BOARD MEETING OF THE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Room E1.016
State Capitol Extension
1400 Congress Avenue
Austin, Texas

11:00 a.m.
Friday,
September 15, 2000

PRESENT:

MICHAEL JONES, Chair
JAMES DAROSS
ROBERT BREWER
MARGIE BINGHAM
LYDIA SAENZ
MARSHA WILLIAMS
DON BETHEL

STAFF:

DAISY STINER, Executive Director

ON THE RECORD REPORTING
(512) 450-0342
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MR. JONES: I call to order at this time the meeting of the Board of the Texas Department of Housing and Community Affairs for September 15, 2000.

The first order of business is to call the roll. Mr. James Daross?

MR. DAROSS: Here.

MR. JONES: Mr. Don Bethel?

MR. BETHEL: Here.

MR. JONES: Ms. Margie Bingham?

MS. BINGHAM: Here.

MR. JONES: Mr. Robert Brewer?

MR. BREWER: Here.

MR. JONES: Mr. C. Kent Conine?

(No response.)

MR. JONES: He is absent.

Dr. Bell Griffin?

DR. GRIFFIN: Here.

MR. JONES: Ms. Lydia Saenz?

MS. SAENZ: Here.

MR. JONES: And Ms. Marsha Williams?

MS. WILLIAMS: Here.

MR. JONES: And Mike Jones is here.

I determine that we do have a quorum.

At this time, we would ask for public comment,
and I do have certain witness affirmation forms that have been signed, and also would request that anyone else who would like to speak to the board and provide public comment to provide such a form to Delores.

The first one that I have is Mr. Joe Jenkins.

Thank you, sir. Yes, sir. Thank you.

MR. JENKINS: Thank you. My name is Joe Jenkins. I'm from -- I'm a member of the City Council in Waxahachie, Texas. And our mayor, Mayor Beatty [phonetic], very much wanted to be with you today, but he was unable to come. He did, however, send you a letter which gives his viewpoints very strongly for the matter which we have before you today.

Waxahachie is a growing community, and one of the things we particularly need is for low- to moderate-income housing, which this project is all about. And my purpose here today -- and I'll turn it over to someone else in just a moment -- but Waxahachie is very much in need of low- to moderate-income housing. We're growing, and the city -- I want to assure you the city is behind this. We want it; we need it very much.

And with that, I would just like to turn it over to Mr. Oliver McElroy, who is with Clift Properties, who is the one who's handling this project.

MR. JONES: Thank you.
Mr. McElroy.

MR. McELROY: Thank you, Mr. Jenkins. I appreciate it.

Also wanted to let you know that I'm not here by myself. I'm general management of Clift Properties, Inc., and I also have Joe Passinissi [phonetic], our operations manager for Clift; and we have Lane Ballard [phonetic], with the -- he's vice president of economic development for Waxahachie; and Mr. Jenkins. So we're all here to kind of answer any questions or concerns that y'all may have.

I know at the last meeting that y'all had some concerns, and we really appreciate this opportunity to come before you and address these concerns and give you answers for the questions that you provided, one of which was our experience and our qualifications as developers.

And I wanted to explain that our development company is primarily made of my brother and myself. He's a dentist from El Paso, full-time dentist. And his involvement in it is financial. He backs the projects, and he attends monthly board meetings; whereas, I'm the operations manager. I work on it on a daily basis, and I have extensive experience in development in both commercial, residential in general, and specifically in low-cost housing development.
We've done some low-cost housing development ourself. We understand how difficult it is to get a quality product in a price range that people can afford it without the help of grants and things along those lines. And we wanted to assure you of that.

We've also provided a booklet that shows some of our projects. It has pictures and details on some of the projects that we have been involved with. And I apologize we didn't include that in our initial application. We had verbal conversations with all the committee -- with all the staff members. There's been some turnover, and we probably didn't get to everybody with verbal comments.

And, you know, it's a web world. You tell them that you've got all your information on the website, and you expect them to go home and look all that up. I don't know why; I don't look up every website that everybody tells me about. But it is all out there. We put all the information together for y'all, and we'd be happy to answer any questions on that.

Ms. Mauro was attending a seminar this summer in Sherman, Texas, at the local COG, and that was only two blocks away from one of our developments. And she took some time off during her lunch break to go see it. So there have been people that have seen our developments and
have the information. We feel like the staff members are satisfied in our expertise level. And I'll be happy to answer any other questions about that.

Some other questions arose about our costs that we had. And there were some line items in there where we had totals, and the staff has asked for detailed breakdowns on those totals, and we've provided those. And it's our indication that everybody's satisfied with that and understands where the costs are coming from and that they're justified.

One of the cost factors was the purchase of the land. And our land is owned by -- currently owned by relatives who are not a party to our development company. And they'd love to donate the property to us, but they're not in a financial situation where they can do that, so we are purchasing the land from them at a discount, a substantial discount, from the market price, the market value, of the land.

Now, where the question came in is we used an old appraisal. We didn't spend the money to get a current appraisal to prove what the current market value of that land was. I apologize for that. We've since done that. I got with an independent appraiser, and I told the fellow, I said, Now, whatever the numbers come in at, I want them triple-verified. I want you to give me backup
and background, and I want to be able to defend those numbers. And he did. He gave us a whopper of an appraisal. I've never seen an appraisal on an empty tract of land to be over a hundred pages, but it was. Took me forever to read it. And I can assure you I got a whopper of a bill to go with that.

MS. BINGHAM: It's independent, though, isn't it?

MR. McELROY: Absolutely.

MS. BINGHAM: Okay.

MR. McELROY: Absolutely. And we provided that -- copy of that to the staff members, and it's my understanding that they feel like the numbers work and that everybody's happy and satisfied.

MS. BINGHAM: Could you go back to the information on the web, you said. What is that, in terms of application? You say you expected them to go on the Web?

MR. McELROY: Yes, ma'am. What we have on the Web is a website where we list -- or it shows information on our expertise as developers, because we're --

MS. BINGHAM: Well, wait a minute. Wait a minute. And I understand the confusion, but --

MR. McELROY: Yes, ma'am.

MS. BINGHAM: -- I raised three issues. One
was the -- and I've gotten the information; I'm satisfied with it. And I, as one board member, am prepared to support the project today. But I had three issues, and I've always had these three issues.

When you're buying land from yourself or your family, you need an independent report of its value. Okay?

MR. McELROY: Yes, ma'am. And we did not have that.

MS. BINGHAM: And you did not have that.

MR. McELROY: Yes, ma'am.

MS. BINGHAM: Okay. There was no information on the experience of the team. Okay? That was not provided. You know, we talk about all our issues on our tax-credit projects, heaven's sakes, if we have to go to the Web to see what the developer's experience is, have the staff have to present it to us, walk around with bunches of information. So I think all issues need to be treated the same.

I request applications from individuals. I don't tell my governing body or my city council, Oh, he's experienced; go on the Web and find him. That's not how we operate. So I appreciate the fact that you have cleared up those issues for me.

MR. McELROY: Yes, ma'am. Again, I apologize.
I totally agree that we should have put everything we had in writing.

Now, there was also a market study done, and we used volunteers from key positions in the town of Waxahachie for that. And, you know, we were told that this was acceptable, and it was the same numbers that any independent study would've used. And there's less than 1 percent -- this is a fact -- it's less than 1 percent vacancy rate in Waxahachie. You know, the apartments have waiting lists, and there's 500 jobs coming on the short term and more coming on the long term, and there's just a desperate need for affordable housing in the Waxahachie area. And that's a fact, no matter how you slice it.

And so we're -- that's why we're here. We're asking for y'all's help so that we can help these people that desperately need it. And we're here to answer any other questions or issues that come up.

I appreciate your time.

MR. JONES: Thank you, Mr. McElroy.

Any further questions?

(No response.)

MR. McELROY: Thank you so much.

MR. JONES: Thank you. Appreciate it.

MR. JENKINS: Thank you.

MR. JONES: Thank you, sir.
The next witness affirmation form I have is from Mr. John Henneberger. In fact, we have two from Mr. Henneberger.

MR. HENNEBERGER: Mr. Chairman, would it be permissible for me to speak after the item?

MR. JONES: It certainly would be.

The next item on our agenda, Item Number 1, I would prefer that we take up after our executive session. So if we could, we would move to Item Number 2, which is the report of the Finance Committee.

