TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

11:00 a.m.
Thursday,
April 26, 2001
Waller Creek Office Building
Room 437
507 Sabine
Austin, Texas

BOARD MEMBERS:

MICHAEL JONES, Chair
JAMES DAROSS, Vice chair
C. KENT CONINE
MARGIE BINGHAM
ROBERT BREWER
LYDIA SAENZ
SHADRICK BOGANY
VIDAL GONZALEZ

STAFF PRESENT:
CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

PUBLIC COMMENT

Item 1  Presentation, Discussion, and Possible Approval of Minutes of the Board Meeting of March 27, 2001, Including Ratification and Affirmation of Actions Taken.

Item 2  Presentation, Discussion, and Possible Approval of Programmatic Items:
(a) Approval of HUD income limits for Year 2001
(b) Approval of HOME LURA amendments
(c) Approval of Housing Trust Fund Elderly Service Program Awards
(d) Approval of HOME Awards Under the Department's Deobligation Policy

Item 3  Presentation, Discussion, and Possible Approval of Report from the Finance Committee:
(a) Approval of 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.
(b) Approval of 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
(c) Approval of the Second Quarter Investment Report
Item 4  Presentation, Discussion, and Possible Approval of Low Income Housing Tax Credit Program Items:
(a) Approval of Determination Notices for:
   Bluffview Senior Apartments, Denton, Texas
   Knollwood Villas Apartments, Denton, Texas
   Stonebridge Apartments, Austin, Texas
   Montgomery Trace, Conroe, Texas
   Southgate Village, College Station, Texas
(b) Approval of Addendum for Roseland Gardens, Dallas, Texas

Item 5  Presentation, Discussion, and Possible Approval of Report from Audit Committee:
(a) Approval of Amendments to Fiscal Year 2001 Audit Plan
(b) Discussion of Report to the Governing Board --
   Financial Statements for the Year ended August 31, 2000
   General Purpose Financial Statements for the Year Ended August 31, 2000
   Report to the Governing Board -- Revenue Bond Enterprise Fund
   Financial Statements
   Letter on Internal Control and Accounting Procedures
   Internal Audit Report; Software License and Selected Software
   Management Controls
   Status of Prior Audit Issues
   Summary Status of Internal/External Audits

Item 6  Appointment of Board Members to Committees of the Board

REPORT ITEMS

EXECUTIVE SESSION

OPEN SESSION
ADJOURN
MR. JONES: We're going to do some swearing in here, Judge Daross.

MR. DAROSS: I'm doing this in the capacity of a notary public, not as a judge.

Would you raise your right hand, please?

(Whereupon, the oath was administered.)

MR. JONES: Thank you, Judge Daross.

It's my privilege to introduce our two new board members of the Department of Housing and Community Affairs. Mr. Bogany is from Missouri City. He is a licensed real estate broker and manager of ERA Bogany Properties in Houston. He has served as director of the Housing Opportunities of Houston, Inc., and is a member of the National Texas and Houston Association of Realtors.

He earned a bachelor's degree in business from the University of North Texas, and he replaces Mr. Bethel of Lamesa, and that ought to be real easy to do.

(General laughter.)

MR. JONES: Mr. Bethel hardly ever said anything and kind of just disappeared into the woodwork.

Mr. Gonzalez is from Del Rio. He is the president and chief financial officer of Del Rio National Bank, and is past president of the Winter Garden Bankers Association. He serves on the state comptroller's Border
Advisory Committee, the Del Rio Rotary Club Housing Development Board, and the United Medical Center Board of Directors.

Mr. Gonzalez received bachelor's and master's degrees in Animal Science from Texas A&M University, and we're sure Governor Perry acknowledged that, and he will replace Dr. Bell Griffin.

We are so glad to have you with us and we look forward to working with you.

    MR. GONZALEZ: Thank you.
    MR. JONES: With that, the first order of business after the call to order is the roll call.
    Mr. Daross.
    MR. DAROSS: Present.
    MR. JONES: Ms. Bingham.
    MS. BINGHAM: Here.
    MR. JONES: Mr. Bogany.
    MR. BOGANY: Here.
    MR. JONES: Mr. Brewer.
    MR. BREWER: Here.
    MR. JONES: Mr. Conine.
    MR. CONINE: Here.
    MR. JONES: Mr. Gonzalez.
    MR. GONZALEZ: Here.
    MR. JONES: Ms. Saenz.
MS. SAENZ: Here.

MR. JONES: Ms. Williams. She's absent. Mr. Jones is present. We have eight people present and one absent, and I certify that we do have a quorum.

Our next order of business is public comment, and the people who have asked to speak to us -- I have four witness affirmation forms, and the first one is Mr. Westbrook.

Mr. Westbrook, how are you today, sir?

MR. WESTBROOK: Very good. Thanks.

MR. JONES: Thank you for being here.

MR. WESTBROOK: My name is Gilson Westbrook. I'm the administrative agent for St. John Colony, a neighborhood association. We're located in Caldwell County. I have several items that I would like to address today.

The one in particular I wanted to speak on is going to be Item 2(d), but before I get to that particular item, I would like to say that a couple of weeks ago I sat through the Urban Affairs Committee hearing from two o'clock, because the item I was interested in came up approximately two o'clock in the morning, and I heard a lot said about the staff.

One of the things I would like to say about the staff, they have been very supportive of me. I find Ms.
Stiner and Ms. Sidera [phonetic] whenever I call them within 48 hours they do return my calls or have a staff person to return my call. So a lot of the things that were said within that 12-hour period I think was unfounded.

I've been working with this agency since 1974, and so I think I'm a credible individual that can say so.

The other thing I would like to address that would help me -- it's a personal thing -- is that you do email me the agenda, you post it on your website, but it would help me -- and I always found out that I'm not a unique individual -- if you would give summaries on your website of agenda items.

I'm not fortunate enough to be mailed a blue book, and 90 percent of the things that you probably address don't concern me, but if I do spot one it would be very nice if I could click on that and go over and get a summary of that item to see if it's worth my time to come down, because especially during the legislative session it's very hard to get in touch with key staff members that can brief you on an item that strikes your attention.

So if we can do that it would really help me personally, and like I said, I'm not a unique individual, so I'm quite sure some other people are like that.

The other thing I would like to speak about is
that at your last board meeting you tabled the appeal process, and I hope that this does not fall through the crack is that the staff do bring it back to you, and it would help me again when it does come, because I do receive by email the agenda item, is that I could have a chance -- maybe I might want to comment on it if I had the chance to read it and look at it.

And it kind of offends me a little bit every time you -- the staff they say, Well, you've got to request under the Open Meetings Act. Nobody has a form, but we scratched something down for them to correct that information. So it would just help me, and let's don't let that fall through the crack, because that leads me up to the item in which I'm addressing.

This particular item here is where two applicants for HOME application did an appeal, and under this same application period under which St. John Colony submitted a HOME application. We received notice from the staff that we would not be recommended for funding. We immediately said, Why not, and -- because in the letter is they were saying they had this money and they had all this money left over under CHDO, and we had applied under CHDO, and we said, Well, you have monies left over. And then the staff responded, Well, you did not apply for CHDO.

And so I said, Well, maybe I made a mistake,
and I immediately -- I called Ms. Stiner and she got in touch with Ms. Sidera, like I said, within 48 hours, and they called me back and said, Gilson, you did check that you were applying under CHDO, and we -- then was told the next move was that we cannot do anything until 72 hours after the board award, and we would have to go through this letter of notification. Being a small organization, we did file the proper paperwork.

And the funny thing about this is that the Attorney General's Office, because you said, Well, this has got to go to the Attorney General's Office -- is that they ruled in our favor, and we never did hear from you all. To comply with what the attorney general said you should have provided this applicant the information. We got the letter from the attorney general, plus we read it in the Texas Register. It said they concurred with St. John Colony's appeal.

So if we can get the courtesy of -- that you all were right. We didn't get you the information.

We met with staff concerning our -- Ms. Stiner says you need to sit down and work with staff. We met with them and they just sat there and shook their head. It's a good application to start with, but all the money's gone.

Then we come on around -- we said, Okay. We
have to wait until next year, being humble people. We received a letter and telephone -- and were we still ongoing with our project, and would we be interested in receiving funding under the award? We said yes. Letter indicating it was going to the Board with a recommendation another award. We were included on there. Look on your website. We'll list it. Hey. This is for real.

Then something happened it wasn't considered. It came up again and then all of a sudden it was just dropped, because the next thing we noticed on the website is that you had rescinded that, and so therefore nothing we can do, so we had to wait until the next go-round.

Then last week I received my agenda through email, which I appreciate, and I looked. I said, What's this? Well, being the legislative session I can't get my key staffers to identify this, so you have to go through the networking system and say, Hey. What's going on on this item here? Are they giving away some HOME monies? How can they give away HOME monies when they just said that they were rescinding? I don't understand this.

And then we find out there was an appeal that was made on that vast HOME award where a mistake was made, and now they are correcting that mistake. I said, Well, the same thing happened to us, and so when I come to you if you -- as much money as we can get out into the
communities -- I'm not against this item. I'm for this item -- as many awards as you can make let's make them.

But while you're making them the same thing happened to St. John Colony. Don't make us have to come back in June to ask for [indiscernible]. We appealed in a timely manner and now we're still appealing since we see that you are addressing those appeals.

Thank you.

MR. JONES: Ms. Stiner, would you like to bring us up to date on this situation?

MS. STINER: Thank you, Mr. Chair. I'm not sure I have all the facts but I do recall that St. John's Colony applied in the last round and we assigned staff to work with them. The best of my recollection is, sir -- and we can go back and research this, and I know Mr. Westbrook and Mr. Didio [phonetic] and Ms. Morris have been talking, but the basis of appeal was that we were not aware that a CHDO agreement -- further at the application the applicant did not qualify in the CHDOs, so there's a big difference from what we're doing here today.

Again, I won't make a final statement saying there's no basis for the appeal, but the basis for the appeal -- the original appeal was that they were not funding under CHDO, but they were not eligible for CHDO funding. But I know that staff has talked with Mr.
Westbrook this morning and they're willing to go back and look at it, and certainly if there's a basis for coming back before this board on an appeal basis the same procedure we're following -- until an appeals process is in place we certainly can extend that to anyone who has a valid reason.

But my recollection -- again, that's been several months ago -- was that even though you applied for CHDO funding the applicant was not an eligible CHDO, so therefore that -- we could not move forward on that.

And that's it as an overall summary. If there are more specific details -- I see the staff sitting out there nodding in agreement, but we still extend to Mr. Westbrook an opportunity to come back in and make whatever appeal he feels that is warranted by St. John's Colony.

MR. WESTBROOK: Thank you.

MR. JONES: My concern would be -- and what I hope staff could provide us would be some perspective. And I thank Mr. Westbrook for his compliments of our department, and then also with regard to this information he has given us about perhaps that it didn't go real smoothly. I'd like to get staff's explanation -- and not right now. I understand that you need to check that out -- but your explanation on that, and then also if there's a solution to his problem if you could inform us.
of that too I'd appreciate it.

    MS. STINER: We'll be happy to.

    MR. JONES: Thank you so much.

The next witness affirmation form I have is from Mr. Barry Palmer. Mr. Palmer.

    MR. PALMER: Mr. Chairman, we have three speakers on the same item, and we would ask if it would be possible to speak when the item comes up on the agenda.

    MR. JONES: That would be fine. Which item is that?

    MR. PALMER: That's the Roseland Gardens tax credit consideration.

    MR. JONES: And that would apply to Ms. Lott and Mr. Lott. Is that correct?

    MR. PALMER: Yes.

    MR. JONES: Thank you.

Those are the only witness affirmation forms that I have. Would anybody else like to speak to the Board?

(No response.)

    MR. JONES: Would anybody else like to speak to the Board?

(No response.)

    MR. JONES: Would anybody else like to speak to the Board?
MR. JONES: With that, I will close public comment then subject to those three individuals that would like to speak on Item Number 4(b).

The next matter we need to take up is Item Number 1 on the agenda I believe, which is presentation, discussion, and possible approval of the minutes of the board meeting of March 27, 2001, including ratification and affirmation of actions taken.

