TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FINANCE COMMITTEE MEETING

10:24 a.m.
Wednesday,
May 30, 2001

Waller Creek Office Building
Room 437
507 Sabine
Austin, Texas

COMMITTEE MEMBERS:
C. KENT CONINE, Chairman
MICHAEL JONES
VIDAL GONZALEZ

STAFF PRESENT:

DAISY STINER, Executive Director
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**REPORT ITEMS**

ADJOURN 35
MR. CONINE: Call the Finance Committee Meeting to order for the Texas Department of Housing and Community Affairs. It's now 10:24 on May 30, 2001. Call roll first. Kent Conine is here. Michael Jones?

MR. JONES: Here.

MR. CONINE: Vidal Gonzalez?

MR. GONZALEZ: Here.

MR. CONINE: All present and accounted for. Is there any public comment before the Finance Committee? If there is, we have witness affirmation forms up here. Any public comment for the Finance Committee?

Good morning, Ms. Stiner.

MS. STINER: Good morning. How are you?

MR. CONINE: Good. Okay. Seeing none, I'll close the public comment and move to Agenda Item Number 1, Presentation, Discussion and Possible Approval of Minutes of the Finance Committee of April 26, 2001.

MR. JONES: I move they be approved as presented.

MR. CONINE: There is a motion to approve. Is there a second?

MR. GONZALEZ: Second.

MR. CONINE: There is a second. All those in favor say aye.
(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Pass it. Okay. Second -- the
Presentation, Discussion and Possible Approval of a
Proposed Amendment to the Trust Indenture for the Summer
Bend at Los Colinas Apartments. Ms. Stiner?

MS. STINER: Thank you, Mr. Chairman. Robert
Onion is here, who is Director of Multifamily Finance.
For those of you who are new to the board, those of us who
have historical -- a history -- and I don't think I was
here for the beginning. What is this? The fourth or
fifth time we've done this?

But Robert is going to make the presentation.
But these developments oftentimes have amendments. So
he's here to make that presentation to you. You have your
write-up in your book.

And Mr. Onion, if you would please make the
presentation on behalf of the staff.

MR. ONION: What I'd like to do is introduce an
amendment to the write-up. The request is to remove the
cross default provisions with Summers Bend Apartment
Complex in Los Colinas.

The amendments, as I've highlighted them, and
on the second page -- in the original write-up, I had
indicated that the provision of changing the set-aside requirements from 20 percent at 80 percent of AMFI to 25 percent at 80 was in the third supplemental indenture. It was actually within the second supplemental indenture.

The provision to include or add 10 percent of the units set aside for people with special needs was in the third indenture.

One of the later developments that we had, in addition to the additional requirement of the 100,000 principal reduction as a condition of the removal of the cross default -- we also put in a provision where the qualified project period will be modified to include the longer of 2003, or as long as the bonds are outstanding.

This original tax exempt bond transaction -- some of the old bond transaction's qualified project period was limited to as little as ten years, even though the bonds were 30-year bonds.

And so in this particular case, it went to '95. It was later extended to 2003. But within the old bond documents, it did not call for the longer of the qualified project period, or as long as the bonds are outstanding. So this was an additional item that was negotiated as part of a condition of this approval.

If you all have any questions, I'll be happy to field any questions you might have.
MR. CONINE: Okay. Any questions from any of the committee members?

MR. JONES: Mr. Chairman, I move that we approve and send to the board the recommendation.

MR. CONINE: There's a motion on the floor to approve Item Number 2 on the agenda as presented. Is there a second?

MR. GONZALEZ: Second.

MR. CONINE: Any other discussion? All of those in favor say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Passes just fine. Thank you, Mr. Onion.

Item Number 3, Presentation and Discussion and Possible Approval for an Application to the Texas Bond Review Board for Reservation of Private Activity Bond Authority. Ms. Stiner?

MS. STINER: Thank you, Mr. Chair. Mr. Byron Johnson who is Director of our Bond Finance Division is coming forward to make the presentation. Now, this is in regard to our next single family bond issue, which is Program 57. Mr. Johnson, please?

