

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD OF DIRECTORS MEETING

John H. Reagan Building
Room JHR 140
105 W. 15th Street
Austin, Texas

June 16, 2016
9:00 a.m.

BOARD MEMBERS PRESENT:

J. PAUL OXER, Chair
TOM H. GANN, Member
J.B. GOODWIN, Member
LESLIE BINGHAM ESCAREÑO, Member

TIMOTHY K. IRVINE, Executive Director

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MR. OXER: All right. Good morning, everyone.

I'd like to welcome you to the June 16 meeting of the Governing Board of the Texas Department of Housing and Community Affairs. We'll begin with roll call. Ms. Bingham?

MS. BINGHAM ESCAREÑO: Here.

MR. OXER: Mr. Chisum is not with us today. He's still recovering from a broken leg.

Mr. Gann?

MR. GANN: Here.

MR. OXER: Mr. Goodwin?

MR. GOODWIN: Here.

MR. OXER: Dr. Muñoz is not with us. I am here, and I guess there's four. We have a quorum so we're in business. In honor of Mr. Tweety's -- Captain Tweety's birthday, would you please lead us in the pledge of allegiance?

(Pledges of allegiance and to Texas flag recited.)

MR. OXER: Okay. Do we have any guests to recognize here today? Always happy to see legislators, members of the government come join us today. Anybody who has an item to speak on, we'll be getting to that, but if there's anybody here that we need to recognize?

1 Michael, do we have --

2 MR. LYTTLE: No, sir.

3 MR. OXER: Okay. All right. That being the
4 case, let's get to work. With respect to the consent
5 agenda, does any board member care to pull any item?

6 Marni?

7 MR. IRVINE: And Mr. Chairman, yeah, Marni's
8 got some items that the staff would like to pull.

9 MS. HOLLOWAY: Good morning, Chairman,
10 officers, members of the Board. My name is Marni
11 Holloway. I'm the Director of Multifamily Finance.

12 Item 1(b), Presentation, Discussion, and
13 Possible Action on Determination Notices for Housing Tax
14 Credits, we are pulling four of these items, Application
15 16411, for Charles E. Graham Apartments; Application
16 16412, Rio Grande Apartments; 16413, Judson Williams
17 Apartments; and 16414, Father Carlos Pinto Memorial
18 Apartments.

19 MR. OXER: The other one we'll consider on the
20 agenda?

21 MS. HOLLOWAY: Yes.

22 MR. OXER: Are they being pulled completely or
23 are they being brought to the action item or they're just
24 pulled?

25 MS. HOLLOWAY: They're being pulled completely

1 for this meeting.

2 MR. OXER: Okay. So we're still --

3 MS. HOLLOWAY: We are --

4 MR. OXER: -- have a point on the consent.

5 MS. HOLLOWAY: Yes.

6 MR. OXER: Okay. All right. Anything else?

7 Any others?

8 (No response.)

9 MR. OXER: Okay. With respect to the consent
10 agenda less those items pulled by Marni or identified to
11 be pulled by Marni, any other board member care to pull an
12 item?

13 (No response.)

14 MR. OXER: All right. Then do I have a motion
15 to consider?

16 MS. BINGHAM ESCAREÑO: I move to approve
17 consent of agenda.

18 MR. OXER: Motion by Ms. Bingham.

19 MR. GOODWIN: Second.

20 MR. OXER: And second by Mr. Goodwin to approve
21 the consent agenda. There appears to be no request for
22 public comment. Motion by Ms. Bingham, second by Mr.
23 Goodwin to approve consent of agenda as modified. Those
24 in favor?

25 (A chorus of ayes.)

1 MR. OXER: Opposed?

2 (No response.)

3 MR. OXER: There are none. Okay. All right.
4 Michael, I think you're up for the policy.

5 MR. LYTTLE: Yes, sir. Michael Lyttle, Chief
6 of External Affairs, otherwise known as Captain Tweety.
7 Mr. Chairman and members, Item 3 is the Presentation,
8 Discussion, and Possible Action on the Agency Strategic
9 Plan for Fiscal Years 2017-2021.

10 As part of each state agency's required
11 comprehensive strategic planning and budget process, all
12 state agencies must submit an agency strategic plan for
13 Fiscal Years 2017-21 to the Governor and the legislature.

14 This document is designed to communicate our goals, our
15 directions and anticipated outcomes over the next five
16 years.

17 The end goal for each agency in this process is
18 to be more effective in its long range planning and to
19 maximize the use of its resources in the most efficient
20 manner. Instructions from the Governor and the
21 legislature have stressed the importance of agencies
22 demonstrating accountability to the taxpayers as well as
23 carrying out the respective missions of the agencies in a
24 resourceful and transparent manner.

25 In April of this year we had received our

1 instructions on this project to complete the biennial
2 document. And of note, this time there was a slightly
3 different approach for agencies in that we were to
4 identify redundancies in regulations as well as other
5 elements of the Agency's administration that might result
6 in us not being as efficient as ideal.

7 Staff's worked very hard on the document before
8 you, and now we are having it before you for your
9 approval. The deadline to submit this is -- to the
10 Governor and our state leadership is June 24.

11 MR. OXER: Well, essentially what we're doing
12 is writing down what we're trying to do, giving a schedule
13 we're trying to do it, and making sure we're comparing
14 that to what everybody else is doing so we don't get too
15 much overlap and as much corroboration and collaboration
16 as possible. Does that make sense?

17 MR. LYTTLE: I think that's correct, yes.

18 MR. OXER: Okay. And by the way, this is a
19 housekeeping item here since we say goodbye to Ms. Bynum,
20 Penny, whose last meeting was last meeting. We'd like to
21 welcome Leslie here as our new recorder. Hi, Leslie.

22 We're very reverent and staid and diplomatic
23 here you'll find.

24 (General laughter.)

25 MR. OXER: Okay. With respect to this, is

1 there any -- is this a report item? Or we vote to
2 accept --

3 MR. IRVINE: This is an action item.

4 MR. OXER: This is an action item, but we --
5 but the -- is to accept the action -- to accept the report
6 as presented, is that correct?

7 MR. LYTTLE: That's correct.

8 MR. OXER: Okay.

9 MR. GOODWIN: So moved.

10 MR. OXER: Okay. Motion by Mr. Goodwin to
11 approve.

12 MR. GANN: Second.

13 MR. OXER: Okay. Second by Mr. Gann. No
14 request for public comment. Motion by Mr. Goodwin, second
15 by Mr. Gann to approve staff personation on Item 2(a).
16 Those in favor?

17 (A chorus of ayes.)

18 MR. OXER: And those opposed?

19 (No response.)

20 MR. OXER: There are none. That was 2(b), is
21 that correct?

22 MR. LYTTLE: No, actually that was Item 3.

23 MR. OXER: Item 3. My -- my mistake. Item 3.
24 Okay. Raquel, I think you're up.

25 MS. MORALES: Good morning. Raquel Morales,

1 Director of Asset Management. The first item I have for
2 you today is Item 4(a) related to the Timely Filed Appeal
3 for an Ownership Transfer Request for Sea Breeze Village
4 Apartments.

5 Sea Breeze Village is a 72-unit multifamily
6 development located in Port Lavaca that was awarded tax
7 credits in 1998. In February this year, we received a
8 request for approval to transfer this development in
9 conjunction with a pending sale between the current owner
10 and Hope Housing Foundation which is the entity that wants
11 to acquire Sea Breeze Village.

12 As is required with ownership transfers, a
13 previous participation review is conducted and identified
14 Hope Housing Foundation as a Category 4 with reportable
15 issues. The past issues of noncompliance include
16 completion of renovations related to another tax credit
17 property that Hope Housing acquired in early of 2015. And
18 that is Rigid Trinity Apartments in Dallas, Texas.

19 Hope Housing acquired that property and began
20 work to rehab the development in order to get it back into
21 compliance with the Department and has previously
22 committed to have the renovations complete by the end of
23 last year. However, that has been extended several times
24 and the renovations are yet to be completed.

25 The Department's Executive Award and Review

1 Advisory Committee met and considered Hope Housing
2 Foundation's previous participation in Department programs
3 along with additional information that was provided, and
4 ultimately voted not to recommend approval of the previous
5 participation because the committee felt that the entity
6 had demonstrated a pattern of acquiring distressed
7 properties and addressing findings of noncompliance except
8 for the case of the Rigid Trinity which it's still trying
9 to address.

10 Therefore, EARAC didn't want the entity
11 basically to bite off more than they can chew by acquiring
12 another tax credit property while they were still trying
13 to resolve the noncompliance issues at the other.

14 MR. OXER: And you were saying they were having
15 digestion issues?

16 MS. MORALES: Sure, that's another way to put
17 it. As a result of EARAC denying the previous
18 participation review, the Executive Director denied the
19 ownership transfer request for Sea Breeze Village.

20 So we are here today now because Hope Housing
21 is appealing that decision and asking this Board to
22 approve their acquisition of Sea Breeze Villa -- Sea
23 Breeze Village. Their appeal included information
24 including a new expected completion date for the
25 renovations at Rigid Trinity by August 1 of this year.

1 Staff continues to have concerns related to
2 whether or not this entity has the capacity to take on an
3 additional tax credit property before they've resolved the
4 issues at the Rigid Trinity. So we are recommending
5 denial of the appeal.

6 MR. OXER: Any questions from the Board?

7 MR. GOODWIN: No.

8 MR. OXER: Okay. All right. As we move, we'll
9 have to have a motion to consider.

10 MR. GOODWIN: Motion to consider.

11 MR. OXER: Okay. Motion by Mr. Goodwin to
12 approve staff recommendation on Item 4(a). Do I hear a
13 second?

14 MR. GANN: I'll second.

15 MR. OXER: Okay. Second by Mr. Gann. All
16 right. Do we have a request for public comment?

17 MR. JOHNSON: Good morning. My name is Alvin
18 Johnson. I'm President of Hope Housing Foundation. Thank
19 you for giving me this short opportunity. I appreciate
20 the staff and everyone's concern about our ability to bite
21 off more than we can chew.

22 As Raquel stated that we have been in the
23 business of acquiring very difficult, distressed tax
24 credit developments that have fallen by the wayside or
25 that have been forgotten by other developers.

1 This development that we're seeking approval to
2 purchase is in Port Lavaca, Texas. We have a property
3 there in Port Lavaca, Texas, Sea Breeze Apartments -- I
4 mean, Sea Greens Apartments. It's 110 units. When we
5 purchased or acquired that development from Chevron back
6 in 2012, we made some rookie mistakes there first taking
7 it over, but one thing that we did do is we really changed
8 the community.

9 The first day onsite I went out there, the
10 grass was five feet high. Maybe I did forget to put my e-
11 mail in the CMTS, and I understand how important that is
12 today after having to sit before the EARAC Committee
13 before. But as far as affecting the community and
14 positively affecting the lives of the people that we
15 serve, we went out and bought lawn mowers and put a
16 management company in place to really make this place a
17 place to live.

18 The development at hand today, Rigid Trinity
19 Apartments in Dallas, was Loop 12 -- I mean, was
20 previously called Trinity Trails Apartments. Prior to our
21 purchase, that property had four armed guards on the site
22 at all times. The property had 75 residents that had been
23 living there in just total squalor, prostitution, drugs
24 rampant in the community.

25 Today we hadn't had one police call. There are

1 no armed guards onsite. We've transferred the residents
2 that live there today to new apartments that have been
3 renovated, and we're just a couple of months behind on our
4 renovation. We got four months behind in the very
5 beginning as an opportunity to put in central HVAC
6 components in every apartment.

7 And, you know, all of the documents that we
8 provided to you show that. But what I did not include was
9 an AIA contract and my draw schedule from Mutual of Omaha
10 Bank that shows that we do have all the funds necessary to
11 complete this. I didn't know that would be that important
12 to make a decision here.

13 But all of the funds to complete this are
14 there, but we went over and above to exceed everyone's
15 expectations with this renovation. We hadn't borrowed any
16 money from the State. We hadn't gotten any tax credits.
17 We don't have anything at risk except ourself, our name,
18 Mutual of Omaha's money, and my partners that support the
19 division of Hope Housing Foundation.

20 So we picked up some pieces that everybody else
21 has just kind of left laying around and really, really,
22 really are changing the community one apartment at a time.

23 So I think that the opportunity for us to acquire Sea
24 Breeze Apartments that is not a distressed community --
25 it's only 72 units. It is less than two miles away from a

1 community that we've already acquired and have made a big
2 impact in Port Lavaca.

3 This city has about 12,000 residents every year
4 at National Night Out; 25 percent of that whole city comes
5 to Sea Greens Apartments to participate in the activities.

6 The mayor, the city councilmen, all the police
7 department, fire department, Coast Guard, you name it,
8 they're all Sea Greens Apartments because the grass is not
9 five feet high anymore, because we have 110 or 106
10 residents today that actually call this place home where
11 their kids run through the streets and play in the
12 playgrounds. So we've done that.

13 We've done a great job of taking developments
14 that nobody else has wanted, that everybody else got the
15 credits on and walked away from and left just laying
16 there. We've cleaned it up and now being a couple of
17 months behind should not prohibit us from continuing to
18 impact the lives of the people that we serve positively
19 not negatively.

20 So I thank you for this opportunity again to
21 address you guys. I believe that Hope Housing Foundation
22 is a very important component of what we're all here for,
23 and that's to provide safe, decent, affordable,
24 sustainable communities. And that's what we're doing, and
25 we're doing a good job of it. Thank you.

1 MR. OXER: Thank you, Mr. Johnson.

2 MS. BAST: Good morning. Cynthia Bast from
3 Locke Lord representing the applicant. I don't know that
4 I could have said any better how Hope Housing Foundation
5 transforms these really troubled asset communities that
6 they acquire. So I'm just going to focus on the lawyerly
7 things of the rules.

8 I believe there's a clear path in the rules and
9 appropriate policy reasons to allow you to grant this
10 appeal so that Hope Housing Foundation can acquire the Sea
11 Breeze Apartments. The biggest issue, of course, here is
12 the Ridge and the fact that under the rules when you
13 acquire troubled property that is in noncompliance you are
14 supposed to put forth a plan for getting that property
15 back into compliance.

16 And the Ridge needed to get back into
17 compliance on two fronts. There were the file fronts, of
18 course, with tenants in the units and then, of course,
19 there were the physical conditions fronts. And, you know,
20 all the things that Hope Housing Foundation could do
21 immediately, they did. They did things like putting in
22 affirmative housing, fair housing marketing plan in place
23 and things like that. And then they set off to make these
24 changes.

25 So the rules say that when you have this kind

1 of category, an applicant shall provide a written
2 explanation along with proposing conditions and describing
3 mitigations that are appropriate for your consideration in
4 granting this ownership transfer. And we believe that the
5 applicant has provided all of those things under the
6 rules, primarily in my letter which you will find in the
7 board book.

8 He has explained what happened at the Ridge
9 with regard to the engineering of the HVAC system and the
10 contracting. He has explained that the work continues.
11 There is a deadline. There's a contractor under contract.

12 There is money with Mutual of Omaha Bank that is all
13 coming together to get to this August 1 deadline of
14 completion.

15 We have provided conditions to this ownership
16 transfer that HHF is more than willing to abide, things
17 like weekly contact with TDHCA until the Ridge is done,
18 weekly contact -- I'm sorry -- monthly contact with HUD
19 which they've been having on the Ridge until this is done,
20 so -- and all of the corrective items.

21 I would also note that there was a recent
22 review on the Ridge property, and they did submit their --
23 all their corrective action within the corrective action
24 period. So we think that these -- some of these
25 conditions that have been proposed are appropriate for

1 this ownership transfer approval and are willing to
2 consider other conditions if the Board and the staff
3 believes that those would be needed.

4 We also believe that we have provided the
5 mitigation that is worthy of consideration. Perhaps most
6 importantly here, Sea Breeze Apartments is not a troubled
7 property. It's about as benign as they come, 96 percent
8 occupancy outside of the tax credit compliance period. It
9 works. It will have synergies with another property that
10 they own. So you put all that together and I think that
11 is a reasonable mitigation.

12 Now it would be ideal to wait until August 1
13 when the proposed completion is scheduled and say, Let's
14 just wait and see if they get it done. Honestly, we have
15 been under contract for Sea Breeze for some time. We have
16 an impatient seller. It's the investor at the end of the
17 compliance period wants out.

18 We've extended and extended the purchase
19 contract, and I don't think that additional extensions are
20 available. And this is a contract that will expire at the
21 end of the month.

22 So from a -- from a rules perspective, I think
23 we're there. Briefly from a policy perspective, I think
24 we should also be there. I think this is the kind of tax-
25 exempt organization that we should all support in their

1 efforts to change communities and change lives,
2 particularly these federally communities that have been
3 disregarded and, you know, are at risk of waste.

4 So for all of those reasons, I believe that you
5 can grant this appeal for Hope Housing Foundation. I hope
6 that you will. I have worked with them over all these
7 years. I have seen tremendous growth in the organization
8 adding personnel, adding training, adding systems and
9 things that help them make a difference. And I hope you
10 will consider their appeal favorably. Thank you.

11 MR. OXER: Thanks, Cynthia. Any questions from
12 the Board?

13 MS. BINGHAM ESCAREÑO: I think so, Mr. Chair.
14 How about Mr. Johnson? Can I -- can I ask you a couple of
15 questions?

