of you would like to comment. But you would probably be better served by making those comments next month.

We would be happy to have you, but if we're going to do that, it is going to be after lunch. Okay? All right. Then we will put you on. We will have you the first three up for the next one, for the next meeting. Okay.

All right. We are going to go into Executive Session now. It will be an extended session. So it is 12:22 now. We will back in our chairs by 1:30. Okay. The governing board of the Texas Department of Housing and Community Affairs will go into closed session at this time, pursuant to the Texas Open Meetings Act to discuss pending litigation with its attorney under Section 551.071 of the Act, to receive legal advice from its attorney under Section 551.01 of the Act, to discuss issues related to fraud, waste or abuse under Section 2306.039(c) of the Texas Government Code. Closed session will be held in room E.024. Okay.

(Whereupon, the Board adjourned into Executive Session at 12:20 p.m.)

MR. OXER: Got your attention? All right. The Board is now reconvened in open session at 1:44, and we will take up action items.

There were no decisions made in the Executive Session and no actions were taken in the Executive Session, except for discussions of legal issues. Okay.

All right. We have -- the last item we considered was 7(b). It was tabled for more consideration for the May 10 meeting, and that would include the three individuals that asked to comment on it. They will be able to speak. They will be given some consideration.

All right. We have a couple of folks. Right now, I will open it up for public comment on matters other than items that were posted on the agenda. There are a couple here. Let me see. Granger McDonald, and Mr. Willie Drew. So Granger, have it.

MR. McDONALD: It makes me nervous to speak to a packed house.

MR. OXER: Trust me, there were more at your back there when we first went on.

MR. McDONALD: That is true. One of the things that I would like for us to consider is using our threshold requirements or the QAP as a threshold requirement this next year and consider going into a lottery process by the region. If we use the current QAP, pick a number, let's say 170, 172.

MR. OXER: How about 200?

MR. McDONALD: That would sure make it slower.

MR. OXER: Go ahead.

MR. McDONALD: But anyway, and then say everybody that scores at that point then gets put in a regional QAP -- I mean, a regional lottery.

The reason for this is several. When you guys are getting besieged by challenges, everybody going against each other and everything else, since there is a lottery involved, there's no challenges.

The other thing is that you have got the problem with the lawsuit in Dallas. Well, a lottery ball doesn't discriminate. So you could say the lottery ball did it. Wherever they fall, they fall. You are going to go fiver or beat them in the tie breakers this year, because everybody is tied up.

You won't have any tiebreakers. You won't have the argument about forward commitments. You won't have the argument about whether small towns never get a shot against big towns, because everybody is in the

lottery.

Yes, there's a lot of details that have to be worked out. You would have to be sure that you put a limit on how many projects everybody could participate in, so you don't have somebody putting 24 projects in to try to stack the deck, or something like that. But I think that we would end up with a much fairer system.

It would stop people who put too many points in the deal, knowing that they can't. Then they come in here two or three years later asking forgiveness because they didn't put in ceiling fans or whatever they checked and didn't provide.

And I just think it would really clean up the whole system. It would make it completely fair. Nobody could be accusing you of doing anything arbitrary or capricious because it is a lottery ball.

Please consider.

MR. OXER: Thank you. Sit there. We have got a question.

MR. KEIG: Does any other state do something like that?

MR. McDONALD: Yes, sir. And I am going to get you a list of them. I have already asked to see how many, because I know there are several. I don't know exactly which ones, but I have heard of it done before.

Tim Kinney who's in Kansas told me they have been doing something similar to that for years. And I just think we have a wonderful QAP, but everybody is jammed up between 176 and 179 points. Well, fine. Those are the people that go to the lottery.

DR. MUÑOZ: Granger, maybe when you do that research, you can get sort of like a one-page kind of bulleted summary --

MR. McDONALD: I would be glad to.

DR. MUÑOZ: -- of the major considerations and how they group that, you know.

MR. McDONALD: Right.

DR. MUÑOZ: How they discern among that 175, -6, to 179 or, you know, the final points you just mentioned; the range that they after they assign themselves their points, where they fall into.

MR. McDONALD: I would be glad to.

DR. MUÑOZ: Consideration. It might be part of the formula for establishing the pool from which you would select the ball.

MR. McDONALD: I think that is a great idea. I mean, we all know what good projects are, and we've got a QAP that is going to generate good projects. Now we've just got this neck that comes down, and everything gets jammed up and you all sit here for 14 hours trying to figure it out. And it would free your time to go back to doing things about housing policy, instead of just sitting here marshaling the tax credit program.