MR. JOHNSON: Mr. Chairman and members, Daisy.
As you know, we are structuring our next bond program, and we use private activity cap. We have to submit an application to the Bond Review Board to release that cap so we can have authorization to issue the bonds.

And this is merely a resolution authorizing us to submit that application to the Bond Review Board.

MR. CONINE: Okay. Any questions from any committee members? I think -- well, go ahead. Let's get a motion on the floor right quick.

MR. GONZALEZ: I will move that we approve it.

MR. CONINE: Okay. There's a --

MR. JONES: I second.

MR. CONINE: -- motion and a second. And there's a resolution number we need to include in this. Resolution 01-16, if the maker of the motion would so agree.

MR. JOHNSON: Yes, sir.

MR. CONINE: Okay. Any other discussion on Item 3? Seeing none, all those in favor say aye.

(A chorus of ayes.)

MR. CONINE: All opposed? Got it done for you. Thank you very much.

MR. JOHNSON: Thank you.

MR. CONINE: Are you here -- going to stay around for one more, maybe?
MR. JOHNSON: One more, maybe.

MR. CONINE: Item 4 is the Presentation, Discussion and Possible Approval of Funding for Additional Down Payment Assistance for Program 55 and Program 55A and Other Related Matters. Ms. Stiner?

MS. STINER: Thank you. Since Mr. Johnson is there, he will continue making the presentation. I just may interject and you may be covering this, but I just want to bring to this committee's attention, and we'll bring it to the board's attention, too, that the former source of funding for the department for down payment and closing cost assistance has been our HOME Program.

But as all of you are aware, with the directives that we have received during this legislative session and this period of overview, our HOME Programs are now targeted to very specific populations. So the source -- a revenue source for our down payment closing cost assistance, we're going to have to try to find other fundings.

That has been really hard to come by. And I want to commend the department staff, Bond Finance as well as Housing Finance, our single-family director, Ms. Morris, and of course others in the department have been working very diligently to identify additional revenue sources. So Mr. Johnson, please make a presentation to
MR. JOHNSON: Thank you, ma'am. As Ms. Stiner said, we have been using what we can call our in-house Down Payment Assistance Program. We refer to it as DPAP, D-P-A-P.

That program was funded, I guess, initially used in HOME funds. And then we started using what other residual or surplus or uncommitted funds we could find to fund that program.

As you are aware, the department has limited financial resources, and those funds have dried up. So the department has -- and staff has started to try to find new ways of funding down payment assistance. And we'll -- you know, have started to try to use capital market techniques and pursuing processes.

What we determined as a result of the sale we did last year with the Ginnie Maes, we had an interest payment come in after those securities were sold. And we wanted to be sure that that payment was not going to be claimed by anyone and that those funds did indeed belong to the department.

We have confirmed that, and what we have done, and what we intend to do is to set up a subaccount within the mortgage fund account in the indenture, and fund down payment assistance through that account.
What that would do, as we've highlighted here, is provide, essentially, a grant to the borrowers. There won't be a second lien. And we won't have two sets of income limits.

When the program started out, the in-house program with the HOME program, we had to use HOME income limits and bond income limits. And you know, eventually the lenders found that confusing.

And so working with Single Family, we've determined that this method would help us, I guess, use the resources more efficiently. The old program had, I guess, contributions of 5,000, 7,500 and $10,000. And Single Family did an analysis and kind of concluded that most of the down payment assistance loans or funds or awards were in like, the $5,000 category or less.

So what we're doing is restructuring our down payment assistance offering to a certain percentage of the mortgage amount. And based on a $70,000 mortgage at 4 or 5 percent -- let's say 5 percent, that would be $3,500 down that a potential -- $3,500 that a potential borrower receives for down payment and closing cost assistance.

We selected Program 55A -- and I think I heard you read Program 55A and 55. But this is solely Program 55A right now.