And I would like to make first as a chair a comment and a proposed amendment to the minutes in this regard. I would like to clarify a matter reflected on page 7 of the minutes of the March 27, 2001, board meeting.

During consideration of Agenda Item 3(d) a motion was made, seconded, and passed to adjourn the meeting. I believe there was a misstatement there and it should have been recess the meeting, and that's what we all understood.

A short recess followed, during which time none of the board members left the dais. Within less than five minutes it was determined among the board members that the board meeting need not be adjourned, and the meeting was called back to order to resume the business of the meeting. Again, it was treated as a recess.
General counsel has advised that under these circumstances it is not necessary to post again any of the actions taken by the Board after the brief recess, but that for the record the Board should ratify and reaffirm that all actions taken by the Board post what was called an adjournment and what was instead a recess were and are effective when taken on March 27, 2001.

And I would make that as a revision to the minutes.

MR. DAROSS: So moved.

MR. BREWER: Second.

MR. JONES: We have a motion that the minutes be approved as revised pursuant to my statement. Any further discussion?

(No response.)

MR. JONES: All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: All abstentions.

(No response.)

MR. JONES: The motion carries.

We will then turn to item number 2 on the agenda, and Ms. Stiner, would you go through the
programmatic items for us?

MS. STINER: Yes, sir. Thank you, Mr. Chair.

MR. JONES: Thank you.

MS. STINER: Item 2(a) is approval of HUD income limits for year 2001.

As the Board may recall, each year the Board is asked to approve those limits as provided by HUD.

Sara Newsom, manager of our -- will you come forward and make the presentation, please?

MS. NEWSOM: I'm Sara Newsom.

MR. JONES: Excuse me.

MS. BINGHAM: Just one question before you start.

MS. NEWSOM: Yes.

MS. BINGHAM: The approval of the income limits -- we're talking about the income limits for all programs or are we talking about multifamily? Which ones?

MS. NEWSOM: We're speaking for the bond eligible tenant loans.

MS. BINGHAM: Is that in the multifamily bonds?

MS. NEWSOM: Yes, ma'am.

MS. BINGHAM: Are those 501(c)(3)s or all of them?

MS. NEWSOM: All of them.

MS. BINGHAM: All the multifamily bonds issued?
MS. NEWSOM: Correct.
MS. BINGHAM: Okay.
MS. NEWSOM: Correct.
MS. BINGHAM: Because I thought we were bound by the others for the --
MS. NEWSOM: Correct.
MS. BINGHAM: Okay.
MS. NEWSOM: I'm Sara Newsom, housing compliance manager in the compliance division.

Each year the first board meeting after the HUD income limits are issued we come before the Board to request approval of the eligibility limits for the tax-exempt multifamily bond properties. They are found behind tab 2 of your books. This year using the same methodology as we have in the past the limits will be -- and this is overall for 100 percent occupancy in our tax-exempt bond properties -- if it's a single household the upper limit will be 70,840. For more than one household member in a household that limit will be 90,160.

And there's also in the second column the reexamination or the recert limit.

MR. BREWER: Is that an increase over last year?

MS. NEWSOM: Yes. That is an increase over last year. Just according to the median family income,
just that normal progressive increase.

MR. BREWER: Okay. Thank you.

MS. BINGHAM: What did we do about those bond projects -- developments and have we tied the -- for example, if we've already done the bond transactions that the developers acquired, could you or can -- adjust their rents for the tenants to fit this new procedure unless we set out something else in the covenant that --

MS. NEWSOM: Under the new priorities for the bonds the rents will be limited to 50 or 60 percent calculation of the rents --

MS. BINGHAM: Okay.

MS. NEWSOM: -- which will fluctuate with median income.

MS. BINGHAM: Okay.

MS. NEWSOM: These -- the newer bonds that we've been doing in the last several years -- the eligibility limit automatically adjusts --

MS. BINGHAM: Right.

MS. NEWSOM: -- so this limit does not affect all the bond properties.

MS. BINGHAM: I think that's where the confusion is. I know a couple of years ago we had a Dallas development, and we spent a couple of months trying to figure out how would we adjust -- what commission would
we give the developers.

Where is the multifamily bond finance person? Maybe they can help clarify what the intent here is.

I'm trying to find out -- I know we discussed it the last year, but I'm trying to determine how -- we know going forward, unless we decide to do some specific targeting, that these are the rules that apply, but for those that are already out there -- I don't think they should be confused -- see this on the internet and think they can go to the 90- if we've already done some other restrictions or set some special conditions in the covenant.

And for example, if there's new legislation saying we can only do deals targeted at a special population how would that affect this -- what's being recommended here today? Obviously it may override it, but I'm particularly concerned about those deals that are already in place where we have special targeting in exchange for restructuring and that sort of thing.

MR. ONION: The multifamily bond transactions that were done previously are subject to whatever land use restrictions were put in place at that time. Those that have eligibility requirements that don't fluctuate would remain the same.

MS. BINGHAM: So these are just for those that
fluctuate and not the special targeting that we have done as a --

MR. ONION: Correct.

MS. BINGHAM: Thank you.

MR. BREWER: Sara, is this just a typo on this? It says Proposed incomes. Now the recommendation's for 2001, but up above it says 2000.

MS. NEWSOM: That is a typo. I'm sorry. Yes.

MR. BREWER: Okay. Thank you.

MR. BOGAN: Can I ask you a question? Would you explain to me, are you saying on these bonds -- this particular issue that the tenant can't make more than $70,000 and they would qualify for this particular apartment complex?

MS. NEWSOM: Yes. What these limits will do is anyone that is applying for occupancy at any of these bond issuance that we have done in the state of Texas their income must be under 70- or under $90,000.

MR. CONINE: We're saying that's the median?

MS. NEWSOM: No. That's the cap.

MR. CONINE: That's the cap.

MS. NEWSOM: That's the overall cap for occupancy.

MR. BOGAN: So if I made $70,000 a year I could get a subsidized apartment? Is that what you're
saying?

MS. NEWSOM: That's not exactly correct.

MR. BOGANY: Okay.

MS. NEWSOM: That means that you can move on to one of the bond properties. You would not be one of the low income unit set asides.

MR. BOGANY: Okay.

MS. NEWSOM: There's an overall cap on the bond properties plus a low income set aside.

MR. BOGANY: So the 70,000 is just if I wanted to rent one of those units and pay regular market rent or what have you --

MS. NEWSOM: Correct.

MR. BOGANY: -- I would be able to do that?

MS. NEWSOM: Correct.

MR. BOGANY: But to get subsidies I'd have to meet certain other guidelines?

MS. NEWSOM: Yes.

MR. BOGANY: Thank you.

MR. CONINE: Move for approval, Mr. Chairman.

MR. BREWER: Second.

MR. JONES: We have a motion for approval and a second. Is there 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 to the motion, please say nay.

(No response.)

MR. JONES: The motion carries.

MS. STINER: Mr. Chair, Sara's still there and we'll ask her to make the presentation. It's a LURA amendments of our HOME Program. We have two that we're presenting today.

MS. NEWSOM: Yes. Those can be found behind Tab 2(b).

The first one is Commonwealth Apartments. To summarize the issue this particular property has tax credits as well as HOME funding. The HOME funding amounted to about a 7 percent amount in the -- versus a total amount of funding for the property. However, all of the units are 100 percent or 70 of the units, all of them were restricted as HOME units, meaning that all 70 of the units had a tax credit rent limit plus a HOME rent limit.

What has happened is that the HOME rents, fair market rents, are much less than the tax credit rents, so the property is not as financially feasible as it needs to be to take care of expenses, et cetera.

They have come to us and asked for a reduction
in the number of HOME units from 70 to 14. This property is remember still 100 percent restricted under the tax credit rents.

MS. BINGHAM: Is this one of the developments where we had the assistance with the HOME funds in order to make these rules --

MS. NEWSOM: Yes.

MS. BINGHAM: Did we inadvertently put the HOME restrictions on all 70 units as opposed to putting it in line with the amount of HOME subsidy?

MS. NEWSOM: Correct.

MS. BINGHAM: So in some instances we are amending our error?

MS. NEWSOM: Yes. This was one of the very first HOME tax credit properties, so we've learned a lot --

MS. BINGHAM: The reason I raised that question, I just wanted to make it clear that this would -- if it was our error then we need to correct our error as opposed to having a lawsuit by someone saying that the department didn't do it here in order to -- before we change the LURA agreement.

MR. JONES: I also note that the recommendation just says that the owners request that this does -- both of these requests come with staff approval, and staff
requests that we also make these changes. Correct, Ms. Stiner?

MS. BINGHAM: But I wanted to clarify why we're making them --

MR. JONES: I understand.

MS. BINGHAM: -- because this was one of our first HOME/tax credit deals and we didn't give a developer tax credits and HOME money and then give him opportunity to change all the agreements that were in place, but that it was never intended that way. So that's all -- I'm trying to get that on the record.

MR. JONES: And I appreciate that. I think our staff agrees with that interpretation.

MS. NEWSOM: Yes.

MR. CONINE: It was -- let me frame the question a little differently -- it was originally underwritten by our staff to have the 56-14 as opposed to all 70?

MS. NEWSOM: The original underwriting -- and I think I'm speaking correctly -- was underwritten with all 70 units restricted under the HOME rents. However, I think it was also with the impression that the HOME and tax credit rents would be the same, and in reality they're not.

MR. CONINE: Where is the project? What town
is it?

MS. NEWSOM: I can't remember.

MR. CONINE: I see Sycamore Street.

MS. NEWSOM: Nacogdoches.

MR. CONINE: Nacogdoches?

MS. NEWSOM: I think so.

MR. JONES: It's a beautiful city, by the way.

MS. SAENZ: So what happens if we do not change this? Does this man go bankrupt?

MS. NEWSOM: What would happen if we do not amend the LURA is that we would have to enforce the lower HOME Rents which could cause some financial hardships on the property.

MR. CONINE: What kind of rent deferential are we talking, either on a per unit basis or a gross annual income basis? Give me a little better idea.

MS. NEWSOM: I'm sorry. I can't, and I'm not sure Tom can tell us that either. I can get you that information.

MS. STINER: I was going to say -- excuse me, Mr. Chair. May I?

MR. JONES: Sure.

MS. STINER: I think the staff can pull some tax credit rents and HOME rents. We can get it to you.

MS. NEWSOM: We can get those very quickly.
Unfortunately, I'm just not that prepared.

MR. CONINE: I'm just trying to get an idea of your definition of financial hardship as opposed to still having a stock, if you will, of HOME rental units in certain areas of our state.

MS. NEWSOM: Perhaps this would make you feel a little bit more comfortable. Underwriting staff has been involved in this process for quite some time, and in this --

MS. BINGHAM: Mr. Chairman, could we go to another item while they pull the information?

MR. JONES: Sure. I'd be delighted to.

Could you pull that information for us and --

MS. NEWSOM: You bet.

MR. JONES: Thank you.

There's someone standing. Yes, ma'am?

MS. BLAKE: Am I allowed to speak?

MR. JONES: It depends.

MS. BLAKE: I'm representing the owner.

MR. JONES: Okay.

MS. BINGHAM: Oh. You know the difference between your rents.

MR. JONES: You sure do.

MS. BLAKE: I do.

MR. JONES: If you could come up and identify
yourself we'd be happy to hear from you.

What town are you in?

MS. BLAKE: Bryan-College Station.

MR. JONES: So we're not even in the right town.

MS. BLAKE: No, but the complex is in Nacogdoches. I don't live in Nacogdoches. I'm Paula Blake and I'm representing Emanuel Gloxson [phonetic] and at the time the rents -- was this two years ago this started? This started about two years ago. The rents vary from the one to the three bedroom anywhere from $80 to $110 per unit, so it will be a big financial burden.

MR. JONES: Does anybody have any further questions of Ms. Blake?

MR. CONINE: I'd still like to see --

MR. JONES: I understand.

MS. BINGHAM: That's why I think we need to -- could the staff pull the underwriting report on this? If we could move to another -- let the staff pull the underwriting reports and other information.

MR. JONES: We'll certainly do that, Ms. Bingham.