DR. MUÑOZ: One other thing. You know, if in the course of your research, you are able to sort of just identify a few, four or five major considerations, also maybe add sort of major challenges or obstacles to this. because I suspect that if you're -- for those that get selected, it's quite good. For those who don't, there must be some argument as to how the disparate negative impact to them is justified.

MR. McDONALD: There are just some people that aren't very lucky.

MR. McDONALD: I think what Juan's getting at is have any of these lotteries been challenged legally? And if they have been, what is the result? What does the court have to say?

MR. OXER: And that should be a part -- or we would like to have that be a part of whatever assessment or data gathering you do for us.

MR. McDONALD: I'd love to work on it, and since there appears to be some interest, I'll see what I can do.

MR. OXER: Listen, there is more interest than you can imagine on anything that makes this easier for us up here.

MR. IRVINE: I would just point out that there are a number of specific statutory requirements in 2306, and we as an agency can't take a position on interest one way or another with regard to the statute.

MR. McDONALD: Well, and a perfect example of that is let's say that the threshold number is 172. And State Representative from my region says, oh, I hate that deal. Okay. He writes a negative letter in. I fall down to 160 points; I don't make the lottery.

So I mean, it would still give all of the State Representatives and Senators the letters, their power, so you wouldn't be stepping on their toes. They literally could kick you in or out of the lottery that fast.

MR. OXER: So they would be making a lot more of the -- which is a part of the primary -- you know, the big blocky things we need to consider on this: is there a demand for the housing; is it embraced by the

community; and do the numbers work? And everything after that is a matter of detail.

MR. McDONALD: Right.

MR. OXER: Okay. Sorting through the wreckage to figure out who gets it and who doesn't.

MR. McDONALD: We used to do this very same thing -- to your point about whether it is legal or not, this is how we used to do our bond deals in Texas.

When we were oversubscribed four and five to one, we had a lottery. And they borrowed the lottery ball machine from one of the churches, I think, and they numbered them. And they pulled it out and you got 1 through -- and they'd have 140 or 50 to get 40 spots. And you would get queued up and then you had 150 days to close. And if you missed, then the next seven numbers got to move forward. And the next set would move forward. So I think the legality issue is we've already done that here.

DR. MUÑOZ: Let me just make one other point to be clear. If you would like to put, of your own volition, this material together -- but it should not be interpreted as sort of a directive of the Board; that if you'd like to organize this and make it available for our possible consideration, then you are free to.

MR. McDONALD: Thank you. Thank you all.

MR. OXER: Any other questions?

(No response.)

MR. OXER: Okay. Mr. Drew. Deputy Drew.

MR. DREW: Yes. Thank you.

MR. OXER: Welcome. Good afternoon.

MR. DREW: Well, good afternoon, Board. I thank you all for your time. I am coming to you just real briefly, in three minutes. I am coming to you from Houston, Texas.

And the way I found you all is kind of real ironic, because I was just searching the website for programs, and the Texas Department of Housing and Community Affairs came up. But Mountaintop Development, an organization that was created in '02 by a group of police officers.

And what we are, a nonprofit organization providing housing for people who are hard to place. And the groups of housing that we deal with are single-family, multifamily, as well as transitional housing.

As far as on the single-family component, we know we have quite a bit of HUD foreclosures out there. We have actually built several single-family houses through various programs to help families. We also help them to get financing. And these are people who are challenged, who banks would not even look at; people who have 500 credit scores but may have DINKs. So we help these people.

Well, we try to provide services for these people. It is a challenge for a small organization like us, but we are trying to create a model that hopefully can be used not just by Mountaintop Development but by others.

On the multifamily side, we have partnered up with several organizations who have basically embraced us and has giving us the training

and the latitude, like the organization I want to make record of is Texas Interfaith. And they are called Interfaith Group, John Couch, and he has become a mentor to us and basically showing us the multifamily ropes; how to manage, how to make sure it is safe; the whole nine yards.

So these things is helping a small organization like us be equipped to be able one day to take on a tax credit or to do a tax credit for veterans or for people who are displaced. So we are learning.

And then of course, transitional housing. In law enforcement, we know that there is a problem with people who's coming out of jail. There's nowhere for them to go.

In Houston, we have a wonderful sheriff who has made some major improvements in Houston. He has reduced the population of 13,500 down to 900 in the jail. He has also put in -- implemented programs to help them hopefully to stay out of jail.

But the most important thing, if we don't have housing, they are not going to stay out of jail. If they don't have decent housing, they are not going to stay out of jail. So of course, we are taking on that role. We have created a duplex of ten beds to demonstrate that model and how it works.