MR. CONINE: Okay.
MR. JOHNSON: We selected Program 55A because it has the highest rate of the funds we have available right now, and that rate is 6.95. So staff feels that the combination of the down payment assistance with a rate that is pretty competitive -- it's pretty close to the market rates, but when you throw in the down payment assistance, it adds a certain element that is very desirable to potential borrowers.

So we are proposing this change going forward. Going forward, we probably will use premium bonds to fund these down payment awards. And I welcome any questions you may have.

MR. CONINE: You are suggesting that we go away from our existing policy of down payment assistance in three increments to a percentage of the mortgage amount? Did you say what that was?

MR. JOHNSON: Right now, for this particular program 55A, we agree upon targeting 5 percent.

MR. CONINE: Five percent. So -- and you also suggested that we do it as a grant, as opposed to a second lien at zero interest -- you know, paid upon due, or sale or refinance?

MR. JOHNSON: Yes.

MR. CONINE: Was there some discussion among staff and, I guess, why would be -- why would that be the
case? Because I've always enjoyed the concept of being able to reuse that money time and time again for future borrowers, and not just let it blow off into the wind out there on a one-time shot.

MR. JOHNSON: Well, it's a one-time shot, but at 5,000, 7,500 and $10,000, we just simply cannot keep sufficient funds to meet the demand at those levels. So it's a question of resources, availability of resources, and also we did determine that most of the awards were 5,000 or less.

In terms of having it repaid, we decided to go away from the second lien because we felt this would help us originate the funds faster through the lenders.

MR. CONINE: Do you want to comment on that, Ms. Stiner?

MS. STINER: I didn't, but --

MR. CONINE: Well --

MS. STINER: I'm looking for Ms. Morris, because I think they've done some [indiscernible] evaluation --

MR. CONINE: Okay.

MS. STINER: -- of how the program has worked. And although I know she and Mr. Johnson have talked about this, she may be able to lend some idea of what's happening with the lenders in terms of administration, not
available to borrowers themselves, and how we get those loans that we currently have out there, those second loans. They are really revolving back to the agency to be handled at this point. Ms. Morris?

MS. MORRIS: Certainly. We did do an analysis of just the history of the down payment program so that we can make adequate decisions and judgment calls. In most of these decisions, you kind of have to weigh out what are you benefitting from.

Certainly, when we get repayments back on these 30-year deferred down payment loans, it does recycle. But from history, in the program, we don't get repayment of those for quite some time. And we do have to book the loan for 30 years and watch it. Somebody sells their home, we've got to find that and release it.

Some people come to us with hardships. Either they are selling it for a loss. We've got to look at it and see if it's something we can allow to remain subordinate. Or if they refinance their home, they come to us and approach us on that. And we make judgment calls on those case by case.

But when you look at the history of some down payment programs -- and I believe we've provided a report for the audit committee from last month's request, we have six million in unpaid balance for down payment. We've
only had about 200,000 repaid.

So that's a long-term debt, and cost of funds obviously don't get any better from here to 30 years as far as the money you've lent out. The lenders have to do a separate package for the loan documentation. You've got separate recording, you know, separate processes from the first lien.

I think Byron's looking to eventually, if we build it into the bond program, you know, you're ultimately going to have a higher interest rate to help that subsidy. And that is the cost that the home buyer takes on, is maybe to not get the lowest rate, because they've got the grant subsidy. So there's the offset.

And if lenders can originate these loans quicker and more timely, it certainly benefits the home buyer in the long run. In a grant program, it's what we had done for 55. And it worked very well. And it seems to be a good initiative for our lenders to go out and focus on the affordable families and try to get those funds originated.

But as Byron said, it's continuing source problem finding subsidy for that second lien. And if we can structure it into the bonds going forward, I think that would be a better recommendation.

With regard to the history on the loans, we had
done an analysis from '90 -- June 1, '99, when we took the
program back in from Texas State Affordable Housing
Corporation, and 68 percent of the loans that have
originated in that program were 5,000 and below.