Ms. Blake, if you would please fill out a witness affirmation form and return it. And just for your knowledge we're going to be coming back to this item so
you may want to stick around. There might be further
questions. Thank you.

And if you would if you could respond to the
board members' request we will bring it out --

MS. NEWSOM: Okay.

MR. JONES: Okay?

Let's move then to 2(c). Ms. Stiner.

MS. STINER: We have another part of 2(b).

MR. JONES: Okay.

MS. NEWSOM: The second portion of 2(b) is an
amendment to the deed restriction on Pecan Place
Apartments, which is a HOME and, again, tax credit project
in Denton. Summarized is that this property -- and you
can -- there is a copy of the plat -- was a rehab for a
multistory property and the tax credit deed restriction
just encumbered the tax credit portion, the building
itself, but the HOME LURA encumbered the legal for the
whole plat, the whole entire parcel.

And the housing authority would like to have a
release on the back portion of that parcel so that they
could continue with development. And it's my
understanding they don't have any concrete plans at this
point, but do anticipate putting some sort of affordable
housing.

MS. BINGHAM: I move for approval, Mr. Chair.
MR. JONES: We have a motion.

MR. BREWER: I second it.

MR. JONES: We have a motion made and seconded.

Further discussion of the issue?

(No response.)

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

(No response.)

MR. JONES: I assume we are. 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: The motion carries.

I believe that would move us to Item 2(c), Ms. Stiner.

MS. STINER: Thank you, Mr. Chair.

I ask staff to come forward and make a recommendation on elderly projects. Mr. Burrell or Mr. Hoffpauir. Mr. Hoffpauir, Keith Hoffpauir, manager of the Housing Trust Fund, will you come forward and make the presentation, please?

MR. HOFFPAUIR: Good morning, Mr. Chairman, board members, Ms. Stiner.

MR. JONES: Good morning.

MS. STINER: Good morning, Keith.
MR. HOFFPAUIR: My name is Keith Hoffpauir. I'm the manager for the Housing Trust Fund program, TDHCA, and just briefly this morning I'd like to introduce to the Board our senior planner. This is Stacy Higgins. We were fortunate enough to get her away from the City of San Marcos, and she's been with us since January. She's doing an outstanding job in the program and had a lot to do with getting these recommendations worked up for presentation this morning.

Let me give you a little background on the program, and then we'll get into the organizations recommended for funding.

This program was created as a result of the passage in 1999 of House Bill 3340. The purpose behind the bill was to expand long-term housing options for low, very low, and extremely low income elderly persons.

TDHCA formed a work group that began meeting in November of 1999 to address the goals outlined in the bill, and that work group consisted of the following organizations: Texas Department on Aging, the Texas Association of Homes and Services for the Aging, Department of Human Services, Health and Human Services Commission, Representative Naishtat's office, the developer of affordable housing for the elderly, and the Avenida [phonetic] Guadalupe Association, and TDHCA.
After several months of research and review and given the limited resources available for implementing the bill the decision was made by the work group that the most effective way to address the goals of the bill was to grant funding to agencies for the provision of services to the elderly.

The work group's findings were that those elderly persons that had access to outside assistance and services were more likely to remain in their residences and living independently, and that was one of the goals of the bill that we extend the period of independent living for the elderly as long as we are able to. This would relieve some of the stress on already strained assisted living facilities.

There was a NOFA published in August of 2000, and there were six Respondents to that NOFA -- or to that RFP. We have reviewed the trust fund program. This was transferred to the Trust Fund program in November and we have reviewed these proposals and we developed program outline criteria, our [indiscernible] criteria and scope of proposals.

We have three recommendations for you this morning. Each of these applicants will receive an amount of $50,000 per year for a period of two years. That gives each organization kind of a continuum of time to offer
these services so we can see what the results would be at the end of that period.

The first applicant being recommended for funding is the Area Agency on Aging of Central Texas, in Belton, Texas, and they will be providing services such as meals, nutrition counseling, transportation, companionship counseling, health services, financial services, and protective services. They anticipate serving 88 elderly persons through the process of this program.

The second recommendation is for South Place Community Action in Levelland, Texas. They also will be providing community care, health services, companion services, nutritional assistance, transportation, and some employment. They also would be serving a large number of elderly, 208 persons.

The third organization recommended is the Temple Housing Authority in Temple, Texas. They will be offering services such as emergency response system, health maintenance, homemaker services, respite care, transportation, home modification, and personal care assistance, including meals, and they anticipate servicing 202 people within their community.

At this time I'll answer any questions of board members.

MS. BINGHAM: I have several. You indicated
that these are two-year contracts?

   MR. HOFFPAUIR: Yes.

   MS. BINGHAM: $50,000 for two years. That doesn't go far.

   Ms. Stiner, why were you so cheap on the amount of money. $150,000 doesn't seem a lot [indiscernible] RFP, and that was my first question. And my second question was I notice the Area Agency and -- well, there will be another one in Region 7. I was surprised that -- this is what they specialize in. Was there some reason they didn't score higher, that they had other money, or what? It's not a big deal but I was wondering just out of curiosity.

   MR. HOFFPAUIR: With regard to the Area Agency on Aging?

   MS. BINGHAM: I know there were two of them and both of them scored -- well. I'm sorry. The top score of Area Agency on Aging of Belton -- okay. That answers my question. I know they specialize in this so I was wondering why they didn't score higher.

   MR. HOFFPAUIR: Okay.

   MS. STINER: I'll take a stab, Mr. Chair, with your permission to respond to the level of funding.

   MR. JONES: Thank you.

   MS. STINER: Ms. Bingham pointed out we ended
up last session with a number of unfunded mandates that we have to go and find funds for, so working with several of the organizations it was determined that since we had had a level of funding to respond to the housing need, a lot of the other departments had the money for programs, so the one need that we identified was for the need to fund coordinators, persons who would be responsible for making sure these programs were operating according to how they should operate.

So that's what our funds went for, but the other organizations are contributing the operating funds for the programs.

MR. JONES: You do realize, don't you, that I will drive back to Tyler, Texas, tonight, and I will face those people.

Other questions or comments?

(No response.)

MS. BINGHAM: I make a move for approval.

MR. JONES: There's a motion for approval.

MR. DAROSS: Second.

MR. JONES: It's been seconded. Thank you.

Further discussion?

(No response.)

MR. JONES: Hearing none, I assume we're ready to vote. All in favor, say aye.
A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: Motion carries.

MR. BREWER: Mr. Chairman, I'd just like to make one point in regards in this. HUD's got a similar program but they put something like 1.5 million into it for social services coordinators, and it's a grant based on what you submit for a three-year period so those that perhaps didn't get involved -- but HUD's is primarily going to individual communities and to the public housing authorities for use with the elderly in 202 housing, especially so there's other avenues plus the program here.

And my only question would be will we ever anticipate other than just going to agencies like the Agency on Aging to look at this to expand it to individual communities versus just going and adding another person basically is what it's going to do in the various agencies, because I'll tell you -- and the reason I say that is I was fortunate enough to get one through HUD for one of my HUD facilities, and they're worth their weight in gold, and they really do provide the services, coordinate, and we will keep people -- the elderly in place longer because of having these services.

So I think it's an excellent program. I would
only ask that if there is an opportunity where communities
can come to you as well as agencies that might be
something to consider.

    Thank you.

    MS. STINER: Mr. Chair, we certainly can look
into that. This was a mandate to do it in coordination
with these agencies, but that doesn't preclude the
department from taking a look at implementing this as a
permanent activity within the department. It's a great
recommendation. We'll look into it.

    MR. JONES: Thank you.

    I believe that then takes us to 2(d). Ms.
Stiner.

    MS. STINER: Thank you, Mr. Chair.

    This board voted on a deobligation policy some
several months ago, and this is our first opportunity to
make a recommendation under that policy. I'm going to ask
Pam Morris, who is the director of housing finance
programs, to come forward. While she's coming I'd just
like to note that there is a committee within the
department who's looked at this issue and meet on a
regular basis in developing procedures for the program.

    So, Pam, will you make a presentation and just
give the Board some background on how we came to make this
recommendation?
MS. MORRIS: Yes, ma'am.

I'm Pam Morris, the director of housing finance
programs. Good morning.

MR. JONES: Good morning.

MS. MORRIS: I wanted to just give you a little
history of what had transpired with regard to this
particular appeal.

When we went out for notification on our mini-
cycle we had an applicant that was going to be awarded
potentially out of the mini-cycle, bring to our attention
after some open records requests that they had found an
error during the 2000 funding cycle. We took the
opportunity to obviously look into the issue and find out
if an error had occurred.

We did find out that there had been an
oversight on the part of the HOME staff during the 2000
awards with regard to the owner occupied rehabilitation
activity and also the special needs category.

The City of Gilmer had applied under the
special needs set-aside. They had noted on their
application very clearly that they were going to be
serving 100 percent special needs. The staff overlooked
that erroneously and put them in the regular owner
occupied, non-special needs category.

Therefore, it bumped City of Jefferson out of
the non-special needs, owner occupied category, being that Gilmer received the award and they were the highest scoring applicant. If we had properly set aside Gilmer's application in the special needs category they would have received the award, because they were the top scoring applicant in the special needs category for owner occupied.

And also City of Jefferson would have received an award only for the amount of 200,000, even though they had asked for 500,000, because they were the next highest ranking score applicant after Gilmer would have been taken out and they would have only received 200- because that's what was left in the balance at the region.

So in looking at all that it was very clear that it was our fault that the error occurred, and we felt that since it had been brought to our attention that it was appropriate to make it right, and that's why we certainly support the appeal process that we're trying to define so that these things can be brought to our attention timely after an oversight has occurred and we can correct it.

So what I'm basically recommending is that we go forward and award City of Gilmer an additional 300,000 because they had already received 200,000, and we also will have to amend -- or we're recommending that we amend
their HOME contract to show that it is 100 percent special needs required, as the first contract did not indicate that being that we did not catch the error.

Then the second recommendation is that we also award City of Jefferson 200,000, which was all that was available in the region during the cycle for owner occupied rehabilitation. Both of these -- this amendment and this new award would also receive up to the 4 percent in admin dollars that I failed to put in my writeup. I apologize, but that will coincide with that.

MS. BINGHAM: I have two questions. Where are these -- are these both in Region 4?

MS. MORRIS: Both in Region 4.

MS. BINGHAM: What part of the state is that?

MS. MORRIS: It's northeast. I don't know if I could tell you exactly what it's next to, but I know --

MS. BINGHAM: Had these -- had both of these received funding, both of them in Region 4, how would they have stacked up if we were trying to allocate money across the region?

MS. MORRIS: Based on the new 2001 cycle or the --

MS. BINGHAM: Based on the regional allocation theory. If both of these had been funded at the level that they requested how would they have stacked up if we
had gone across the region, all the Texas regions?

MS. MORRIS: Well, I don't recall off the top
of my head what the percentage is --

MS. BINGHAM: I don't need to know -- I notice
that both of these are in Region 4, and is there anything
else in Region 4 -- did not receive anything -- how would
it have stacked up had they got everything they -- I'm
just thinking of the regional -- I'm in support of this.
I'm just thinking about the regional allocation theory.
How would they have stacked up if -- both of these are in
Region 4.

MS. MORRIS: Yes.

MS. BINGHAM: If Region 4 had gotten this
allocation what else would have been knocked out and how
would we have looked in terms of spreading the money
throughout the different regions of the state?

MS. MORRIS: Well, I'll try to answer that
question. When I look at Region 4 for owner occupied
assistance based on the 2000 round --

MS. BINGHAM: I'm talking about the total
allocation. Not for the owner occupied or rental or
whatever, but when we do -- when we look at them they have
a million dollars. We're making all the awards at one
time, and normally we'll try to get so much -- we try to
at least not leave out -- we go toward not leaving out a
region of the state.

MS. MORRIS: Right.

MS. BINGHAM: I'm just saying -- it's probably not material right now. I thought maybe you knew the answer, but if you don't it's okay, but I'm just saying how would we have looked had these gotten the amounts that you are now requesting what regions probably would have gone without any money?

MS. STINER: Mr. Chair?

MR. JONES: Yes, ma'am.