Ms. Bingham, would you make that for us?

MS. BINGHAM: Mr. Chairman, we had two specific -- several items from the Finance Committee. One that's listed under 2(a), and that was -- is Robert Onion still here?

We basically looked at the approval of proposed issuance of Multifamily Mortgage Revenue Bonds for Williams Run Apartments in Dallas, Texas, in the amount not to exceed 12,850,000, and that was included in -- as a part of 00-28 -- Resolution Number 00-28.

And the Finance Committee of two did -- is recommending it to the board, and there were several board members in the audience.

MR. JONES: Can I take that in the form of a motion, Ms. Bingham?
MS. BINGHAM: Yes, sir.

MR. BETHEL: Second.

MR. JONES: We have a motion that's been made and seconded. It was seconded, I believe, by Mr. Bethel.

Discussion of the motion? Any questions?

(No response.)

MR. JONES: Any further presentations from staff?

(No response.)

MR. JONES: Hearing none, are we ready to vote?

I assume we are. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: The ayes have it.

DR. GRIFFIN: I abstain.

MS. BINGHAM: The next item on the agenda was the approval of proposed issuance of Multifamily Mortgage Revenue Bonds for the Highland Meadow Village Apartments in Houston, Texas, in the amount not to exceed 13,500,000. That came in the form of Resolution Number 00-27.

There were a few changes to that one that the committee did approve. There were six conditions, and this is a 4 percent tax-credit deal. And because of the
tight time frame in getting those done, we normally see a list of -- a lengthy list of conditions on them -- and the committee did recommend that to the board for approval with the conditions.

MR. JONES: May I take that in the form of a motion, Ms. Bingham?

MS. BINGHAM: Yes, sir.

MR. JONES: We have a motion -- motion's been made and seconded. Is there any further discussion? Any need for further presentations?

MS. SAENZ: I have a question --

MR. JONES: Sure.

MS. SAENZ: -- on this one. On the public comment, I noticed here that they had people speaking against it. Did -- were these concerns addressed?

MS. STINER: Mr. Onion on the staff, who I think was at that TEFRA hearing, will be able to address that.

MR. ONION: Yes, ma'am. My name is Robert Onion. I conducted the TEFRA hearing on August 30. At the meeting, we did not have any prior notice that there would be anybody attending this meeting. I did not receive any calls or any letters, et cetera. We did have a sign out on the project notifying them of the hearing.

The nature of the questions were essentially,
you know, What is the project going to look like; what will it consist of; the unit density, et cetera. Although we attempted to answer some of their questions, some of them relating to management, the screening process, et cetera, we could not answer. Therefore, in a subsequent meeting, the developer met with them last Friday.

The developer's here today and can probably give you a better outline of what took place at that meeting. His name is Chris Bergmann, from Trammell Crow Residential, if you would like for him to address the board.

MR. JONES: Yes. And if you would, go ahead and address the board. If you would afterward, please sign a witness affirmation form.

And if -- this would be a good time -- I have read now all the witness affirmation forms that I have. Have I missed any? Anybody else care to comment to the board?

(No response.)

MR. JONES: Thank you.

Yes, sir.

MR. BERGMANN: Good morning. My name is Chris Bergmann. I'm a partner with Trammell Crow Residential and responsible -- excuse me voice; I have a frog in it.

Last Friday we held an additional meeting to
address some of the concerns of the local residents, and basically, the residents that were there were people that backed right up to the site, and their main concern was, you know, Will lights shine in my backyard; how tall are the buildings going to be; how much landscaping's going to be there. And we showed them a detailed site and landscape plan.

And some of the concerns that they had were overcome or -- or most -- all the concerns they had were overcome by the way we were going to that. There was no real -- I shouldn't say they're not opposed. They're opposed to the project, because nobody wants to see an apartment project built in their very backyard. But they were understanding enough, and we worked with them to overcome all the issues. So there weren't any further communications with the department or with our office.

We've assured them, and we'll sit down with them at their request, and do anything they want to do.

MS. SAENZ: So this one man that commented that there was a potential of overcrowded school systems and a concern for safety and fire protection, in particular?

MR. BERGMANN: He was there at this meeting. We have -- we explained to him that in our projects, we fully sprinkle the projects; the way we design a fire loop inside of the project, there's five fire hydrants. He --
in a lot of multifamily projects that are outside of the certain areas, you do not have to do these type of things I just described to you, as a developer. But we do that. And he was satisfied with that.

And as far as the school system is concerned, I don't think he was -- we've talked to the school system, and there has been no issues. They're very aware of the project.

MS. BINGHAM: Mr. Bergmann, could you go over your -- the individuals, the public officials from the Houston, Harris County, area and talk about that comment. I don't think they've heard that.

MR. BERGMANN: Al Edwards and -- I have to remember. I can't remember all their names, but the specific state representatives --

MS. BINGHAM: They don't comment. I don't see a comment from them.

MR. BERGMANN: No, they didn't. But we have talked to them.

MS. BINGHAM: So they're supporting it. That's my point. They are supporting the project.

MR. BERGMANN: That's the way I usually take that.

MS. BINGHAM: They haven't gotten involved to say that they oppose this project?
MR. BERGMANN: That's correct.

MS. BINGHAM: The elected -- let me go back.

MR. BERGMANN: The elected officials.

MS. BINGHAM: The elected representatives of the area have not opposed this project.

MR. JONES: Thank you. Any further questions?

(No response.)

MR. JONES: Thank you, sir. Appreciate it.

I believe we have a motion on the floor and second. Any further discussion or comments?

(No response.)

MR. JONES: Are we ready to vote? I assume we are. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: All who abstain?

DR. GRIFFIN: I abstain.

MR. JONES: The ayes have it.

Ms. Bingham?

MS. BINGHAM: Mr. Chairman, the Finance Committee had one other item on its agenda, and that was the presentation and discussion, and possible approval of extension of Certificate Purchase Program, Program 54. I don't see Mr. Byron Johnson --
MS. STINER: He's here.

MS. BINGHAM: Oh, there he is. I thought he was somewhere out there looking around -- looking at his mortgage rates.

(General laughter.)

MR. JOHNSON: Good morning.

MS. STINER: Good morning.

MR. JOHNSON: Back in 1998, December of '98, the department issued its Residential Mortgage Revenue Bonds, Series 98A and 98B, otherwise known as Program 54. The origination period for this issue will end on October 23. We have a balance of approximately $3 million on which we could make additional below-market-rate mortgage loans, and if we don't use the money before October 23, we would have to call bonds. And we prefer not to call bonds, and we come to you today to ask that you extend the origination period for up to one year.

The interest rate on the loans is 5.85 percent, and we do not expect any problems in originating these funds. This is kind of a contingency-type request, whereas, if we have, on October 1, a million dollars or less, we just may consider making a bond call, because that would result in a call of less than 1 percent of the original bonds sold.

So we just want to put everything in place, so
that, come October 1, we can make a decision and go forward.

MS. BINGHAM: It's a win-win. Right?

MR. JOHNSON: Yes.

MS. BINGHAM: We'd have to turn them back otherwise. I would make the motion for approval, Mr. Chairman.

MR. DAROSS: Second.

MR. JONES: The motion's been made and seconded. Further discussion?

MS. WILLIAMS: I need to recuse myself.

MR. JONES: Okay. Yes. There will be a recusal, and I will read the reason therefore. A letter dated September 15, 2000, to Chair Jones and members of the Board of the Texas Department of Housing and Community Affairs, "I am recusing myself from voting on the approval of a resolution approving the extension of certificate purchase period for Residential Mortgage Revenue Bonds, Series 1998A; Residential Mortgage Revenue Refunding Bonds, Series 1998B; and Residential Mortgage Revenue Refunding Bonds, Series 1999A; and other related materials. This agenda item could relate to our firm's representation of mortgage lenders. Sincerely, Marsha L. Williams."

And it should be noted that Ms. Williams has
left the room.

Any further discussion of this item?

(No response.)

MR. JONES: There is a motion and a second on the floor. Hearing none, I assume we're ready to vote.

All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: Does anyone abstain?

DR. GRIFFIN: I abstain.

MR. JONES: The ayes have it.

With that, in light of the number of people we have here, I would like to turn our attention to the executive session.

MR. JOHNSON: Thank you.

MR. JONES: And -- excuse me. I'm sorry.