16 MR. JOHNSON: Absolutely. Yes, ma'am.

17 MS. BINGHAM ESCAREÑO: Good morning. So the
18 August 1 drop dead date, is that relative to the rest of
19 the improvements that you need to make to Ridge?

20 MR. JOHNSON: Yes, ma'am. And --

21 MR. OXER: And Mr. Johnson, sorry I have to
22 interrupt --

23 MS. BINGHAM ESCAREÑO: Sorry.

24 MR. OXER: No, no, that's okay. You just --
25 you have to identify yourself for the record when you --

1 MR. JOHNSON: I'm sorry.

2 MR. OXER: That's all right.

3 MR. JOHNSON: Alvin Johnson, President of Hope
4 Housing Foundation.

5 MR. OXER: Right. There you go.

6 MR. JOHNSON: Yes, ma'am, it is, Ms. Bingham.
7 The reason that they got extended, let me -- let me back
8 up since you called me back. We initially -- the property
9 was a master-metered property that had a boiler and
10 chiller system in it built in the '70s. Our initial plan
11 was to go in and just replace the boiler and chiller with
12 central HVAC systems.

13 MR. OXER: Is this a single building or is it
14 a -- or is it --

15 MR. JOHNSON: It's 18 buildings.

16 MR. OXER: Eighteen buildings?

17 MR. JOHNSON: Yes, sir. So the property --

18 MR. OXER: Was it -- does it have a central
19 physical plant for both?

20 MR. JOHNSON: It does.

21 MR. OXER: Okay.

22 MR. JOHNSON: It does. So after we, you know,
23 wrote a contract, wrote the plan, and submitted the plan
24 and this is how we're going to attack this, we got into
25 the engineering phase of this and it's great to do a lot

1 of this on the front end. The engineer would not engage
2 with us without a \$250,000 fee up-front. We could not do
3 a \$250,000 fee up-front because the seller at that time
4 was -- well, I don't know if I can say that.

5 But anyway, they were trying to exit this
6 property and had several delays and delays and delays and
7 would not execute. Several other buyers wanted to come
8 along and buy it, but they all wanted to take it out of
9 the tax credit system completely and foreclose on the note
10 and wipe away all the affordable components. They
11 preferred to sell it to us because we wanted to keep it in
12 the program.

13 So back to engineering, we couldn't get the
14 engineering done until we actually closed. So once we
15 started the engineering of this new system, it was found
16 out that the underground wiring was not sufficient to
17 carry the load for the new HVAC -- HVAC systems.

18 Our budget was put together in a way to allow
19 for some overages and some contingencies. And we were
20 able to go in and do new underground electrical to support
21 these new systems.

22 Well, after we -- after we engineered that, the
23 engineer said, Man, you're doing such -- so much work, why
24 not just go ahead and individually meter these. It'll
25 only cost you about \$50,000 more. Well, we did that. But

1 that additional engineering time took an extra 60 days or
2 so. So here we are before we even started, we're four
3 months behind.

4 So, you know, had we not had that time in the
5 beginning delayed, we'd almost be done by now. So in
6 being regard -- in regard to being completed by August 1,
7 we were given 82 units or so a couple of weeks ago by the
8 contractor completed. That's when we transferred those
9 residents over and moved in a few more people.

10 They delivered us six units yesterday. So each
11 day they are completing the building and doing that. The
12 August 1 deadline gives us a little leeway in case we have
13 some weather delays or some other -- some other problems
14 that arise.

15 Every time we, you know, we get ready to finish
16 a unit out --

17 MR. OXER: In case you have to take a boat to
18 work like we did in Houston.

19 MR. JOHNSON: Yes, sir. Yes, sir. I mean
20 we're finding cast-iron plumbing problems in units, you
21 know, because these units have been vacant for ten years.

22 And there's no way to test those things until you get
23 people in them and start doing it. But our budget is --
24 was again --

25 MR. OXER: You can do an estimate -- a budget

1 estimate on a refurbishment, but you're really -- I mean
2 on doing a house or even -- anything like that, you really
3 never know what it's going to cost until you start tearing
4 some --

5 MR. JOHNSON: That's right.

6 MR. OXER: -- walls out.

7 MR. JOHNSON: That's right. And fortunately,
8 we have not had any -- we've had a lot of savings that
9 allowed us to cover the things that were unseen.

10 MR. OXER: Yeah.

11 MR. JOHNSON: We had asbestos, and I think that
12 may be why the previous owner walked away from it, like,
13 Oh my God, what do we do? We've been able to abate that
14 and mitigate those -- those problems there. And we're
15 just on the tail end of getting this thing completed at
16 this point.

17 MR. OXER: Okay.

18 MS. BINGHAM ESCAREÑO: You -- you may have
19 problems, but money isn't one of them --

20 MR. JOHNSON: Yes, ma'am. That's correct.

21 MS. BINGHAM ESCAREÑO: -- at this point, right?

22 MR. JOHNSON: Yes, ma'am.

23 MS. BINGHAM ESCAREÑO: And just one more
24 question. How has -- and I'll ask Raquel the same
25 thing -- how's communication been between you and the

1 Agency as you've kind of asked for the extensions or
2 experienced the delays?

3 MR. JOHNSON: On my side it's been really
4 great.

5 MS. BINGHAM ESCAREÑO: Okay.

6 MR. JOHNSON: I mean I've talked to Mr. Gore
7 several times --

8 MS. BINGHAM ESCAREÑO: Okay.

9 MR. JOHNSON: -- through this process. Colton
10 Sanders is our asset manager, and he's been more than
11 helpful. This is my first time meeting or talking to
12 Raquel.

13 MS. BINGHAM ESCAREÑO: Uh-huh.

14 MR. JOHNSON: I've seen her before, but they
15 haven't treated me badly and I hope that my communication
16 with them has been --

17 MR. OXER: But your communication has been
18 regular and consistent?

19 MS. BINGHAM ESCAREÑO: Pretty regular --

20 MR. JOHNSON: Yes, sir, it has.

21 MS. BINGHAM ESCAREÑO: Okay.

22 MR. OXER: Okay.

23 MR. JOHNSON: And then with HUD on that side
24 because this is a layered property, we have a monthly
25 meeting with the asset managers --

1 MR. OXER: Right.

2 MR. JOHNSON: -- to make sure that we're on
3 track. You know, this property has two HAP contracts that
4 HUD was about to abate and just kick out. And because we
5 came in with a plan to keep this in the program, they kept
6 those ongoing. We've renewed one of them because it's an
7 annual contract. And they have been pleased with our
8 progress thus far.

9 The property had a moratorium on leasing prior
10 to us purchasing it, which the City of Dallas has now
11 lifted and they're starting to approve apartments for
12 occupancy. So everything is working as planned. It's
13 just delayed. And that delay --

14 MR. OXER: Okay. Hold -- all right. Hold your
15 position. Cynthia, a quick question.

16 MR. JOHNSON: Yes.

17 MS. BAST: Yes, sir. Cynthia Bast.

18 MR. OXER: The contract to purchase this, what
19 would you -- there was a deadline on this that was going
20 to end the end of this month?

21 MS. BAST: June 30.

22 MR. OXER: That's the contract that they have
23 to purchase from the existing owner.

24 MS. BAST: To purchase the property.

25 MR. OXER: You do not expect them to give an

1 extension or to get an extension?

2 MS. BAST: We do not. We're on our second or
3 third extension.

4 MR. JOHNSON: Third extension at this point.

5 MS. BAST: Third extension at this point.

6 MR. OXER: They're a little antsy to get -- and
7 it's largely because you're trying -- you dig up a little
8 bit more and there's more floorboards you got to replace.

9 MS. BAST: Right.

10 MR. JOHNSON: Yes.

11 MS. BAST: And this particular property, Sea
12 Breeze, is a pretty attractive property unlike the Ridge.
13 I'm pretty sure they can find another buyer.

14 MR. OXER: Yeah. Well, I mean, I -- you know,
15 just as a point of philosophy, Mr. Johnson, I applaud your
16 efforts to take over these -- these distressed -- sounds
17 like distressed would be a generous word term to --

18 MR. JOHNSON: Thank you.

19 MR. OXER: -- apply to this one, but take over
20 these distressed properties and keep them within the
21 portfolio of affordable housing for the state, so.

22 Raquel, if you can -- that's all right. Stay because we
23 may have some more. All three of you stay up there right
24 quick. Raquel, what was --

25 MS. MORALES: Yes, sir.

1 MR. OXER: -- is the EARAC position simply a
2 matter of the delay?

3 MS. MORALES: Yeah. And -- and just making
4 sure like we said, if we could -- if we could see that
5 they could get through the end of the renovations and fix
6 the noncompliance on the Ridge, we understand they have
7 been communicating with us on a regular basis. That
8 hasn't been an issue at all.

9 MR. OXER: So I hate to make it quite like
10 this, Mr. Johnson. The lease is pretty short, right?

11 MR. MORALES: Right.

12 MR. JOHNSON: Yes.

13 MR. OXER: Okay. You guys are -- because this
14 is a collaborative effort. We recognize that.

15 MR. MORALES: Sure.

16 MR. OXER: But we want you to recognize the
17 effort we're making to try to make this work too.

18 MR. JOHNSON: We -- that is recognized and
19 again, I appreciate the oversight. I'm not the smartest
20 guy in the world, so all the --

21 MR. OXER: We're apparently not either because
22 we're up here, but that's --

23 (General laughter.)

24 MR. JOHNSON: But I do. I appreciate everyone
25 looking out for us to make sure we don't, you know, go

1 underwater because we've all seen things that have gone
2 sideways in this industry.

3 MR. OXER: Right. Okay. So the --

4 MR. GOODWIN: I've got a question.

5 MR. OXER: Mr. Goodwin?

6 MR. GOODWIN: Raquel, in here it says that HHF
7 did not provide EARAC with sufficient documentation to
8 mitigate the issues and concerns identified.

9 MS. MORALES: Uh-huh.

10 MR. GOODWIN: Can you tell us what would --

11 MR. OXER: What were you missing?

12 MR. GOODWIN: -- what was missing? What could
13 they have provided that would have satisfied EARAC?

14 MS. MORALES: I think what they provided was
15 they provided information that they previously provided to
16 EARAC when we considered it. You know, we considered it
17 several times, and there just wasn't anything that really
18 stood out other than, you know, we are working towards
19 getting the work done and we recognize that and appreciate
20 the efforts that they were making on that.

21 It's just that the delay in getting that done
22 and the outstanding noncompliance, there just wasn't
23 anything there for the committee to say, Okay, at this
24 time, yeah, we think it's -- it's -- it's okay for you
25 guys to acquire another property understanding you have

1 this outstanding noncompliance on this one. We really
2 just wanted to see that they could get through this
3 property, the Ridge --

4 MR. GOODWIN: Right.

5 MS. MORALES: -- and get through all of that
6 before they take on another tax credit property.

7 MR. GOODWIN: Were several communications back
8 and forth between HHF and EARAC or you and the
9 representatives?

10 MS. MORALES: Several members of staff --

11 MR. GOODWIN: And I've heard mention something
12 about a draw request and a letter stating financing was in
13 place. Surely --

14 MS. MORALES: I think that was -- I don't know
15 if that was something for us or if that was for their --

16 MR. OXER: I think that's what you said wasn't
17 it, Mr. Johnson.

18 MR. GOODWIN: Mr. Johnson said something about
19 that.

20 MR. JOHNSON: Oh. I did read in the board book
21 that there was not an AIA contract provided --

22 MR. GOODWIN: Right.

23 MR. JOHNSON: -- or any documentation to
24 support that. There is an AIA contract with a draw
25 schedule from Mutual of Omaha Bank that every line item

1 every time a draw is made is pulled from the budgeted
2 items on that list.

3 And our draw schedule that we have today, it
4 does still show that we have the sufficient funds to
5 complete the last remaining 80, 90 units that are there.
6 I just didn't provide that because I didn't know that that
7 would have made that much of a difference to the --

8 MR. OXER: Okay. And time is -- you know, the
9 clock is crunching down on you, so what this really gets
10 down to is -- Tom, you know the question I'm going to ask.

11 (General laughter.)

12 MR. OXER: The -- you got enough management
13 capability to pull this off or as we ask around here, you
14 got enough ass on your tractor to pull this?

15 MR. JOHNSON: Yes, sir. Yes, sir, we do.

16 MR. OXER: Okay.

17 MR. JOHNSON: I'll tell you we have -- you
18 know, again, starting from not knowing anything four years
19 ago to today having all of my staff trained by NCHM,
20 National Center for Housing Management, with
21 certifications. And we've participated with the
22 Department's tax credit training and I mean any book we
23 can buy, any training classes being provided, my staff
24 has --

25 MR. OXER: It's like you learned the way the

1 Marine Corps teaches you how to swim.

2 MR. JOHNSON: Well, yeah, just drinking water
3 out of a firehose. But, you know, I believe it's been
4 able to hold it thus far.

5 MR. OXER: Yeah. Okay. Any other questions
6 from the Board?

7 MR. GANN: I'm kind of curious about --

8 MR. OXER: Mr. Gann, you need a microphone,
9 please.

10 MR. GANN: Would it make any difference if he
11 presented that -- the paperwork on the money being in
12 place on the decision?

13 MS. BINGHAM ESCAREÑO: -- and the draw
14 schedule.

15 MR. GANN: Okay. Is --

16 MR. JOHNSON: I have access to it right now on
17 my computer. I can -- I can e-mail it to anybody.

18 MR. OXER: The question, would it make a
19 difference to you in the way it was evaluated, Raquel?

20 MS. MORALES: I think it -- it would -- I think
21 it might help to -- just to help us see that, you know,
22 that that is in place and there isn't a question that, you
23 know, the funding's there. And moreover, just that they
24 are continuing to do that, you know, the work to get to
25 the new deadline --

1 MR. OXER: Right.

2 MS. MORALES: -- you know. We just --

3 MR. OXER: Well, I mean, this -- this is a
4 remodeling project and --

5 MS. MORALES: Uh-huh.

6 MR. OXER: -- you know, tragically you can have
7 all the plans you want, but like I said, you never really
8 know how much it's going to take, how long it's -- much
9 it's going to cost or how long it's going to take until
10 you start ripping walls out and then -- I understand your
11 point, Mr. Johnson, so. Any other questions?

12 MR. ECCLES: Just one quick one. Are there
13 conditions or mitigations that EARAC was expecting that it
14 did not see that would have led to its approval?

15 MS. MORALES: I -- no, I can't -- I mean I
16 can't think of any that we did.

17 MR. OXER: So there were no -- there were no
18 noncompliance items that were not identified in the trust?
19 This is more specifically a funding and timing and delay
20 problem?

21 MS. MORALES: Right. The noncompliance they
22 are aware, we're aware of. And they've addressed how
23 they're going to fix that, which I -- through the
24 renovation that they're undergoing at Ridge.

25 MR. OXER: Right.

1 MS. MORALES: So does that answer your
2 question, Beau?

3 MR. OXER: Does that answer your question,
4 Beau? Counsel?

5 MR. ECCLES: Yes, it does.

6 MR. OXER: Okay. All right. Thank you all
7 three of you. Any other questions? Mr. Gann?

8 MR. GANN: You know, these are things that we
9 want to see happen.

10 MR. OXER: Absolutely.

11 MR. GANN: And I think that, you know, I'm --
12 I'm involved in the motion. But I'm -- I'm thinking that
13 if we could have that presented at this meeting, for
14 instance, and maybe we can come back after --

15 MR. OXER: You say you have that available in
16 your --

17 MR. JOHNSON: Yes, sir. I can pull it up on my
18 computer right now.

19 MR. OXER: Okay.

20 MR. GANN: Let them look at it, and then we'll
21 make a decision later.

22 MR. OXER: Okay. Then we currently have a
23 motion by Mr. Goodwin and a second by Mr. Gann to approve
24 the staff recommendation on this item. What I recommend
25 we do at this point is table the item until we come back.

1 You have a chance and we'll take a break. You
2 guys get a chance to get together and you'll come back and
3 report to us. Raquel, does that work?

4 MS. MORALES: Yes. sir.

5 MR. OXER: Okay. All right. So motion to
6 table. Mr. Gann?

7 MR. GANN: I move.

8 MR. OXER: Okay.

9 MR. GOODWIN: Second.

10 MR. OXER: Motion by Mr. Gann. Table to second
11 by Mr. Goodwin. We'll hold on this until we return to it
12 after a bit. And I approve -- since we're -- we'll do it
13 by acclimation. So Ms. Bingham and I have voted in favor
14 of the motion to table.

15 Okay. I think you're still up, Raquel.

16 MS. MORALES: Yep. The next item is Item 4(b)
17 which is Discussion and Possible Action regarding
18 forgiveness of the Department's Direct HOME loan for
19 Country Villa, which is a property located in Freer which
20 is southeast Texas.

21 As a bit of background, Country Villa was
22 awarded HOME funds back in 2001 in the amount of \$571,000
23 to rehab 32 units. The HOME loan is subordinate to USDA
24 financing. And the terms of the Department's note for the
25 HOME funds included deferral of repayment during the term

1 of the note and reevaluation upon maturity to determine if
2 the loan could be restructured to be repaid or should be
3 forgiven.