MS. STINER: I can't answer either, but I'd like to offer -- we have looked at the regional allocation, and it is going to be an impact on the way we have allocated funds since we're talking particularly about HOME right now. In the HOME program we were doing equitable distribution across all the eleven regions regardless of what variables were there.

But for instance we divided up the money and gave Region 1 through 11 the same amount of money in terms of allocating the HOME dollars. With our new regional allocation formula there are a lot of variables that are going to come into play, including population, poverty ratings, and other variables, so we will see some adjustments relative to how many awards we're able to make in a region based on those new variables and that new
formula.

But given what we did in 2000 we don't have those numbers right now, but there will be an impact.

MR. JONES: And Region 4 is a beautiful area of the state.

MS. BINGHAM: I'm trying to figure out where it is.

MR. DAROSS: There's too much water, though.

MS. MORRIS: Furthermore, the City of Gilmer we had funded in special needs. That is not going to be part of the regional formula, the special needs category, so that will be based on highest-ranking score, particularly non-PJ being the priority. So it will be subject to the regional --

MS. BINGHAM: Thank you, ma'am.

MR. JONES: Anything else?

(No response.)

MR. JONES: Do we have a motion?

MR. DAROSS: So moved.

MR. JONES: We have a motion. Do we have a second?

MS. SAENZ: Second.

MR. JONES: We have a motion and a second.

Further discussion concerning 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 ayes have it. The motion carries.

That will bring us to item 3 on the agenda, which is the presentation, discussion, and possible approval of the report from the Finance Committee.

Ms. Stiner, I'll let you handle that also if you don't mind.

MS. STINER: No, sir. Thank you very much.

The Finance Committee met this morning and considered the following items. Item 3(a) was approval of a multifamily mortgage revenue bond from Bluffview Senior Apartments in Denton, Texas. The committee recommended approval to the full board for consideration. I think that was Resolution 01-12, and the committee would offer to the Board for its consideration approval of that particular item.

MS. BINGHAM: I so move.

MR. BREWER: I second.

MR. JONES: We have a motion that's been made
and seconded. Further discussion concerning the motion to approve Resolution 01-12?

(No response.)

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

(No response.)

MR. JONES: All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: Motion carries.

Item 3(b).

MS. STINER: Yes, sir. Mr. Chair, the committee also considered presentations made by the staff for issuance of a multifamily mortgage revenue bond for Knollwood Villas Apartments in Denton, Texas, and also wanted to recommend for the Board's consideration approval of this particular item as well, Resolution 01-13.

MS. BINGHAM: I move for approval.

MR. JONES: We have a motion that Resolution 01-13 be approved. Is there a second?

MR. DAROSS: Second.

MR. JONES: Motion was seconded by Mr. Daross.

Further discussion of the motion?

(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:  Motion carries.

Item 3(c), Ms. Stiner.

MS. STINER:  Mr. Chair, the CFO Mr. William --

Bill Dally made a presentation this morning on the second
quarter investment report.  It was considered by the
committee.  There was no action taken on it but depending
on the pleasure of the Board Mr. Dally can come forward
and make the presentation again.

The only thing we didn't ask him to do was to
present the inverse relationship of the bond market in our
investments to the stock market.  I don't know if you have
time for that presentation.

MR. JONES:  I would request that Mr. Dally
report to the Board as he did to the committee.

MR. DALLY:  Good morning, Mr. Chairman, board
members, particularly new board members, and Ms. Stiner.

I want to maybe lengthen my discussion just for
the benefit of the new board members on this Public Funds
Investment Act.  As a state agency we are under that
particular act, and that requires that a quarterly investment report be done.

The layout I just described as you'll see under 3(c) -- essentially on that left-hand column we see all our various bond indentures and then the related investments to it. Let me give you a big overview.

Our portfolio is entirely fixed income. The 65 percent of it are the mortgage-backed securities. These are the assets that are the result of our bond issuance.

The other significant investment are the GICs and investment agreements. When we go out with our bond issues we'll put those bond proceeds in a temporary guaranteed investment contract. Excuse me. I said GICs but guaranteed investment contract investment agreement, and then as lenders and servicers bring those loans they'll be pulled into certificates and become Fannie Mae or Ginnie Mae certificates, and then those are what's shown and reflected here in our portfolio.

In general the size of the portfolio is about $1.1 billion, which is roughly the equivalent of our outstanding bonds. Overall the portfolio did not grow significantly this year. It will grow from quarter to quarter depending on if we have any bond issuance; in other words if we have new proceeds.

We are required under GASB 34 to report the
fair market value. I will point out to you that just as a matter of course we make below market loans, and so the comparison of our portfolio is always against the market rates, and so if you look at the -- about midway through you'll see that our fair market value and the carrying value of the portfolio -- there is about an $8 million difference -- we're under water about that much.

However, the other thing that shows from quarter to quarter is the change in market value. You'll note that that went up about $17 million. That's the result of just market as a whole as the interest rates have dropped, and particularly loan rates, which were about 7 percent at the end of that quarter, the overall portfolio value will rise.

There's not really as much particular interest in the value of that per the market value as it is important that originally when the bonds were issued and the mortgage rate set that the cash flows that were balanced so that the debt service would always be paid on those bonds. So there will be times when interest rates begin to rise again that you're going to see some negatives in the fair market value.

However, we're not going out to sell these securities. We're going to hold those for the most part until maturity, because that's what [indiscernible] bonds.
The other significant thing is we purchased or had about $18 million in mortgage-backed securities for this last quarter. It shows our activities as far as making loans.

Are there -- oh. One other thing I want to add for the new members. You will be required -- I know you've seen some things about training. One of the other issues is there's a videotape that you'll need to watch which will outline the Public Funds Investment Act and your duties with regard to that, and I'll need you to watch that and then I'll need -- for the purposes of the auditors I'll need you to sign that you did watch it.

The second thing that will happen is each year I will bring to the Board an investment policy on what we invest in. Are there any other questions?

MR. JONES: Anything else?

MS. STINER: No, sir. No action is required.

MR. JONES: Thank you. We appreciate your time.

MR. DALLY: Thank you.

MR. JONES: I think that brings us to Item 4. Ms. Bingham, would you like to present that?

MS. BINGHAM: Sure. Mr. Chairman, there's a separate book for the tax credit determination notices.

The first one -- for the sake of the new board
members when a developer receives a 4 percent allocation of bonds they are also entitled to a 4 percent -- they receive an allocation of the bonds [indiscernible] for the Bluffview and Knollwood they are also entitled to 4 percent tax credits should they make application, and it's duly underwritten by the department.

So the items on the agenda are what they call 4 percent tax credit, and the department has to approve the determination notices for those tax credits.

Mr. Njie, you are going to help with this presentation. The first one is for the tax credit for the Bluffview, which we have already done the bonds on a few minutes ago. The first one is Bluffview.

MR. NJIE: For the record, my name is Cherno Njie, manager of the tax credit program. The first project we have to present is Bluffview in Denton, Texas.

We are recommending an annual allocation amount of $728,563. This is an elderly property comprised of 250 units. The property needs to be rezoned. That is one of the five conditions that we released it for the developer to comply with, and there are other as well.

There are no noncompliance issues. That's one of the things we check for, to see that there are no material noncompliance outstanding, and the project is also consistent with the local consolidated plan for the
City of Denton. And the numbers pencil out. The issuer of the bonds is the Department of Housing and Community Affairs.

And with that I present that. We recommend that the Board act on that recommendation.

MR. BREWER: Mr. Chair, I recommend approval subject to the conditions that are outlined by staff.

MR. DAROSS: Second.

MR. JONES: The motion's been made and seconded. 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, nay.

(No response.)

MR. JONES: The motion carries.

MS. BINGHAM: The next one is Knollwood Village by the same developer.

MR. NJIE: That is correct.

MS. BINGHAM: We also voted on the bonds for that one a few minutes ago, and now if the tax credit allocation --

MR. NJIE: That is project number 01-408 in Denton. This is a family property. Total number of units
264. Staff is recommending an annual allocation of
932,246. The project is subject to rezoning. Again,
there are no material noncompliance issues, and we move --
we recommend that the Board approve this project.

   MR. DAROSS: I move we approve this project.

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

   MR. CONINE: Second.

   MS. SAENZ: Second.

   MR. JONES: The motion has been 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, please say aye.

   (A chorus of ayes.)

   MR. JONES: All opposed, nay.

   (No response.)

   MR. JONES: Motion carries.

   MS. BINGHAM: The next one is Stonebridge
Apartments in Austin, issued by Travis County Housing
Finance, Austin, Texas.

   Mr. Njie, do you want to --

   MR. NJIE: That is project number 01-422 in
Austin. It's a family property, 280 units, all of which
are low income. The issuer of the bonds is the Housing
Finance Corporation. An annual allocation of 943,425 is being recommended. There are no material noncompliance issues. The project is consistent with local need.

We have three conditions enumerated as conditions for the award of the tax credits, and we ask that the Board act on this recommendation.

MS. BINGHAM: Just for a point of information I would say to the board members the reason you have a number of conditions on these is that once they get their -- pulled out by the lottery and they get their reservation numbers or dates they have 120 days to close the transaction, and you can't get any extensions on that. Governor Perry can't give you an extension on that, so it's a drop-dead date, and in many instances we don't see the need to stop a deal.

For example, if the gentleman doesn't -- he's working -- the other project we're talking about the gentleman doesn't get the loan it's not going to close anyway, so there's no harm, no foul, so we normally allow them to move forward as long as we understand the conditions.

MR. BREWER: Cherno, I have a question. For the tax exempt then the cap on the units is 280, but for just the low income housing tax credits it's 250?

MR. NJIE: The cap is 280 for the 4 percent tax
credits [indiscernible] bond projects.

MR. BREWER: Okay.

MR. NJIE: Not just the low income component but the entire project.

MR. BREWER: Okay.

MR. NJIE: For the regular 9 percent tax credits the cap is 250 again on the entire project, not just the low income component.

MR. BREWER: Okay. Thank you.

MS. SAENZ: I move that we accept staff recommendation for project number 01-422.

MR. DAROSS: Second.

MR. JONES: The motion's been made and seconded. 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: Motion carries.

MS. BINGHAM: The next one is Montgomery Trace Apartments in Conroe, Texas.

Mr. Njie, I did review this but because of my expensive dual office holding responsibilities I didn't
get a chance to call you to -- what is Lend Lease Mortgage Corporation?

    MR. NJIE: Lend Lease is a syndicate and is an issuer -- is an investor in this property.

    MS. BINGHAM: Who is issuing the bonds though?

    MR. NJIE: The bond is Montgomery County Housing Finance Corporation.

    MS. BINGHAM: Okay. That's an error --

    MR. NJIE: That's correct.

    MS. BINGHAM: -- on your sheet here. So it is the Montgomery County housing finance agency?

    MR. NJIE: That's correct.

    MS. BINGHAM: Okay.

    For the sake of the new board members, the developers have a choice on who -- the Texas Department of Housing and Community Affairs can be an issuer or any local or county housing finance agency can be an issuer. Some people choose to get theirs from the local. Some choose to come to the state. I don't want to talk out of school but I know the fees are an issue.

    For example, in the state of Texas your fees are lower. Application fees are lower, but the other fees -- or I am told are not as competitive. They're certainly not as competitive as Houston Housing Finance in terms of the compliance fees and other fees that you pay
that the agency is receiving, but there are a number of reasons people may go to -- may come to the state or may go to their local housing finance agency.

But that's Montgomery County. Thank you.

MR. NJIE: This is project number 1420 in Conroe, Texas. We are recommending an annual allocation of 682,327. The project is comprised of 208 units, all of them for families, and there are no material noncompliance issues. The recommendation is subject to four conditions that we outline in the report.

MR. JONES: The chair would entertain a motion.

MR. DAROSS: I move we approve project number 01420, Montgomery Trace Apartments.

MR. CONINE: Second.

MR. JONES: The motion's been made and seconded. 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: Motion carries.

MS. BINGHAM: The next one is Southgate Village, which is in College Station.
MR. NJIE: That is correct. Project number 01405, Southgate Village in College Station.