So the majority of the households have only
needed up to 5,000. And we've always encouraged our
lenders only qualify them for what they need up to. Don't
go the full limit if they don't need it to qualify for
their primary mortgage.

And a few lenders have been diligent doing
that, knowing that those dollars obviously stretch a lot
further if they could be prudent in that decision.

MR. CONINE: I guess the number I'd focus on
that -- of the numbers you just mentioned would be the $6
million number, because -- and if they're averaging less
than $5,000 per person or per family, we've got a
chance -- we won't -- we may not ultimately succeed.

But today, we have a chance in helping another
thousand or more Texas families acquire housing than we
would have had under the old grant program -- or under a
grant program.

And I, for one, think that it's worthy of the
effort that it takes on the lender's side and the
administrative side on our side to try to keep that money
in the system.
And probably, secondly, I think most of the money has been coming from the HOME Program, which was, I think, initiated in 1992. And those houses hadn't had time to sell or refinance.

So it's kind of an unfair comparison, at least in my mind, to say we only got 200,000 back out of 6 million. We've still got that chance, even though we may not get it.

MS. MORRIS: Certainly.

MR. CONINE: Here again, we've got a chance if we go through a little more hard work and effort. And I just seem to think that's an admirable quality for us as an agency to take on.

And I would like to see the -- I guess, unless there is another reason that I haven't heard yet, I would like to see the program that we're endeavoring to start -- initiate here keep the same philosophy that we've got in our HOME Program.

Any other comments from --

MR. GONZALEZ: I tend to agree.

MR. CONINE: -- any other committee members?

MR. GONZALEZ: I think that --

MR. CONINE: What hardship does that place on if we make that change? Is there any unforeseen hardships that I'm not paying attention to?
The other thing that -- the other --

MS. MORRIS: With regard to the money that --

MR. CONINE: The other thing I'd mention is the 5-, 7,500 and 10-. I believe that was set up as a policy for the department. And here we are circumventing that particular policy. And I think my recollection recalls that that was set up for a population of various counties.

MS. MORRIS: Uh-huh. It was.

MR. CONINE: Our purpose is so that we can get more money into the rural Texas. And if we were to go to just a percentage of the mortgage amount, theoretically, we'd be accused of skewing more down payment assistance back into the cities, and I'm not sure that's a road we want to go down today.

So kind of -- there's two issues to kind of focus on.

MR. JONES: I noticed that Mr. Machak was at the podium for a moment there. And I always loved to hear Mr. Machak address us.

I didn't mean to interrupt anything. But maybe it was --

MR. JOHNSON: With regard to building -- or getting a -- creating a revolving program, I've spoken with Gary, and he's going to come up and say -- but we might be able to build that into this program also. But
we have to talk to the bond counsel and see what the tax implications are.

MR. CONINE: Okay.

MR. JONES: And she happens to be here. Yes, I'd just be interested in if you think Mr. Conine has a good idea.

MS. STINER: That's Elizabeth, too, so --

MR. JONES: Yes.

MR. CONINE: We've got them all coming over here.

MR. JOHNSON: Yes, we've got them coming out of the woodwork.

MR. JONES: Yes, we have the whole crew.

MR. MACHAK: Good thing we're all here at one time. I think that the proposal that's made by Mr. Conine and the Finance Committee is one that should be looked at.

You know, on the other hand, there are hardships in doing that.

I think it would be very easy to do that with -- I mean, I think it's possible to do it with this money that's committed to 55A because it's the source of the funds.

In terms of doing it on a future bond program where those proceeds are raised from premiums that are associated with the bonds, there may be some legal
question on whether that has to be a grant, or whether it can be repaid. And I defer to Elizabeth --

MS. RIPPY: Well, ultimately, the question turns on whether under state law you can finance more than 100 percent of the purchase price and still have that purchase money security interest that's supporting your mortgage.

So we'll have to look at this. We'll have to look at the source of the funds. We will have to look at the total amount being financed for the homeowner, whether it exceeds the purchase price of their home.