4 The HOME note matured in 2009. And at that
5 time staff did evaluate and recommend to the Department's
6 Review Committee that the loan be extended for an
7 additional five years and then reevaluated at that time.
8 I believe that we've looked at this property twice now and
9 to determine if there was some form of repayment that we
10 could restructure with the owner on this home loan.

11 At this time the note is mature, and it is
12 considered due and outstanding. Their HOME loan was
13 effective April 2003, had a ten-year term and has
14 concluded as of April 2013. So staff did complete an
15 analysis of the property's financial position and has
16 concluded that the property has no capacity to support
17 additional debt service related to repayment of our HOME
18 loan.

19 The owner did provide documentation including
20 audited financial statements which reveal that the
21 property has been operating with negative cash flow since
22 2013 and that the property has been supported by capital
23 investments made directly by the owner. Their USDA
24 financing is current and they are okay on that. USDA
25 provides rental assistance on ten of the units, and the

1 rest of the units have tenants that receive Housing Choice
2 voucher assistance.

3 According to the owner, the rental market in
4 Duval County has seen a steady decline in the last 18
5 months. And as of January of this year, seven out of the
6 32 units were vacant. Given that the affordability period
7 has concluded for this development and there are no events
8 of default that have been documented pursuant to the HOME
9 note, staff recommends forgiveness of the HOME loan for
10 Country Villa.

11 MR. OXER: Any questions from the Board?

12 (No response.)

13 MR. OXER: Dennis, did you want to speak on
14 this one?

15 MR. HOOVER: Not unless somebody's got a
16 question.

17 MR. GANN: And a motion?

18 MR. OXER: Not -- yes, I understand that, but
19 he's not up there yet, so. Okay. Then we'll have a
20 motion to consider on Item 4(b)?

21 MR. GANN: I so move.

22 MR. OXER: Okay.

23 MS. BINGHAM ESCAREÑO: Second.

24 MR. OXER: Motion by Mr. Gann to approve staff
25 recommendation of Item 4(b). Second by Ms. Bingham.

1 There are apparently no questions. Did anybody have a
2 question? Now this is to approve staff recommendation.

3 MS. BINGHAM ESCAREÑO: Yes, sir.

4 MR. OXER: You good with that then?

5 (No response.)

6 MR. OXER: Okay. All right. That said, motion
7 by Mr. Gann, second by Ms. Bingham to approve staff
8 recommendation on Item 4(b). Those in favor?

9 (A chorus of ayes.)

10 MR. OXER: And those opposed?

11 (No response.)

12 MR. OXER: There are none. It's unanimous.

13 Okay. Next?

14 MS. MORALES: Okay. The last item I have is
15 Item 4(c) relating to the Discussion and Possible Action
16 regarding a waiver for Thomas Westfall Memorial.

17 Thomas Westfall was awarded tax credits last
18 year out of the At-Risk Set-Aside based upon its proposal
19 to reconstruct housing units owned by a public housing
20 authority, which in this case is the Housing Authority of
21 the City of El Paso, and receiving assistance under
22 Section 9 of the National Housing Act of 1937.

23 As required by the 2015 QAP, the applicant
24 originally proposed that 75 percent of the units would be
25 financed with tax credits and the Rental Assistance

1 Demonstration Program or RAD. And the remaining 25
2 percent of the units would remain supported by a public
3 housing operating subsidy.

4 However, in January of this year the applicant
5 submitted an amendment request to the Department asking
6 for approval to remove the 25 percent of units that would
7 be supported by an operating subsidy and replace them with
8 RAD. According to the applicants, they received notice in
9 June of last year that HUD would not approve a RAD
10 application where less than 100 percent of the units would
11 be proposed for conversion.

12 The amendment requested by the Housing
13 Authority would allow 100 percent of the units to be
14 converted to RAD and enable the Housing Authority to
15 include the development in its RAD portfolio. The
16 applicant's amendment was approved by the Executive
17 Director conditionally as a non-material amendment request
18 in March of this year.

19 The conditions included, one, that the Housing
20 Authority of El Paso confirm to the Department in writing
21 that the development would continue to receive operating
22 subsidy under Section 9 of the Act following completion of
23 this rehabilitation. And two, that if the retained
24 Section 9 subsidy was for less than 25 percent of the
25 units, as was required in the 2015 QAP, that they would

1 seek a waiver from this Board for that requirement.

2 The applicant did provide written confirmation
3 to the Department in April intending to meet the
4 conditions described. However, the 25 percent rule
5 requirement was not specifically addressed in the
6 confirmation. Therefore, they are seeking a waiver of
7 this Board -- from this Board of the 2015 QAP requirement
8 to allow for full approval of the applicant's initial
9 amendment request.

10 Based on the fact that House Bill 2926 amended
11 the definition of At-Risk developments in a manner that
12 expressly includes developments undergoing RAD conversion
13 and that Bill became effective September 1 of last year,
14 staff recommends approval of the request to waive Section
15 11.53 (d) of the 2015 QAP for Thomas Westfall.

16 MR. OXER: Any questions?

17 MR. GOODWIN: So moved.

18 MR. OXER: Okay. Motion by Mr. Goodwin.

19 MS. BINGHAM ESCAREÑO: Second.

20 MR. OXER: And second by Ms. Bingham to approve
21 staff recommendation on Item 4(c). Barry, you want to say
22 anything?

23 MR. PALMER: No, I'm good.

24 MR. OXER: Good. Okay. All right. Motion by
25 Mr. Goodwin, second by Ms. Bingham to approve staff

1 recommendation on Item 4(c). Those in favor?

2 (A chorus of ayes.)

3 MR. OXER: Opposed?

4 (No response.)

5 MR. OXER: There are none. Okay.

6 MS. MORALES: Thank you.

7 MR. OXER: Marni?

8 MS. HOLLOWAY: Good morning again. I'm Marni
9 Holloway, Director of Multifamily Finance. Item 5 -- let
10 me make sure I have it -- Item 5(a). Before we get
11 started, we are removing from the agenda Application
12 16168, Stonebridge of Whitehouse. We received an e-mail
13 from the applicant yesterday afternoon that they are
14 withdrawing their appeal.

15 MR. OXER: So there's only one way to be --
16 we're --

17 MS. HOLLOWAY: Right.

18 MR. OXER: We would have considered them one at
19 a time anyway, right?

20 MS. HOLLOWAY: Exactly.

21 MR. OXER: Okay.

22 MS. HOLLOWAY: The other application that we
23 are considering today is Presentation, Discussion, and
24 Possible Action on Timely Filed Scoring Notice Appeals
25 under the Department's Multifamily Program Rules is

1 Application 16029 for Baxter Lofts. You'll recall that
2 this is the item that was tabled at our last board
3 meeting. The Board asked for some additional information
4 prior to making a decision.

5 So at that May 29 meeting, staff presented its
6 determination that the application was eligible for three
7 points under Educational Excellence instead of the five
8 points requested. And that a resolution from the local
9 governing body identifying the development site as
10 contributing most significantly to the concerted
11 revitalization efforts was not received, leaving the
12 applicant eligible for four points instead of the six
13 requested.

14 Since that Board meeting, we have rescored the
15 application and determined that pursuant to Section 11.9
16 (e)(6) Historic Preservation, the application scored three
17 points under Educational Excellence and therefore is
18 not -- is eligible for only three points under historic
19 preservation.

20 There's a provision in the Historic
21 Preservation Rule and it says if you have lower
22 Educational Excellence points, you're only eligible to
23 receive lower Historic Preservation points. And we can
24 work through that as we're talking about this item.

25 So at the May 29 meeting, the Board tabled the

1 appeal requesting further information from the applicant
2 regarding the ability of students who will reside at
3 Baxter Lofts to attend the Early College High School in
4 Harlingen.

5 Since that time, staff has done a little more
6 research regarding the early college education, and
7 there's a couple of items in your board book that we've
8 added from the previous Board meeting. We've also
9 included the applicant's most recent appeal.

10 If you'll look at page 548 of your board book,
11 that's the start -- the first page of the full application
12 for the Early College High School. The applicant had
13 previously provided the first page. This is the full
14 application.

15 Students are asked to write several essays.
16 Their teachers or counselors are requested to provide
17 evaluations of the student application before it goes to
18 the Early College High School.

19 Behind that item is a copy of a recruitment
20 presentation that is on the Early College High School's
21 website. On page 557 of your board book, that
22 presentation says in the application process you will be
23 notified of your acceptance or decline, which addresses
24 questions regarding if there is in fact a selection
25 process for students.

1 Page 554, which is also part of that
2 presentation, in the section titled, Unique to ECHS,
3 describes the maximum capacity of the school as 400
4 students, which speaks to the capacity question.

5 So in researching these items, there was some
6 other information that I noticed that I wanted to bring to
7 your attention. On page 524 of your book as part of the
8 applicant's first appeal is the 2014-2015 school report
9 card for the Early College High School.

10 Included in that report card is a section
11 called Enrollment By Student Group. This speaks to three
12 very specific groups of students that are tracked both at
13 the school level and at the district level.

14 So economically disadvantaged students, 52.5
15 percent of the students at the Early College High School
16 are economically disadvantaged, whereas at the district
17 level, it's 73.75. English language learners at the Early
18 College High School is 0.9 percent of the student body.
19 Districtwide it's 14.4 percent.

20 Special education at the Early College High
21 School student body is 1.6 percent of students are
22 accessing those special education services. Districtwide
23 it's 8.6 percent. I think that these variances in the
24 composition of the student body speak to a selection
25 process in a very specialized course of study. So that is

1 the Early College High School item.

2 Regarding the Concerted Revitalization Plan,
3 since the last board meeting, the applicant has provided a
4 new resolution from the City of Harlingen identifying the
5 development as contributing most significantly to the
6 revitalization effort. You'll recall at the last meeting
7 we talked about letters versus resolutions.

8 So we have received a resolution now. It was
9 due on March 1 with the full application in order to be
10 considered for the two points requested. The applicant
11 has continued to contend that they followed their
12 understanding of the requirement for this scoring item by
13 providing the letter from the city manager.

14 Staff has included a copy in your board book at
15 page 543 of this scoring item from the application. The
16 applicant checked the box that says, Development is
17 explicitly identified by the city or county as
18 contributing most significantly to the concerted
19 revitalization efforts of the city of county. A
20 resolution stating such is provided behind this tab.

21 So the applicant acknowledged in the
22 application that a resolution was needed. Staff has
23 consistently applied provisions from the Multifamily Rules
24 that do not allow applicants to add documentation to the
25 application after the deadline. So we do not feel that we

1 can accept this resolution at this late date in order to
2 award those two points.

3 Regarding Historic Preservation, this is
4 11.9(e)(6), it says in part, Developments that qualify for
5 one or three points under Educational Excellence that has
6 received a letter from the Texas Historical Commission
7 determining preliminary eligibility for historic or
8 rehabilitation tax credits and is proposing the use of
9 historic rehabilitation tax credits whether federal or
10 state, may qualify to receive three points.

11 So Historic Preservation is a five-point item
12 if you're getting five points on educational excellence.
13 If you're getting one point or three points on educational
14 excellence, you can only get three points on historic
15 preservation, so --

16 MR. OXER: I have a question on that.

17 MS. HOLLOWAY: Yes.

18 MR. OXER: Why is it that way? Why did we do
19 that?

20 MS. HOLLOWAY: I am not able to answer that
21 question.

22 MR. OXER: I understand that that's the rule.
23 I don't --

24 MS. HOLLOWAY: It is the rule that we're living
25 with. It certainly is something that we can take up and

1 discuss --

2 MR. OXER: Right. But it's still the rule. I
3 understand that.

4 MS. HOLLOWAY: -- for next year's rules, yes.

5 MR. OXER: Right. So okay.

6 MS. HOLLOWAY: All right. Because the Early
7 College High School clearly has a selective application
8 process and has a limited capacity so that students are
9 not assured the ability to enroll, staff recommends the
10 Board deny the applicant's appeal of this item.

11 Further, because the application is eligible to
12 receive only three educational excellence points, staff
13 recommends the Board deny the applicant's appeal regarding
14 historic preservation where they are limited to three
15 points rather than the five requested.

16 Further, because the applicant has not timely
17 provided the resolution required for two points under
18 Section 11.9(d)(7)(a) Concerted Revitalization Plan, staff
19 recommends denial of their appeal.

20 MR. OXER: So the staff recommendation that
21 encompasses all of these points, I assume that --

22 MS. HOLLOWAY: Uh-huh.

23 MR. OXER: -- in the competitive nature that
24 this program represents, any one of those losses puts them
25 out of the winner's box.

1 MS. HOLLOWAY: I believe so.

2 MR. OXER: Okay. So there's no reason to take
3 them up individually. It's up or down one way or the
4 other.

5 MS. HOLLOWAY: Well, and I believe that the
6 applicant has some folks here to address particularly the
7 school issue.

8 MR. OXER: We'll get there. Okay. Any
9 questions for Marni?

10 MS. BINGHAM ESCAREÑO: I just have a question,
11 clarification. On the points for Revitalization Plan --

12 MS. HOLLOWAY: Uh-huh.

13 MS. BINGHAM ESCAREÑO: -- the resolution?

14 MS. HOLLOWAY: Yes.

15 MS. BINGHAM ESCAREÑO: The 11.9(d)(7)(a), is
16 that a two or nothing?

17 MS. HOLLOWAY: Yes.

18 MS. BINGHAM ESCAREÑO: It's either a pass/fail;
19 in other words --

20 MS. HOLLOWAY: Yes.

21 MS. BINGHAM ESCAREÑO: -- two or none?

22 MS. HOLLOWAY: Concerted Revitalization is
23 actually a six-point item in total. The applicant did
24 provide the information that gained them four points.

25 MS. BINGHAM ESCAREÑO: Four.

1 MS. HOLLOWAY: But this is the extra two.

2 MS. BINGHAM ESCAREÑO: Gotcha.

3 MR. OXER: Okay. Any other questions for
4 Marni?

5 (No response.)

6 MR. OXER: And before we have public comment,
7 which we see a requests there, we'll have a motion to
8 consider.

9 MR. GOODWIN: I move that we consider.

10 MR. OXER: Okay. Motion by Mr. Goodwin to
11 approve staff recommendation on Item 5(a) for Application
12 16029.

13 MR. GANN: I'll second.

14 MR. OXER: Okay. A second by Mr. Gann. Okay.
15 There appears to be a request for public comment, so come
16 up, state your name. Make sure you sign in. You got
17 three minutes.

18 MS. BURCHITT: Sally Burchitt, Structure
19 Development. Good morning, Board. Thank you for your
20 time. I will be brief. We discussed last time the QAP
21 asked for explicit identification from a city, lower case
22 C. And we have a letter from the city manager, the Chief
23 Administrative Officer.

24 The QAP also requires a resolution by the
25 governing body that approved the plan. I put in the

1 resolution from the governing body that approved the plan.

2 It's not abundantly clear that that's what you were
3 asking for. Furthermore, the City amended the original
4 resolution recently and submitted it.

5 This project right now has 155 points, and
6 Region 11 has \$5.3 million. The top three spots together
7 are \$4.2 million. And should this project be competitive
8 in nature, it would not affect any of the other applicants
9 in Region 11.

10 MR. OXER: Okay.

11 MS. BURCHITT: Thank you.

12 MR. OXER: Thanks, Sally.

13 MR. BOZWELL: Good morning, Mr. Chairman and
14 members of the Commission. My name is Chris Bozwell. I'm
15 the mayor of the City of Harlingen, and I'm here to speak
16 in support of the appeal this morning. The -- this
17 project is of extreme importance to the City of Harlingen
18 and has been for many years.

19 In fact, I stood for re-election last month in
20 large part to make sure that this project gets done in our
21 community. It actually became an issue in the election.
22 I had three opponents and managed to win the election with
23 70 percent of the vote. And I say that not to brag -- I'm
24 bragging a little bit; 70 percent has a nice ring to it.

25 (General laughter.)

1 MR. BOZWELL: But I say it primarily to let you
2 know that the community is definitely behind seeing this
3 project happen. It'll have an enormous impact on the core
4 of our downtown, an enormous economic impact on our
5 community.

6 It will have an impact on the standpoint of
7 bringing people into that downtown area to reside, and
8 that's what we want to see in our community. It'll
9 provide the opportunities for people that don't exist
10 today.

11 And so the substance of this is that this is
12 certainly a top revitalization priority for the City of
13 Harlingen and has been for many years. We see an
14 opportunity now with this developer partner to realize a
15 dream to restore a building built in 1927 which was the
16 tallest building in the Rio Grande Valley for many, many
17 years.

18 It's still the third tallest building in the
19 Rio Grande Valley. It needs to have this application
20 granted. Thank you.

21 MR. OXER: Thank you, Mr. Bozwell. Ms. Bast,
22 you're busy this morning.

23 MS. BAST: I am. Thank you. Cynthia Bast of
24 Locke Lord. We do represent the applicant on this appeal.
25 And I will be very brief because at our last -- first of

1 all, I'd like to say that because the historic points come
2 with or without the educational excellence, I don't know
3 that they need separate consideration, but I think there
4 may be some merit in looking at the educational excellence
5 question and the community revitalization question
6 separately.