This --

MS. BINGHAM: And before you start your presentation, again, I didn't -- I talked to you this morning about this but on page 3 of your presentation there was some dispute -- I guess it wasn't dispute because you worked it out. Did you talk to the developer -- the nonprofit developer about why they would submit that acquisition cost overstated.

I know you correctly reduced it, but I think it lends to the credibility of people when they give you erroneous information. But did you talk to them about that --

MR. NJIE: I did not talk to them personally. I think Tom in Underwriting maybe --

This is part of a five property portfolio that was purchase by the nonprofit entity, and one of the projects, Parkside Village, had additional costs that were not included in the information that was sent.

Tom, do you want to elaborate?

MR. GOURIS: Tom Gouris, director of credit underwriting.

We did discuss this issue with the applicant, and it was -- in the timing of things, trying to get all
the information in they were trying to account for all of
their holding costs for the project, which we do allow
[indiscernible] holding costs because [inaudible] and I
think the majority of the discrepancy was how they
accounted for those holding costs. And once we reconciled
those two I think we came to pretty close agreement on
what that should be.

MS. BINGHAM: How much did you reduce the
total?

MR. GOURIS: On the --

MS. BINGHAM: No. On the acquisition.

MR. GOURIS: We --

MR. NJIE: It's about 292,000.

MS. BINGHAM: That's $292,000. Did you all
agree that would be the reduction?

MR. GOURIS: Did they agree with it?

MS. BINGHAM: Yes.

MR. GOURIS: I think they still had some
concerns if they could show some evidence for additional
information but because of time constraints, they were
willing to accept this as I understand it.

MS. BINGHAM: So they were able to provide you
the documentation that you would agree with on the
292,000 --

MR. GOURIS: Because of the short time frame,
so --

MS. BINGHAM: Thank you. Two hundred here and two hundred there --

MR. NJIE: Considering for -- I think we mainly just did the adjustment in the acquisition cost leading to a reduction of 292,000 from what the applicant was claiming, and the property also has about 159 Section 8 contracts, and we are recommending it subject to three conditions outlined in the report.

Again, no issues of material noncompliance. The project is consistent with local consolidated plan.

MR. DAROSS: I move we approve project number 01405, Southgate Village Apartments.

MR. BREWER: I second.

MR. JONES: The motion -- there's been a second, I believe, by Mr. Brewer. Further discussion, comments?

(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, say nay.

(No response.)

MR. JONES: The motion carries.

Without any objection the chair would suggest
that we take a five-minute recess.

(Whereupon, a short recess was taken.)

MR. JONES: After our recess, we are now on Item 4(b), and I believe we have three speakers that would like to speak on that item, the first one being Mr. Barry Palmer. Is that correct?

MR. PALMER: Yes.

MR. JONES: Thank you, sir.

MR. PALMER: Thank you, Mr. Chairman. My name is Barry Palmer. I'm with the law firm of Coats, Rose [phonetic], and we represent the Dallas Housing Authority, the sponsor of the Roseland Gardens project, which is the next item on your agenda.

This is a senior facility, a new construction senior facility that went into the bond lottery in October and received an allocation and, pursuant to the department's rules, filed its application for tax credits in December, based on the best estimates we had at that time of what the project would cost.

The Dallas Housing Authority being a public agency is required to publicly bid its construction contracts, and we went through that process getting ready for the closing. We received our bids in March about the same time that we received an allocation from the department at your last month's meeting of tax credits on
the project.

Our bids came in substantially higher than we had expected, and it's created a gap on our funding. This is a project that has to close by May 2. We are ready to close. However, we need to address this gap in funding. We have requested from our tax credit investor that they buy the additional credits that the project would qualify for based on the amount of basis that we create. They are willing to do that. They are not willing to close however unless we get the higher allocation such that our sources and uses will balance.

We have a couple of speakers from the Dallas Housing Authority here today to talk to you about the project to address both the importance of this project to the Dallas community as well as the circumstances why the project -- the construction cost is somewhat higher than the department's guidelines.

Thank you.

MR. JONES: Would the next speaker be Ms. Lott?

Thank you.

MS. LOTT: Good afternoon. Ann Lott. I am the president and CEO for the Dallas Housing Authority.

Roseland Homes was originally constructed in 1942 next to an area called Freedmans Town, and it was called Freedmans Town because it was an area that emancipated slaves had settled after the Civil War. 611
units were built in 1942, and it was DHA's first
development that was used to house black families, so for
that it has historical significance.

Roseland Homes is located --

MR. JONES: Excuse me. Was there a recent
article in the Dallas Morning News about this?

MS. LOTT: I am sure there was a recent
article. There's a lot of articles in the newspaper.

(General laughter.)

MS. LOTT: Roseland Homes is located in the
inner city, and over the years the area has experienced
some economic decline. It is now experiencing a
resurgence and a gentrification.

In 1998 DHA applied and received Hope 6 funding
in the amount of $34.9 million to revitalize this site.
We're using the Hope 6 funds and we're leveraging the
funds with tax credits and other sources of income to
demolish all 611 units and replace them with 698 units.
The development is occurring in eight phases, and the
funds received from this particular allocation will be
used to develop the fourth phase of the development, which
is Roseland Gardens.

Roseland Gardens will be a 101-unit facility, a
high-rise for senior citizens 62 years of age and over.
The seniors that will live in the site currently live at
the Roseland Home site, and some have lived there for as long as 40 years. The seniors will earn substantially less than 30 percent of the area median income, and most of them receive a fixed income of Social Security or SSI.

DHA will provide rental assistance to the seniors using Section 8 project-based assistance. We have already signed a AHAP [phonetic] with HUD for the next ten years, and we're requesting the TDHCA to consider increasing the amount of tax credits from the $276,000 awarded to $386,000 that's needed for construction. We're making this appeal because without the tax credits that will run more consistent with the construction costs it's very likely the project will lose its bond financing.

Next we're going to have another staff person, Mr. Lott, speak with you regarding some of the construction costs.

MR. JONES: Thank you.

MR. LOTT: And usually at this point it's my duty to say we are not related.

But personally, I get to explain why my original number was off, and part of it is typically Davis Bacon wage requirements that housing authorities are under. I didn't put that into my original estimate because I didn't think we were going to have to comply with that. Unfortunately we do because of the HAP
contract associated with the Section 8 units, so we did have to comply with the Davis Bacon. That typically cost us about 10 to 15 percent over a normal developer.

Then when you look at the building as a whole and designing this building, every unit in the building is handicapped adaptable rather quickly. All the kitchens have five-foot turning radius. All the bathrooms have five-foot turning radius for wheelchairs. Wheelchairs can move in and out of the complex. The corridors -- common corridors are wide enough that two wheelchairs can pass simultaneously throughout the corridors and still have hand space that they don't collide.

Also the amenity levels for the seniors in the areas -- library rooms, nurse's station that will be manned by volunteer nurses from Baylor Hospital, which is right down the street from this project, maintenance areas, the resident council office, exercise areas, and so forth. All the doors in every one of the units are all three-foot doors instead of the normal. Even the closet doors are three feet wide.

MS. BINGHAM: Why don't you just tell us you had to comply with HUD rules and we'll understand?

MR. BREWER: Yes. We'll understand that.

MR. LOTT: Thank you, Ms. Bingham.

MS. BINGHAM: Mr. Conine is going to be on that
committee. He's going to straighten all that out, isn't he?

Mr. Njie, do you have anything to say after all that?

MR. NJIE: Well, I'm here to basically wrap up the presentation.

This one was recommended last month and we're coming back based on the additional information received to recommend an allocation amount of 399,375 in lieu of the 276,650 that was recommended and approved by the Board at the last meeting, so what we will do is issue a new determination notice to allow them to close the project.

MR. DAROSS: I move we approve project number 01401 for the increased amount.

MS. SAENZ: I second that.

MR. JONES: A motion's been made and seconded. Further discussion, questions, comments?

(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, say nay.

(No response.)

MR. JONES: The motion carries.

MR. CONINE: You might ask Mr. Lott to call the
Morning News on some positive news here, make sure that gets in.

MR. JONES: All right. Our next item on the agenda is Item 5, which is the Audit Committee report by Mr. C. Kent Conine.

MR. CONINE: Thank you, Mr. Chairman.

If Mr. Gaines -- why don't you come up just in case the board members have any questions.

We did -- the Audit Committee did meet this morning. In your packet there's probably one action item that we need to review with the Board. That would be the adjustment to the audit schedule for this year.

Mr. Gaines, would you mind just briefly going over that with the Board, please?

MR. GAINES: I'm David Gaines, director of internal audit, and that's behind tab 2 of your book. Have you found that?

There are several changes in the plan. First about halfway down the page I'm suggesting adding an audit on single-family lien procedures. The purpose of this audit is to assess whether the department's programs have adequate procedures in place to ensure that lien restrictions on single-family properties are properly filed to protect the department's interest.

This project -- certain directors have shown an
interest in this project in the past as well as members of
the audit committee during our last annual planning
process.

The other proposed changes I'm making are
dropping areas from the audit plan, and there are several
reasons for dropping this project, and I'll discuss those
in a moment. But a big consideration -- a big reason for
dropping these projects is we just don't have the time
available.

We've not had the time originally planned under
the original audit plan due to a staff vacancy longer than
we originally expected, two months longer than we'd
originally expected, and once we filled that position we
granted some maternity leave comprised of about ten weeks.
That's still in progress right now.

We've also spent more time than we originally
anticipated working with the external auditors including
Sunset and attending oversight committees at the
legislature during this session as well as going over
budget on a recent audit that we recently performed that I
believe was beyond our control.

The audits I'm proposing to drop are an
internet security audit, and this -- when we originally
planned this I was planning on some -- a certain
individual coming on staff with us that had the technical
Expertise to conduct this audit, and that fell through the
Thursday before the Monday he was to come on staff, so we
were real disappointed with that.

But considering that, I don't believe we have
the technical expertise in house to conduct that audit and
so I'm delaying that, at this time recommending dropping
it from the audit plan, which basically means delaying --

MS. BINGHAM: The state doesn't have a general
contract for those sort of activities?

MR. GAINES: I'm sorry, Ms. Bingham.

MS. BINGHAM: The state offices -- doesn't that
have a general procurement process for those kind of
actions? But you've got an internal audit plan, but the
state doesn't have a plan? I know we're working with the
state in conjunction with Peat Marwick on some email
internet programs and compliance issues, so I'm just
saying, you can't get that on some other -- under a
general government procurement process through the state
purchasing office or something?

MR. GAINES: There's a couple of things that
have recently come into play on that. I believe the last
legislature created a quality control review for
information services procurements in any instances where
you're having a procurement in a million dollars or more,
and that's comprised of representatives from the state
auditor's office and LBB, so they've reviewed the
implementation of new systems.

Talking with the information services director
I believe recently a DIR conducted a global review to see
where they thought particular concerns might be, where
they need to direct their attention, and the department
came through that satisfactory.

MS. BINGHAM: Okay. And I know a lot of
agencies are small, and I don't know how they even bear
the cost of it, so there should be some opportunities for
combining these general activities as opposed to everybody
trying -- it's a waste of money everybody trying to do
their own thing with the internet.

MR. GAINES: And I'm certainly in agreement
with you on that.

The next audit I'm proposing to drop is the
Section 8 audit. HUD has requested in their most recent
audit review that we conduct a program-specific audit by
an independent CPA of the Section 8 program to ensure
compliance with financial and management matters of the
program.

The chief financial officer is currently in the
process of working with the external auditors to get that
project moving forward.

I'm also wanting to drop this review of
quarterly performance measurement reports, and this isn't so much an audit. This has been a service that we've provided in the past for management. The reviews have been pretty cursory in nature, reviewing primarily for clarity, conciseness, reasonableness of management's recommendations, and while we'll continue to be glad to perform those services at the request of management they've become so routine I don't feel we're adding any significant value at this point by continuing to do those.

And then the last one I'm requesting we drop is the payroll audit, and the purpose for that goes back to my original comments that we just are out a year and the time is short, and I don't believe we can work that in during the current audit period.

MR. JONES: I really hate to see you do that.