It may be that we can do part of it as a loan that needs to be repaid up to the 100 percent number, but that the amount in excess of the purchase price of the home is going to have to be structured as a grant, because basically, your lien won't be affected.

MR. CONINE: You -- in excess of 100 percent? You're talking about closing costs and other things that are added onto the --

MS. RIPPY: I'm talking about costs. Exactly.

MR. CONINE: Okay.

MS. RIPPY: Right.

MR. JONES: I could understand how your lien won't be affected, but --

MS. RIPPY: You could always have the -- just a
covenant that they would --

    MR. JONES: Yes.

    MS. RIPPY: -- repay.

    MR. JONES: Okay.

    MS. RIPPY: I just want you to be clear that you may not have a real second lien on that portion of it.

    MR. JONES: I understand. And to that extent --

    MS. RIPPY: And they'll have to take a look at it.

    MR. GONZALEZ: Of the 200,000, how many payments were made because of sales of homes? Do you have an idea?

    MS. MORRIS: I would say all of them would have been for that purpose. Very few people have refinanced and paid off. Usually, if it's a rate term, and they're in their same situation, we allow it to stay subordinate. But that would have been in full -- just pay off the mortgage.

    MR. JONES: If I understand what's being said with regard to this proposal, with regard to 55A, and you -- then Gary and Elizabeth and our whole crew here are saying that it can be done in that Mr. Conine's recommendation doesn't throw any monkey wrenches into the gears.
MS. MORRIS: Correct. Because I believe this -- these funds could be handled internally and we would just continue the down payment program. Keep in mind, though, when I've come back to the last couple of board meetings for the million-dollar request, and then a second million-dollar request, we went through those funds in a matter of weeks.

And if we continue the 5,000, 75- and 10-level, that money would probably only be available to the lenders for literally, within a month, because that's how quickly they will originate those, because the dollars go faster.

MR. CONINE: That's good.

MS. STINER: It may be a good thing.

MR. CONINE: I don't like it sitting around here either. Yes, ma'am?

MS. STINER: One of the things that we had talked about when we were making this proposal is that I guess we do what the legislature did this session. We could certainly continue our program. We just don't have the funds to put into it right now.

But we thought the 5-, 7- and 10-, in those few instances where there were families that needed to get the ten, it works well. But as Ms. Morris has indicated, the profile of our typical borrower is about $5,000.
But we kind of like the idea of having it available to us. We just don't have a revenue source. And if we're going to raise those -- if we're going to use our future issues to do that, then we will be precluded, as you've heard this morning, from doing that.

But to leave this program intact, our original program, and keep looking to find us a revenue source we could put in it, I just don't know right now where that will come from.

MR. JOHNSON: And we are working to try to find a continuous funding stream for that program. We're not going to dismantle it or anything like that. But we have mortgage -- lendable funds sitting out there. And we don't have down payment assistance. We're just trying to pump up the program, if you want to call it that.

MR. CONINE: Let me ask an unrelated question. And that would be, what has been happening to these funds and other bond issues we've done historically? Have they -- where has that money gone? And has it been sitting around and been gathered up with some retries, or what?

MR. JOHNSON: Well, I'm not certain. But we've done some refundings. Those refundings have produced zero percent monies. Some of those zero percent funds could be used for the second program that we have.
But the remainder of those funds are highly restricted by the Tax Code, and must be used for first-time home buyers. Must be -- the loan must be securitized or FHA-insured. And there is just other restrictions that -- and there is a specific restriction that it can't be used for a second-lien loan.

So if we were to use those funds, it would take probably a lot of legal work. We'd probably come out with the same answer. On the terms of the CMO funds, that pool is gone.

MS. STINER: I'm just going to add that we've pretty much scrubbed every revenue source we have. The staff went along with ICFO -- we've looked at every revenue source, as Mr. Johnson indicated.

I assume the more collateral has mortgage obligations, but we've pulled every cent we can out of that right now. It's just going to be -- and given the restrictions we do have now, the HOME Program as being a source of that, we just don't have any funds available to us right now.