7 As you'll recall, last time I addressed the
8 educational excellence question. And again, focusing us
9 on the rules, the language we're looking at is that in
10 district with a districtwide enrollment, an applicant may
11 use the rating of the closest elementary, middle, or high
12 school which may possibly be attended by the tenants.

13 And so the argument here under this rule is
14 that as to high schools because of the performance of the
15 two zoned schools, this district has districtwide
16 enrollment for the two high schools because any student
17 can -- can enter any of the high schools including this
18 Early College High School. And therefore, that is the one
19 that should be considered because it may possibly be
20 attended by the residents.

21 So we know that at the last meeting there were
22 some very good questions -- I'm sorry Dr. Muñoz is not
23 here -- about how this districtwide enrollment works, how
24 the applications work, the accessibility of these
25 programs, transportation.

1 Dr. Arturo Cavazos, the superintendent,
2 followed up with a letter to you all that you will find in
3 your board book at page 534 of the PDF. But no better way
4 to address those questions than to have him here in
5 person.

6 We appreciate that he's traveled here to talk
7 to you about how he believes his district fits with this
8 particular rule regarding districtwide enrollment. So I
9 will yield the podium to him.

10 MR. OXER: Great. Thanks, Cynthia.

11 MS. BINGHAM ESCAREÑO: May I -- Mr. Chair, may
12 I ask Cynthia a question --

13 MR. OXER: Sure.

14 MS. BINGHAM ESCAREÑO: -- just really quickly.
15 So just so that -- since we'll be --

16 MS. BAST: Yes, ma'am.

17 MS. BINGHAM ESCAREÑO: We'll be down to brass
18 tacks here in terms of points. Were you basically saying
19 that because unfortunately it appears that some of the
20 historic preservation points are tied up with the
21 educational excellence, that you're choosing right now to
22 not try to pursue that, that it kind of is what it is
23 and --

24 MS. BAST: Right. I'm not saying that we don't
25 want to pursue it. What I'm saying is --

1 MS. BINGHAM ESCAREÑO: Gotcha.

2 MS. BAST: -- we believe for educational
3 excellence that those two points should be awarded. Thus,
4 if those two points are awarded, the historic will come
5 along with it, so we don't know that we need to
6 independently argue that.

7 MS. BINGHAM ESCAREÑO: Understood. Okay. Just
8 wanted to clarify. Thank you.

9 MS. BAST: Thank you.

10 MR. CAVAZOS: Good morning. I'm Art Cavazos,
11 the superintendent of schools for Harlingen. I feel like
12 I'm before the principal, you know, office and --

13 (General laughter.)

14 MR. CAVAZOS: -- now I'm being called to the
15 principal's office.

16 MS. BINGHAM ESCAREÑO: That's right. Payback.

17 MR. CAVAZOS: I know. So --

18 MR. OXER: If they knew how many times I had
19 spent time at the --

20 MR. CAVAZOS: Right.

21 (General laughter.)

22 MR. CAVAZOS: So I'm the superintendent of
23 schools. This is my fifteenth year, finishing my
24 fifteenth year in Harlingen. This is starting my fourth
25 year as the superintendent of schools. Prior to that, I

1 was the deputy superintendent of transformation, and I am
2 the brainchild of Early College High School and the School
3 of Health Professions. And so who else to speak about our
4 transformation than myself.

5 In 2010, the community came together and
6 supported a bond election which resulted in us building a
7 ninth-grade academy. And so any student -- we don't serve
8 ninth graders at the high -- traditional high schools. We
9 serve them at a ninth-grade academy. We have about 1,200
10 students there. We also built a School of Health
11 Professions. In 2015, we passed our tax ratification
12 election, again, a symbol of the community coming together
13 to modernize all our schools throughout the district.

14 So a couple of points that I'd like to make and
15 then answer any questions that you may have. We have been
16 in a transformational journey in HCISD, individualizing
17 our programs for students and really focusing on advising
18 students as we move to educating them for college and
19 workforce readiness.

20 I am in full support of the appeal being
21 submitted. We have a very close-knit community. We take
22 pride in the work that we do in our school systems. I
23 mentioned the ninth-grade academy only to say that we are
24 the only school district in the state of Texas that has a
25 ninth-grade academy that feeds into two comprehensive high

1 schools. Normally you have one per comprehensive high
2 school, so it's a very unique structure.

3 We are in a transformational journey to
4 individualizing instruction. Early College High School --
5 I will make a point that was made earlier. Early College
6 High School does have a capacity of 400, but I can tell
7 you that we have applied and have been receiving Early
8 College High School designation districtwide. And what
9 happens is that when given a chance and an opportunity,
10 kids choose to stay at their comprehensive high school.

11 And so we are right in the mix of expanding our
12 program offerings at the Early College High School, which
13 means we will be building additional capacity with a
14 partnership with TSTC. I say that because Early College
15 High School is very unique. We offer five associate
16 degree opportunities for students. We try and target
17 students who are first-generation college graduates.

18 We started the program with a grant application
19 through the Texas Education Agency that allowed for the
20 partnership to be formed. So we're attempting to make
21 certain that we do our efforts to break the power of the
22 cycle, get first-generation college graduates through our
23 pipe system.

24 I am a first-generation college graduate.
25 There are six of us. At one time there were three

1 practicing superintendents from my family throughout the
2 state of Texas. We take this work very seriously, and so
3 I'm here to answer any questions you have about my dynamic
4 school district.

5 MR. OXER: Thank you, Dr. Cavazos. Any
6 questions?

7 MS. BINGHAM ESCAREÑO: Yes, sir.

8 MR. OXER: Okay. Ms. Bingham?

9 MS. BINGHAM ESCAREÑO: So Ms. Holloway brought
10 up a few percentages, did some research, and kind of
11 uncovered what looked like some disparities between what
12 the general high school population looks like and then
13 what Early College High School. And I'm going to do this
14 poorly, and I wish Dr. Muñoz was here, because I'm sure
15 he'd do a much better job.

16 But we could make some assumptions about that
17 that there might be a little bit of weeding out, or you
18 could tell us that that's not necessarily a huge surprise
19 because students and families self-select, right. So the
20 disparities could be reflective of weeding out, at which
21 point we would want to know are you guys doing that. Or
22 it could just be reflective of how many families and
23 students are choosing to stay in a mainstream high school
24 versus going to an Early College High School.

25 And that may be because you're still working on

1 kind of awareness and dispelling myths or it might be
2 based on the course offerings and people choosing to
3 either participate or not. Do you have any thoughts in
4 general about the disparities that Marni brought up?

5 MR. CAVAZOS: So I'm going to try and address
6 it two ways. Number one is it's a program-specific
7 campus. It's to attain an associate's degree. Very often
8 that is a dream for a lot of people, and it's hard to make
9 that leap to it being a reality, number one.

10 Number two, it is self-selection. And
11 oftentimes, people will shy away from going to a school
12 separate and apart from their comprehensive high school.
13 There's a lot of, you know, spirit at our comprehensive
14 high schools.

15 For example, when we had this opportunity for
16 people to go to another school as a result of this IR, I
17 have over 1,800 students at Harlingen High School. I had
18 a little less than 30 people, if I did my numbers correct,
19 even choose to go somewhere else. And I had zero choosing
20 to go to Early College High School because it's a
21 specialty program, number one, in the sense that it's a
22 very -- it's an associate's degree.

23 I am proud to say that we're going to expand
24 that to add Certificate 1 and Certificate 2 programs
25 aligned with our workforce needs. And so I expect that

1 there will be more interest and more students and families
2 choosing that.

3 But we also are ECHS designated at the high
4 schools. So we also offer dual credit programming as
5 early as ninth grade at our traditional campuses. And so
6 parents choose to stay at the comprehensive high schools.

7 Here's the key to every decision that's made. We do
8 everything we can to ensure that we're providing
9 advisement to every family as they're making these
10 decisions, because opening a transcript as early as ninth
11 grade comes with some great opportunities but also comes
12 with some risks.

13 And so our advisement and our counseling
14 department as well as our administration plays a vital
15 role as, you know, parents and students begin to determine
16 what's my journey in the Harlingen public school system.

17 MS. BINGHAM ESCAREÑO: I have one more
18 question. So Ms. Bast quoted the language I think which
19 was "may possibly be attended," I think. Was that it?

20 MR. ECCLES: Possibility for --

21 MR. OXER: Say it again. Quote the citation,
22 Beau. Can't you do that?

23 MR. ECCLES: It's Section 11.9(c)(5)
24 Educational Excellence. An attendance zone does not
25 include schools with districtwide possibility of

1 enrollment or no defined attendance zones sometimes known
2 as magnet schools.

3 MR. OXER: One more time.

4 MS. BINGHAM ESCAREÑO: And maybe could Ms. Bast
5 come back up? Are you guys quoting the --

6 MS. BAST: Yes, ma'am. Cynthia Bast. What is
7 the question? I'm sorry.

8 MS. BINGHAM ESCAREÑO: Are you guys quoting the
9 same thing? So you -- I thought I wrote down "may
10 possibly be attended" --

11 MS. BAST: Uh-huh.

12 MS. BINGHAM ESCAREÑO: -- but Beau's reading
13 something a little different. Are you guys reading the
14 same thing or not?

15 MS. BAST: He's reading the first sentence.
16 I'm reading the second sentence.

17 MS. BINGHAM ESCAREÑO: Okay.

18 MS. BAST: I believe, Beau. Right?

19 MR. OXER: But since --

20 MS. BAST: We're in the same place.

21 MR. OXER: Yeah, but since the rule has to be
22 considered comprehensively, as I recall, Counselor. Read
23 all of them together and not one at a time.

24 MS. BAST: So -- so -- so the point is that
25 we're trying to make here is that because of the IR status

1 of the two zoned high school -- forgive me if I'm not
2 using the correct phrase -- we have districtwide
3 enrollment as to the high schools with all high schools
4 being fully accessible with free transportation.

5 Thus, since it's districtwide enrollment by the
6 second sentence I read, the Early College High School can
7 be considered for its rating because this is all about the
8 rating of the schools.

9 MS. BINGHAM ESCAREÑO: Let's try this.

10 MR. OXER: So --

11 MS. BINGHAM ESCAREÑO: Stay up there, Cynthia.

12

13 MS. BAST: Okay.

14 MS. BINGHAM ESCAREÑO: Thank you. Mr. Chair --

15 MS. BAST: I keep trying to run away.

16 MR. ECCLES: I think a duet's about to happen.

17 MS. BINGHAM ESCAREÑO: There you go. There you
18 go. Okay. So I'm going to ask a question and then you
19 guys tell me if I'm -- if it's the correct question
20 relative to this -- to this requirement.

21 Superintendent Cavazos, is there any student
22 that may not possibly attend Early College High School?
23 Is there any student --

24 MR. OXER: Let me add -- and I understand your
25 point --

1 MS. BINGHAM ESCAREÑO: Yes, sir.

2 MR. OXER: -- Leslie, because we came down last
3 time if I recall this correctly -- it came down last time
4 because of the limitation, there were only 400 on this and
5 there was a limitation and there were criteria to get in
6 on the selection process. And you're saying that was a
7 self-selection process. Is there -- the question was did
8 every student in the district have access to that ECHS?

9 MR. CAVAZOS: Every student in the district has
10 access. I think the important part is this whole IR
11 thing. As a result of the IR, upon apparent making a note
12 that they would like to attend ECHS, then it is a transfer
13 request to ECHS. Again, the key part there is
14 individualized advisement, because they need to understand
15 what that program is.

16 MR. OXER: Right.

17 MR. CAVAZOS: And I think the other question
18 was is there districtwide enrollment. And so under the
19 PEG Rules, which is the Public Education Grant Rules, that
20 a parent cannot ask for a transfer to another PEG school.

21 Does that make sense? Or Harlingen High School students
22 cannot ask for a transfer to Harlingen High School South
23 because it's also under IR status.

24 So that's why we're focusing on ECHS. I hope I
25 didn't further muddy the waters, but I think that's --

1 MR. IRVINE: So if I'm living in this
2 development and I'm the parent of a student with perhaps a
3 learning disability and you would advise that student that
4 this would not be an optimal curriculum for them, may I
5 still as a matter of right enroll my student in that --

6 MR. CAVAZOS: As a result of the IR
7 designation, the answer is correct, yes.

8 MR. IRVINE: Okay. That's -- that's the thing
9 I wanted to know.

10 MR. GANN: Let me ask. I had one question too.

11 MR. OXER: Mr. Gann?

12 MR. GANN: Now, if all of them ask, you're
13 under a little pressure there, are you not? I'm asking
14 you that question. If all of them ask, you don't have the
15 capacity, but that's not what really happens.

16 MR. CAVAZOS: That's correct.

17 MR. GANN: Okay.

18 MR. CAVAZOS: And I think I can add to that.
19 The statute is very clear that if all of them were to ask,
20 then the district is required to accommodate to 100
21 percent capacity.

22 MR. GANN: Okay.

23 MR. CAVAZOS: Whatever we --

24 MR. OXER: You got -- basically you've got
25 surge capacity?

1 MR. CAVAZOS: That is correct.

2 MR. GANN: That's my second question.

3 MR. OXER: Okay. That's my --

4 MR. CAVAZOS: That is correct. And so --

5 MR. GANN: That's part of the plan.

6 MR. CAVAZOS: The statute is very clear to
7 that. Now, again, that's why I offered the numbers. I
8 have 1,800 -- over 1,800 students. I had 30 that
9 requested, zero to ECHS, 30 to Harlingen School --
10 Harlingen High School South. Now, so I hope I answered
11 your question.

12 MR. GANN: You did.

13 MR. CAVAZOS: That is -- that is the --

14 MR. OXER: You answered mine. Any other
15 questions from the Board?

16 (No response.)

17 MR. OXER: Any other requests for public
18 comment?

19 (No response.)

20 MR. OXER: You guys know where to sit if you
21 want to talk, don't you? Geez. You're not rookies here.
22 Thank you.

23 MR. CAVAZOS: Mr. Chairman, members of the
24 Board, thank you for --

25 MR. OXER: You're quite welcome.

1 MR. MUSEMECHE: Good morning, Chair, Board
2 members, Mark Musemeche. Unfortunately, I have to wear a
3 black hat. We represent one of the developments that's
4 competing in the region, and no doubt we'd be adversely
5 affected if you choose to go with staff recommendation.

6 I guess listening to the conversation, my
7 concern's really about the integrity of the rule, and it's
8 not about the merits of Early College. It's not about the
9 merits whether or not there's capacity or transportation.
10 It's about our rule that exists today, and that rule
11 clearly says you must use the school zoned to your site.

12 And so the problem that I see is is that if a
13 child living in Baxter Lofts for whatever reason doesn't
14 want to go to Early College, then they're going to go to
15 Harlingen High School, because that's the zoned school to
16 the site, and that's what our rules require. And so
17 unfortunately, that's the problem.

18 And so until that school changes its MET
19 standard rating or its index score, it's not competitive.
20 It's not competitive under the program today. And so
21 that's really the essence of the rule here.

22 Also, just to put it out there, there's 1,300
23 applications competing in Region 11. Twelve of the 13 had
24 no problem finding sites that were high opportunity.
25 Twelve of the 13 had no problem finding sites where all of

1 the schools zoned to those sites by right meet the full
2 points for educational excellence.

3 So, in addition, there's other schools in the
4 Valley that don't have MET standard ratings. They don't
5 have index scores that meet the criteria. Other districts
6 like McAllen and Brownsville with competitive applications
7 have Early College curriculums.

8 So sadly it's not just an isolated hardship
9 situation for Harlingen. There are opportunities down in
10 the Valley. It's just this particular application's not
11 competitive. So I ask you to basically please be
12 consistent with your rules. It's a hard decision, but
13 really here it's a black-and-white rule decision. And so
14 I think when you're talking about policy, let's do it next
15 year, but this year let's make sure rules are maintained.

16 Thanks.

17 MR. OXER: Thanks, Mark. Ms. Dula?

18 MS. DULA: Good morning.

19 MR. OXER: Welcome back.

20 MS. DULA: Thank you. Tamea Dula, Coats Rose.

21 I'm representing Mr. Musemeche. We heard about efforts
22 to really improve the Harlingen schools, and the Early
23 College High School sounds like a great one in the making.

24 However, the issue that Mark brought up about following
25 the rules also creates a question of the Fair Housing

1 implications of not following the rules.

2 We have these rules because of the desire to
3 have the ability for any child in a project that is funded
4 with the tax credits to by right go to a school that has
5 met standards and in the Valley has an index score of at
6 least 70 by right.

7 Now the Early College School is an optional
8 school, and possibly students could go there if their
9 parent applies or the student applies, if their counselors
10 recommend them, if their teachers recommend them, if they
11 write a good enough essay, if there are not more than 400
12 people or whatever the level of student population is
13 going to be has not been met and if they maintain a GPA
14 that is required for the program.

15 This is all set forth in the application and
16 the educational materials regarding the school. That is
17 last item in your packet under this requested appeal. So
18 we are concerned that if you bend the rules here, which
19 what you're actually doing is creating issues for other
20 communities, for instance, Brownsville.

21 And we disagree with the comment that making
22 this competitive by awarding five points wouldn't have any
23 impact upon anybody else because the next project up would
24 be Mr. Musemeche's in Brownsville. There are four
25 projects or applications in Brownsville. Brownsville,

1 according to its ISD website, has seven high schools, all
2 of them zoned high schools. Each one is an Early College
3 High School.