And on this day, September 15, 2000, at the regular board meeting of the Texas Department of Housing and Community Affairs held in Austin, the board of directors adjourned into a closed executive session, as evidenced by the following. And the board of directors will begin its executive session today, September 15, 2000, at approximately 11:28 a.m.

The subject matter of this executive session
will be personnel matters regarding duties and responsibilities in relationship to the budget, pursuant to Section 551.074 of the Texas Government Code; secondly, consultation with attorneys concerning pending litigation, pursuant to Section 551.071 of the Texas Government Code; and third, litigation and anticipated litigation, potential or threatened, pursuant to Sections 551.071 and 551.103, Texas Government Code Litigation Exception.

And with that, we'll adjourn, and I think we can move right in there.

(Whereupon, at 11:30 a.m., the board recessed for executive session, to reconvene at 12:12 p.m., this same day, Friday, September 15, 2000.)

MR. JONES: We call our meeting back to order.

The board of directors has completed its executive session of the Texas Department of Housing and Community Affairs on September 15, 2000, at approximately 11:12 -- excuse me -- 12:12 p.m.

And the subject matters of the executive session deliberation were as follows: Personnel matters regarding duties and responsibilities in relationship to the budget, pursuant to Section 551.074, Texas Government Code; action taken, none.

Number two: Consultation with attorneys concerning pending litigation, pursuant to Section

And number three: Litigation and anticipated litigation, potential or threatened, pursuant to Sections 551.071 and 551.103, Texas Government Code Litigation Exception; action taken, none.

I hereby certify that this agenda of an executive session of the Texas Department of Housing and Community Affairs was properly authorized, pursuant to Section 551.103 of the Texas Government Code, posted at the Secretary of State's Office seven days prior to the meeting, pursuant to 551.044 of the Texas Government Code; that all members of the board of directors were present, with the exception of C. Kent Conine; and that this is a true and correct copy of the proceedings, pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code.

And with that, I turn our attention to Item Number 1 on the board's agenda, presentation, discussion, and possible approval of the minutes of the board meetings of July 28, 2000, and August 11, 2000.

MR. BETHEL: Do we have a copy of that? We do have a copy of it, don't we. I make a motion we approve them, and then on the -- which one? -- the July 28, that
included in that, because there was a -- under the summary there was some different language, that we include the actual transcript under those minutes of the July 28, and then approve the August 11 minutes as submitted.

MS. SAENZ: Second the motion.

MR. JONES: As I understand the motion, then, Mr. Bethel, your motion is that we approve the minutes for the meetings of July 22 [sic], 2000, and August 11, 2000, and that with regard to the minutes for July 28, 2000, that with regard to the presentation, discussion, and possible approval of the Low Income Housing Tax Credit items, that we substitute the actual transcript, as opposed to what is put in the written form of these minutes. Is that your motion?

MR. BETHEL: You're correct.

MR. JONES: We have a motion on the floor. Is there a second?

MS. SAENZ: I second.

MR. JONES: Motion's been made and seconded.

Any discussion?

(No response.)

MR. JONES: Hearing no discussion, are we ready to vote? I assume we are. All in favor of the motion, please say aye.

(A chorus of ayes.)
MR. JONES: All opposed to the motion, please say nay.

DR. GRIFFIN: I abstain.

MR. JONES: There's one abstention.

MR. DAROSS: I also abstain.

MR. JONES: There are two abstentions. The ayes have it.

We then will move to Item 3 on the agenda, I believe is our next item, which is the presentation, discussion, and possible approval of program items.

Ms. Stiner?

MS. STINER: Thank you, Mr. Chair. This is an item that was on the board agenda for last month, and I think y'all heard a presentation this morning from the developers and sponsors. Sandy Mauro is the director of Community Development under which the Infrastructure Fund operates, so Ms. Mauro, would you make the presentation, please, for the staff?

MS. MAURO: Thank you, Ms. Stiner.

MR. BETHEL: Mr. Chairman, is this the same one that we were talking -- the people were talking about from Waxahachie?

MS. STINER: Yes, the public comments.

MR. BETHEL: I make a motion we approve it then.
MS. BINGHAM: Second.

MR. JONES: There's a motion been made that we approve it, and there's been a second. Any further discussions, questions, or comments?

(No response.)

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

(Chorus of ayes.)

MR. JONES: All opposed to the motion, say nay.

(No response.)

MS. GRIFFIN: I abstain.

MR. JONES: There is one abstention.

MS. STINER: Thank you, Ms. Mauro.

MR. JONES: We will next move to Item Number 4, which is the presentation, discussion, and possible issuance of determination notices for tax-exempt bond projects.

Ms. Bingham.

MS. BINGHAM: Give me a second here. Who of the staff is going --

MS. STINER: Mr. Njie.

MR. NJIE: Mr. Chairman, board members, my name is Cherno Njie, manager of the Tax Credit Program. The project we're presenting is the one that was approved earlier by the Finance Committee and subsequently the
board. It concerns the tax-credit portion of the bond transaction. I believe you have the underwriting report before you. We are recommending approval of the project in the amount of $657,190 in tax credit annually.

There are six underwriting conditions outlined in the underwriting report and the allocation is subject to those conditions. I'll be happy to address any questions you may have.

MS. BINGHAM: These are the same conditions that we did at Finance and sent to the board. This is the -- board members, this is the same six conditions that were discussed in -- earlier.

MR. BETHEL: I make a motion we approve.

MS. BINGHAM: This is the Trammell -- just to clarify, this is still the Trammell Crow Meadowcreek [phonetic] construction in Houston?

MR. NJIE: Right.

MS. BINGHAM: Same six conditions that the Finance Committee had.

MR. BETHEL: It's just the tax-credit portion of the --

MS. BINGHAM: Yes, sir.

MR. BETHEL: I make a motion we approve.

MR. BREWER: I second.

MR. JONES: We have a motion on the floor, and
we have a second. Further discussion, comments, questions?

(No response.)

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

(Chorus of ayes.)

MR. JONES: All opposed to the motion, nay.

DR. GRIFFIN: I abstain.

MR. JONES: Thank you. Motion carries.

Thank you, Mr. Njie.

Next, we'll turn to Item Number 5 on the agenda. And at this point, would you like to comment to us, Mr. Henneberger, or wait? I had you down as being on Items 5 and 6. Is that correct?

MR. HENNEBERGER: Yes, sir. If you would like me to speak before the staff presentation, or --

MR. JONES: I'll tell you what. Why don't we let the staff present first, and then let you speak.

We will then go, Ms. Stiner, to Item Number 5, which is the presentation, discussion, and possible approval of resolution authorizing the executive director to approve the Section 8 Public Housing Authority Plan and Administrative Plan for the Year 2000 and all future plans and amendments thereto, and all other related matters.

MS. STINER: Thank you, Mr. Chair.
This is the first time that the board will have an opportunity to authorize the executive director to approve the Public Housing Authority Plan, Administrative Plan for our Section 8 Program. As all of you know, there is -- there still exists some disconnect between our legislation. When the former structure of this board existed, there were certain items that this board -- that the board approved and certain items that they did not.

The Section 8 Program is one of those items that had been approved at the administrative level, but in the interest and intent of bringing matters before the board that would require your attention, this is one of those program areas that we will be bringing forward. However, there -- right now we have a plan that's pending being submitted to HUD -- two plans: the administrative plan, as well as a new requirement for Section 8, a PHA plan. Both of those are being worked on in the department to submit to HUD.

We've been in communications with HUD. They are expecting it. So this particular resolution asks the board for authority to have the executive director sign those plans and submit them to HUD. It is for a one-time situation only; all future plans will be coming back to this board for consideration and approval. And the resolution that's attached will accomplish that
authorization for the executive director to sign on both
of those plans and submit them to HUD for this year.

MS. BINGHAM: I'm a little confused. Could you
go back over that?

MS. STINER: Go back over that?

MS. BINGHAM: Uh-huh. I'm confused.

MS. STINER: There are programs in the
department that, because of the way the department's
legislation is structured, are not required to come before
this board for approval. You all are aware of many of
those. The Section 8 Program is one of those programs.

MS. BINGHAM: Okay.