We've got the restrictions that you've talked about in terms of being the first mortgages that's available to continue the fund our [indiscernible] program.

MR. JONES: Mr. Chairman, I would move that we
approve and submit to the board for approval the funding
for additional down payment assistance for Program 55A
suggested by staff, with the revision that you made.

MR. CONINE: Which would be using our existing
down payment assistance policy, like on the HOME Fund and
so forth? Is that appropriate?

MR. JOHNSON: Is that just for revolving the
loans? That -- and also for repayment of the principle if
the house is sold or something like that?

MS. STINER: I think he's talking tiered as
well?

MR. CONINE: Tiered as well. Tiered.

MS. MORRIS: Tiered as well as the second lien.

MR. CONINE: Yes, I think -- I'm not sure of
the -- sure of any measurable purpose to deviate from our
existing policy that we set for our program that we get
year after year after year.

MR. JOHNSON: Given that, we could just deposit
the funds in the program as it exists, and just not go
through this in terms of setting up in the indenture.

MR. CONINE: Well, wasn't there -- there was
one advantage. I've heard income on it mentioned a minute
ago, on some of the HOME Funds. And maybe there is some
play in that area.

Is there an advantage, Ms. Stiner, in using it
as a separate fund?

MS. STINER: I'm going to defer to Ms. Morris. Off the top of my head, I can't think of any.

MS. MORRIS: No, that was just an added caveat, so to speak, to make it a little simpler for the lenders, because if they were looking at one loan, you know, they'd need to look at one limit.

But if we're going to just keep it consistent, we could just stay with the 80 percent of HUD limits, which is what we use instead of bond limits, so not to confuse them. Because as these funds run out, you know, they may have a whole different option to look at going forward.

So probably it wouldn't make sense to change it right now, just keep it 80 percent. That's what they're used to. And they're just waiting for a signal that they've got more money, you know, to start originating on.

MR. CONINE: But weren't you also trying to match this down payment assistance money up with 55A specifically?

MS. MORRIS: Yes, if it was a single loan transaction. But if we're going to do it as a first and second, there is not necessarily an advantage other than the lenders will be doing what they have normally been doing, which is looking at two sides of --
(Laughter.)

MS. MORRIS: They want the money so bad, they don't care at this point.

MR. JONES: Well, I suggest we meet it. I'll withdraw my motion. And why don't we just let the full board consider this.

MR. CONINE: Okay. Any --

MR. GONZALEZ: That's a good idea.

MR. CONINE: All right. You're going to make me give that speech again, are you?

MR. JONES: I'd --

MR. CONINE: Okay. We'll move this item to the full board agenda and have another discussion at that point. Okay.

All right. Moving onto Item 5, Presentation, Discussion and Possible Approval of the Review of the Building Reconfiguration Project. Ms. Stiner?

MS. STINER: Thank you, Mr. Chair. I think I will just in my introductory remarks say that you're in a pickle in terms of spacing for this building and the requirements of General Service that's relative to the new space requirement for employee --

We visited with you all a little bit about this when you were presenting the budget. But there are some real definite time lines that we are concerned with.
I'm going to ask John Gonzalez -- Mr. John Gonzalez, who is the Director of Administrations that includes facilities, to come forward and make a presentation for authority to exceed our capital budget to get this reconfiguration done.

MR. GONZALEZ: Good morning, Mr. Chair.

MR. CONINE: Good morning.

MR. GONZALEZ: Members of the board, Ms. Stiner.

MS. STINER: Good morning.

MR. GONZALEZ: As Ms. Stiner said, I'm John Gonzalez, Director of Administration. I do have some background for you. We made a presentation at the board last August to approve the budget that we have [indiscernible] in the capital budget for that time for funds to reconfigure the building.

Because of legislation, and not knowing where we really were going to wind up, we are going to request that we receive a waiver from the LBB for expenditure of the full amount that we budgeted, even though more than likely, we will not spend that whole money.