Unfortunately, we work with a very limited resource, and our resources basically is out of pocket. And of course, in doing that, we try -- always try to find people who can partner with us in order to implement these various programs to make them work.

So when I heard your Board Chair talk about good programs, and the best practices, and of course, you know, the success rate on

programs, it made me think that that is one thing that I would like to do, is be able to collaborate with this committee on some small projects in order to see if they work.

I think it is something that is very needed and very important, especially as a law enforcement officer, seeing the distressed communities that we deal with.

And just real briefly, the duplex that we bought is in a community, and we actually knock doors and talk to people personally. And we got them to embrace this project.

Now, I've committed to them, if it doesn't work, we would shut it down. We have implemented cameras and everything else in this program; it's is going to get started in the next 45 days. But I am hoping that this program may be a model that we as Texas can pioneer and implement.

One of the things that you all said about the Haven for Hope -- I looked at that program. It's a great program. We are trying to implement some of their models in Houston. And I think it can work by helping people get jobs, by getting companies to trust them more.

One of the things that companies told me, that they don't want to hire somebody for just \$2,600 of an exemption. They need some more incentives. So we are trying to find those incentives to help them.

And one way we can do that is giving them affordable housing, somewhere to stay that's cheap but is nice.

So thank you all. And again, thank you all. I have enjoyed y'all's session. It was really great.

MR. OXER: Wait until you see the ones where the fireworks go off.

MR. DREW: Well, but again, like I said, just sitting here, hearing what you all are doing, I think it is amazing. And by me coming down here -- when y'all took a break, I got on the phone and was calling my board and saying, this is amazing.

And it's just -- I mean, I think this is process that we need. I mean, we deal with state -- I mean, local and county government, and I know how challenging it can be.

But I see where you all are putting mechanisms in place for organizations to come to y'all, and hold them accountable, where the county and the city has put these things in place after the fact. And now they are trying to go back and say how we made these mistakes. And I think it is really good. So thank you.

MR. OXER: Okay. Any comments from the Board?

MS. BINGHAM ESCAREÑO: Is there an opportunity to connect him with somebody in the Agency that can help figure out where we can possibly join forces or match up?

MR. DREW: Actually, it was kind of ironic. When I was going to y'all's website -- I am kind of the one who does all of the research, I got y'all bio. And I started looking at y'all's various bios and looking at, you know, some of the things that we are doing.

One of the things an organization came to me and asked was, how can we help people that are graduating out of CPS custody? And of

course, I was looking at the bio, and I seen Mr. Keig.

And I said, man, I am going to call him, and see if he can help me. So when I called him, he was like, okay. Who are you? Okay. And then I shared with him about this question that was proposed to me. And he did get me in contact with Ms. Jean Latsha. I haven't met her yet, but I plan on going over there and meeting her.

So hopefully, we can start seeing what Mountaintop is doing and how we can hopefully see some of the things that we can do and see if they can be implemented, you know.

I met Dr. Muñoz; he came down to Texas on several occasions, looking at various programs. And just in passing, I know he is a person who likes data, and I mean, that is something that we are trying to put together.

But I thank y'all for just -- and thank you, sir. for just your answering the phone call and just giving me some information.

MR. KEIG: Sure.

MR. OXER: Thank you, Deputy Drew. We are glad to have you here. We appreciate your comments. And you will always be welcome to make those. And I hope, frankly, as the Chair of this organization --

MR. DREW: Yes, sir.

MR. OXER: -- that we will be able to generate something to give you a hand on that.

MR. DREW: Thank you.

MR. OXER: All right. We are at the end of our stated agenda.

Is there any other individual of the public that has an interest in making comment?

(No response.)

MR. OXER: Does the Board -- any member of the Board have any interest in a comment on this or any other item apart from those in Executive Session?

(No response.)

MR. OXER: Given that there are none, I will entertain a motion to adjourn.

DR. MUÑOZ: So moved.

MR. OXER: Okay. Dr. Muñoz moves to adjourn. Second by?

MS. BINGHAM ESCAREÑO: Me. Second.

MR. OXER: Second by Ms. Bingham. Any other considerations?

(No response.)

MR. OXER: All in favor?

(A chorus of ayes.)

MR. OXER: All opposed?

(No response.)

MR. OXER: It is unanimous. Thank you very much. We stand adjourned.

(Whereupon, at 2:00 p.m., the meeting was concluded.)

CERTIFICATE

MEETING OF: TDHCA Board

LOCATION: Austin, Texas

DATE: April 12, 2012

I do hereby certify that the foregoing pages, numbers 1 through 104, 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.

04/18/2012
(Transcriber) (Date)

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