TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FINANCE COMMITTEE MEETING

10:10 a.m.
Thursday,
April 26, 2001

Waller Creek Office Building
Room 437
507 Sabine
Austin, Texas

BOARD MEMBERS:

MICHAEL JONES, Chair
C. KENT CONINE
MARGIE BINGHAM

STAFF PRESENT:

DAISY STINER, Executive Director
ROBERT ONION
BILL DALLY
# AGENDA

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**Item 1 -** Presentation, Discussion and Possible Approval of Minutes of Finance Committee Meeting of November 9, 2000

**Item 2 -** Presentation, Discussion and Possible Approval of the Proposed Issuance of Multifamily Mortgage Revenue Bonds for the Bluffview Senior Apartments, Denton, Texas, in an Amount not to Exceed $10,700,000 and Other Related Matters

**Item 3 -** Presentation, Discussion and Possible Approval of the Proposed Issuance of Multifamily Mortgage Revenue Bonds for the Knollwood Villas Apartments, Denton, Texas, in an Amount not to Exceed $14,100,000 and Other Related Matters

**Item 4 -** Presentation, Discussion and Possible Approval of the Second Quarter Investment Report

**REPORT ITEMS**

**ADJOURNMENT**

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PROCEDINGS

MR. JONES: The first thing I'd like to do is call to order the Finance Committee meeting of the Texas Department of Housing and Community Affairs for April 26, 2001, the first order of business being roll call.

Margie Bingham.

MS. BINGHAM: Here.

MR. JONES: Kent Conine.

MR. CONINE: Here.

MR. JONES: Michael Jones, here. We have three members present and no members absent. The quorum is therefore certified.

The next thing we'd like to do is take public comment. Is there anyone that would like to speak to the committee?

(No response.)

MR. JONES: I have no witness affirmation forms. Is there anyone that would like to speak to the committee?

(No response.)

MR. JONES: Is there anyone that would like to speak to the committee?

(No response.)

MR. JONES: Hearing none, then with the consent of the other committee members I will close public
Mr. Conine: Go right ahead.

Mr. Jones: Public comment is closed.

The first item we have on our agenda is the presentation, discussion, and possible approval of the minutes of the Finance Committee meetings of November 9, 2000. You have those in your packet. Is there a motion regarding those minutes?

Ms. Bingham: I move for approval.

Mr. Jones: Ms. Bingham moves for approval.

Mr. Conine: I can't do anything.

Mr. Jones: Mr. Jones seconds. All in favor of Ms. Bingham's motion, please say aye.

(A chorus of ayes.)

Mr. Jones: All opposed, nay.

(No response.)

Mr. Jones: All abstentions.

Mr. Conine: I'll have to abstain.

Mr. Jones: Motion carries.

Next we have two different projects we need to discuss.

Ms. Stiner.

Ms. Stiner: Thank you, Mr. Chair.

We have two tax exempt multifamily revenue bond projects that we want to present to the committee this
morning for consideration.

I'll ask Robert Onion to come forward, who's the director of multifamily bonds. May I just say for the record that we really do need to extend our appreciation to the Bond Review Board, who considered these projects at the last board meeting. Due to the fact that our board meeting was postponed for a week they were gracious enough to look at them without the committee having approved them, so I'd like to extend our thanks to them for that courtesy.

Robert, will you present the first one, Bluffview Senior Apartments?

MR. JONES: Before he does, I would also like to join the director in thanking the Bond Review Board for their courtesies in that regard, and in fact as I explained to them had they not done that it was just impossible for us to have a quorum when our board meeting was regularly scheduled.

Also I think both the executive director and myself as chairman of the board in our conferences with the Bond Review personnel in this matter had promised them that we'll avoid similar practices in the future.

MS. STINER: Yes, sir.

MR. JONES: So I'll just say that to committee members and board members that will be something that will
drive when we have to have our meetings to some extent, and staff's planning to some extent.

Thank you. Excuse me for interrupting.

MR. ONION: The first transaction is Bluffview Senior Apartments in Denton, Texas. It represents 250 units. The bond amount is 10,700,000. The interest rate on the bonds is 8.6 percent through and including May 31, 2002, and thereafter at 7.6 percent until maturity, which is May 1, 2041.

I wanted to draw your attention to -- in the writeup we had indicated a unit mix which has changed. That unit mix which is reflected in the resolution is 100 units one bedroom, one bath. That remains the same. Then there's 130 two bedroom, one baths, and 20 two bedroom, two baths.

Also on the sources and uses of funds I wanted to draw your attention to the total sources. That amount has increased by the amount of $19,310. It represents some additional last-minute costs, does not affect the amount of the bonds. The adjustment will be made in the deferred developer's fee.

The borrower's compliance history is provided within the writeup. They are substantially under the 30 points which is considered material noncompliance, and I also provided in the compliance section the point score.
for additional reference.

We did have the TEFRA hearing. There were some speakers in favor. There were none opposed.