MS. STINER: However, due to some changes in
the Section 8 regulatory rules itself and also coupled
with the desire of this executive director and staff to
bring matters before the board that are of a policy nature
to get you to look at them and approval, this program will
be brought to this board for approval of its annual
administrative plan, as well as a new requirement under
the Section 8 Program that when you're acting as we are as
a public housing authority, a new requirement under the
Section 8 Program is that you had to develop a PHA
plan. So those are two distinct --

MS. BINGHAM: Wait a minute. Under which plan
do you act like a public housing agency?
MS. STINER: The PHA plan.

MS. BINGHAM: The PHA plan.

MS. STINER: And the administrative plan.

MS. BINGHAM: Whose rules are those?

MS. STINER: Those are HUD rules.

MS. BINGHAM: Okay. Those are HUD rules. So we currently are getting Section 8 when it's for the balance of the state.

MS. STINER: We're getting Section 8 vouchers and certificates for those smaller cities and counties that have asked this department to act on their behalf and -- where in some instances, regional offices have asked this department to take over for a public housing authority that's gone out of business.

MS. BINGHAM: And so there's a plan to administer and distribute those certificates?

MS. STINER: Yes, ma'am, across the state of Texas.

MS. BINGHAM: Okay.

MS. STINER: And those small -- and those designated --

MS. BINGHAM: And the board has -- in the past, has had to approve the plan?

MS. STINER: It's not been a requirement in our legislation to approve --
MS. BINGHAM: The legislation has been changed.

MS. STINER: No, ma'am. The legislation has not been changed. What has changed is that HUD has provided an option under the PHA plan that the -- I think it's the authorized official -- I won't -- don't hold me to that -- may sign this. And the -- our opinion, the authorized official will be this board or the executive director, but we want to be sure that everybody understands that it's our intent that this board participates in future considerations of the plan.

MS. BINGHAM: Oh, okay.

MS. STINER: And we're bringing that now as an additional program that this board will now be considering, on an annual basis, the administrative plan and the PHA plan.

MS. BINGHAM: Just the administrative plan; not the issuance of every --

MS. STINER: Not the issuance of every certificate and voucher. That's the still in the administrative day-to-day operation.

MS. BINGHAM: Okay. Thank you.

MS. STINER: Yes, ma'am.

MR. BETHEL: Mr. Chair?

Ms. Stiner, though, so then we're approving it this year, but the way I was reading it, it was all future
plans and everything --

MS. STINER: Thank you, Mr. Bethel. I'm sorry.

There's a substitute resolution --

MR. BETHEL: Okay.

MS. STINER: -- we need to provide to the board where we have limited it to just this year's --

MR. BETHEL: This year. Oh, okay.

MS. STINER: Yes, sir. Thank you very much.

MR. JONES: Thank you, Ms. Stiner.

Mr. Henneberger?

MR. HENNEBERGER: Thank you, Mr. Chairman, board members. My name is John Henneberger. I'm the co-director of the nonprofit organization the Texas Low Income Housing Information Service, and we are very much interested in Section 8 -- the Section 8 Program and the State's administration of the program.

I'm here today to reluctantly agree that the policy that's before you is the correct thing to do. But I would like to --

MR. BETHEL: Would you restate that?

MR. HENNEBERGER: It's the right thing to do, given the circumstances. Unfortunately, the circumstances which have brought us to this point are not very good ones. The department -- in 1998, under the leadership of Rep. Lazio, the Congress adopted and the President signed
the Quality Work and Responsibility Act, which was the most significant reform of the Public Housing Law in the United States since the Act was originally passed in 1937.

The center point of that law has to do with two points: One is that broader discretion is going to be given to the administering entities, the public housing authorities in the country, to make decisions about who gets Section 8, what the rules are that govern the people who have Section 8, what the admission criteria are to the program, how the waiting lists are considered, and what the rents are that the Section 8 tenants will pay. In essence, this is devolution, and this is a major piece of legislation.

This board is a public housing authority under the definition of the law. You have around 2,000 families who depend on you to administer the Section 8 Program for 80 counties in the state. It is a big responsibility.

The other hallmark piece of this legislation was the requirement that there be a public housing or Section 8 resident sitting on the decision-making body of all the bodies which control the administration of these programs.

The law took effect in -- as I said, the law was passed in 1998. And unfortunately, the department failed to submit the required five-year annual plan in a
timely manner. The result is that you are now in -- you
now have a problem, because the -- this five-year plan was
designed to be the central document that the deliberative
body which has control over the program used to exercise
this new broad control over how the Section 8 Program
would be administered.

Let me explain to you some of the decisions
that you were required to make under that plan. You were
required to establish a detailed admissions criteria. You
were required to develop a fair-housing plan to promote
the deconcentration of poor people in areas where they are
overly concentrated.

You were required to produce a waiting-list
policy to tell the people who want to apply for this
housing how they will be treated when they want to come
and apply to you to be on a waiting list. Included in
that policy is setting preferences for disabled people,
for homeless people, for people of low income, for victims
of domestic violence and others. Those are all broadly
within the discretion of the governing body, and that
policy must be adopted as part of the plan.

You're required to set the minimum rents, which
are required now for the first time. HUD requires the
administering entity to set a minimum rent between zero
and $50, and that's a major impact on the budget of many
Section 8 families who are very poor.

The requirements are that you establish a supportive-services agreement for moving people from welfare to work who participate in this program, and provide local supportive services within those 80 counties to help these families transition over.

You're required to establish transfer policies to allow people to take their Section 8 certificate and move to another city where they can get a better job or go to school or move closer to family members or whatever the circumstances would be.

You're required to establish a policy for the admission to this program of people based on their criminal history and drug abuse past, which is a significant issue both to the families who are affected and to the communities which are -- in which these families live.

And you were required to establish termination and eviction procedures.

These are all vital policy decisions that this -- that are now this board's responsibility.

Unfortunately, because the plan did not move in the right -- in an expeditious manner, it's now necessary to file a plan, and this is supposed to be a five-year plan that's to be filed. In order not to jeopardize the
federal funds, it's now necessary to file a plan and to adopt all of these very important policies.

My organization believes, and the low-income people who I represent believe, that there should be a public body such as this which reviews these policies and makes the adoption. It should not be an administrative function of the state. It should be a function, a deliberative function, of a body that is accountable to the citizens, and that is this body.

So therefore, we are in a very unfortunate circumstance. I'm not here to request that you do anything to jeopardize the funds. And I think that the resolution which Ms. Stiner has brought to you allows you to move forward with adopting a plan, but I do believe it is incumbent on the board not to just adopt a five-year plan and step back and then let this program run without the oversight that Congress has required in the new legislation.

And I would urge the board to set aside time to actually review these very important policies which your staff will be making decisions on, and that next year you amend your five-year plan so as to thoroughly provide for the required public hearings, the required periods of time for input, and so that you can make these important decisions for the citizens for the state.
Finally, there's one other important -- very important matter with the Section 8 program, which unfortunately -- well, fortunately, I should say, I think there is an opportunity to salvage the situation. And that has to do with the Section 8 home ownership initiative.

This is a very important initiative. As I'm sure most of you are aware, it is the center point of Gov. Bush's housing policy, is moving people from using the Section 8 Program to move people into home ownership. It is a program that we support and the people who I represent very much support.

Not all Section 8 residents will be able to achieve home ownership, but now under this new law, where you will make these decisions, you are required to review and design a program, if you decide it is appropriate, to provide for home ownership opportunities for Section 8 tenants.

Since it is part of the governor's initiative -- it is the center point, as I read it, his housing initiatives -- I believe it is incumbent upon the board to act this year to propose a Section 8 home ownership initiative and to carefully design that program. There's tremendous potential to achieve for a limited number of the Section 8 tenants on -- who receive
assistance from this department -- the opportunity for
home ownership.

It won't work for everybody, but clearly we
have an opportunity to pioneer the type of initiatives the
governor's put on the table, and I think we should avail
ourselves of that opportunity. And that is my second
request. In addition to reviewing what the staff produces
and set aside some time to understand these policies, I
would suggest that the board also set aside a time to
review and to approve a home ownership initiative, based
on what the governor's put forward.

Thank you very much.

MR. JONES: Thank you, sir.

Any questions?

(No response.)

MR. JONES: Thank you, Mr. Henneberger.

MR. BETHEL: I make a motion we approve
Resolution Number 00-31.

MS. SAENZ: Second.

MR. JONES: Motion's been made and seconded.

Any discussion?

(No response.)