4 So you have options here. If you follow the
5 rules and if the next one up does get funded, then you've
6 got a new community, a new project in the community where
7 the children will by right go to high schools that have
8 MET standards and where they will by right have the
9 opportunity for the enhanced educational possibilities
10 provided in the Early College system if they wish to
11 pursue those.

12 The superintendent stated specifically that the
13 schools in Harlingen feed into two comprehensive high
14 schools, Harlingen High School and Harlingen High School
15 South. That means that Early College is not a feeder
16 school. It doesn't get the students from the lower
17 grades, and it is an optional school. And we need you to
18 recognize that and recognize that it does not meet the
19 requirements in the QAP for these points. Thank you.

20 MR. OXER: So Tamea, your --

21 MS. DULA: Yes.

22 MR. OXER: -- the emphasis of your comment is
23 that the -- in this case, the school that they're
24 describing represents an option not a right?

25 MS. DULA: Correct. And it's an option that I

1 think the superintendent admitted that not every student's
2 going to apply and --

3 MR. OXER: Right. So it's an option, not a
4 right, whereas the other high schools that you're -- each
5 student has a right to be --

6 MS. DULA: Right.

7 MR. OXER: Okay.

8 MS. DULA: And the student might possibly be at
9 Harlingen High School or the student might possibly be at
10 Early College High School, but they won't be at Early
11 College High School unless they meet all the criteria.

12 MR. OXER: Okay.

13 MS. DULA: Thank you.

14 MR. OXER: Another comment? Barry?

15 MR. PALMER: Barry Palmer with Coats Rose. I
16 just reinforce Tamea's comment that we believe that the
17 rule is very clear on this that you get the educational
18 points if you're zoned for a MET standard school. This
19 does not qualify for the Baxter Lofts.

20 And the interpretation that Ms. Bast put on the
21 rule that if there's a possibility on a districtwide basis
22 that you could go to a higher performing school, that
23 would -- that interpretation would cause you to rescore
24 every application around the state because there are a
25 number of -- you know, in Houston you have districtwide

1 ability to go to the High School for the Performing Arts.

2

3 So every non-performing high school in Houston
4 could come back and claim the points because there's a
5 possibility that they could go to a other school within
6 the district that met the standard. So I think the clear
7 reading of the rule is that you don't get these points.

8 MR. OXER: Okay. Thanks, Barry. Any other
9 questions from the Board?

10 (No response.)

11 MR. OXER: Any other questions, request for
12 public comment?

13 Did you have something, Ms. Bingham?

14 MS. BINGHAM ESCAREÑO: Well --

15 MR. OXER: Microphone.

16 MS. BINGHAM ESCAREÑO: We spent a pretty good
17 bit of time going over the interpretation of the rule. I
18 guess maybe, Beau, would you be willing to weigh in on the
19 dissenting comments?

20 MR. ECCLES: Well, I'm not going to weigh in
21 and give a legal opinion that I express -- expect the
22 Board to take. But perhaps Cynthia, if I could ask you a
23 question.

24 MS. BAST: Yes, sir. Cynthia Bast.

25 MR. ECCLES: Cynthia, there are attendance

1 zones in Harlingen, and those would be the comprehensive
2 high schools, Harlingen High and Harlingen South?

3 MS. BAST: Correct.

4 MR. ECCLES: And the development is slated to
5 be put in one of those primary attendance zones?

6 MS. BAST: Correct.

7 MR. ECCLES: So is it your contention that the
8 rule, when it mentions districts with districtwide
9 enrollment, includes districts that have attendance zones?

10 MS. BAST: I understand your question, and I
11 think the reason why we believe this fits as districtwide
12 enrollment is because we have a very unique situation here
13 in Harlingen only. You only have two zoned high schools,
14 and both of them are IR. And so if both of them are IR
15 and we're only using the zoned high schools, then you're
16 not going to have competitive applications in Harlingen in
17 the first place.

18 But with both zoned high schools being IR, that
19 creates the situation that anyone zoned to those two high
20 schools may now choose these other options that creates
21 the districtwide enrollment on the high school level.
22 We're not arguing there's districtwide enrollment on the
23 elementary school or middle school level.

24 That's how we see it different than for
25 instance the argument about Houston, that in Houston with

1 all of your zoned schools, you have some that meet
2 standard and some that don't. And for those that don't,
3 you do have options. And that's true, but we don't see
4 that as a true districtwide enrollment because in Houston
5 there are zoned schools that meet standard.

6 In Harlingen, you don't have a zoned high
7 school that meets standard. And that's why we believe in
8 this -- these facts apply to this rule indicates that
9 Harlingen therefore as district has a districtwide
10 enrollment for their high school. And I'm happy to let
11 Dr. Cavazos address any other facts of the district that
12 would be appropriate.

13 MR. OXER: Tim?

14 MR. IRVINE: May I pose a slightly different
15 question? Okay. As I understand it, if you are in the
16 attendance zone for your primarily zoned school, even if
17 it's over capacity, you have the right to go there, is
18 that correct?

19 MS. BAST: I will defer to the expert.

20 MR. OXER: Dr. Cavazos, I'll have to tell you.
21 You have to announce -- say who you are on the record.

22 MR. CAVAZOS: Art Cavazos, superintendent of
23 schools for Harlingen.

24 MR. OXER: There you go.

25 MR. CAVAZOS: I'm sorry.

1 MR. OXER: It's okay.

2 MR. CAVAZOS: Can you repeat your question?

3 MR. IRVINE: So if I'm in the attendance zone
4 for Harlingen High School even if it's over capacity, do I
5 have the legal right to go to that school?

6 MR. CAVAZOS: If I'm in -- if you're in the
7 attendance zone at Harlingen High School --

8 MR. IRVINE: Right.

9 MR. CAVAZOS: -- and it's over capacity, do you
10 have the -- yes.

11 MR. IRVINE: I have the legal right to go
12 there?

13 MR. CAVAZOS: Uh-huh.

14 MR. IRVINE: If the college -- what's it
15 called --

16 MR. CAVAZOS: Early College High School.

17 MR. IRVINE: -- Early College High School has
18 the capacity of 400 and I'm going to want to go there, I'm
19 going to apply to go there and it's at 450, do I have the
20 right to go there? Or does -- on the other side, does the
21 Early College High School have the right to tell me, We
22 are over capacity; we cannot accept you.

23 MR. CAVAZOS: Let me see if I understand your
24 question. So if I were to do a comparison of what you
25 asked about Harlingen High School, if it's at capacity and

1 I still want to go there, by law I would let you go there,
2 right --

3 MR. IRVINE: Right.

4 MR. CAVAZOS: -- or by district policy.

5 MR. IRVINE: Right.

6 MR. CAVAZOS: And so the reverse, if I want to
7 go Early College High School and I am at 400 -- first of
8 all, it would be great problem to have.

9 MR. IRVINE: Sure. Yeah. We're talking
10 theory, not reality.

11 MR. CAVAZOS: Yeah. So we have not -- we
12 are -- we have not encountered that issue. And so to
13 answer your question, I don't see a capacity issue.
14 However --

15 MR. IRVINE: Okay.

16 MR. CAVAZOS: -- the answer to that is at
17 whatever point we determine we're 100 percent, by statute,
18 we do not have to accept you.

19 MR. IRVINE: Got it.

20 MR. CAVAZOS: That's the answer. Any other?

21 MR. OXER: Any other questions?

22 (No response.)

23 MR. OXER: Is there any other request for
24 comment?

25 (No response.)

1 MR. OXER: Apparently not. Okay. Marni, come
2 give us a quick -- just restate this. Restate the staff
3 recommendation, please.

4 MS. HOLLOWAY: Certainly. Staff
5 recommendation -- I'm Marni Holloway, Director of
6 Multifamily Finance. Because the Early College High
7 School clearly has a selective application process and has
8 a limited capacity so that students are not assured the
9 ability to enroll, staff recommends the Board deny the
10 applicant's appeal of this item.

11 Further, because the application is eligible to
12 receive only three educational excellence points, staff
13 recommends the Board deny the applicant's appeal regarding
14 historic preservation where they are limited to three
15 points rather than the five requested.

16 Further, because the applicant has not timely
17 provided the resolution required for two points under the
18 Concerted Revitalization Plan item, staff recommends
19 denial of their appeal.

20 MR. OXER: Okay. Any other questions from the
21 Board?

22 (No response.)

23 MR. OXER: All right. With respect to Item
24 5(a) Application 16029, the motion by Mr. Goodwin, second
25 by Mr. Gann to approve staff recommendation which is to

1 deny the appeal?

2 MS. HOLLOWAY: Yes.

3 MR. OXER: That is correct. Right? Motion by
4 Mr. Goodwin, second by Mr. Gann to deny staff -- or to
5 approve staff recommendation to deny the appeal. Those in
6 favor?

7 (A chorus of ayes.)

8 MR. OXER: And those opposed?

9 (No response.)

10 MR. OXER: There are none. It's unanimous.
11 All right. We've been at it for a while. We're going to
12 take a short break. It's now 10:25. Let's be back in our
13 chairs at 10:45 and get started again.

14 (Whereupon, a brief recess was taken.)

15 MR. OXER: All right. Let's get back to work.
16 Let's see, 5(a) we've taken care of. Teresa?

17 MS. MORALES: Teresa Morales with Multifamily
18 Finance. Item 5(b) involves the issuance of multifamily
19 revenue bonds by the Department for the acquisition and
20 rehabilitation of two properties, Fifty Oaks Apartments in
21 Rockport and Edinburg Village in Edinburg.

22 The financing structure is one that we've done
23 before, most recently in February with Chisolm Trace and
24 Cheyenne Village both in San Antonio. It involves an FHA
25 221(d)(4) loan, whereby the Department will issue a single

1 series of short-term tax-exempt fixed-rate bonds that will
2 be collateralized with the proceeds of the FHA taxable
3 mortgage loan for each property.

4 The bonds will remain outstanding through the
5 rehabilitation period, estimated to be 13 months, and will
6 then be paid off leaving only the FHA mortgage loan, while
7 there will be one master trust and, to ensure there will
8 be separate loan agreements, a bond regulatory and land
9 use restriction agreements and deeds of trust specific to
10 each property.

11 Staff held a TEFRA public hearing for both
12 properties, and there was no one in attendance at those
13 hearings. And no public comment has been received for
14 either property. Staff recommends approval of Bond
15 Resolution Number 16-017 in an amount not to exceed \$7.4
16 million and determination notices of 4 percent housing tax
17 credits in the amount of \$157,918 for Fifty Oaks -- which
18 is a correction to the amount stated in your board
19 materials -- and \$263,065 for Edinburg Village Apartments,
20 both of which are subject to the conditions noted therein.

21 MR. OXER: So it's a pretty bread-and-butter
22 deal straight up the fairway?

23 MS. MORALES: Correct.

24 MR. OXER: Okay.

25 MR. GOODWIN: Move for approval.

1 MR. OXER: Okay. Motion by Mr. Goodwin to
2 approve the staff recommendation on Item 5(b). Is there a
3 second?

4 MS. BINGHAM ESCAREÑO: I'll second.

5 MR. OXER: Second by Ms. Bingham as she shakes
6 her head telling me yes. All right. No request for
7 public comments. Motion by Mr. Goodwin, second by Ms.
8 Bingham to approve staff recommendation of Item 5(b).
9 Those in favor?

10 (A chorus of ayes.)

11 MR. OXER: Opposed?

12 (No response.)

13 MR. OXER: There are none. It's unanimous.
14 Okay. Thanks, Teresa.

15 MR. IRVINE: 5(c) has been pulled from the
16 agenda.

17 MR. OXER: 5(c) is pulled. Okay. Andrew, good
18 morning.

19 MR. SINNOTT: Good morning.

20 MR. OXER: Welcome to the spot.

21 MR. SINNOTT: Good morning, Chairman Oxer,
22 members of the Board. My name's Andrew Sinnott,
23 Multifamily Loan Programs Administrator. This item would
24 allow the application acceptance period for the 2016-1
25 Multifamily Direct Loan Notice of Funding Availability to

1 be extended through August 31, 2016.

2 To date, we've received applications requesting
3 more than what is available in the NOFA; 30 million
4 requested, approximately \$23 million available. Of those
5 requests we have awarded a little over to \$2 million
6 leaving nearly \$21 million available. Applications that
7 are currently under review are requesting a total of \$20.3
8 million leaving over \$500,000 -- potentially leaving over
9 \$500,000 available.

10 Assuming real estate analysis, staff makes
11 downward adjustments to a few of those requests, which it
12 sounds like they will, we could end up with approximately
13 \$2-1/2 million in funds remaining available. To help
14 ensure that applicants have time to apply for those funds
15 should that amount be available, staff is recommending the
16 application deadline be extended through August 31.

17 MR. OXER: We're just allowing a little more
18 latitude for folks to get in because you said there were
19 \$30 million --

20 MR. SINNOTT: Right.

21 MR. OXER: -- that was requested and 23- that
22 was available --

23 MR. SINNOTT: Right. And --

24 MR. OXER: -- so where's that -- where's that
25 discrepancy coming in?

1 MR. SINNOTT: So the applications that are
2 currently under review are requesting a total of \$20.3
3 million, which there are several applications that are not
4 prioritized for review. You'll see in the application
5 log.

6 MR. OXER: Okay.

7 MR. SINNOTT: So those are all -- those are
8 several 9 percent layered applications.

9 MR. OXER: Okay.

10 MR. SINNOTT: So if we have -- if, you know,
11 the downward adjustments that REA sometimes makes to these
12 requests happens, we're anticipating that \$20.3 million
13 requested number or recommended number to move down
14 potentially to a little under \$19 million.

15 MR. OXER: So you got maybe --

16 MR. SINNOTT: \$2-1/2 million --

17 MR. OXER: -- five-four, five-eight percent
18 that REA knocks off occasionally --

19 MR. SINNOTT: Sure.

20 MR. OXER: -- or just adjust downward as
21 opposed to --

22 MR. SINNOTT: Exactly.

23 MR. OXER: Okay.

24 MR. SINNOTT: So yeah, we're looking at
25 potentially \$2.5 million in funds remaining available.

1 MR. OXER: So this is just extra money that's
2 going to be available out of a note that was previously
3 presented and you need some more time to make sure
4 applicants have a chance to apply for it.

5 MR. SINNOTT: Correct. And especially given
6 the commitment expenditure deadlines that we're up
7 against --

8 MR. OXER: Sure.

9 MR. SINNOTT: -- in coming years.

10 MR. OXER: Right. Okay. Any questions from
11 the Board?

12 MS. BINGHAM ESCAREÑO: Motion to approve.

13 MR. OXER: Okay. Motion by Ms. Bingham to
14 approve staff recommendation on Item 5(d).

15 MR. GOODWIN: Second.

16 MR. OXER: Second by Mr. Goodwin. No request
17 for public comment. Motion by Ms. Bingham, second by Mr.
18 Goodwin to approve staff recommendation of Item 5(d).
19 Those in favor?

20 (A chorus of ayes.)

21 MR. OXER: And opposed?

22 (No response.)

23 MR. OXER: There are none. It's unanimous.

24 MR. SINNOTT: Thank you.

25 MR. OXER: All right. Before we get to --

1 Marni, you're going to have the next two items because we
2 want to -- all right.

3 Raquel, I think you've got the next one,
4 because we -- have you had a chance to meet with Mr.
5 Johnson?

6 MS. MORALES: Yes, sir. Raquel Morales,
7 Director of Asset Management. Yes, we did have a chance
8 to meet up outside, and he did pull up the information
9 that he had with respect to the AIA contract; you know,
10 looked through that to see that, you know, he does have
11 the funding there available. I believe he showed me that
12 12th or 13th draw, so we know that that work is
13 progressing.

14 It would have been helpful -- you know, it
15 could have been helpful to have that information, you
16 know, previously.

17 I don't know that it would have had any bearing
18 or, you know, it could have had a bearing on the
19 committee's decision. But I mean, I did review it. I
20 don't know if you have questions about it or --

21 MR. OXER: No, I just wanted to make sure,
22 because we had tabled this until he had a chance --

23 MS. MORALES: Sure.

24 MR. OXER: -- to talk with you, and --

25 MS. MORALES: Sure.

1 MR. OXER: -- we wanted to hear that you --
2 you're satisfied that he has the financing to make this
3 work.

4 MS. MORALES: Yes, he did show me that.

5 MR. OXER: Okay.

6 MS. MORALES: He does have that in place.

7 MR. OXER: So then it's a question of, this
8 being a renovation project, he's got in there and found a
9 few things. So it sounds like he found a few things, tore
10 down a few walls, and there were some more things he had
11 to do --

12 MS. MORALES: Right.

13 MR. OXER: -- which is, you know, fairly
14 predictable in a renovation project. So he's behind about
15 four months, but he's caught up some?

16 Is Mr. Johnson here?

17 MR. JOHNSON: Yes.

18 MR. OXER: Okay. Is there any -- does any
19 other Board member have any other questions?

20 MR. GANN: Does it change our recommendation?

21 MR. OXER: Would the -- now the question is
22 from you, Raquel, does the information that he presented
23 change your recommendation or change what you -- hold on a
24 second. Let me get this right. You right now represent
25 EARAC. Tom Gouris is dragging his tractor up to the ranch

1 here.