We will come back later and ask you for approval for some new configuration for next year, because that's when we believe that we will need a majority of funds to continue our reconfigurations. Things have
changed considerably over the last few months.

I do have a background presentation for you that you -- that I'd like to pass out for you for you to look at. And we are requesting today is your approval to send to the LBB, Mr. John Keel, and to Mr. Wayne Roberts of the Governor's Office, a request to exceed the capital budget by no more than the money we had budgeted in the budget for this fiscal year, which is $275,000.

We need to get this approval from the LBB as soon as possible, because we need to start building and letting out contracts by June so we can finish by August 31. We do have to vacate the third floor by the end of the fiscal year, which is August 31.

Any questions?

MS. STINER: You have been a little constrained by what is going on relative to sunset. We didn't know exactly how we're going to end up, and now that we have a bill that of course is subject to -- where it gets a 20 days, it seems the government is going to do that.

We do have a sunset bill that makes some pretty sweeping recommendations in terms of staffing. But those recommendations also recognize the fact that the staff of the two divisions that will no longer be a part of the department will still enter into an agreement with the department to lease space.
So we have so many iterations of how this could finally end up, we thought the most prudent thing at this time would ask -- be to seek authority to seek a capital budget only by this amount that would enable us to vacate the third floor by 8/31.

MR. GONZALEZ: That is correct.

MS. STINER: But we sorely would need to revisit the board again once we are a bit more firm and after we go into those negotiations with the new department, ORCA, Office of Rural Community Affairs and the Manufactured Housing Division that would still be leasing space from the department on the tenth floor.

So we'll be visiting with you again, but today's request is reflective of I need to be out of that space because of the 153-square-foot requirement --

MR. GONZALEZ: That is correct.

MS. STINER: -- per employee by 8/30.

MR. GONZALEZ: This waiver will give us the flexibility if -- again, not knowing what the final legislation is going to be out of a sunset bill, we have to prime for the --

MR. JONES: We don't know that? I mean --

MR. GONZALEZ: We have an idea, but until the governor signs the bill --

MR. JONES: Okay. But I mean --
MR. CONINE: We have a pretty good idea now, don't we, Ms. Stiner?

MR. GONZALEZ: We have a pretty good idea, yes.

MR. CONINE: I mean, I don't know the --

MS. STINER: Yes. But we don't have an idea of it's whether or not the employees will be physically leaving this -- the building or not.

MR. GONZALEZ: The building or not.

MS. STINER: The sunset bill required that we enter into negotiations -- well, get into an agreement with the receiving agency. And since that agency has not been formed yet, I think the bill -- and someone can help me who is having -- has until at least November of this year before that body will be formed.

That's when we will start up negotiating with them. But we feel that the staff will be here until then. But we don't know what the future holds in terms of whether the staff will remain here, or be able -- or will have to leave the building and go to new space.

MR. JONES: Well, yes. And I understand that what's driving this obviously is that we're not going to have as many employees as we did in the past, and therefore, are not entitled to as much square footage under state law.

A couple of questions. The first question
would be, how much are we going to save in rent by reducing our space?

MR. GONZALEZ: If we lose a whole floor, that's about $9,500 in -- no, 9,500 square feet that we're going to be losing. And I forget, how much is that?

MS. RANDOW: 116,000.

MR. JONES: A year?

MR. GONZALEZ: Per year.

MR. JONES: So we lease or rent.

MR. GONZALEZ: Uh-huh.

MR. JONES: Secondly, the only concern I have about this is the recommendation, and I understand what's driving this, if we want to be -- have the flexibility --

MR. GONZALEZ: Correct.

MR. JONES: -- particularly in the next three months, to be able to adjust to what comes out of these negotiations and what comes out of our interpretation and implementation of the legislation that has just been passed.

Having said that, it does concern me that the recommendations are so kind of broad, and without detailed foundation. But maybe -- I guess what I'm hearing from staff is that's just impossible.