MR. JONES: Hearing none, I assume we're ready
to vote.

MR. BETHEL: And that's the one -- the amended
one that was handed out just now.

MR. JONES: Any discussion?

MR. DAROSS: As I understand it, the amended resolution that we're about to vote on is just adopting it for a one-year period?

MR. JONES: That's correct.

MR. DAROSS: So there would be time for staff to conduct a review such as Mr. Henneberger's suggesting?

All right.

MS. STINER: No. I -- let's -- I'm sorry. The review that he was talking about would be for the amended -- for the amendment next year. This would an opportunity for the staff to submit the plan, and then once that plan's submitted, we could amend it for year two and expose that to a public process.

MR. DAROSS: Yes. That's what I understood.

MS. STINER: Yes, sir.

MR. JONES: Any further discussion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: Any abstentions?
DR. GRIFFIN: I abstain.

MR. JONES: We will turn next to Item 6, which
is the presentation, discussion, and possible approval of
legislation appropriation request. Ms. Stiner.

MS. STINER: Thank you, Mr. Chair.

In June, the department came before the board
and presented to you our strategic plan for year 2000,
five-year period, that contained the performance measures
and goals for the department. Subsequent to that, the
staff has put together a request to the legislature for
the funding to accomplish those things.

Last week, the staff appeared a staff of the
GBO and LBB. Chairman Jones joined us in that
presentation. We're presenting today for your
consideration that LAR, that legislative appropriations
requests.

We want to spend a few minutes this morning
going through the appropriation request, and we have Bill
Dally, the CFO, and David Aldrich, the budget manager,
will present the strategic plan portion of it. Then, Ms.
Ruth Cedillo, who is the deputy executive director, will
be talking to you about some exceptionable items requests.

Mr. Dally, you want to make the presentation,
please?

MR. DALLY: Yes. Good afternoon, Chairman,
board members, and Ms. Stiner.

This is the first time we've laid out a document like this, so what I'd like to do is just kind of walk you through some of the elements and explain the process.

It is a department-wide effort. All of the directors this summer put together their requests for 2002 and 2003. Then Mr. Aldrich and myself and our department compiles that into this format. The format -- it's got a lot of detail to it, but the front portion of it summarizes a lot of the requests, and so I'm going to focus on that at first, and then we can take detail questions later.

It's laid out in a format where you actually look at five years. You begin in '99. That was the biennium previous to the one that we're in, and those are showing actual figures.

Let me get you to a page. Look at page 5. Let me back up further. This was required to be turned in by the department on August 25. That was a Friday. We were still working on it over the weekend and got it actually finished on Monday and turned in. We then had a -- as Ms. Stiner said, we had a public hearing with the Governor's Office and LBB last week. And I want to thank Chairman Jones for attending that. On behalf of the staff, we
appreciate your support there.

MR. JONES: Oh, it was a delight.

(General laughter.)

MS. BINGHAM: Did he do a good job?

MR. DALLY: Yes, he did.

So with that, that is in the hands of the Governor's Office and the LBB. They are currently analytically looking over it and have sent us questions out of that hearing, and we are responding to those. We are also bringing it to you today for your approval.

And I'm going to walk you through the elements, since is the first time we -- you guys have had a chance to look at this. On page 5, we begin with the very top level summary, and it will show that the various six goals of the department, the housing, community development, the for the homeless energy assistance, our compliance division, the manufactured housing, and then the indirect administrative support. And then under each of those goals, you'll see the strategies.

This is at the highest level, and what we're actually -- the portion that's being considered by the Legislature will be those last two columns, 2002 and 2003. The other three columns are there for their analytical review so they can kind of tell where you've been, what you've actually spent in various areas, and then measure
that against this new request.

The instructions come from the Governor's Office and LBB, and one of the primary ones is that we initially build a baseline budget. And that's where we ask for essentially no more general revenue than we've had in the past. We hold our FTEs, and basically build all of our strategies sort of as a business-as-usual given -- your base resources, you know, how would that lay out.

We're then also given an opportunity to develop exceptional items. And we're going to discuss those in detail later on, but I'm going to kind of stick with the baseline. But those are -- when the Legislature considers all agencies' baseline budgets as one thing, and they set aside all of these exceptional items to be considered later, but they'll go through everyone's base, make their decisions, and then they sort of tally and see what the funds are left. And then everyone's -- not only ours, but every agencies' exceptional items will then be considered with the funds that remain, the priorities that the state wants to take on.

Our biennial each year is about $200 million for each year. We will be making -- I am going to make about three proposed changes that have occurred since our -- since this was submitted a couple weeks ago. But I'll come back to that.
It lays out all of our -- the monies for the various goals and strategies, and then on page 7, you'll see the method of finance. And our sources are general revenue, and then our federal funds, the appropriated receipts, which are the tax-credit fees and bond fees and various fees that we collect as part of our housing programs.

We have interagency contracts. Those have typically been the oil-overcharge monies, and you will notice in 2001 we have a rather large number that's just in that one year. That's because we have a FEMA grant to handle some emergencies, and we're handling -- we're administering that for the Department of Emergency Management.

And then we have earned federal funds in the -- the Homeowners Recovery Fund is a fund that was not -- the State, each session, will set aside certain dedicated funds; that was a dedicated fund many years back. It lost its dedication. And it had been used as a method of finance for the Manufactured Housing Division. That has been spent down, and it is no longer part of it. And so to supplement that, we've been -- we increased the general revenue in the last biennium, and that will carry forward in the current year.

The next pages are some reconciliations of
funds. If you get to page 11, I would point out at the bottom, you'll see our FTE numbers. And to explain, you'll notice in '99 we had 329 FTEs; in 2000 we had 344. Those -- what's happened there is, even though we had an approved budget of 370, we are actually putting in the numbers that we had in the last of the fourth quarters. And to some extent, that explains why -- I know I've gone over this before. We always will build our numbers in our budgets as though we're going to have full staffing for a full 12 months. Well, that doesn't actually occur, and so when you actually look at our actual numbers and expenditures, they will be less than the budgeted numbers we have.

Page 12 and 13 are details of some of the measures. The State, I guess, in the last ten years has been on a performance-based measures, and so with the resources that they allocate to us, the LBB and Governor's Office set certain goals. The one thing I would say about these measures is is you try to get one measure or one snapshot and associate it with a certain goal or resources.

It's not a perfect thing, because oftentimes, you know, I'll take HOME, for an example; you have various programs and they have one measure, and within that, it may depend on whether you do down payment assistance or
tenant-based rental assistance or you do owner-occupied, as to how much, in the way of resources, each one of those kind of programs take.

But then you have to kind of condense that down into one measure, and so it takes a little extra explanation. And that's a lot of what we are responding to is to explain some of the -- you know, you dig down below that number a little bit, and you'll see that there's a sort of a product mix. And depending on how that comes out, it affects the measures from year to year.

Then on page 14, you'll see our summary of exceptional items. And this is the over and above our baseline request. And we're asked to put priorities on these various ones. And Ruth Cedillo will go over in some detail on those items.

This is a very bold number of dollars, but I would tell you this. You lay out a menu of these items, and like I say, the Legislature will consider everybody's baseline, and then they will look over at everyone's exceptional items, and they can sort of pick and choose and make adjustments to our numbers. So this is simply our request. And typically what will happen between now and the beginning of the session is the LBB will then, after their analysis, submit -- take our numbers and, if they do what they did last year, they kind of give it a
little haircut, and it's slightly less. And that's what goes forward.

And then the discussion in the hearings will then be between what we proposed and their suggested numbers. But they're taking it from the viewpoint of they've got to look at everybody's requests and everybody's resources.

You'll then see on page --

MR. JONES: Would now be a good time to turn to Ruth and let her comment on the exceptional items?

MR. DALLY: Sure.

MR. JONES: And I don't mean to interrupt, but isn't that kind of where the rubber meets the road?

MS. STINER: It certainly meets the road there, yes, sir.

MS. CEDILLO: My name is Ruth Cedillo, and I'm deputy executive director. As Bill said, on page 14, we have the exceptional items, and they're prioritized.

And number 1 is the Regional Needs Assessment Plan, and we've requested $769,500 and seven FTEs. And I did give a brief explanation this morning: Six of those FTEs will be out in the field, and we will have a regional development coordinator in each one of the state service regions.