2 (General laughter.)

3 MR. OXER: You're welcome.

4 MR. GOURIS: Tom Gouris, Deputy Executive
5 Director. I mean without conferring with the rest of the
6 EARAC members and having a meeting of EARAC, we'd be hard
7 pressed to speak on their behalf. And certainly, you
8 know, as a member of EARAC, it would have had an influence
9 on my own personal position on it, but I'm just one
10 member.

11 MR. IRVINE: I think I could actually sort of
12 foreclose the EARAC discussion. The statute assigns to me
13 the responsibility to approve or deny an ownership
14 transfer request, and it says I may not deny it if --
15 unless there's a good cause to deny it. To me this
16 information would sort of address that good cause concern,
17 and if I'd had all this information, I believe I would
18 have approved it.

19 MR. OXER: Okay. That's the answer I was
20 looking for.

21 MR. GOODWIN: I'd like to withdraw my motion.

22 MR. OXER: Okay. The motion -- let's back this
23 up here for a second, because there was a motion by --

24 MR. IRVINE: This is Item 4(a) on the agenda.

25 MR. OXER: Right. Item 4(a). There was a

1 motion, a second by Mr. Gann, a motion by Mr. Goodwin.

2 MR. GANN: I withdraw my second, too.

3 MR. OXER: Each withdraw their activity. So we
4 are now back to considering Item 4(a). Is there a motion
5 to consider? Since the table is now clear, we start over
6 with Item 4(a).

7 MS. BINGHAM ESCAREÑO: Yes, sir. Mr. Chair, I
8 would like to make a motion to approve the requested
9 ownership transfer of Sea Breeze.

10 MR. OXER: Okay. A motion by Ms. Bingham to
11 approve -- this is -- because this is opposed to the staff
12 recommendation, and --

13 MS. BINGHAM ESCAREÑO: I just don't like to
14 word it that way. I think -- I mean, sorry.

15 MR. OXER: I know. We have -- that's fine.

16 MS. BINGHAM ESCAREÑO: Sorry. Yeah. Just I
17 think staff was trying to use -- EARAC was trying to use
18 its best judgment to not --

19 MR. OXER: On the information that it had.

20 MS. BINGHAM ESCAREÑO: -- you know, put our
21 funds and our responsibility at risk. But I think that
22 we've heard mitigating reasons to reconsider. Therefore,
23 I don't like saying to oppose staff's recommendation.

24 MR. OXER: I understand that. The reason I
25 state it that way is because --

1 MR. IRVINE: I recommend it.

2 MS. BINGHAM ESCAREÑO: Okay. Oh, okay.

3 MR. IRVINE: I'm recommending approval.

4 MS. MORALES: That's is right.

5 MR. IRVINE: Okay, good. Can I revise my
6 motion?

7 MR. GOODWIN: Second.

8 MR. OXER: So staff recommends -- at this point
9 staff recommends approval as modified.

10 MR. IRVINE: Yes, sir.

11 MS. BINGHAM ESCAREÑO: Okay.

12 MR. OXER: Okay. That's the right answer,
13 because staff recommendation we have to state why there's
14 a mitigating purpose us opposing --

15 MS. MORALES: Yes, sir.

16 MR. OXER: -- staff recommendation. Is that
17 not correct, Counselor?

18 MR. IRVINE: That's correct.

19 MR. OXER: Okay. All right. Staff now
20 recommends approval of staff recommendation on Item 4(a).

21 Ms. Bingham so moved.

22 MS. BINGHAM ESCAREÑO: Yes, sir.

23 MR. OXER: Do I hear a second?

24 MR. GOODWIN: Second.

25 MR. OXER: And there's a second by Mr. Goodwin.

1 Okay. I don't see anybody wanting to talk. So motion by
2 Ms. Bingham, second by Mr. Goodwin to approve staff
3 recommendation as modified in conference during this
4 meeting. Those in -- nice timing on the ring there --
5 those in favor?

6 (A chorus of ayes.)

7 MR. OXER: And those opposed?

8 (No response.)

9 MR. OXER: There are none. Congratulations,
10 Mr. Johnson, and thank you for the work that you do.

11 MR. JOHNSON: Thank you so much.

12 MR. OXER: Okay. Now we've swept that little
13 item. Marni, I think you've got the last one.

14 MS. HOLLOWAY: Yes, I do.

15 MALE VOICE: Main course.

16 MR. OXER: We've left you all afternoon to talk
17 about this.

18 MS. HOLLOWAY: I don't think it'll take that
19 long.

20 (General laughter.)

21 MS. HOLLOWAY: It might, but it won't be me
22 doing the talking. So Item 6 is report and discussion
23 regarding a number of specific policy objectives that will
24 be used for the development of the proposed draft of the
25 2017 Qualified Allocation Plan, the QAP, and the proposed

1 draft of the related rules governing the administration of
2 multifamily programs.

3 So as we've discussed previously, we've been
4 going through this process of meeting every month and
5 talking with the development community and talking with
6 stakeholders about the next QAP. The report item that
7 we're presenting today starts to gel some of those ideas.

8 I need to make it very clear this is not a staff draft.

9 This is not -- you know, we're not saying that
10 this is the language that's going to go into the QAP.
11 This is topics that we would like to have the Board's
12 input and have the community have an opportunity to have
13 that conversation also.

14 MR. OXER: So there's no action expected of the
15 Board on this, and this is for a policy discussion?

16 MS. HOLLOWAY: Yes.

17 MR. OXER: Okay.

18 MS. HOLLOWAY: Absolutely. So there are three
19 broad topics to be discussed today. One of them is
20 opportunity and choice; the second is dispersion; the
21 third is educational acceptability and educational
22 excellence.

23 So starting with opportunity, in recent years,
24 the QAP has had sort of a three-pronged approach to high
25 opportunity areas, and we've been looking for high income,

1 low levels of poverty, and high quality schools. One of
2 the ideas that surfaced that we'd like to discuss today is
3 moving away from this three-pronged approach to a larger
4 menu of items that can be used to describe areas of high
5 opportunity.

6 The other question that's coming up is how to
7 measure those areas. We haven't been using census tracts
8 for income and poverty levels but also recognize that that
9 census tract line doesn't necessarily limit the
10 opportunity to that area, and people may not live and work
11 in the same census tracts. People travel back and forth,
12 and there's a chance for that opportunity to be accessed
13 even if you don't live in that census tract.

14 So we've talked about using clusters of census
15 tracts. We've discussed public use microdata areas, which
16 is something that we're exploring. We may need to invest
17 in some other technology in order to effectively use that
18 source, or radius measurements have also been discussed.

19 So there is a list of opportunity items that we
20 have been tossing about that's in your board book, and
21 I -- we can go through that list. I don't know if you've
22 had an opportunity to review, if you have any comments or
23 questions regarding those items, anything else that you
24 would like to see us add, anything that doesn't make sense
25 to you.

1 MR. OXER: I'd like to see you have just for
2 the purposes of building a record in addition -- we
3 understand this is in the board book --

4 MS. HOLLOWAY: Uh-huh.

5 MR. OXER: -- and it adds to record on the
6 discussion, but is there a summary that you can make on
7 each of those items?

8 MS. HOLLOWAY: On each of these? Well, there's
9 a list.

10 MR. OXER: I know.

11 MS. HOLLOWAY: A summary on each of them, not
12 so much. We can just go through the list and discuss
13 what's there. So number one is a census tract in the
14 first quartile of income for --

15 MR. OXER: Let's do this.

16 MS. HOLLOWAY: Okay.

17 MR. OXER: All right. Everybody that's out
18 there in the community that wants to speak, is there
19 anybody out there in the community that wants to speak on
20 this item, contribute?

21 Everybody has had an opportunity, as I gather,
22 to participate in these workshop discussions.

23 MS. HOLLOWAY: Uh-huh.

24 MR. OXER: And you've had six, eight, too many?

25 MS. HOLLOWAY: Six I believe at this point.

1 MR. OXER: And everybody who wants to speak on
2 this or any of these topics get up here and get in the
3 front row. Golly, you're all so shy. I had to ask you to
4 come up here.

5 (Pause.)

6 MR. OXER: Okay. Are there any questions from
7 the Board about this item?

8 Tim, did you have any comments that you wanted
9 to add to Marni's discussion?

10 MR. IRVINE: Sure.

11 (General laughter.)

12 MR. OXER: It's not like I don't offer you an
13 opportunity to speak or you don't have one.

14 MR. IRVINE: One thing I would say is that
15 there are a lot of great ideas in concept, but the devil
16 is always in the details. And it comes down to can you
17 define this particular element with enough clarity and
18 supporting public data that anybody can access that
19 there's no ambiguity as to whether you meet the point item
20 or you don't meet the point item.

21 And some of these are real simple, like I can
22 tell if there's a full-service grocery store by cruising
23 the neighborhood and seeing if there's a full-service
24 grocery store. Some of them are a little harder. For
25 example, I can't tell you if a particular area is

1 undergoing a certain level of job growth or not.

2 So I think this is a plea for ideas for
3 objective publicly available data and good measurements
4 that define these things. The other thing I'll say is I
5 did a little bit of driving in areas that we would all
6 regard as high opportunity areas, and I tried to look for
7 recurring characteristics in those areas. You know, what
8 sorts of things were there?

9 And the list that you see at the end of this
10 exhibit is a lot of those things. I mean it's no secret,
11 for example, that there are certain national retailers
12 that choose sites for very specific reasons. And the fact
13 that one of those retailers has plunked one of their
14 establishments down there says something pretty strong
15 about that area.

16 MR. OXER: Sounds like somebody did the
17 homework for us.

18 MR. IRVINE: Yeah. Exactly. Kind of like back
19 in the '70s, you know, if you were going to put a branch
20 bank in Texas, you wanted to find the nearest McDonald's,
21 you know. It was that simple.

22 So anyway, we're trying I think to see if the
23 idea of a broader list of attributes of opportunity makes
24 sense. We're I think also really concerned that the
25 concept of the census tract is a little bit limiting

1 especially when you look at the fact that, you know, if
2 there's a new census tract right across the street, that
3 shouldn't you really take that into account and doesn't it
4 really make more sense since the vast majority of tax
5 credit folks have transportation mobility, you know, that
6 you'll look at a reasonable radius where people would look
7 for things.

8 There's some things that you expect to be very
9 close, you know, like a grocery store. There are some
10 things that I think it's highly desirable that they maybe
11 not be right next door but they be within a few miles.

12 For example, I think it's great to be within a
13 few miles of a hospital. You know, if I have something
14 happen, I want that --

15 MR. OXER: I think Ms. Bingham would concur
16 with that.

17 MS. BINGHAM ESCAREÑO: I think that's --

18 MR. IRVINE: -- an ambulance to get there
19 quickly, but I really don't want it right in my
20 neighborhood.

21 You know, this is just the beginning of a kind
22 of an in-depth, I hope, discussion of some of these ideas
23 and the solicitation of improvements. And, you know, if
24 somebody has legitimate concerns that this is going a bad
25 direction, explain what your concerns are.

1 MR. OXER: Okay. This is a policy discussion,
2 and I'll remind everybody that this is a discussion. This
3 is not a draft. This is not a -- there's some things
4 we're exploring, so your position pro or con, whatever it
5 is, doesn't negate the possibility of this being added to
6 redacted from whatever comes out of this year's QAP for
7 next -- for the 2017 version of the QAP.

8 Okay. Does anybody have any questions for
9 Marni? Anybody on the Board?

10 (No response.)

11 MR. OXER: Okay. Then have a seat, Marni --

12 MS. HOLLOWAY: Okay.

13 MR. OXER: -- and we'll see what everybody else
14 has to say.

15 Janine, you're up first.

16 MS. SISAK: Hi, good morning everyone. I'm
17 Janine Sisak. I'm here today on behalf of the TAP QAP
18 Committee. And I have attended most of the roundtables
19 that staff has had, and I really appreciate just the
20 extra, first of all, the early start on the policy
21 discussion and the extra meetings we've had on a subject-
22 by-subject basis that really allows us to kind of dive
23 deeper into the issues than we -- we've been able to do
24 for the last couple of years.

25 So I appreciate that, and I really appreciate

1 staff's willingness to consider more of a menu item
2 approach to high opportunity, because in I think most
3 people's opinions that that work under this QAP, this kind
4 of three-pronged approach which looks at income, poverty,
5 and schools just really isn't nuanced enough for the state
6 of Texas because of our diversity of communities and
7 really a lot of kind of economic -- huge economic
8 diversities within the region.

9 So we really appreciate kind of an open mind to
10 a different approach and really appreciate Tim's time
11 because I know that you have done a lot of thinking on
12 this and drafting yourself. Specifically, you know, the
13 TAP QAP Committee has come up with a concept that's
14 similar than this, but it's kind of a two-pronged concept
15 because, you know, we see two big problems.

16 One is that the census tracts, it's so black
17 and white in terms of what can score competitively and
18 what can't that a lot of developers are flocking to the
19 same census tracts, and that's driving up land
20 considerably and just making that whole process super
21 competitive even before you start the super competitive
22 process of applying for 9 percents. So that's one
23 problem.

24 And then the other problem is, you know, that
25 developers are finding sites kind of more on the outskirts

1 of town that aren't connected to existing infrastructure
2 in terms of sidewalks, stores, banks, you know, just kind
3 of keeping people connected in the place where -- in a
4 place where multifamily development is appropriate.

5 So kind of seeing those as two problems, our
6 approach was more kind of a two-pronged approach, which
7 was looking at the income and poverty rates just as kind
8 of a threshold level of opening up some census tracts to
9 the competition and then nuancing those points based on
10 kind of real estate attributes.

11 And we came up with a list that has some
12 overlap with the list that's in the board book, but we
13 really focused our list on items that would really --
14 would focus more on educational enrichment.

15 So a lot of our menu items had to deal with,
16 you know, being their higher ed in addition to having a
17 good elementary school. That was definitely one of the
18 items, and it was actually a kind of required item for
19 general housing in particular.

20 But public libraries, public parks, you know, a
21 bike-share program, a farmer's market, you know, real
22 stuff that could, you know, maybe had an educational
23 component or being their technical school or having a day
24 care with a Head Start Program. So our list was really
25 focused on that.

1 And looking at the list today, I mean I think
2 there's a lot of overlap, but as Tim said, the devil's in
3 the details. I mean I just kind of disagree with some of
4 them, but I know that it was -- you know, you have to pick
5 three out of five. So we don't need to be by a golf
6 course. I just, you know, golf course doesn't really seem
7 like an -- I know it's an indicator of a high opportunity
8 area, but it doesn't seem like something a typical tax
9 credit resident would use, not to generalize.

10 So we're happy to continue the discussion. We
11 need to dive into the details. And some of this stuff
12 with regard to educational -- you know, where you're
13 looking at educational excellence, some of those concepts
14 in there I think are good concepts, but we didn't talk
15 about them in the roundtable.

16 So I hope there's another opportunity to talk
17 about some of those ideas because there are some new ideas
18 in here that I think are worth talking about but we
19 haven't had a chance yet even though we've had a whole
20 roundtable in educational excellence. So those are my
21 thoughts. I'll sign up and move on. Thank you.

22 MR. OXER: Thanks, Janine. Next?

23 MR. DUNCAN: Good morning, Board. My name's
24 Charlie Duncan. I'm with the Texas Low Income Housing
25 Information Service. Thanks, Tim, for inviting me to this

1 and bringing this to my attention. I just flew back in
2 from the Valley, so I haven't really had a chance to
3 prepare comments. But I have been participating in the
4 roundtables that we're referencing right now, and we've
5 also been working with Janine and TAP and other tax credit
6 developers to address some of our -- some of the concerns
7 that have come up at these.

8 One thing that I, you know, I want to make sure
9 if always, you know, the foremost priority is making sure
10 that we're benefitting the eventual tenants of these tax
11 credit developments. A lot of these tax credits go to
12 general developments with families with children.

13 And so given the given the placement of a lot
14 of tax credit properties currently which tend to be in
15 lower -- higher poverty, lower opportunity areas and given
16 that the tax credit program is the only producer really
17 right now of affordable housing in the state, it's very
18 important that we insure those properties are going into
19 high opportunity areas and affording a good education and
20 good opportunities to all of those residents. I don't
21 think there's any dispute about that.

22 Now, there's talk about adjusting the
23 opportunity index. And as it is now, I hear a lot of the
24 concerns that there's just too few areas to pick from to
25 develop in, and I think there are some adjustments that

1 could be made, small adjustments that can be made now with
2 the current rules afforded the Agency to help with that.

3 I would caution against rocking the boat too
4 much, however. I think one of the biggest issues that
5 needs to be overcome that we've all acknowledged is the
6 input of local elected officials and local governments and
7 neighbor organizations and their influence on the
8 placement of these properties. And I believe in the
9 upcoming legislative session there may be some
10 opportunities to make some changes to that that are really
11 going to help open up a lot of existing high opportunity
12 areas to tax credit development.

13 And because of that and hoping for the best
14 there in the next session, I would like to -- and
15 certainly other fair housing advocates as well would like
16 to -- caution against making too many big changes to the
17 opportunity index as it currently stands. And I think
18 there are some things that we've already discussed among
19 us in the roundtable that we can all adopt and can all
20 agree on that will afford -- open up some extra areas to
21 tax credit development and hopefully make everybody happy
22 for the next tax credit cycle.