MS. STINER: Well, the only caveat I would make to this is that the recommendations before you is based on
very specific requirements, that we have to vacate the third floor of this building by 8/31. And these funds will allow us to do that.

Beyond that, we don't have any more specific recommendations at this time, as relative to how it will be configured once those agreements have been reached with the receiving agency and with the new board of the Manufactured Housing Division.

But this action is very specific, our need to vacate the space --

MR. GONZALEZ: The third floor.

MS. STINER: -- on three -- by 8/31.

MR. GONZALEZ: Yes, and if you'll look at the material that I gave you, it points out several different scenarios that we were looking at.

Depending on how the legislation came out, and depending on the memos of understanding between TDHCA and ORCA and Manufactured Housing, there -- the prices there reflected what we saw back the first of the year on construction costs.

Construction costs had gone up considerably in Austin at that time. Now, the construction costs have gone down a little bit more. So those figures were based on that.

Not knowing how construction costs are going to
be by the time we really start, we need to go ahead and plan for the full amount that we had approved for in the budget in August of last year, which is that 275,000.

But we do need to be off of the third floor by the end of the fiscal year, August 31.

MR. JONES: And I certainly understand that. The cost estimates, the detail or backup for them -- you know, what the board's seeing is basically nothing in that regard, I don't think.

MR. CONINE: Well, this is just the -- my understanding, Mike, is what he's doing is ignoring sunset.

MR. JONES: I understand.

MR. CONINE: And this is what we've got to do based on what happened. And then we'll have a little time to put together the two new groups, or the two subgroups, or whatever you want to call them.

The interesting analysis would be to use the 153 Rule on the two new ones, and see if we get stuck with more pro rata space. And you can kind of work through that. And that's going to take some time to figure all that out. And somebody on the other side to talk to you is currently not there. So --

MR. GONZALEZ: Right. It's been a very interesting --
MR. CONINE: It's going to be a challenge.

MR. GONZALEZ: -- challenge to put this thing together and try to come to the board and try to give you some information, because there's been that, that nebulous for our --

We've tried to put together the best scenarios that we could so you could see kind of an overall view of what we were trying to plan.

Any other questions?

MR. CONINE: Any other questions from the committee? Do I hear a motion to approve?

MR. GONZALEZ: So moved.

MR. CONINE: Motion to approve Item 5 on the agenda and make a request for the LBB for the additional funds to get off of the third floor? Is there a second?

MR. JONES: Reluctantly. But I -- you know, I think that --

MR. CONINE: Reluctantly.

MR. JONES: Yes. I think that we're doing the best we can under the situation. To make a request like this -- we're --

MR. GONZALEZ: What are the alternatives?

MR. JONES: And I don't think there is one. So I second it.

MR. CONINE: Motion has been made the same --
MR. GONZALEZ: Did you remove the "reluctant"?
MR. JONES: No, it's still there. For the record.

MR. GONZALEZ: We've been in discussions with the LBB analyst. And he understands our situation also.

MR. CONINE: Okay. Good. Any further discussion? All those in favor of the motion say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: So it carries.

MR. GONZALEZ: Thank you.

MR. CONINE: Going back to Agenda Item Number 2, we -- that needed a resolution number to go with that motion that we approved. That resolution is 01-15. And if we could make a motion on the approval of Item 2, add that to his approved motion, I think we should get that done. Are you okay with that?

MR. JONES: I love it.

MR. CONINE: We will add Resolution 01-15 to the approval of Item 2. Any other items or report items, Ms. Stiner?

MS. STINER: No, sir. Not for this committee.

MR. CONINE: Okay. As a rookie chairman, I've enjoyed the first go-round. We stand adjourned.
(Whereupon, at 11:00 a.m., the Finance Committee hearing was concluded.)
CERTIFICATE

MEETING OF:         TDHCA Finance Committee
LOCATION:         Austin, Texas
DATE:             May 30, 2001

I do hereby certify that the foregoing pages, numbers 1 through 37, 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.

06/05/01
(Transcriber) (Date)

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