MR. JONES: I guess impossible is impossible, but I --

MR. BREWER: Yes, but they can do it right after the fiscal year, can't you?

MR. GAINES: It may be in that or we'll put that at the top of the list for 2001 beginning September 1, that audit period. It may be nothing more than that.

Generally what I would do, like I was saying on the internet security audit, I'm not indefinitely dropping
it. I'm just putting it back into our inventory of possible audits and in the summer we conduct a risk assessment of the department and try to identify where we should be applying our limited resources, and so of course these would go back into the pool. And to the extent management or the Board have a particular interest that certainly moves it up the list out of that inventory.

MR. CONINE: I would suggest, Mr. Chairman, that being a legislative year and having a bunch of other audit issues that were floating around we probably bit off more than we could chew. Not that we're not going to do them ever, it's just between now and August it taxes our resources too much to get all these things done.

So in light of that the committee recommended -- or we wanted to recommend to the Board that we make the adjustments to the audit plan as shown, and I so move.

MR. BREWER: I second.

MR. JONES: We have a motion that's been made and seconded. Any further comments or discussion?

MS. STINER: Mr. Chairman, may I?

MR. JONES: Certainly.

MS. STINER: And this is a question I failed to ask the internal auditor when we were talking about this.

What parameters of the audit -- the IA, meaning
your internal audit was looking for that was different from the payroll audit that was just completed on our internal and external report? What's the difference? What will you be looking for beyond that?

MR. GAINES: That's a real good question, Ms. Stiner, and that came up during our original audit plan, doing the comptroller audit, doing a payroll audit, and based on my discussions with the financial officer here at the department that audit primarily was -- it was more of a disbursement-oriented audit or a claims audit, and to the extent payroll items fell in their samples that were tested, and so this would be more of a focus with specifically those objectives.

MS. STINER: Thank you.

MR. JONES: Any further comments or questions, and my encouragement -- you hate it when someone tells you it's impossible to do it, question it, and I'm not at all, but I'm just saying you could raise the priority on that as time goes by.

Okay. Are we ready to vote on the motion? Do I hear any further discussion, comments, questions?

(No response.)

MR. JONES: Hearing none, everybody in favor of the motion, please say aye.

(A chorus of ayes.)
MR. JONES: Everybody opposed, nay.

(No response.)

MR. JONES: The motion carries.

MR. CONINE: We also received report items from our outside auditor for the fiscal year ending August 31, 2000. There are no material items. Everything looks good to them and I wanted to report that to the Board.

We also in addition received an internal audit report on our software license and selected software management controls. Again, for informational purposes for the Board there are some concerns in that area relative to meeting some of the statutory requirements that we've got to the LBB and others that I think since the time that particular audit period ended and today's date have been a lot of progress made on them.

And so we have some target dates in that particular audit that will occur sometime over the next several months and I have been assured that some of the management controls that were recommended on those target dates will be hit and we'll be reporting back to this board subject to those dates and make sure those particular things happen.

And I guess that was -- am I forgetting anything?

MR. GAINES: We did discuss prior audit issues
and --

MR. CONINE: Yes. The prior audit issues.

MR. GAINES: If I can I'll just give that high-level summary --

MR. CONINE: Yes. Rattle off those numbers. They'd like to hear that. Please do.

MR. GAINES: -- efforts management's put in recently.

Of the 53 outstanding items that we've been tracking on the system recently management's most current status update has indicated that 37 of those have been implemented, so that comes to right at 70 percent. Eleven are still in the process of implementation, one is partially implemented, and action has been delayed on three. No action is intended on one of these issues.

I've looked at the reasons for the explanations on no action intended on one. I'm in agreement. Circumstances have changed.

Action that has been delayed on three, two of those are pending responses from HUD outside our control. And based on discussions during the Audit Committee meeting we thought we would follow up on those in much greater detail at the next Audit Committee meeting.

MR. CONINE: That is good news. Management's been working on it as most of you know, and to get it
whittled down from 53 to 16 I think's the magic number now. We'll take a hard look at those the next time we meet and bring back a report to the Board on progress being made at that time.

MR. GAINES: Yes, sir.

MR. CONINE: I think that concludes the report of the Audit Committee at this time.

MR. JONES: I have one comment back to the software licenses, selected software management controls, and I know this was discussed at your committee meeting, but I think it raises an issue that I'd like to raise policywise with staff, and that is this is again an instance where we look at legislation and we're trying to get ourselves in compliance with it, and I know that you and I have testified a few times where we have been beaten up pretty good on issues like that.

And I think that as I look at the legislation that may well come out of this session we're really going to have a task going forward. If we think it's been hard going forward for staff, it's going to be, I think, extremely complicated and an extremely huge task, and I think that -- I would encourage staff to look at it and to say, Okay. How are we going to get a handle on all of these statutes prospectively? Not as a result of some audit that's being done of how we failed in the past, but
prospectively, how are we going to get a handle on these statutes and how are we going to make sure we comply prospectively?

And I would just encourage you to look at that as we go into it, because I think it's going to be a huge issue after this session. Or not to predict legislation, it could be a huge issue after this session. That's just my comment for whatever it's worth.

MR. GAINES: Yes, sir.

MS. STINER: Thank you, Mr. Chair. That's a very good comment, and staff is busily -- as we hear bills every day come out we're tracking them and putting together work plans on how we're going to address them, so I think our approach and strategy to being ready September 1 is a good one.

We started tracking the Sunset recommendations before they were even rolled into a bill, so we are well along in that regard. But the other ancillary bills that we will have out of session -- we have a weekly meeting of a group here in the department that's tracking that and is putting into place strategies for making sure we're prepared.

Is this a good opportunity for me to get on record saying that we are also asking for more resources to make sure we are able to carry out all of these
mandates? But that aside, if we don't even -- if those
resources are not forthcoming, we do have a plan, a
strategy, and a group that's been instituted to make sure
that come September 1 or whenever the effective date of
the bills -- and some of them we do understand will be
effective before September 1 -- the department is ready to
move forward and make sure we're in compliance as much as
we can be on those.

MS. BINGHAM: How many related bills are out
there?

MS. STINER: Good -- it depends on how many was
introduced. I'm being facetious. Michael Lyttle, who is
our -- he's going to make a report and he'll respond to
that.

Michael Lyttle is going to make the
presentation on legislative update and he'll respond to
the number of housing-related deals that was introduced
this session.

MR. JONES: That concludes our report from the
Audit Committee?

MR. GAINES: Thank you, board members.

MR. JONES: I appreciate it.

I would like to turn the Board's attention back
to item 2(b), the Commonwealth Apartments, and are we
prepared to discuss those issues that we discussed
earlier?

MS. NEWSOM: Yes, we are.

MR. JONES: Thank you so much.

MS. NEWSOM: The difference between the HOME rents and the tax credit rents -- and I'll give you an example using the two-bedroom limit -- the high HOME and low HOME in this county are the same. When HOME rents -- you make a determination between which is lower, fair market rents or low or high HOME rents? Well, in this case fair market is the lowest rent, so fair market rent in the two-bedroom case, $454, is the same regardless of whether the unit is a high HOME rent or a low HOME unit.

The tax credit rent limit at the 60 percent level is $552, so the amount of money that we're talking about on an annual basis for this property is about a hundred dollars a month per unit for 56 units, so it's a considerable amount of cash flow.

I do want to make the point when he applied for HOME funds he did apply for 100 percent of the units to be HOME units, and that was when we looked back at the HOME application what he asked for, but I'm not sure that he understood the difference in the HOME and tax credit rents.

MS. STINER: Not a lot of people do.

MR. CONINE: I'm going to complicate this
further. Is the debt service coverage over and above roughly $7,000 above the debt service -- excuse me. The net operating income, is it over and above the $7,000 of the debt service?

MS. NEWSOM: Tom did a financial underwriting on this deal in November of 99. The debt coverage ratio using the maximum HOME rent -- maximum tax credit rents was 1.1, and he used 33 HOME units, restricting 33 HOME units instead of 14. And I can't answer your question exactly, but --

MR. CONINE: I'm looking for more current information than what Tom did when it was originally underwritten.

MS. NEWSOM: No. This was not the original. It was originally underwritten in '95-'96.

MR. CONINE: So this is the most recent information?

MS. NEWSOM: This is the most recent.

MR. CONINE: And did you tell me what the debt service was annually? Maybe I'll ask this one question of Tom.

MS. NEWSOM: 111,000.

MR. CONINE: Thank you. Now what's the net operating income of the property currently?

MS. NEWSOM: Can I give that to you as of
November 2000?

MR. CONINE: Sure. That would be perfect.

Prior to debt service.

MS. NEWSOM: Prior to debt service expenses or net operating income?

MR. CONINE: Net operating income.

MS. NEWSOM: (Perusing documents.) 191. I'm sorry. I gave you the -- I think the debt is 158 instead of 111. I'm looking at the wrong column.

MS. BINGHAM: Can't Tom answer these questions?

MS. STINER: Tom, can you come and review your --

MR. GOURIS: As I recall in '99 I don't believe we had a full year of stabilized operations, and so I don't know that that is a real fair gauge, but it appeared that if we had a full year of operations we would have had effective gross income of $335,000. We have had total operating expenses of $144,000, which would have left us with net operating income of $191,000.

The debt service -- I believe the debt service on the property is around 112- on the first lien and about 24- on the second lien.

MR. CONINE: Let me stop you right here. It appears to me we're being asked to make a decision without --
MR. GOURIS: Current data.

MR. CONINE: -- full current data only on maybe what was supposed to have happened when it was applied for.

MR. GOURIS: Correct.

MR. CONINE: And I have a problem with that because we're all interested in preserving affordable housing stock in a most efficient manner, and I want to be proven that this particular applicant is under a financial hardship before I release 56 units to a lower rent level than -- or to a higher rental level than what was even -- forget about what was originally intended. What we underwrote and what we wrote and what's happening at the property today.

MR. GOURIS: Right.

MR. CONINE: So I need more information, Mr. Chairman, before I can effectively make a decision, and I move to table this particular item right now.

MR. JONES: We have a motion that this item be tabled. Is there a second?

MR. CONINE: Until the next meeting.

MR. DAROSS: Second.

MR. JONES: A motion's been made and seconded. Further discussion on the motion to table?

(No response.)
MR. JONES: Hearing none, are we ready to vote?
(No response.)

MR. JONES: All in favor of the motion to table, say aye.
(A chorus of ayes.)

MR. JONES: All opposed, nay.
(No response.)

MR. JONES: The motion carries.

At this point I would turn the Board's attention to item 6 on the agenda, the appointment of board members to committees on the Board. We have two new board members here with us, and if everybody would take the time, send me a little note and let me know what committee you're interested in or give me a call? I will be looking at that before our next board meeting and try to fill the vacancies that we have in light of the adjustments that have been made to the Board.

MR. CONINE: Does that include getting off some committees?

MR. JONES: Oh, yes, but you've got to be real nice to get off anything, and, Conine, you're not that nice.

(General laughter.)

MR. CONINE: Just thought I'd ask.

MR. JONES: All right.
Report items, Ms. Stiner.

MS. STINER: Thank you, Mr. Chair. I'll ask Michael Lyttle to come forward and make a presentation on our legislative issues.

MR. LYTTLE: Good afternoon, Mr. Chair, members of the Board, Ms. Stiner. My name is Michael Lyttle. I'm director of communications and government relations for the agency. Welcome to the new board members.

Mr. Jones, you were talking about great parts of the state. Mr. Gonzalez is from Del Rio, which is my wife's hometown. I've spent a lot of time there, so my vote is for the Del Rio area as being a beautiful part of the state.

Well, first of all, Ms. Bingham, to answer your question we have a tracking list for legislation for this session. Right now we have approximately 300 pieces of legislation that we're tracking. Strictly housing-related bills is somewhere in the neighborhood of 50 to 60. The rest of them are general government-type bills and other bills that relate to the government of the agency, but it's quite an extensive list.

This has been a highly dramatic week thus far in the legislature and most interesting week with regards to our agency.

MR. JONES: Did you say dramatic or traumatic?
MR. LYTTLE: Both. I could say both.