We currently have six offices now out in
various regions, and this would assist us in serving each
one of the eleven service regions. And then it would also
give us one staff member for the office here in Austin.

Priority number 2, the Housing --

MS. STINER: Excuse me, Ruth. I'm going to
interrupt you. Excuse me for interrupting you. As you go
through, you kind of explain to the board what our
justification and reasoning was -- this is tied to issue
so and so from the Sunset --

MS. CEDILLO: It's tied to Senate Bill 1112,
and we are required to do a regional needs assessment.

MS. BINGHAM: Is that an unfunded mandate?

MS. CEDILLO: It is -- currently we're trying
to get some funding right now to cover the cost for the
regional needs assessment. And in addition to that --

I've been corrected. The regional needs
assessment is a Sunset issue. And again, it's something
that is not currently funded.

And number 2 is the Housing Trust Fund. As
Bill said, we're making some bold requests here. We're
requesting $15 million for each year of the biennium and
six FTEs. We would set aside $5 million each year of the
biennium for Colonia projects. And out of that 5 million,
the department could fund the self-help centers along the
border area, because currently they're funded with CDBG
dollars.

Number 3 is -- would enable the department to create an office of housing portfolio preservation with nearly $200 million over the biennium. We've asked for eight additional FTEs in FY 2002 and one additional FTE in 2003. While this appears to be a large amount, in reality these funds would be aimed toward rehabilitating a little more than 3 percent of the existing targeted portfolio. They would preserve an additional 12,262 units, provide temporary acquisition financing for 20 100-unit properties, and they would provide predevelopment funds for 197 transactions.

The rehabilitation funds would provide a financial incentive to current and potential owners to keep properties supportable and maximize continuance of federal subsidies. The program would operate as a grant program; however, funds should be loaned at below-market rates where feasible.

The acquisition financing package would allow purchasers, particularly nonprofit purchasers, an opportunity to compete in the marketplace for quality at-risk property. They would be given interim financing with sufficient time to put together resources for permanent financing. It is possible that this package could provide about $40 million in revolving funds per year.
The predevelopment revolving loan fund would provide up to $10,000 to qualified nonprofit entities for each preservation transaction under contract. The funds could then be repaid when the property was actually purchased by the nonprofit, allowing their reuse in future periods.

We have two exceptional items that deal with the State Energy Assistance programs. Item number 4 involves funding of $2 million over the biennium, and will support a new federal matching requirement. Congress is prohibiting the expenditure of Federal Weatherization Assistance Funds unless states contribute a 25 percent cost share.

This item would cover the match and could be supported through general revenue and System Benefit Funds. The match will enable us to obtain $3 for every $1 that we match. Without the match, we would lose $3.3 million in program funds affecting some 2,900 low-income households.

Item number 5, funding the System Benefit Fund requires support of $34 million and three FTEs for the biennium. This is an amount necessary to achieve an effective impact on the number of low-income households and to continue the department's existing low-income energy efficiency program.
Beginning January 1, 2002, the program will be funded through a portion of the System Benefit Fund, which is administered -- or will be administered by the Public Utility Commission. The portion of the fund to be distributed by the department will fund low-income utility programs to be determined by the PUC.

The newly revised IRS compliance regulations and subsequent Low Income Housing Tax Credits program -- and that is your number 6 -- tax credit program requirements would mean that the department needs more monitoring and compliance fundings. We're asking for about $650,000 and four FTEs over the biennium that would enable to the department to meet minimum federal tax credit monitoring regulations.

The new regulations require annual reporting of activity to the IRS. These funds would also enable the department to perform monitoring and on-site inspections to ensure HOME-assisted rental units meet property standards as required by HUD.

These resources will also allow the department to print and distribute a HOME compliance manual and comprehensive training guide.

Finally, item number 7 deals with the Emergency Nutrition Temporary Relief Program. $6 million over the biennium would cover the funding support previously
provided by the oil-overcharge funds. No oil-overcharge funds were appropriated for fiscal year 2000 and 2001, and no funds like this will be available in the following fiscal year; therefore, these funds will allow us to remain status quo and continue assisting some 50,000 individuals and families, particularly in rural areas of the state and who are below the poverty level.

In addition to that, we had had a request by our oversight committee to propose a change to Rider Number 3. And hopefully, you have a copy of that proposal. It looks like this.

MS. STINER: Are they passed out?

MS. CEDILLO: You do have it?

MR. DAROSS: Excuse me, Ms. Cedillo, for a second. Mr. Jones asked me to take over his chair while he stepped out. I believe the record should reflect that Dr. Griffin has left the room.

MS. CEDILLO: And the change that we have has been underlined. The rider would now read, "The Housing Finance Division shall adopt an annual goal to apply $30 million of the division's total housing funds toward housing assistance for individuals and families earning less than 30 percent of median family income and elderly and individuals with disabilities earning no more than 60 percent of the median family income."
Now this is a major change, and we have been asked by Urban Affairs to do a further review regarding the impact that this change would have related to elderly and families and individuals with disabilities. And approval of this would be contingent upon the decision made by Urban Affairs.

MR. BETHEL: May I ask a question?

MS. CEDILLO: Yes, sir.

MR. BETHEL: What is the average state median income? Do we -- do you have -- does anyone know that?

MS. CEDILLO: I don't have it with me, but I think it's about --

MS. STINER: Twenty-eight --

MS. CEDILLO: -- 30 --

MS. STINER: It's changed. Anybody?

MR. BETHEL: It was saying over here, you know --

MS. STINER: The statewide median income --

MR. BETHEL: -- in counties that the --

MS. STINER: -- I think it was --

MR. BETHEL: -- average median income --

MS. STINER: It's been changed. It was 28-. It just went up. Thirty -- I think it's about 30-.

MR. BETHEL: Okay.

MS. STINER: Okay.
MR. BETHEL: That's not determined by --
MS. BINGHAM: Mr. Henneberger could maybe answer that.

MR. BETHEL: That's not HUD's -- that's not HUD -- the HUD -- that would be just the state's average.

MS. STINER: The statewide average.

MR. BETHEL: Okay.

MS. STINER: Yes, sir. The statewide average median income. We can get that. Somebody --

MR. BETHEL: Well, I'll --

MS. STINER: It's about 30--.

MR. BETHEL: That's fine.

MS. STINER: John, you got your books today.

MR. BETHEL: That's fine. It's 30-something-thousand, then.

MS. STINER: Yes.

MS. CEDILLO: And the other exceptional item would be to fund two positions in our Local Government Assistance Division. And the two positions would be for trainers for the establishment of rural fire prevention districts across the state. Currently we have one FTE that is conducting the training.

Now, their training consists of the establishment of these rural fire prevention districts. They do not do the rural fire prevention training itself.
And the amount is $108,200 for 2002 and
$102,000 for 2003.

And that concludes the exceptional items in the
LAR.

MR. JONES: Thank you. Why don't we do this at
this point, with your permission, Mr. Dally. Why don't we
let Mr. Henneberger make his comments now. Would that be
all right?

MR. HENNEBERGER: Mr. Chairman, I defer my
comments.

MR. JONES: Oh, you do?

MR. HENNEBERGER: Yes, sir.

MR. JONES: Golly. And the board needs to know
and really appreciated the way Mr. Henneberger introduced
himself at the meeting recently as our longtime supporter
and occasional critic. Appreciate that, we really do,
seriously. I very much appreciated that.

Okay. Anything else?

MR. DALLY: Yes. There are a couple more
details I wanted to go over with you.

MR. JONES: Great. Thank you.

MR. DALLY: If you'll look on page 21 and 22,
there's what's called a priority allocation table that
essentially looks at the priority of our strategies so far
as GR funds. And this has held consistent with what we've
had in prior years, Housing Trust Fund being the top, and then the GR match for Community Development Block Grants and so forth.

Then moving on, the detail of each strategies' expenses and costs are in this next section of about 40 pages.

Then next we have a section on our riders. This is where we lay out our capital budget. As long as -- and any proposed changes in language to riders that we currently have. So if we don't have a rider included here, we're not proposing, necessarily, a change to what we have in place now.

Typically, as this goes, that won't be the whole population of riders. Riders can be added throughout the session and stuff, and so we may have, we probably have, additional ones that come up through the session.