23 MR. OXER: I appreciate your comments, Mr.
24 Duncan. I would add that given what we're dealing with --

25 MR. DUNCAN: Uh-huh.

1 MR. OXER: -- I am less than confident in our
2 capacity to make everybody happy.

3 (General laughter.)

4 MR. DUNCAN: You are right. I'm too
5 optimistic.

6 MR. OXER: I appreciate your optimism and your
7 pursuit of that excellence, but it's a contentious
8 program.

9 MR. DUNCAN: It is very much so.

10 MR. OXER: Yeah.

11 MR. DUNCAN: That's why we -- that's why we get
12 together and talk every year.

13 MR. OXER: If it was easy, anybody could do it.
14 That's why they got us, right?

15 MR. DUNCAN: That's right.

16 MR. OXER: Thanks for your time.

17 MR. DUNCAN: Uh-huh. Thank you.

18 MS. STEVENS: Good morning, Chair, Board. I'm
19 Lisa Stevens, and I'm here this morning on behalf of the
20 Texas Coalition of Affordable Developers. I first want to
21 echo Janine's comments. We really appreciate getting
22 started early this year, having the workshops. They've
23 been meaningful. There's been a lot of discussion.

24 I also appreciate staff putting this whole
25 process together on paper. It's the first time we've kind

1 of seen a written summary of comments, and there's been a
2 lot of comments. And so getting this out early is really
3 helpful to help formulate future comments and policy
4 discussion from here. So I really appreciate staff's work
5 on that.

6 One of the things I wanted to talk about is
7 that this three-pronged approach that we have sounds
8 really good -- it's education, schools, and poverty --
9 income and poverty -- but it does have some unintended
10 consequences. And what we are seeing is that one of those
11 unintended consequences is that it does tend to push us a
12 little farther out sometimes. And we wind up being on the
13 borderline of that mile and a half for a grocery store,
14 that mile and a half for services because that's where we
15 can hit the income target and we can hit the poverty
16 target, but maybe it's pushed us further from jobs.

17 And so that's an area where we think that
18 broadening some sites that have availability, looking
19 further than just in a census tract and looking in general
20 areas. How we define that is the difficult part. The
21 commercial enterprises that you mentioned fortunately
22 aren't constrained by a QAP, but they abide by good real
23 estate practices. And as a affordable housing developer,
24 sometimes our QAP prevents us from necessarily looking at
25 good real estate practices and by default, we wind up in

1 locations where it might not be the optimum location.

2 So we're excited to see this list. We're
3 excited to work on it. We think that opening up some more
4 sites, more opportunities is a valid point. We've made
5 some incremental steps last year to do that, and we're
6 looking forward to furthering that this year. Thank you.

7 MR. OXER: Thanks, Lisa.

8 MR. ALCOTT: Hi. I'm Tim Alcott with San
9 Antonio Housing Authority. I've been here before, and --
10 you know, and I have attended all the QAP roundtables.
11 They're very good. I'll echo everyone else's comments.
12 And I read the Board Report. I thought that was very well
13 written. This person should be an author. It's very well
14 done.

15 I would say that as you're looking at this,
16 please don't forget choice developments, promised
17 developments are a different beast, you know, because we
18 as do the current scoring, you look at the development as
19 it currently is. What we do is something different. It's
20 different than anyone else is doing. And that is we have
21 people housing in neighborhood dollars, wherein actually
22 changing the neighborhoods.

23 So by looking at the scoring at this very
24 moment, at this very point in time, goes against what we
25 are doing because we get as a grantee the developments

1 because they say this is a poor area, this needs a lot of
2 dollars and so we're going to give you this grant. But
3 they also expect us to get the 9 percent tax credits. And
4 the tax credits the way they're currently scored don't
5 allow for both.

6 And so if we could get on the same page, it
7 would be wonderful. And I've provided before at other
8 board meetings, many other states that their QAPs allow
9 for such opportunity, so I'd ask you to consider that
10 again.

11 MR. OXER: Layered financing.

12 MR. ALCOTT: Yep, thank you.

13 MR. OXER: Great. Okay, thanks. Say that
14 again, Peggy?

15 THE REPORTER: Did they sign in?

16 MR. OXER: Hey, did you sign in?

17 THE REPORTER: Everybody should sign in.

18 MR. OXER: Did all of you guys sign in?

19 MALE VOICE: I did.

20 MALE VOICE: No, I didn't.

21 MR. OXER: Okay. Well, everybody that --

22 MALE VOICE: I'll print it and I'll sign.

23 MR. OXER: -- get back up here and sign in. I
24 got my hawk down here watching you guys, okay.

25 MR. IRVINE: I'll penalize you two points next

1 year if you don't sign in.

2 (General laughter.)

3 MR. OXER: Lisa, you know better.

4 MS. STEVENS: I do, I do.

5 MR. OXER: Joy, you can start while they're
6 getting their paperwork in order. Yes, and you'll sign in
7 too, right?

8 MS. HORAK-BROWN: Well, I have to sign in,
9 too --

10 MR. OXER: Absolutely.

11 MS. HORAK-BROWN: -- so let me do that.

12 MR. OXER: Leslie's new. She doesn't recognize
13 everybody's voice yet.

14 MS. HORAK-BROWN: Hello. I'm Joy Horak-Brown.
15 I'm the CEO of New Hope Housing in Houston, Texas. And
16 I'm here today to talk to you about the inner city. You
17 know that I live in the inner city, and I love the inner
18 city and its diversity and its importance.

19 And I'm very happy to say that there are
20 advocates in Houston today who are working in areas such
21 as Sunnyside and Acres Homes to help lift those
22 neighborhoods up and not to simply abandon what have been
23 historic minority neighborhoods and what is by the way a
24 majority minority city, Houston, Texas, where more
25 languages are spoken than anywhere else in the United

1 States.

2 So we have a very diverse and rich culture, and
3 I am very pleased to be a part of enriching the fabric of
4 that. And any way that we can find in the QAP -- and I
5 understand that it may take several years to do that --
6 that we can see to it that we are not effectively
7 negatively redlining vast swaths of the fourth largest
8 city in the United States is something that I would
9 welcome being a part of.

10 I know that just now the City of Houston is
11 looking at data to see, you know, how incomes are
12 changing, how jobs are moving, how the entire city is
13 shaping and morphing because I want to tell you something.

14 Putting tax credits in the ETJ is not putting them in the
15 city of Houston any more than putting them in Sugar Land
16 is putting them in the city of Houston, and that is of
17 real concern to me.

18 MR. OXER: Yeah, the ETJ for Houston, it's down
19 around Waco anyway.

20 MS. HORAK-BROWN: Well, there you go. And it's
21 certainly -- I mean I never go there unless I'm on my way
22 here. All right. I'm an inner city girl. But one of the
23 problems that we have, of course, is the schools in the
24 inner city.

25 And one of the ways that that could be looked

1 at would be in a bit of a broader way. Houston is a
2 choice district. I'm not talking about charter schools.
3 I'm talking about any schools. It simply is a choice
4 district. It's a one-page form.

5 You've heard me say this before, and there are
6 lots of schools with lots of capacity. So perhaps there
7 could be a circle for a certain number of miles where
8 there would be more than one school that would be
9 available. It's something that's done frequently. The
10 transportation is there. These are not the problems. The
11 problem is that we need to broaden a bit, at least in my
12 view we do.

13 And I'm fortunate enough today that I've met
14 Kristi Rangel recently. She's here to speak, and she is
15 going to talk to you -- she has worked much in the inner
16 city herself -- about the impact that this has on real
17 lives. It's not a matter of drawing lines and counting
18 data. When it comes right down to it, it's a matter of
19 real children and the way they live. So thank you.

20 MR. OXER: Thanks, Joy. Hi, Kristi, and
21 welcome.

22 MS. RANGEL: Hello. Thank you.

23 MR. OXER: Your first -- your first time with
24 us I can tell.

25 MS. RANGEL: First time here, a little bit

1 nervous, but I'll get over it.

2 MR. OXER: It gets easier.

3 MS. RANGEL: Okay. Hello. Good morning. My
4 name is Kristi Rangel, and I am currently the Public
5 Health Education Chief for the City of Houston Health
6 Department. I currently lead an initiative that stems
7 from Obama's National Initiative called My Brother's
8 Keeper.

9 MR. OXER: Let me offer you something here.

10 MS. RANGEL: Yes, sir.

11 MR. OXER: I see you bending over that mike.
12 Lift the microphone up so that you're comfortable
13 standing.

14 MS. RANGEL: And My Brother's Keeper is an
15 initiative that has been developed to address the plight
16 of boys of color in their communities. Currently in
17 Houston the Health Department is working in the Fifth Ward
18 Kashmere Gardens, Trinity Gardens, and the Scarborough
19 feeder patterns. This areas are the three poorest areas
20 of our city.

21 Prior to this current assignment, I worked 20
22 years in Houston ISD as a teacher, as an instructional
23 coordinator school-based and districtwide as a school
24 improvement facilitator, and then I ended as a principal
25 at Kashmere High School -- I'm sorry -- at Kashmere

1 Gardens Elementary.

2 I am here today to talk about the concept of
3 the current language that really puts at-risk areas like
4 Fifth Ward and Kashmere Gardens and Trinity Gardens, areas
5 where people have lived for generations. They choose to
6 live there, but unfortunately, housing and other amenities
7 have not been afforded to them.

8 I'm going to talk about an experience that I
9 had with Gulf Coast Apartments, which was a tax credit
10 facility, as an elementary school principal at a school
11 with a 35 percent mobility rate. And what does that mean?

12 That means that from August through the end of the school
13 year, a little bit more than 75 percent -- I'm sorry -- 65
14 percent of my kids were the same; 35 percent of the kids
15 tended to move.

16 And I tell people, it wasn't like the
17 Jeffersons. They weren't moving on up. They were moving
18 from one crisis to the other, from one slumlord to the
19 other, from one bad situation to the other. And when Gulf
20 Coast opened, my council member Jerry Davis gave me a
21 call, and he said, Kristi, we're going to build this
22 beautiful development with over 200 units that will have
23 100 kids that are zoned to you. And we were elated.

24 We worked with the developer, and we did things
25 like storytime during the day for the moms who were there

1 with their kids. We had resource fairs with the Health
2 Department. We had Workforce Solutions come out, and it
3 was an excellent experience.

4 And one family that really comes to mind is a
5 mother with mental health issues. She had five children.
6 Three of them attended my school. It was their first
7 year there. I was the third school for this family
8 because of the mobility issues and mom's issues. She was
9 lucky enough to get into Gulf Coast. We were able to get
10 crisis counseling for the family because right before they
11 moved into our area, they witnessed their father being
12 killed in the driveway. So we were able to get crisis
13 counseling for them at school and also in Gulf Coast.

14 MR. OXER: That's okay. Take your time.

15 MS. RANGEL: So I would urge this committee to
16 really consider their current rules and to really take
17 into account how schools that may be IR can use these
18 bright spots to pivot and really take hold of assisting
19 the families and also the accountability factors that
20 they're up against.

21 MR. OXER: So I have a question or at least a
22 comment. Perhaps it is a question. Your perspective as a
23 school administrator suggests -- and your comments suggest
24 that schools -- and this is something we've found to be
25 consistent too -- but schools in addition to the programs

1 that are available in some of these LHTC programs amplify
2 each other. They're better in concert than they are
3 individually. They provide more when they provide
4 together.

5 MS. RANGEL: Correct. They do because our work
6 with Gulf Coast and it's still going on included city
7 departments, nonprofits including the Barbara Bush
8 Foundation, Collaborative for Children, the City Health
9 Department, a lot of other kind of social service efforts
10 along with the developer so that in an area with the
11 highest crime -- most pedophiles and sex offenders -- in
12 the city of Houston, we were able to guarantee our
13 partners that they had a safe place to come and deliver
14 those services. And the families and kids could take up
15 the opportunity to benefit from those services.

16 MR. OXER: One of the questions that we
17 continually have with respect to the educational component
18 of the tax credit program is -- and the high opportunity
19 program -- one of the -- in searching for better
20 opportunities, the higher opportunity includes the
21 opportunity to improve their educational outcome.

22 And so one of the questions that continually
23 comes up is why don't we look at improving the schools.
24 Do you have a perspective on how any programs that we
25 might add to or amplify in the tax credit program would

1 add to the capacity for an IR school to improve its
2 outcome?

3 MS. RANGEL: Well, if I tell you that I have a
4 35 percent mobility rate and you add affordable housing
5 that's stable and safe and parents live there and their
6 kids can attend a school for more than one school year
7 without worrying about the instability of housing, just
8 that bare bones helps the school, because then you can
9 go --- for instance, this summer through my initiative, we
10 are actually working in two housing developments all
11 summer with enrichment activities but also to right before
12 school starts we're partnering with the neighboring
13 schools and we're doing kindergarten assessments so that
14 that data can go with the kids when they go to school and
15 they can start day one with a better assessment about
16 where they are --

17 MR. OXER: So you --

18 MS. RANGEL: -- and we can build a better plan.

19 MR. OXER: Any other Board member have a
20 question or a comment?

21 (No response.)

22 MR. OXER: Okay. I --

23 MS. RANGEL: Okay. Thank you.

24 MR. OXER: I have a couple more, but --

25 MS. RANGEL: Okay.

1 MR. OXER: -- your point would be then that
2 having the mobility offered by a tax credit program or the
3 availability of low income housing adds to the opportunity
4 for the school to improve by stabilizing the parents'
5 emotional investment and community investment in the
6 school so that it has a higher probability of getting out
7 of its IR status; is that correct?

8 MS. RANGEL: Correct. Research shows that if a
9 kid switches schools twice in this K through fifth grade
10 continuum, that they have a smaller chance of being
11 academic -- of being successful and finishing high school.

12 So the fact that you reduce mobility means that kids have
13 a chance to stay in the same learning community. Those
14 educators know that student. They can address learning
15 disabilities. They can help support families better and
16 build a stronger foundation for those students and their
17 families.

18 MR. OXER: Good. We like to think that's going
19 to happen. I'd like to see the -- I personally would like
20 to see these -- I don't want to -- I'm not looking for IR
21 schools to build next to, but --

22 MS. RANGEL: No.

23 MR. OXER: -- I like -- I'd like to think that
24 the idea that adding stable housing provides an
25 improvement to the school and vice versa, if that makes

1 sense.

2 MS. RANGEL: No, it does. I mean it goes hand
3 in hand. I mean actually in terms of Gulf Coast, that
4 partnership and relationship continues now. There's
5 summer programming there now in an effort to make sure
6 that we address summer reading slide and those issues.
7 And we're also working to help parents in terms of their
8 own GED and college attainment also.

9 MR. OXER: Well, if it hasn't been evident, one
10 of the things that we struggle with the most here is the
11 educational excellence component of allocating these tax
12 credits. So anything we -- any more perspectives we can
13 add to that, I'm always anxious to have.

14 Thanks, Kristi.

15 MS. RANGEL: Thank you.

16 MR. OXER: Dennis? And do sign in.

17 MR. HOOVER: All right. My name is Dennis
18 Hoover, and I work in small towns a lot, and I want to
19 address some of the same things that Janine Sisak has
20 addressed about what I call the doughnut hole problem.

21 And looking at a lot of small towns and two of
22 them that we worked in, you know, this application
23 cycle -- one of them Marble Falls and one in San Saba --
24 to where I think it's the second tie breaker that it's
25 relating to -- to poverty would cause you to -- or tempt

1 you to pick up from a great piece of property right in the
2 middle of downtown and go to the edge of town in order to
3 get a lower poverty census tracts.

4 And it's a problem not just there. It's a
5 problem in other places and particularly in the small
6 towns I guess. You know, the whole county may be, you
7 know, just two census tracts. There's a town and there's
8 the whole census tract, and the census tract with all the
9 ranchers outside of town is just a little bit lower
10 poverty rate.

11 And, you know, the whole idea of a high
12 opportunity index is to put the thing in the best possible
13 place, but the rules themselves would cause you to pick up
14 from a great place and go to a lousy place without
15 utilities, probably even a higher -- in our experience,
16 you know, the Housing Authority or the city was trying to
17 basically give us the land or sell it at a very low deal,
18 so.

19 And I know it's been discussed a lot in the
20 committee that I've been to, but that's, you know -- the
21 options need to be expanded to take care of that problem.

22 MR. OXER: Good.

23 MR. HOOVER: Thank you.

24 MR. OXER: Thanks. Barry?

25 MR. PALMER: Barry Palmer, Coats Rose. I'd

1 just like to pick up a little bit on some of the comments
2 from Joy and from Kristi and look at going forward whether
3 we could -- we all agree I think on the 9 percent credits
4 that there needs to be and there is points in the QAP to
5 encourage people to go into high opportunity areas.

6 But we're also seeing particularly on the 4
7 percent side is what Joy mentioned about rules that tend
8 to redline vast portions and neighborhoods of some of our
9 major cities, particularly Houston. And when we're
10 looking at 4 percent deals whether we should look at them
11 differently than 9 percent deals that are competitively
12 either going to be awarded here or here, either maybe in a
13 high opportunity area or not.