First of all let me bring you up to date on what's going on. Earlier this week Senate Bill 322, which is our Sunset legislation in the Senate, was introduced by the author, Senator Eddie Lucio, Jr., on the Senate floor. During the discussion on those bill several members of the Senate expressed concern about the bill's length and scope.

After considerable discussion Senator Lucio --

MR. JONES: When you say several members could you tell us who?

MR. LYTTLE: Yes. Senator Armbrister and Senator Nelson both expressed concerns about a number of measures within the bill, and especially the fact that a number of bills were rolled into the main Sunset bill, and they felt they hadn't had time to properly review all of those issues.

So after considerable discussion Senator Lucio asked that the piece of legislation be recommitted back down to the Senate Intergovernmental Relations Committee. That motion was granted, so either next week either on Monday or Tuesday the Senate IGR Committee will review Senate Bill 322 and reopen public testimony.

The latest word on House Bill 3449, which is the Sunset legislation in the House, is that it will be
heard Wednesday on the floor of the House. That will be next Wednesday.

The plan, back to 322 for a minute, at least from what I'm hearing at the moment is that a stripped-down Sunset bill will be presented in the committee and the authors of the legislation that was rolled into the Sunset bill -- and there were a number of bills -- will introduce their bills as amendments in the committee next week. Therefore and consequently there will be public testimony on those amendments, and then theoretically a new bill will come out of Senate IGR and go back to the full Senate again.

Supposedly a committee substitute will be drafted after next week and reintroduced to the Senate.

Basically at this point in time there's a lot of uncertainty, to be totally honest with you, with regards to what's going to happen with Sunset. I can tell you that the agency, at least the staff, including myself -- we were shocked and surprised at what happened this week, because it was our understanding that everything was pretty much in full agreement on the Sunset bills. We have been working with the authors. We've been working with the advocates, and it was my understanding that everybody -- or mostly everybody had agreed to move forward with this.
So it was very interesting, and I think it will be -- continue to be interesting as we move along.

Other pieces of legislative news, Mr. Norberto Salinas, who was the third board nominee for this particular board, will be before the Senate Nominations Committee next week. His confirmation -- or vote on confirmation should take place shortly thereafter.

A couple of other things I wanted to mention to you in this update, House Bill 7, which creates the new Office of Rural and Community Affairs and also moves the Community Development Block Grant program from our agency to this new agency, has been voted favorably out of the House as substituted and is now on the Senate State Affairs Committee.

Senate Bill 1756 is the companion bill in the Senate to that bill, House Bill 7, and that bill is also being considered now in Senate State Affairs.

And finally, one thing I wanted to mention to you, this week in the legislature there's been allegations made that the agency management has lobbied on behalf of the agency to kill the Sunset bill or affect the outcome of that bill. I can tell you that we have been very careful in presenting information from this agency to members of the legislature. We've been very careful about the fine line that does exist between lobbying and
presenting public information as well as responding to legislative requests.

    I particularly have no knowledge whatsoever of any TDHCA employee or especially management person, quote, lobbying, and I wanted to reassure you of that fact. And for the record, I want to categorically deny these allegations and assure you that we have performed our duty with high integrity and with the best of intentions, and I just wanted to state that for the record.

    Personally I resent the allegations. I know that I've worked very closely with Ms. Stiner and with my staff and with other directors and management people in this department, and we've worked very hard to be honest and forthright in dealing with members of the legislature and the advocates to try to draft the best bill we can for this agency.

    MR. JONES: Michael -- and I'd also direct this to Ms. Stiner, and this question does not infer in any way any credibility to the allegations -- but I would like to know what are the specifics of them and who is making them, and by asking that I do not infer any credibility whatsoever to the allegations.

    MR. LYTTLE: Well, I can speak to that and say that Ms. Stiner and I have been given no specific mention yet. These allegations have been discussed very broadly,
mentioned very broadly, and there's been -- I've seen nothing specific mentioned about this whatsoever.

MS. BINGHAM: By which senators?

MR. LYTTLE: I'm sorry.

MS. BINGHAM: Which senators?

MR. LYTTLE: Yesterday in the Senate Finance and House Appropriations Joint Committee on our budget Senator Harris specifically addressed that issue. In fact --

MS. BINGHAM: Is that Chris Harris?

MR. LYTTLE: Yes, ma'am.

MS. BINGHAM: Thank you.

MR. JONES: Is that the only senator that's raised that issue?

MR. LYTTLE: That is the only member of the legislature I'm aware of that has publicly expressed that concern. I can also tell you that I have spoken directly to Senator Harris's staff, and that issue was brought up to me in communications previously, and I told staff that there was no truth whatsoever to what at that time this person said were rumors floating around --

MS. BINGHAM: Do we have some recent employees that are doing lobbying? Very recent employees that have just left the agency. Maybe they got them confused [indiscernible] in the last couple of months -- lobbying.
Do we have some of that going on?

MR. LYTTLE: I cannot answer that. I wouldn't know what to say.

MR. JONES: I would like to address our general counsel just for a minute on this issue.

As I understand lobbying, a lobbyist is someone who advocates positions in front of the legislature and is paid to do so. Correct?

MS. MARKS: That's basically correct.

MR. JONES: And obviously we don't have anybody that's paid to do anything like that.

MS. MARKS: There's a provision -- Betty Marks, general counsel -- there's a provision of the Government Code that specifically says that state employees may not lobby. In other words we may not use appropriated funds which you are paid with as a state employee and then attempt to influence legislation.

But as a department though it puts you in an unenviable position because you are always called upon as a -- or you are generally called upon as a resource witness to speak on the bill as an expert in terms of what the different programs are, and so you are available as a resource witness to answer any questions specific to the program.

So there is a fine line simply because when we
appear at the request of the legislature or legislative body, especially in oversight committee, there's -- I don't see how it can deemed to be lobbying, but --

MR. JONES: Well, I don't either. In fact, I think it's much more extensive than that. I think you would agree, because our staff is being put in the position not only of attending hearings and testifying, which they probably don't enjoy a whole lot, but they also are responding to requests for information concerning this legislation all the time, extensive requests that we need to be very timely about, as we all know, because we've been scolded for not being timely about it.

It would be impossible I believe not to -- probably when you're asked questions to give this information not be taking positions one way or the other on the legislation by the way you respond.

MS. MARKS: That's correct.

MR. JONES: So -- and again, I would have to think that that comes very much outside the scope of a lobbyist, because we're just doing our job, supplying the information -- or our staff is doing the job supplying the information and they certainly aren't being paid to lobby one side or the other.

MS. MARKS: Correct. And Ms. Stiner and I talked about the types and ways to eliminate, and one of
the ways we've done it is to ask Mr. Lyttle and ask all staff agencywide not -- and the director specifically do not respond directly. All of such requests for information whether it's from a legislative staff person or whether it's from a particular committee member of an oversight committee or even if it's from LBB or from the governor's office or from anyone else, we ask that they all go through Ms. Stiner and Mr. Lyttle to eliminate any problems with getting that answer or response.

MR. JONES: I would like to say this to staff. I think if there are ever any specific allegations I would like the Board to be -- and I mean the whole board. And again, I'm not giving any credibility --

MS. MARKS: Sure.

MR. JONES: -- whatsoever to them, but I just think it's something that the Board ought to be informed of.

MS. STINER: We certainly will if they get any more specific than that. Thank you.

MR. DAROSS: I have a question for Mr. Lyttle totally off the subject, but it came up in conversation. Mr. Cabello and I happened to be on the same plane coming in from El Paso last night. The legislature mandated that we undertake this contract for deed conversion program, and it set out specific benchmarks for us to reach in it,
but one of the requirements in that act was that we could only do a contract for deed conversion if the property we were involved with had water accessible to it.

That's the problem with these colonias. They don't have water. Is there anything in the legislature now that would affect that colonia and our mandate to do the contract for deed, whether it's to extend it or to say anything about water, and if not, is there anything we can do about that?

MR. LYTTLE: I'm not aware of anything that has been able to address that particular issue, which has been raised, Judge Daross. I can tell you though considering the fluidity of the Sunset bill -- and those measures are discussed in the Sunset bill -- I think it's something that we can still raise and see if we can address, even at this stage of the game.

MS. BINGHAM: But not lobby.

MR. LYTTLE: Correct.

MR. DAROSS: I'd venture a guess that probably 90 percent of the colonias in El Paso County don't have water.

MS. SAENZ: That's the reason why they're colonias.

MR. DAROSS: That's why they're colonias. So if we can't even talk to those people about purchasing the
contracts then we can't really help them out there. Maybe we need to do something in combination with the -- some other department. I know we've done some joint agency developments with other agencies to bring in --

MR. LYTTLE: I believe Mr. Cabello may have some information.

MS. STINER: Mr. Chair, if you'll indulge us, Homer Cabello is here. He's the director of our OCI and has been working on this particular initiative very extensively this session and can probably give you an update on anything that's out there in the legislation or any agreements that you may know about that would give us some relief on that particular initiative.

MR. CABELLO: As the judge and I were talking about yesterday -- and I think you want me to bring it up at a later point -- I was in El Paso with the HUD advancement team yesterday because Secretary Mel Martinez is very interested in the colonias and it's definitely on his radar screen, and that was one of the issues I brought up as we were touring the colonias in El Paso the last three days, that the majority of the funds that the agency has are federal funds, and we have very limited Housing Trust Fund dollars.

And I asked them if they will consider researching their housing quality standards or their
colonia housing standards to review the water issue in
order to allow us to go into these particular colonias
because there were several times they had asked me why are
we not helping these families as we were touring these
colonias in [indiscernible] and other big colonias in El
Paso, and I started to explain to them about the water
requirement that the HUD funds require.

And I had asked if that was statutory or
regulatory, and the deputy chief of staff for Mel
Martinez, which is one of the top five senior staff
members for Martinez, directed the other five HUD staff
members to research that and to give him an opinion so
they can take it under consideration. But we do have the
rider again on our appropriations as far as I know to do
another 400 contract for deed conversions at our next
biennium.

MS. BINGHAM: But not addressing the water
issue specifically, because they'll never meet the HUD --
what they call housing quality standards without the
water. They won't.

MR. CABELLO: I don't know if you want me to go
into more detail at this time about the --

MS. STINER: I think we'll let Mr. Lyttle
finish his legislative report.

MR. LYTTLE: Actually, unless anybody has any
other questions, I'm finished with the brief report.

  
  (No response.)

  MR. LYTTLE: Thank you.

  MS. STINER: Mr. Cabello, I didn't mean for you to leave. While we're on that subject it's a good segue into what I had hoped you could brief the Board on your trip with the HUD advance team in the colonias this week.

  MR. CABELLO: As I mentioned, I was in El Paso since Monday -- I got back yesterday with Judge Daross -- with the HUD advancement team: Phillip Munser, who's the deputy chief of staff for Secretary Martinez -- he's one of five senior staff members -- Eric Terrell, who's part of the White House staff and also part of the HUD staff. I'm not quite sure how that all works. I know that he was up in Canada with the president when the hemisphere people were up there meeting in Canada. He went from deep snow to desert, so he went from one extreme to another.

  Mario Ortiz from HUD from Washington was also there, and then they had two representatives from their Lubbock office.

  They were -- we met with various nonprofits, with about six or seven nonprofits to talk about the issues they face as practitioners in moving the dollars they get from this agency and other agencies and what are their concerns, and we had a roundtable discussion to talk
about the colonia issues.

We also toured colonias on Monday and yesterday, especially the ones that didn't have water and wastewater services, and they also walked into some of the homes and saw some of the outhouses and some of the cesspools that these people live on a daily basis. And one of the issues that I brought up with them was relocation. It's a very sensitive issue.

But I was telling them that we had done a report last year per the request of the Senate Border Affairs Committee, of which I gave them a copy -- was that I don't know -- we believe it's more cost effective to relocate these families because by the time you extend the water and wastewater, do the hookups, rehabilitate the homes, pave the streets, and drain -- the flood control, you're expending over $70,000 per household, and you could easily relocate them to another area, and that was a policy issue that they were going to go back and look into.