I did want to bring your attention -- in the analysis, since this was submitted a couple weeks ago, we've gotten better information that the likelihood -- we had proposed a contingent rider for the Homeless Block Grant, which we asked for $1,250,000 in each of the two years. The likelihood of that is very remote, and we're going to go ahead and pull that off of our request. And that will have an impact upon page 7 and page 8, to the
bottom line. It will essentially reduce those totals from $213,449,191 to -- the adjusted number now, bottom line, for 2002 would be $212,199,191. The same adjustment in 2003 would reduce it to $211,798,147.

That's essentially coming out of the line where it -- at the top of page 7, where you see "Rider Appropriations Requests." Instead of that being 1,550,000, that would be reduced by 300,000 in each year to take out the 1,250,000 for that Homeless Block Grant.

And then just so you know, one of the -- we were not going to change the language to Rider 3 except with Chairman Carter [phonetic] and their inclusion to see that the -- some priorities for the elderly in the rural areas and individuals with disabilities be added to meet that goal of 30 million.

And then, in addition, we would have one more exceptional item. We would have a number 8 on the rural firefighters, which Ruth just went over.

With that, I guess I'll entertain questions.

MR. JONES: All right. Any further questions?

MR. DAROSS: I move we approve the legislative appropriations request as presented by staff.

MR. JONES: We have a motion; do we have a second?

MS. SAENZ: Second.
MR. JONES: Motion's been made and seconded.

Any further -- it was, I think, Ms. Saenz --

MS. SAENZ: With the amendment.

MR. JONES: Yes. With the amendment. Right.

Ms Saenz -- yes.

MS. BINGHAM: I have a question.

MR. JONES: Yes.

MS. BINGHAM: What we are approving is to go to the -- we are requesting funds over and above what we would normally get in order to carry out the amendments pursuant to some legislation. The meeting that you went to -- what was the reaction? What was the --

MR. JONES: I don't know that we can say there was a reaction. There were many questions raised. We went over a process much similar to this except much more detailed to this, Ms. Bingham. And there was public comment again.

And the public comment, I would say, would be, I believe, all favorable. I think universally it was favorable.

MS. STINER: I would characterize it like that.

MR. JONES: Yes. I mean, and maybe I shouldn't characterize public comment. I've -- I would not characterize the public comment.

MS. BINGHAM: Was the governor's budget folks
there?

MR. JONES: They were.

MS. BINGHAM: How did they react?

MR. JONES: I would not say there was a
reaction. Again, I would not comment on that. I don't
have an answer to that.

MS. BINGHAM: Okay. Thank you.

MR. DALLY: Just to repeat, when they look at
this, they're going to consider it in two parts. They're
going to consider that baseline with everyone else's
baseline, which is business as usual, no more GR, no more
resources than we have now. And then they'll consider all
of those exceptional items. And we prioritized them, but
they will then be considered with every other agency's
exceptional items in --

MS. BINGHAM: How many agencies or whatever --
we were -- around the same time?

MR. DALLY: Well, we'll go by article through
the thing, but they're going to make tallies --

MS. STINER: No. She meant -- excuse me.

It was just us.

MS. BINGHAM: Oh, okay. Okay. Thank you.

MS. STINER: It was just the Texas Department
of Housing and Community Affairs at that particular
hearing.
MR. DALLY: Right. And this was with the staff, not necessarily the legislators.

MS. BINGHAM: Oh, okay.

MR. JONES: Yes.

MS. BINGHAM: Okay. Thank you.

MR. JONES: It was just staff. I think -- and everybody was invited to it, but --

MS. BINGHAM: Yes. I got a notice.

MR. JONES: We have a motion on the floor. Any further discussion?

(No response.)

MR. JONES: Hearing none, are we ready to vote? I assume we are. All in favor of the motion, please say aye.

(Chorus of ayes.)

MR. JONES: All opposed to the motion, nay.

(No response.)

MR. JONES: The ayes have it.

MR. DALLY: Thank you.

MS. STINER: Thank you.

MR. JONES: Then we'll move to the executive director's report.

MS. STINER: Thank you, Mr. Chair. Some mention today has been made of the deobligation policy that a committee within the department has been working on...
for some time. You were provided, I understand, at the last board meeting, a handout for that deobligation policy. There have been a couple adjustments to it that you now have, or will have in a few short minutes.

But I think it's important to note that after deliberations by staff, there are some recommendations in terms of how we use deobligated funds once they come back into the department. Right now, the way those funds are handled, they're handled differently in each program area, vis-à-vis, in the Trust Fund, when the funds come back in, they are placed in a pool and announced with a NOFA for the next application cycle.

HOME Program, pursuant to what has been proposed historically in our consolidated plan, those funds are used more as Demonstration or discretionary funds; that is, if there are special projects that have merit, the --

MS. BINGHAM: Don't use the word "discretionary" too liberally now.

MS. STINER: Point well taken.

MS. BINGHAM: It'll turn out to be called "slush."

MS. STINER: They are -- they were funds that we could consider out-of-cycle applications that were brought back to this board for our approval. However,
they were exempt from our application process, comparative process.

And other programs in the department, of course, utilize deobligated funds in a different way. And in an effort to create a policy where there is some centralization, some consolidation, of how those funds are used when they come back into the department, regardless of different program areas, the task force has come up with some recommendations.

And we would like to have an opportunity just to present that to the board today. We are asking you, since it's not an approval item, that you consider this an instructing the department to move forward with a policy that would reflect the prioritization that you're going to hear today.

Do we need -- Sandy, would you like to come and review --

MR. JONES: Could I just make a comment? I think we'd certainly love to consider, you know, what y'all have decided as far as a report item. I don't think we could move forward with any instructions.

MS. STINER: Wonderful. Then we'll make a presentation, and depending on -- we have some time; we could put it as an approval item next month for you to instruct us. But we thought it was important that you
hear what the priorities are.

Ms. Mauro has headed up that task force with the input of a bunch of folk on staff, and they've worked at this diligently for some months now. So I'll ask her if she'd give a brief --

MS. MAURO: Brief.

MS. STINER: -- overview of the policy. Thank you, Sandy.

MS. MAURO: Thank you, Ms. Stiner, Mr. Chairman, and other members of the board.

The staff actually started meeting on this issue prior to the Sunset Commission's recommendation that -- or their criticism of us not having a deobligation policy. And through that process -- I know that we gave you -- July 28, as I recall, this was forwarded to you all, so you may have had a chance to review.

And as you notice, all the programs have different policies and different procedures, and some of it's been federally mandated or state rules or whatever. So at that point, we looked at what we could come up with which would be an overarching policy for the agency to look at.

What we determined, after a lot of discussion and lots of meetings, was that we have some flaws in our policies at this point. We need to create -- we needed to
create and maintain a written policy at the program level for the deobligation of awards, loans or grants. The policy must address the reobligation of deobligated or otherwise unexpended funds in any program income.

So there needs to be a policy, and with that, we're going -- each program will have to look at their rules and their regulations to come up with specifics for each program area with the different federal regulations, and some of the program areas never had any deobligated money.

The second thing that we found that we were not really consistent on is there needs to be better tracking and monitoring of any deobligated funds and their balances as part of any normal process, normal accounting of the program funds at both the program and departmental area.

We think that with the systems that have been funded and awarded, the data-tracking systems, that this will help, but all the managers and directors agreed that this should be a priority, that there should be a better accounting. And these reports should be given to executive on either a weekly or a monthly basis, whatever y'all think is appropriate, so that at all times there will be a balance of deobligated funds available for y'all's review, the executive director's review.

The third is also to track program income,
including the fees earned, loan repayments, et cetera, and have that easily available to everybody.

The fourth is to prioritize the following areas for funding with deobligated funds as allowable under the program rules and regulations. Now, keep in mind, when we say this is the priority, you know, the first priority would be disaster. If there are no disasters pending and you have an application for the next priority, which would be special needs, then we would fund the special needs.

Then if there are no special needs and a Colonia project comes in that this will benefit to the public, then it would be considered in the third priority. And then the last priority, if there are no pending projects in the top three areas, would be any other special projects as determined by the executive director or the board.

Those are the priority levels that we are proposing to y'all. And then the fifth would be to provide the information regarding the use of any of the deobligated funds through the State Low Income Housing Plan and the annual report. And, of course, it would be available for public review at any point in time.

And that's what we're proposing that y'all direct the executive director to institute a policy including these major points.
MS. STINER: And we'll do that formally when we get back to on an agenda item.