With that, if you have any questions I'd be happy to answer those.

MR. JONES: Ms. Bingham, Mr. Conine?

(No response.)

MR. JONES: I have just a couple of questions.

When we -- if we were to choose to make a motion I know the approval from the attorney general's office is pending, which they must approve. Do we need to make our motion subject to that, Ms. Stiner or Mr. Onion?

MS. STINER: General counsel -- it's always subject to the --

MR. JONES: It's always subject to that?

I would also note too that this particular -- in fact, both of them are in Denton, Texas.

MR. ONION: Yes, sir.

MR. JONES: And I know we have been criticized on occasion. This particular one I notice is for seniors.

MR. ONION: Correct.

MR. JONES: So I presume it won't be primarily utilized by college students?

MR. ONION: No, sir. In fact, it will be deed restricted for 55 years and older.
MR. JONES: Good. Anyway, but we have had criticism in the past about that with regard to other communities that have such a strong college presence.

MS. BINGHAM: The general counsel did say that all these are subject to the attorney general's approval, the ones that come through TDHCA. Right?

MS. MARKS: Right.

MS. BINGHAM: Mr. Chair, I move for approval with the stated amendment.

MR. CONINE: Second.

MR. JONES: We have a motion made and seconded. Is there further discussion of the motion?

(No response.)

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

(No response.)

MR. JONES: The resolution number is 01-12. That is correct, isn't it, Ms. Bingham?

MS. BINGHAM: That's correct.

MR. JONES: I believe so.

Hearing no further discussion, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

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

(No response.)
MR. JONES: All abstentions.

(No response.)

MR. JONES: The motion carries.

Item 3 --

MS. BINGHAM: I have 00-12 for Bluffview.

MR. JONES: I was handed 01-12.

MS. BINGHAM: That's the one I got.

MR. JONES: Okay.

MS. BINGHAM: I thought you said three.

MR. JONES: I might have.

MS. BINGHAM: Okay.

MR. JONES: If I did it was a mistake and I apologize.

MS. BINGHAM: Okay.

MR. JONES: Is the record clear?

Move to Item 3 on the agenda, Ms. Stiner.

MS. STINER: Thank you, Mr. Chair. Mr. Onion will also make that presentation.

MR. ONION: The next project for your consideration is Knollwood Villas Apartments. It's a 264-unit family project. The bond amount is 13,750,000. The interest rate is 8.6 percent through and including May 31, 2002, and thereafter it's 7.6 percent until maturity May 1, 2041.

I did want to bring to the committee's
attention that zoning is subject to be finalized May 1, 2001. We are expected to close May 2, 2001.

MS. BINGHAM: This makes two --

MR. ONION: I'm sorry, ma'am?

MS. BINGHAM: Is this a May 2 drop-dead date 120 day?

MR. ONION: It's actually May 3. Yes.

MS. BINGHAM: May 3?

MR. ONION: Yes, ma'am.

It has been approved through Planning and Zoning. The council meeting was expected to happen in April. It was delayed until May 1 at six o'clock. We expect to get the zoning approval and to have preliminary permits by the time we close.

MR. CONINE: Did you have a TEFRA hearing on this?

MR. ONION: Yes, sir. We did. There were several people that spoke in favor of the project.

MS. BINGHAM: None opposed as I saw.

MR. ONION: Speaking for were three, no speakers against, and I provided a transcript. Also the same compliance history is with the same borrower applicant. The highest score was 17, well below the 30.

MR. CONINE: Has staff done homework on the zoning case in and of itself as opposed to the TEFRA
hearing? Are there going to be any opposition on the zoning side in that May meeting that you're aware of?

MR. ONION: No, sir. I'm not aware of any opposition. Bill Fisher, representative of the applicant, is here, the developer, and could probably speak to the extent of the work they've done to get through the zoning if --

MS. BINGHAM: If the zoning is not approved then it can't close, can it?

MR. ONION: That's correct. Yes, ma'am.

MS. BINGHAM: It's a moot issue and the drop-dead date is 120 days, which is May 3, so --

MR. CONINE: Cutting it thin.

MR. JONES: Can Mr. Fisher address that?

MR. FISHER: Thank you very much. I'm Bill Fisher with Southwest Housing.

MR. JONES: If you would, when you complete speaking fill out a witness affirmation form.

MR. FISHER: Yes.

We've been working with the City of Denton on both these zoning cases since basically December of last year. Part of the zoning requirement for the city is to conduct several neighborhood meetings, which we have done, and [indiscernible] zoning cases there are 200- and 500-foot notice -- radius notices where the surrounding
landowners and homeowners are notified.

I believe at last count for this family project 97 percent of the neighbors had actually voted in favor of the project.

We have met extensively with the city council members in Denton, and feel confident that we have the votes to get zoning. Our previous zoning case, the one you just passed on, Bluffview, passed 7-0 at the City of Denton, and in the mayor's opinion it was the first time in Denton in 30 years they'd had a unanimous vote on anything, so we've done very good work with the neighborhoods and with the representatives of the city and have a lot of good local support and feel comfortable we'll get zoning.