14 But so many of the 4 percent deals that have
15 substantial funding from the big cities that make up the
16 difference, they're either going to be done where they're
17 applying or they're not going to be done at all. And as
18 you know, the 4 percent program is tremendously
19 underutilized and we're not building housing sometimes
20 when we could be because of rules that are prohibiting
21 deals from going into certain areas like Gulf Coast that
22 Kristi talked about.

23 Under today's rules that project couldn't get
24 done even as a 4 percent deal. So I think we really
25 should take a look at whether particularly in the school

1 side where there -- the rule being that all three of your
2 schools have to be up to MET standards.

3 We're working on putting together a map in
4 Houston of just how much of Houston that will effectively
5 eliminate from the program, and I think you'll be
6 surprised when you see it. That we need to take another
7 look at that.

8 MR. OXER: So how would you choose to address
9 the school excellence issue? I mean we've got to allocate
10 these in some mechanism, and I understand your point.
11 There's vast regions of real estate that get knocked out
12 if you don't have the schools up there.

13 But the schools in the high opportunity areas
14 are focused on jobs and education, okay, so if that
15 education -- if we have those areas that are not optimum
16 performing schools, how do you see that -- how do you see
17 putting something in there that represents a high
18 opportunity?

19 MR. PALMER: Well, you know, Joy mentioned if
20 there are schools that they have any opportunity to go to
21 that are within a reasonable distance or not necessarily
22 having --

23 MR. OXER: Not within their zoned like we were
24 talking --

25 MR. PALMER: Right.

1 MR. OXER: -- about earlier?

2 MR. PALMER: Yeah.

3 MR. OXER: They're zoned right to entry.

4 MR. PALMER: Right. And, you know, I think
5 there's a difference between giving points for being zoned
6 to a high opportunity school versus saying you can't do
7 the deal at all if you're not zoned to a high opportunity
8 school.

9 MR. OXER: So you're suggesting or I'm
10 interpreting that you're saying that on a 4 percent deal,
11 it shouldn't necessarily be limited to only those areas
12 that have three schools that are high performing?

13 MR. PALMER: Right.

14 MR. OXER: Okay.

15 MR. PALMER: And that we look at the efforts by
16 cities to redevelop areas that we not, you know, abandon
17 areas of the city like the Fifth Ward when at the same
18 time the city is putting a lot of their resources into the
19 Fifth Ward, and maybe it hasn't all caught up yet, but
20 that's a gentrifying area. You know, if you don't go and
21 do affordable housing the Fifth Ward, now they're not
22 going to be able to do it ten years from now, just like
23 what happened in the Fourth Ward in Houston. It's all
24 going to be 400- and \$500,000 townhomes. So to not do a
25 deal, affordable deal now in the Fifth Ward makes no sense

1 to me.

2 MR. OXER: You're saying -- are you saying
3 that -- take the example of the Fifth Ward in Houston, so
4 that's obviously a place that needs the housing. Put a 4
5 percent deal there, you know, we're under -- we're still
6 midway in some litigation that's addressing that whole
7 high opportunity issue.

8 MR. PALMER: But I've never read that lawsuit
9 to say anywhere that every deal you do has to be in a high
10 opportunity area, that, you know, you look at what you're
11 doing as a whole. And you're certainly encouraging in the
12 competitive process for projects to go into high
13 opportunity areas and many of them are.

14 That doesn't mean that you can't -- at least
15 that, you know, Tim's a lawyer. You've got your own
16 lawyers to tell you what the case means, but I've never
17 read it to mean that you can't do deals in the inner city
18 where there's revitalization efforts going on.

19 MR. OXER: Nor have I. I'm just asking if
20 that's -- see the high opportunity to me -- right now
21 there's a high opportunity in the Fifth Ward. That
22 opportunity exists in ten years. If you build it now, we
23 have a real estate specialist -- we have a couple of them,
24 okay. You don't buy real estate for what it is now. You
25 buy real estate for what it'll be five to ten years from

1 now which makes a lot of sense in the perspective that
2 you're offering.

3 To put housing available in the Fifth Ward now
4 when the property's available at a reasonable price makes
5 a whole more sense than trying to buy it ten years from
6 now when the rates have gone up.

7 MR. PALMER: Right.

8 MR. OXER: Plus it has the capacity to be --
9 but that is immediately countered to -- nor does -- and
10 I'm not saying all of these deals would have to go that
11 direction, but it's immediately countered to what
12 constitutes a high opportunity area so we're back into our
13 devil in the details.

14 We're back into the first admonition that I was
15 ever given on this too that every decision you make is
16 going to piss off somebody. That's -- you know, it's part
17 of it.

18 Tim, do you have a --

19 MR. IRVINE: I also think that --

20 MR. OXER: -- comment?

21 MR. IRVINE: -- you know, this is a whole
22 discussion that's way more complex, and it involves yin
23 and yang. You've got the whole concept of what
24 constitutes opportunity, but then I think that the
25 discussion you were pointing to is what are the threshold

1 requirements which would apply to all deals including bond
2 deals.

3 And, you know, as I look at the sort of magic
4 bullet formula, it's promote development that is dispersed
5 throughout all appropriate areas so that people have
6 choice. Include areas of high opportunity, but don't
7 include inappropriate areas for housing.

8 So the real crux of that threshold discussion
9 to me is are there special rules that might obtain for the
10 use of 4 percent bond deals in areas that might otherwise
11 be viewed as inappropriate.

12 MR. OXER: So what we've been trying to do is
13 follow the same set of rules for the 4 percent and the 9
14 percent. And there's some of the 4 percent deals, those
15 are not going to be the case.

16 MR. PALMER: Right. Yeah, and what I --

17 MR. OXER: Is that -- that's your point --

18 ME. PALMER: That's -- that's my point.

19 MR. OXER: Okay. Thanks, Barry. I appreciate
20 your comments. All right. Any other comments from the
21 Board?

22 (No response.)

23 MR. OXER: Any other comments from the
24 community?

25 MS. BINGHAM ESCAREÑO: Mr. Chair, I mean I just

1 want to express my appreciation for all of the energy and
2 the thoughts that everybody's putting into it. I
3 appreciate looking at it earlier in the year. And I know
4 some of these problems that just don't have an easy
5 solution, that it's a work in progress.

6 But I'm really grateful for the feedback,
7 because I do believe we are all trying to accomplish the
8 same thing. And I struggled with it, so I mean we've been
9 struggling with it I think as a Board for the last several
10 years. So just grateful for the feedback.

11 MR. IRVINE: And this is an open invitation
12 that this dialogue doesn't have to end with this board
13 meeting. Obviously, if you have an application in the
14 round, we can only talk with you at our offices, but we
15 invite you to -- you know, I would invite you.

16 I got other people who are real busy
17 administering a tax credit round, but if you want to come
18 talk about some of these ideas, give me a holler. And if
19 you don't have a deal in the round, give me a holler. You
20 know, we'll go out for coffee or you can come over to my
21 house and we'll have a glass of wine and talk about it.

22 MR. OXER: And the discussion gets really lucid
23 after a couple of those glasses of wine, too, so --

24 MR. IRVINE: Well, it's something --

25 MR. OXER: We can solve many more of the

1 problems after a couple of glasses of wine.

2 MR. IRVINE: Well, it's something where we
3 really do just need to sit down as friends working for
4 common objectives and figure out the best way forward.

5 MR. OXER: Okay. Any other comments on this
6 item?

7 (No response.)

8 MR. OXER: All right. We have reached the
9 point in the agenda where we invite public comment on
10 matters other than items that were posted as agenda items.

11 This is for the purpose of building the agenda for future
12 meetings.

13 I would advise everybody we're in the high
14 season -- the hot season for the tax credit programs, so
15 we're going to have meetings here every two weeks for the
16 next couple of months. I just can't wait until August, I
17 have to tell you.

18 But, Tim?

19 MR. IRVINE: If I could go back to Item 6 for
20 just a second. We --

21 MR. OXER: Sure.

22 MR. IRVINE: -- really didn't have any
23 discussion about the other two points in there. One is
24 whether it would be meritorious to consider crafting a
25 scoring item simply to promote dispersion, remembering of

1 course that it would be coupled with a good set of
2 threshold criteria.

3 And, you know, we'd just like to see tax credit
4 development that's offering more choice and --

5 MR. OXER: Yeah. We don't want every developer
6 chasing down the same census tract.

7 MR. IRVINE: And then as a couple of people
8 noted, there were some brand-new ideas that I've thrown in
9 there on the concept of education.

10 MR. OXER: And by the way, whoever made the
11 comment, whoever wrote up this item ought to be an author.
12 Tim should be actually, so your English major is paying
13 off.

14 MR. IRVINE: Credit always goes to the program.

15 MR. OXER: Exactly. All right.

16 Marni, got a thought?

17 MS. HOLLOWAY: I do not. I think that
18 particularly, as we've presented some new ideas here, that
19 at the next QAP planning meeting, which will be before the
20 late June board meeting, we will take up these discussion
21 items, you know, amongst the group. Educational
22 excellence has come up at every single meeting, and it's a
23 really thorny difficult thing to work through, you know,
24 particularly when the available data is not always what we
25 would like it to be, so --

1 MR. OXER: What if the available data is not
2 available?

3 MS. HOLLOWAY: Yeah, right. And then we'll
4 have very quickly as TEA moves to a new rating system,
5 then we'll need to figure out how to transition to that.
6 And it's -- it's --

7 MR. OXER: Let me -- let me --

8 MS. HOLLOWAY: -- going to be great.

9 MR. OXER: I have a question with respect to
10 TEA and, you know, Kristi pointed out a minute ago that
11 the mobility issue helps address the issue of the IR with
12 the school.

13 MS. HOLLOWAY: Uh-huh.

14 MR. OXER: Okay? There is at least a
15 relationship there?

16 MS. HOLLOWAY: Uh-huh.

17 MR. OXER: Okay, stability in one adds to
18 stability in the other, which compounds each other. Is
19 there any -- are we doing anything or is there any
20 outreach that we have or any sort of involvement that we
21 have with TEA to be able to request data from them to help
22 support what we're trying to do? Because I'm -- and I'm
23 not even sure where that is, what that data would be.

24 MS. HOLLOWAY: Right. So Teresa and I actually
25 went over not too long ago and met with some folks at TEA

1 in their accountability section, whatever it was called.
2 with just these kinds of questions that we've been dealing
3 with. You know, if the school has an IR rating now, how
4 do we know it will be at -- what do we look at to know
5 that or have some comfort level that it would be at MET
6 standard by the time, you know, kids are going there.

7 MR. OXER: Because the IR is a snapshot. What
8 you really want to know is the direction it's going.

9 MS. HOLLOWAY: Right. So we discussed a couple
10 of the other indexes. I don't recall a conversation about
11 mobility rate there. We gained some good insight into,
12 you know, what's going on at TEA as they shift to this new
13 rating system that they haven't designed yet. And it
14 seems like right now that what they're really focused on
15 is that.

16 Mobility, I don't recall coming up. We talked
17 about Index 2 which is about progress rather than the
18 Index 1 that came up quite a bit.

19 MR. OXER: Because our evaluation -- our
20 "rating system" for tax credit deals, for example,
21 includes something on the school rating.

22 MS. HOLLOWAY: Yes.

23 MR. OXER: We have nothing that suggests the
24 school rating involves anything that addresses available
25 housing or even relates to quality of their programs

1 through the availability of housing?

2 MS. HOLLOWAY: No.

3 MR. OXER: There's a link in there somewhere,
4 and we haven't been able to put our finger on it yet.

5 MS. HOLLOWAY: Exactly. You know, and it could
6 well be that some measurement that looks at the school,
7 you know, and pairs that data with, you know, availability
8 of affordable housing, you know, within the area could
9 yield some results. I don't know. That's -- I mean
10 that's a new thing to think about.

11 MR. OXER: Yeah. If anybody's listening out
12 there and not in the room here, if anybody's listening out
13 there, there's a whole research project for somebody in a
14 graduate degree program that can help us figure this out.

15 MS. HOLLOWAY: Right. Exactly. Yeah, so the
16 school ratings, one of the thoughts that -- that we're
17 kind of headed towards because of the diversity in Texas
18 is going to something that looks at the ratings within the
19 educational service centers -- so there are 13 of them I
20 believe across this state -- and using that as the scale
21 rather than saying it's this magic statewide -- whoops --
22 statewide median because that is not necessarily a valid
23 measure across all regions.

24 So that's something that we're looking at. And
25 then there's some discussion items here that talk about

1 looking at trends, you know, across those ratings as much
2 as we can --

3 MR. OXER: Uh-huh.

4 MS. HOLLOWAY: -- if we have some assurance
5 that they're remaining consistent.

6 MR. OXER: Tim?

7 MR. IRVINE: But I think that the point of the
8 discussion is we're here to provide good housing in
9 appropriate places.

10 MS. HOLLOWAY: Uh-huh.

11 MR. IRVINE: And I think the intersection of
12 this mobility issue and the school issue may really better
13 find its place in, you know, if the school districts can
14 show that stabilizing a significant portion of their
15 population will contribute to their success in promptly
16 achieving MET standards, develop that case.

17 MS. HOLLOWAY: So potentially it would be a
18 mitigating factor in --

19 MR. IRVINE: Absolutely.

20 MS. HOLLOWAY: -- an undesirable neighborhood
21 rather than a scoring item --

22 MR. IRVINE: Right.

23 MS. HOLLOWAY: -- under a QAP? Yeah. Which
24 is -- the undesirable neighborhood around schools is
25 something that we've been struggling with quite a bit

1 lately.

2 MR. OXER: Yeah, this whole issue of education,
3 you know, as Ms. Bingham accurately pointed out, we've
4 been dealing with this -- I mean, it's going to constantly
5 be an item, a work in progress, but we've been dealing
6 with this essentially asking this same question for the
7 entire time I've been here --

8 MS. HOLLOWAY: Uh-huh.

9 MR. OXER: -- which, you know, it's just now a
10 matter of do we point at it from a different direction and
11 look at it and color it differently --

12 MS. HOLLOWAY: Right.

13 MR. OXER: -- and put a different hat on. But
14 it's the same question every time it comes up. Is that
15 essentially right, Leslie?

16 MS. BINGHAM ESCAREÑO: Yeah.

17 MR. OXER: Okay.

18 MR. IRVINE: You know, another discussion that
19 we have a lot among the staff is what really contributes
20 to a really high performing school. And it's my belief
21 that a big component of that is that it's in a community
22 of high expectations. And you typically don't find a
23 community of high expectation unless it's got at least
24 some stability.

25 Maslow's hierarchy of needs, is it going to say

1 we're not going to focus on that until we're at least
2 secure?

3 MR. OXER: And the high expectations is not
4 only high income.

5 MS. HOLLOWAY: Well, the Early College High
6 School Program that we discussed earlier today is a great
7 example of what can happen when there's that set of high
8 expectations for students; you know, that they can achieve
9 tremendous things.

10 MR. OXER: Right. Well, it's an answer -- a
11 question we won't answer here today, and I'm happy to see
12 it being addressed deeply and intently.

13 Any other comments, thoughts? Tim? Any other
14 comments from anybody else on Item 6?

15 (No response.)

16 MR. OXER: Okay. Now we've addressed Tim's
17 issue with the remaining two items. Did we get both of
18 them?

19 (No response.)

20 MR. OXER: Okay. All right. Thanks, Marni.

21 MS. HOLLOWAY: Thank you.

22 MR. OXER: All right. Now we're back to
23 talking about items that anybody wishes to speak about to
24 build our agenda for future meetings, and we'll have a
25 meeting two weeks from today.

1 Any other member of the staff have a comment to
2 make or a question? Anybody on the dais?

3 Tim?

4 MR. IRVINE: Yeah. We will have more policy
5 discussions like this at future board meetings, and I
6 would invite anybody who's got some specific idea that
7 they would like to see treated in this fashion, give me a
8 holler.

9 MR. OXER: It's a continuing state of
10 evolution. This is not going to be something that will
11 ever be solved finally. I don't anticipate that it will.

12 So every new idea we need to air it out and vet it out
13 and see if we can make it work and continue to improve and
14 buff and polish this stone until we've got a jewel out of
15 it, so.

16 Okay. Any other questions or comments?
17 Comments from the members of the Board?

18 (No response.)

19 MR. OXER: Okay. Being the Chair, I get the
20 last call. It's a good thing we do here. I appreciate
21 the contribution that everybody makes. We have two
22 more -- three more board meetings and one more in June on
23 the 30th and then two in July on the 14th and 28th and one
24 on August 25.

25 Those will be the ones for the summer casual.

1 I'm glad to see everybody got the memo; it's hot out there
2 folks. So with that, I'll entertain a motion to adjourn.

3 MS. BINGHAM ESCAREÑO: So moved.

4 MR. OXER: A motion by Ms. Bingham to adjourn.

5 MR. GANN: Second.

6 MR. OXER: And a second by Mr. Gann. Those in
7 favor?

8 (A chorus of ayes.)

9 MR. OXER: See you in two weeks, everybody.

10 (Whereupon, at 11:52 a.m., the board meeting
11 was adjourned.)

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C E R T I F I C A T E

MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: June 16, 2016

I do hereby certify that the foregoing pages, numbers 1 through 131, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Leslie Berridge before the Texas Department of Housing and Community Affairs.

(Transcriber) 06/26/2016
(Date)

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