MR. JONES: I think Mr. Bethel has a question.

MR. BETHEL: I've got one question. If we prioritize these, like disaster relief, special needs, Colonias, and things, and then would that be -- when we set this policy, I know the way -- like, a disaster relief now, we just get a letter. The board gets a letter saying that you're pleased to announce that such-and-such got money for disaster relief. So would that -- would the board have any input in this, or would we just be getting letters saying that -- on this deobligated funds, that we got -- that we used it for special needs or Colonias or whatever.

MS. STINER: The procedure, of course, for this could be worked out. But right now, the way we handle disaster relief is like you just said. I mean, we have activities that's been included in the consolidated plan, and if a disaster comes up, we get a letter from the governor or get a letter from the president. And what we traditionally do is look at various program areas and decide if we have funds available.

All this would do is make that a priority. If there are any deobligated funds on hand, we'll go to those funds first. But, you know, it depends on what procedure
we work through as to how those funds get allocated, whether there would be an approval by this board or whether it continues to be an activity that's handled at the program or administrative level -- it's something that would be decided.

MR. BETHEL: Okay.

MS. BINGHAM: Mr. Chairman, may I comment on that?

MR. JONES: Yes, you may.

MS. BINGHAM: As you may be aware, in the -- in our legislation, there are only two programs that the legislation require that the board vote on, really. The legislation requires that the board vote on the Tax Credit Program, and the other one is the Bond Program. That's in the legislation. The rest of it, in the legislation, is given to the executive director.

Now, the board can evolve and do anything it desires to do. No problem. But I think Mr. Bethel would remember that when there's a natural disaster -- hurricane hits some town, Del Rio -- the governor, regardless of who that governor is, calls in a team. He normally calls in this department and other departments. And I don't think they have ever contemplated that you got to post and get a board meeting. It was never contemplated.

When I became chair of the board in 1995 or
whenever it was, I requested certain changes and received consideration for those changes. Mr. Bethel made -- talked to me about making some changes in some areas. However, I intentionally thought that disaster relief should not get bogged down into petty bureaucracy. But that's what it is: It is natural disaster money.

So the governor of the state or whoever makes those decisions when a hurricane hit, they shouldn't have to be trying to track down a board and get a quorum and do all that. So there's a history for why we do those things.

Now, at the highway commission and other boards, I think even at the prison board, the prison board members decided that they didn't want to see a contract unless it was $5 million. They didn't want to spend their time on anything else. So I think it's a matter of the board agreeing, a policy evolving, as to what the board wants to see and what they do not want to see.

But it has been historic that CDBG got this regional allocation that -- Mr. Bethel, I think you used to serve on or had something to do with that from your area of the state. So I don't think it should surprise anybody. You can do what you want to do, but the fact of the matter is putting disaster relief as something you want to be bothered with -- I think it's bogging it down
in petty bureaucracy.

MR. BETHEL: Can I make a clarification on that statement? The disaster relief is -- the only way they can do disaster relief, if I'm not mistaken, is by order of the governor. And I had no problem with disaster relief being -- but there's some of the --

MS. BINGHAM: That's my point, that --

MR. BETHEL: -- some of the urgent -- then they had urgent needs when you were chair. There was some urgent needs and some of the other things. And when I was on the regional review committee, there was one thing that came through, and that's why I had some interest in it. It's not the disaster relief, because that comes from straight from the -- the governor has to declare that, and I don't --

MS. BINGHAM: Well, that's what I'm saying. So if you got a presidential disaster, a governor declared a disaster, why do you want to be sitting around --

MR. BETHEL: Oh, I've got -- I wasn't -- I mean --

MS. BINGHAM: I'm just --

MR. DAROSS: It's not the intent of this suggestion that the disaster relief has to come to the board, is it?

MR. BETHEL: No.
MR. DAROSS: This is just saying that's a number one priority.

MS. BINGHAM: We just -- I understand, Mr. Daross, what's going on. But I'm just saying that I think a lot of people -- there's a reason that you have staggered terms. There's a reason for that.

Board members serve a six-year term. New board members come on; they get oriented; they learn the process. But I'm just saying I was wanting to offer that in the legislation. There are two programs that the board -- that the legislators gave the board the authority to approve: Tax Credits, because of the QAP and the legislation; also the Bond Program, because of the covenants. Other than that, the legislation that's been written and approved by our governor does not give the board -- it could be a report item. That's just the history.

Mr. Bethel, when I served as chair, you wanted to see more items, and I acquiesced, but I knew, and this governor said, I don't know why a board wants to be nit-picking at all those little bitty items that -- he encouraged the prison board after the scandals, Why are you sitting over there not looking at anything unless it's $5 million? That's a matter of public record.

So I just wanted to offer that little bit of
history.

MR. JONES: Thank you.

Thank you for your report, Ms. Stiner.

MS. STINER: Thank you, Mr. Chair.

One last item -- I think, Sandy.

I want you to meet a couple of people if they still stuck around, new additions to the department. Sidney Struss -- is Sidney still here? -- has joined the department as director of Information Services. Thank you, Sid.

Sarah Dale, who is the manager of the Office of Strategic Planning and Housing Resource -- y'all know her. She's going to take over the Office of Strategic Planning and Housing Resource Center for us.

And Willie Heard is here this morning from the Section 8 Program. We have new management in Section 8. She's been promoted to supervisor. Barbara Howard is not here this morning, who's acted in the capacity of the manager.

But those are three -- four new staff persons. Have I overlooked anybody? Y'all never met -- Michael has been around for so long, I thought everybody knew him. Michael Lyttle has joined the department as director of Communications and Government Relations.

So I just wanted to introduce those folk to you
this morning, and you'll be seeing lots of them. And I
wanted them to know who you are and to know who they are.

MR. JONES: Thank you.

MS. STINER: And that concludes my report.

MR. JONES: Thank you.

MS. BINGHAM: Mr. Chairman, I have one
little -- I have a comment on another item, Ms. Stiner,
that you reported on.

MS. STINER: Yes, ma'am.

MS. BINGHAM: If I may, Mr. Chair?

MR. JONES: Yes, ma'am.

MS. BINGHAM: That is on the board member
training. Let me say, I read a letter on board member
training that I think was a good idea. However, I would
like to point out that when we go on training conferences,
especially with the National Council of State Housing
Agencies -- and there have been a couple of our board
members who have served on the board of that agency --
when the state pay our way of travel to go for those
conferences, it is intended that we're educated and
trained.

I think if you look at the schedules of those
training conferences where we have had some high-level
training, you will find that we have had considerable
training if we attended the conferences. I have attended
several of them, and I can tell you they are very extensive; they go through the Tax Credit Program, they go through other programs. They also talk about the HUD programs. They talk about conflict of interest; they talk about a number of other things.

We also have at those conferences well-trained lawyers who have been former employees of HUD. And if you pulled the National Council of State Housing Agencies’ previous records of where we -- our board members -- attended some of those training conferences, you will find that there was an adequate schedule.

And it talked -- it covered all kind of programs: HOME, CDBG, Tax Credit, HOPE VI, how you combined them. It talked about different state regulations concerning board member conduct, what is appropriate, what is inappropriate; HUD, HOME, all kind of conflict of interest issues.

So I would just -- I just wanted to make that a note, since I will be -- I have traveled just as some other people. I try to attend those that I think I need to be informed about. But I think they are pretty helpful.

I don't play golf; I don't know how. I do try to get to most of those conferences and those training sessions. And I think the Governor's Office also has a
number of training sessions for folk to attend. So that's all I have to say on that issue.

    MR. JONES: Thank you, ma'am.

    Thank you for your report.

    MS. STINER: Thank you, sir.

    MR. JONES: And with that, I think that completes our agenda. Is there a motion to adjourn?

    MR. DAROSS: So move.

    MR. JONES: I heard a motion to adjourn; is there a second?

    MS. SAENZ: Second.

    MR. JONES: All in favor, say aye.

    (A chorus of ayes.)

    MR. JONES: We're adjourned.

    (Whereupon, at 1:20 p.m., the meeting was concluded.)
CERTIFICATE

MEETING OF: The Board of the Texas Department of Housing and Community Affairs

LOCATION: Austin, Texas

DATE: September 15, 2000

I do hereby certify that the foregoing pages, numbers 1 through 76, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Housing and Community Affairs.

09/19/00
(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731