MR. CONINE: Especially multifamily.

MR. FISHER: If multifamily is not popular anywhere, it's certainly not in Denton, so --

MS. BINGHAM: It is in Houston.

(General laughter.)

MS. BINGHAM: Our city council on Wednesday gave unanimous support to a 4 percent deal, on Wednesday before gave unanimous approval to two others. All multifamily. We're getting better.

MR. JONES: The target audience for this particular development -- would you describe that to me?
MR. FISHER: First of all, Denton is -- Denton and Collin County come together basically very close to this property location, and Denton and Collin are the two fastest growing counties in North Central Texas. We're almost 60 percent. These are family properties, rent restricted at 50 percent of area median income.

Denton is covered by the Dallas metropolitan area, but incomes are actually a little bit lower in the Denton County area than they are in Dallas, so there is a very large pool of working families in this area to fill the property. Denton is moving some 1,800 families a year into their community as a result of their growth, and we feel -- I think the market study that the department's seen -- there's pretty much a lay down. There's just tons of demand.

And Denton is actually a little behind the curve on affordable housing because of their growth, so we feel confident that the market's there for this product.

MR. JONES: Thank you, sir.

MR. CONINE: Mr. Chairman, I move for approval item 3, and I don't have a resolution number in front of me, I don't think.

MR. JONES: I believe the appropriate resolution number would be 01-13.

MR. CONINE: Move for approval.
MS. BINGHAM: I second.

MR. JONES: We have a motion made and seconded. Any further discussion of the motion?

(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 to the motion, please say nay.

(No response.)

MR. JONES: The motion carries. Thank you, sir.

MR. FISHER: Thank you.

MR. JONES: Item four on the agenda, Ms. Stiner, presentation, discussion, and possible approval of the second quarter investment report.

MS. STINER: Thank you, Mr. Chair. The CFO, Bill Dally, will come forward and make the presentation.

MR. DALLY: Good morning, Mr. Chairman, committee members, Ms. Stiner. My name is Bill Dally, chief financial officer for the department, and I'm asking for your acceptance of the second quarter investment report for the quarter ended February 28, 2001.

Essentially the portfolio as a whole did not grow much. It grew by about $233,000, so basically they
were small amount purchases over the sales maturities of securities. Significantly though, the market value of our portfolio did increase by about $17 million, and that was due to the fact of, as you know, the recent interest rate reductions that we've had. It also affected the mortgage rates. They were roughly around 7 percent at the end of February, and so that was -- elevated the market value of our overall portfolio.

The portfolio is still essentially the same mix of securities: about 65 percent mortgage-backed securities, 28 percent in [indiscernible] investment agreements -- those are our bond funds that have not yet been made into loans -- 4 percent in repurchase agreements, and 3 percent in others, which are essentially mutual funds and Treasuries.

I should also add as part of the audit work of the auditors each year they go through and look at these investment reports and look at -- for their compliance with the Public Funds Investment Act, and this year we got a clean opinion on those.

Are there any questions?

MR. JONES: Doesn't our investment advisor usually comment on this to us?

MR. DALLY: He has in the past. I did not provide him with a copy --
MS. BINGHAM: Is he under contract to comment on these?

MR. DALLY: No. This is sort of beyond the scope of -- his work is chiefly to look at the financial feasibility of each of the bond deals and cash flow, so this investment is a little bit --

MS. BINGHAM: Do the state auditors look at these?

MR. DALLY: Actually, our independent auditors look at this and then they submit a report to the state auditors as part of the Public Funds Investment Act, so it is reviewed.

MR. JONES: So his comments on prior occasions have been gratuitous?

MR. DALLY: Yes.

MS. BINGHAM: Courtesy to the chair -- committee.

MR. JONES: Maybe to the board.

MR. DALLY: Are there any questions?

MR. JONES: Questions?

MS. BINGHAM: Do we need to approve this or is this just --

MR. DALLY: It's accept --

MR. JONES: It's listed as approval. I think we've to be frank with you, Ms. Bingham, gone both ways on
this, but I don't think we have to take any action on it.

MS. BINGHAM: I didn't think so.

MR. DALLY: I was just bringing you this report as part of that.

MR. JONES: And we thank you.

MR. DALLY: Thank you.

MR. JONES: Any further discussion of item 4 on the agenda?

(No response.)

MR. JONES: Hearing none, I believe that completes our agenda. Are we ready to adjourn?

(No response.)

MR. JONES: I assume we are. We will then be adjourned.

(Whereupon, at 10:30 a.m., the meeting was adjourned.)
CERTIFICATE

MEETING OF:  TDHCA Finance Committee
LOCATION:  Austin, Texas
DATE:  April 26, 2001

I do hereby certify that the foregoing pages, numbers 1 through 18, 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.

05/01/01
(Transcriber) (Date)

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