They made it very clear that there will be no new money coming from HUD in reference to the HUD appropriations to Congress, but it didn't take away from the fact that they'll look for additional funding within their current budget structure, and that was something that they were interested in.
We also had extensive discussion about FHA, about how they can play a role in addressing the border housing and colonia issues. They did give us plenty of compliments. They said that Texas, more particularly our agency, were head and shoulders above all the other states, and that they want to make an official --

MS. BINGHAM: Are they telling everybody that?

MR. CABELLO: There were some New Mexico people there.

MR. CONINE: It might have something to do with who's in the White House.

MR. CABELLO: They want to make an official -- they want the agency to be an official partner for HUD for the colonia issues. They're thinking about having some official announcement or whatever they do in June or July of this year.

Secretary Martinez will be going down to El Paso to tour the colonias. In my experience with the colonias El Paso has the worst colonias in the state in my opinion. And he will be touring the colonias in May of this year, next month. We're not quite sure what date. I believe that's when Ms. Stiner and Ms. Sidera will be joining the tour.

What else? They're also very interested in our self-help programs. They're very -- a lot of
administration work on our side, but they took very --
they toured the colonia self-help centers, and they're
also very interested in our Texas Bootstrap program which
came up through one of the colonia organizations, and they
took special interest in that, and they want to see how
they can help us and possibly get us more funds for that
type of a program.

One last thing, not to bad mouth one of our
fellow agencies. Governor Perry had talked to Phillip
Munser, the deputy chief of staff, and he touted the
secretary of state's office, and he was very disappointed
that the secretary of state's office didn't attend the
tours, but he was very impressed of our knowledge and
experience in the colonias. Other projects that the HUD
office put on the itinerary, we had a hand in it one way
or another, so it made our agency look good on that issue.

And that was about it. It was a three-day
tour, and we spent about 14 or 15 hours a day talking
about colonias, so my brain is --

MS. STINER: Thank you.

And, Mr. Chairman, if I may, not only did I
want Mr. Cabello to give you an overview of that tour, but
he mentioned that the secretary would be here next month,
and as soon as we get that date I'd like to, as much as
possible, coordinate that with any members of the Board
who may wish to accompany that group on tour. Just as long as we can get the logistics straight and give you plenty of advance warning I think it might be an opportunity.

I note the members of this board on many occasions have been down to the colonias, but if the secretary's here and you would like to it will be an opportunity for board members to also accompany the staff on that particular tour with the secretary.

Thank you.

MS. BINGHAM: And when they come to Houston we normally make them bring a check.

MR. JONES: We may need to put Ms. Bingham in charge of that aspect of it. I'll --

MS. STINER: If that's the resulted outcome.

MR. JONES: Yes. If that's the way she handles it.

When you say next month are you referring to May?

MS. STINER: Yes, sir. May.

MR. JONES: Do you have any idea what kind of timetable for the board members?

MS. STINER: No dates yet. I haven't --

MR. CABELO: They're thinking about the 18th, around the 18th, but they needed to get with the
secretary's schedule to see if that was a viable date. But it just came up in conversation.

MR. JONES: Okay. Thank you.

MS. STINER: Mr. Chair, I have several things listed on the report items. The neighborhood partnership program portfolio is here, and Ms. Morris, unless there's something outstanding we could note on that report, but if the Board may recall, that was a program that this department implemented several years ago. We no longer offer the interim construction line under that program, but we still have several of those -- had several of those developments in our portfolio, and we wanted to offer you a report on the status.

I think as we speak all those have closed out and terminated.

Ms. Morris, is there anything -- I just wanted to bring the Board up to date. Will you come forward and do a quick overview of where we are on that, please?

MS. MORRIS: Pam Morris once again.

I included in my report for Ms. Stiner what we had in essence taken back over from TSAHC, or Texas State Affordable Housing Corporation, when we split our administrative agreement with them, and it was a significant portion of the neighborhood partnerships. There still are a few isolated HOME contracts that were
originally part of it, but that's just a minor amount and they actually go through the full HOME process and close out and -- performance as any other HOME contract.

But there were a majority of them that Texas State Affordable Housing Corporation had basically run out of funds for, and we tried to honor those commitments at least for another year for down payment assistance, and then we also had development loans that we had booked originally at TDHCA that we still had on the books.

For the most part all of them that we took over out of the -- I believe there's about six total that we had, six or seven, the down payment assistance is all expired with the exception of a couple of them that had very little activity on down payment assistance. The development loans have matured and paid in full, with the exception of two, which is M&R Concepts [phonetic] still has a land loan in Tyler that is on the books, and we're trying to go through a workout on that particular one, and then Rites of Passage [phonetic], which was also a development loan in Walnut Creek Hills of Decker Lake here in Austin has a small balance as well, but otherwise they've all matured and paid in full and the down payment has been exhausted -- or expired.

MS. STINER: Thank you. And I'm sorry. I thought we had distributed the report to the board members
but we will get them copies.

MS. MORRIS: Yes.

MS. STINER: But that's an overview. We just want to bring you up to date on how those closed out in our portfolio.

MR. JONES: And if you would please note that with regard to that M&R Concepts deal I'm totally recused from that. I know this is a report. We don't have it as an agenda item, so I did not know it was going to come up.

MS. STINER: Okay.

MR. JONES: But please don't supply me with any of the information about that.

MS. STINER: Okay.

Thank you, Ms. Morris.

The other three issues should move very quickly. We want to provide you an update on the concentration issue for multifamily projects that the Board asked us to put together some public hearings.

David Burrell, will you come forward and share with the Board what that hearing schedule is?

MR. BURRELL: Good afternoon, Mr. Chairman, members of the Board, and Ms. Stiner.

Back at the last meeting the Board had a concentration policy presented by the staff, and at that time some of our members felt that we should obtain some
public comment, and so what we did was we went back and prepared a schedule of public hearings over the next several days. We have scheduled our first meeting for next Monday, April 30, in Dallas. It will be at 6:00 p.m. Then on May 1, which will be next Tuesday we have one scheduled in Austin here in the board room at 1:00 p.m.

On Wednesday, May 2, in McAllen we have one scheduled at 6:00 p.m., and on Wednesday, May 9 we have one scheduled in Houston, and it will be at 6:00 p.m. We will also be taking written comments from the public, and once we get all these comments in we will get them together, present them to you with our recommendations again.

MS. STINER: Mr. Burrell, that notice of the public hearings is in the Texas Register?

MR. BURRELL: It's in the Texas Register and we also have it on our website.

MS. STINER: Thank you, and we can of course if the members do not have access to the website, can we make a note and fax them out that hearing schedule, please?

MR. BURRELL: Yes. We'll make sure everyone has it.

Thank you all.

MS. STINER: Thank you, sir.

Mr. Byron Johnson will make the next two
presentations on the last two committee reports, so while
he's up here he can combine them and move fairly quickly.

MR. JOHNSON: I want to say good afternoon to
our highly valued existing board members and welcome to
our new board members. My name is Byron Johnson and I'm
your director of bond finance.

The next two items -- if you recall last month
we presented an item that was a very unique and innovative
method of raising some financing for single-family
mortgages. We requested that we be given the opportunity
to research and explore it further, and we did that and
decided that at this time we would like to wait and let
some legislative developments occur that pertains to the
ten-year rule.

So we're not exactly killing the initiative but
we're just postponing it and waiting to see what happens
at the federal level.

MS. STINER: May I just add a comment here, Mr.
Chair and board members? Our national association of --
NCSHA has put this at the top of its legislative list, and
I may just share with you that Governor Perry has agreed
to sign on in support of a repeal of the ten-year rule and
the 32-year rule, so in order for us to move forward on
this as Mr. Johnson has indicated we'd like to see what's
going to happen at the national level relative to the
repeal of both of those rules, then at that time we'd be in a better position and depending on what happens the legislation would be more favorable for this kind of transaction.

But Mr. Lyttle has been tracking that for us, and that letter should be moving shortly to the president from our governor supporting the appeal of those two rules.

Thank you.

MR. CONINE: Can I ask, is that going to be on the tax bill? It's not a standalone, surely.

MR. JOHNSON: I'm not certain.

MR. CONINE: Mike, do you know?

MR. LYTTLE: HR 951 -- that's the bill number on it.

MR. CONINE: Is it a standalone or is it part of the tax bill?

MR. LYTTLE: No. It's not part of the tax bill.

MS. STINER: It's a standalone --

MR. LYTTLE: It's a standalone bill.

MS. STINER: It's a standalone, but the way these things usually happen is that they get attached to the tax bill eventually.

MR. CONINE: HR 951 you said?
MR. LYTTLE: Yes, sir.

MR. CONINE: Thank you.

MR. JOHNSON: I'll be glad to entertain any other questions.

(No response.)

MR. JOHNSON: Okay. Moving on to the other item, as you recall we approved last month also to issue an RFP for investment banking services. I believe Delores has passed out to you a copy of that RFP with a copy of the proposed schedule attached. I just wanted to highlight some key dates for you.

We're submitting the notice to the Texas Marketplace tomorrow, April 27. We're posting the RFP on our website tomorrow, and we're going to mail the RFP out to investment banking firms. We've also received requests from firms and we will also be forwarding copies of the RFP out to them.

The responses from the investment banking firms will be due on May 18, and we will notify -- after we receive the RFPs staff will take a look at them and send out our recommendations to the Board. Then we'll wait for the Board's recommendations and compile that and notify firms thereafter of which firms have been selected for being interviewed. And then we'll interview the short list of candidates on June 19 and make a presentation to
the Board on June 20.

And if you have any questions regarding this process I'll be glad to answer them.

MS. BINGHAM: Is June 19 a holiday?

MS. STINER: Yes. It is a holiday in Texas. I think the state recognizes it as an optional holiday, and I'm not sure if our board meeting is scheduled for June 19.

MR. JOHNSON: Our board meeting is scheduled for June 20, and the idea is we would have the interviews the day before the board meeting.

MR. JONES: The board meeting is on that -- that's probably going to be an inconvenient date from what I've heard from our new board members, which would let us have to reschedule this board meeting.

That's going to be an inconvenient date I believe because it's the third Wednesday and we found out we couldn't do that, which led to the rescheduling of this board meeting.

MR. CONINE: Next month also.

MR. JONES: Yes. Next month we may have the same problem, but we're not prepared -- and I do want to thank the Bond Review Board. Both the executive director and myself talked with the Bond Review Board and they were very nice to us in light of the scheduling problems we had.
with our last board meeting where we really would not have had a quorum if we tried to go through with the originally scheduled date and they were very nice to us.

But they also informed us that we couldn't depend on their good graces on any other occasion, so that being the case I know that Ms. Stiner is going to check for me and make sure that we have our next board meeting ahead of the Bond Review Board meeting, because she believes we may have the same problem next month.

And I do also know we need to move away from those third Wednesdays due to some new board members' scheduling conflicts, so I'll be back in touch with everybody about board dates as soon as I could.

The other issue that has been raised also is the issue of the secretary's visit. We might schedule around that, so my thought is if you could get back with me on all that I'll be happy to get back with the Board as quick as I know something.

MS. STINER: Yes, sir. We'll be on top of that and back to you as soon as we can.

MR. CONINE: For the balance of the year?

MR. JONES: Yes. We're going to have to reschedule for the balance of the year.

MR. CONINE: Okay.

MR. JOHNSON: I'll make the changes to the
schedule and just state it that June and the date will be announced later.

MS. STINER: As per the dates that the chair and the Board decides on we'll adjust our RFP schedule.

MR. JOHNSON: That's all I have.

MS. STINER: Unless the Board has questions, Mr. Johnson, thank you.

And that concludes our reports for the Board, Mr. Chair.

MR. JONES: Any further questions for our executive director?

(No response.)

MR. JONES: Hearing none, I do not believe there is any reason for executive session. Accordingly, I think we've completed our agenda. The chairman would entertain a motion to adjourn.

MR. DAROSS: So moved

MR. CONINE: Second.

MR. JONES: All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: We're adjourned.

(Whereupon, at 1:30 p.m., the meeting was concluded.)
CERTIFICATE

MEETING OF:    TDHCA Board Meeting
LOCATION:      Austin, Texas
DATE:          April 26, 2001

I do hereby certify that the foregoing pages, numbers 1 through 110, 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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